



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Attestation Report

Incurred Cost Audit of Three EPA Cooperative Agreements Awarded to National Tribal Environmental Council, Inc.

Report No. 10-4-0067

February 17, 2010

Report Contributors:

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Bill Spinazzola
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Abbreviations

CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
FCTR	Federal Cash Transaction Report
FSR	Financial Status Report
FY	Fiscal Year
NTAA	National Tribal Air Association
OIG	Office of Inspector General
OMB	Office of Management and Budget
WRAP	Western Regional Air Partnership



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We conducted this examination to determine whether reported incurred costs for three U.S. Environmental Protection Agency (EPA) cooperative agreements awarded to the National Tribal Environmental Council (recipient) were reasonable, allocable, and allowable in accordance with the terms and conditions of the agreements and applicable regulations.

Background

EPA awarded one agreement to the recipient to facilitate the participation of Western Indian Tribes in the Western Regional Air Partnership. EPA also awarded two agreements for the continued support of the National Tribal Air Association program.

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

To view the full report, click on the following link:
www.epa.gov/oig/reports/2010/20100217-10-4-0067.pdf

Incurred Cost Audit of Three EPA Cooperative Agreements Awarded to National Tribal Environmental Council, Inc.

What We Found

We questioned \$2,802,222 of the \$3,586,445 reported because the recipient claimed unsupported costs of \$2,768,490 and ineligible costs of \$33,732 that did not comply with the financial and program management standards of Title 40, Code of Federal Regulations, Subpart B, Part 30.

While the recipient's work plans describe activities and planned deliverables, they do not include a description of the recipient's goals or objectives for its participation in the Western Regional Air Partnership and National Tribal Air Association. Without the goals and objectives, the annual reports could not include a comparison of accomplishments with the objectives for the period, as required by Title 40, Code of Federal Regulations, Subpart B, Part 30.51. As a result, EPA cannot determine whether the funds EPA provided the recipient achieved their intended purpose.

What We Recommend

We recommend that EPA's Director for Grants and Interagency Agreements Management Division and the Region 9 Regional Administrator require the recipient to provide adequate support for the \$2,768,490 questioned as unsupported, and disallow and recover any costs that the recipient cannot support; and recover the \$33,732 in ineligible costs.

In its response, the recipient provided explanations for the costs we questioned as unsupported and ineligible, but did not provide information sufficient to revise our conclusion. The recipient did describe the actions it was taking to address the questioned costs.

We also recommend that EPA work with the recipient to develop (a) work plans that identify goals and objectives for the recipient's activities to support the Western Regional Air Partnership and National Tribal Air Association, and (b) performance reports that include a comparison of accomplishments with goals and objectives in the work plan. EPA concurred with the recommendation.



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

OFFICE OF
INSPECTOR GENERAL

February 17, 2010

MEMORANDUM

SUBJECT: Incurred Cost Audit of Three EPA Cooperative Agreements
Awarded to National Tribal Environmental Council, Inc.
Report No. 10-4-0067

FROM: Melissa M. Heist
Assistant Inspector General for Audit

Melissa M. Heist

TO: Howard Corcoran
Director
Office of Grants and Debarment

Jared Blumenfeld
Regional Administrator
Region 9

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. EPA managers in accordance with established audit resolution procedures will make final determination on matters in this report.

The estimated cost of this report – calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time – is \$353,113.

Action Required

In accordance with EPA Manual 2750, Chapter 3, Section 6(f), you are required to provide us your proposed management decision for resolution of the findings contained in this report before you formally complete resolution with the recipient. Your proposed decision is due in 120 days, or on June 17, 2010. To expedite the resolution process, please e-mail an electronic version of your proposed management decision to kasper.janet@epa.gov.

We have no objections to the further release of this report to the public. This report will be available at <http://www.epa.gov/oig>. If you or your staff have any questions regarding this report, please contact Janet Kasper at (312) 886-3059 or the above e-mail address, or Leah Nikaidoh at (513) 487-2365 or nikaidoh.leah@epa.gov.

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Chapter 1

Background

We audited three cooperative agreements awarded by the U.S. Environmental Protection Agency (EPA) to the National Tribal Environmental Council, Inc. (recipient). EPA awards for these agreements totaled \$4,825,081. The recipient is a nonprofit organization headquartered in Albuquerque, New Mexico. EPA awarded agreement XA97913701 to the recipient to facilitate the participation of Western Indian Tribes in the Western Regional Air Partnership (WRAP). It also awarded two agreements (XA83200101 and XA83376601) for the continued support of the National Tribal Air Association (NTAA) program. EPA awarded all three agreements under the Clean Air Act.

Table 1-1 provides information about the authorized project periods and funds awarded under each agreement:

Table 1-1: Schedule of Agreement Information

Agreement No.	Award Date	Total Project Period Costs	Total Outlays	Project Period
XA97913701	02/21/2002	\$2,761,380	\$2,416,877	03/01/2002 – 10/15/2009
XA83200101	09/28/2004	1,058,701	1,058,370	10/01/2004 – 09/30/2007
XA83376601	11/20/2007	1,005,000	111,198	10/01/2007 – 09/30/2010
Total		\$4,825,081	\$3,586,445	

Sources: EPA assistance agreement award documents, expenditures the recipient reported for agreement XA97913701, recipient final Financial Status Report (FSR) for agreement XA83200101, and a quarterly FSR for agreement XA83376601, as of March 31, 2008. For agreement XA97913701, the recipient provided the OIG with a report of incurred costs through March 31, 2008. The recipient did not provide this report to EPA for review or approval. We relied upon this report to perform our examination.

Throughout the report, we use the terms *ineligible questioned costs* and *unsupported questioned costs*. Ineligible questioned costs are outlays that are contrary to a provision of a law, regulation, agreement, or other documents governing the expenditures of funds. Unsupported questioned costs are outlays that are not supported by adequate documentation.

Chapter 2

Independent Auditor's Report

We examined total outlays by the recipient under the EPA agreements as shown below:

Table 2-1: Total Outlays

Assistance Agreement	Final Status Reports/Incurred Costs		
	Date Submitted	Period Ending	Total Outlays
XA97913701	01/07/2009	03/31/2008	\$2,416,877
XA83200101	02/01/2008	09/30/2007	1,058,370
XA83376601	06/23/2008	03/31/2008	111,198
Total			\$3,586,445

Sources: EPA assistance agreement award documents, expenditures the recipient reported for agreement XA97913701, recipient final FSR for agreement XA83200101, and a quarterly FSR for agreement XA83376601, as of March 31, 2008. For agreement XA97913701, on January 7, 2009, the recipient provided the OIG with an unsigned and undated report of incurred costs through March 31, 2008. This was the most current incurred cost information that the recipient could provide to us. Therefore, we relied upon this report to perform our examination.

We examined the recipient's report of outlays covering the period of the agreements' inception to March 31, 2008. Preparing these reports of outlays is the recipient's responsibility. The Office of Inspector General's (OIG's) responsibility is to determine whether the reported outlays are allowable in accordance with the terms and conditions of the agreements and applicable EPA regulations.

Our examination was conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, and the attestation standards established for the United States by the American Institute of Certified Public Accountants. We also followed the guidelines and procedures established in the OIG's *General Project Management Handbook*, dated May 8, 2008. We examined, on a test basis, evidence supporting the reported outlays, and performed such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We questioned \$2,802,222 of the \$3,586,445 reported because the recipient claimed unsupported costs of \$2,768,490 and ineligible costs of \$33,732 that did not comply with the financial and program management standards of Title 40, Code of Federal Regulations (CFR), Subpart B, Part 30.

In our opinion, with the exception of the questioned outlays discussed in the preceding paragraph, the outlays present fairly, in all material respects, the allowable outlays incurred in accordance with the terms and conditions of the agreements and applicable laws and regulations, as of January 30, 2009. Details of our examination are included in the *Results of Examination and Schedule of Outlays and Questioned Costs* that follow.

Janet Kasper

Janet Kasper
Office of Inspector General
U.S. Environmental Protection Agency
January 30, 2009

Chapter 3

Results of Examination - Review of Costs

We questioned \$2,802,222 of the \$3,586,445 in outlays because the recipient claimed ineligible costs of \$33,732 and unsupported costs of \$2,768,490. These weaknesses and the resulting questioned costs are presented by agreement in Table 3-1 and described in the following paragraphs. Details by agreement and cost category are included in the **Schedules of Outlays and Results of Examination** later in this report.

Table 3-1: Total Reported Outlays and Questioned Costs

Assistance Agreement	Total Reported Outlays	Outlays Questioned as Ineligible	Outlays Questioned as Unsupported
XA 97913701	\$2,416,877	\$0	\$2,012,300
XA 83200101	1,058,370	33,732	664,956
XA 83376601	111,198	0	91,234
Total	\$3,586,445	\$33,732	\$2,768,490

Sources: Reported outlays from the recipient's FSRs and report of expenditures. Amounts questioned based on OIG analysis.

Indirect Costs

The recipient reported total indirect costs of \$562,845, for the three agreements in our review. We questioned \$507,661 as unsupported because the recipient:

- Did not have approved rates for the fiscal years reported
- Was late in submitting new proposals for indirect cost rates
- Did not comply with agreement conditions that stated indirect costs were not allowable without approved indirect rates
- Included items of specifically unallowable costs
- Did not identify and segregate direct and indirect costs for Fiscal Year (FY) 2002 through FY 2005

Table 3-2 shows the total reported and questioned costs by agreement; related notes explain the basis for questioning these costs.

Table 3-2: Schedule of Indirect Questioned Costs

Agreement	Indirect Costs Reported	Unsupported Questioned Costs	Allowable Costs	Note
XA 97913701	\$299,659	\$299,659	\$ 0	1,2,3
XA 83200101	238,188	183,004	55,184	1,2,3,4
XA 83376601	24,998	24,998	0	1,3
Total	\$562,845	\$507,661	\$55,184	

Sources: Reported cost data from recipient's outlay reports. Unsupported, questioned, and allowable cost information based on OIG analysis.

Indirect costs reported were determined to be unallowable and questioned for the following reasons:

Note 1: *Lack of Approved Rates.* The recipient did not submit its final indirect cost rate proposals for FYs 2002, 2003, 2006, 2007, and 2008.

The terms and conditions of these agreements required the recipient to submit its indirect cost rate annually to its cognizant agency. The cognizant agency must approve the rate before the recipient can draw any funds for indirect costs. Title 2 CFR Part 230, Appendix A, subparagraph E.2.c¹ requires nonprofits having a previously established indirect cost rate to submit a new indirect cost proposal to its cognizant agency within 6 months after the close of each fiscal year.

The recipient claimed indirect costs for FY 2004 through FY 2008 using various indirect cost rates, but has only approved final indirect cost rates for FYs 2004 and 2005. The recipient did have a provisional approved rate for FY 2006; however, it was required to submit for negotiation and approval a final rate for that year. The recipient's fiscal year ends December 31 and all final indirect cost rate proposals would be due by June 30 of the following year.

The recipient stated that the reason for the nonsubmission of indirect cost rate proposals was a shortage in staff and delays in obtaining single audits with audited financial statements. As of completion of our field work on January 30, 2009, the recipient had not submitted a proposal for a new rate.

Note 2: *Noncompliance with Agreement Provisions.* The recipient did not comply with the provisions of its agreement to have an approved cost rate before claiming indirect costs for agreements XA97913701 and XA83200101. Agreement XA83376601 did not contain any conditions on indirect costs.

¹ Title 2 CFR Part 230 was formerly Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*. The Circular was relocated to 2 CFR Part 230 on August 31, 2005. Except for the reference numbers, the Circular did not change. All provisions in effect prior to August 31, 2005, remain in effect.

The recipient's agreement XA97913701 initial award budget prohibited indirect costs. Amendment No. 6, terms and conditions, dated July 24, 2007, allowed for indirect costs to be claimed, but the recipient should not claim for reimbursement any indirect costs unless an indirect cost proposal is approved for the period in which indirect costs are being claimed.

The award for agreement XA83200101, dated September 28, 2004, included a condition that if the recipient does not have a previously established indirect cost rate, it will submit one to EPA within 90 days of the effective date of the award. Amendment No. 1 to the agreement, dated January 10, 2006, included a condition that the recipient should not include indirect costs in payment requests until an indirect cost rate is negotiated and signed.

Note 3: *Time Reporting System Not in Compliance with Regulations.*

Prior to January 16, 2006, the recipient did not provide employee timesheets that report all actual direct and indirect activities of each employee, as required by Title 2 CFR Part 230. Because the recipient did not comply with requirements and labor costs are part of its allocation, we questioned as unsupported the indirect cost pools and related base costs. See *Unsupported Personnel Costs* below for further detail.

Note 4: *Allowable Costs.* The \$55,184 of allowable costs for agreement XA83200101 reflects the approved indirect cost rates for FYs 2004 and 2005, applied to the allowable direct cost base. The allowable direct cost base is the reported amount less audit adjustments for questioned labor, fringe benefits, procurement related items, and other costs. We discuss each of these items in other sections of this report. The allowable amount may need to be adjusted once the recipient makes recommended adjustments to reported costs.

Recipient Response and OIG Analysis

In responding to the draft report (see Appendix B) the recipient provided a historical perspective on its submission and EPA's action on indirect costs. The recipient explained that it submitted an indirect cost rate proposal to EPA for FY 2001, but EPA never responded. The FY 2001 proposal used the direct allocation methodology and proposed a rate of 41.79 percent. In lieu of an approved final indirect cost rate, the recipient used the direct allocation method for program support costs. The recipient stated that this was the understanding between it and the EPA project officer for agreement XA97913701, and the approved budgets reflected line items that included program support costs. We reviewed the original grant budget and agree that, in lieu of identifying indirect costs in the budget, the recipient included in "Other Costs" such items as rental space, postage, audit services, and other types of costs that would be considered indirect. However, we were unable to find any evidence to support the recipient's specific statement regarding an understanding between it and the EPA project officer.

The recipient provided information regarding the application of provisional indirect cost rates for agreement XA83200101. The recipient stated for the first two years of the agreement (2004 and 2005), the EPA grants office and project officer approved indirect cost rates of 41 percent and 40 percent. However, our review found that the provisional rate was only applied to FY 2005. In FY 2006, EPA and the recipient negotiated a final indirect cost rate of 29 percent for FY 2004. This same rate was established as the provisional rate for FYs 2005 and 2006. At that juncture, the recipient applied the 29 percent provisional rate to FY 2006 costs; it thought that the 29 percent rate was not to be applied to the prior two years (FYs 2004 and 2005), as these years had already been closed, and EPA's project officer did not require the recipient to amend the prior years' financial reports. In 2008, the recipient negotiated a final indirect cost rate of 43.6% for FY 2005. As part of its reconciliation process and resubmission of final financial status reports (FSRs) for agreement XA83200101, the recipient should apply the appropriate indirect cost rates for FYs 2004 and 2005. The recipient will also need to apply the appropriate FY 2006 indirect cost rate, once it has been prepared and submitted to EPA for approval.

The recipient agreed that final indirect cost rates were not established for FYs 2002 and 2003, and stated that to resolve this issue, it would submit indirect cost rate proposals for each of those years to the National Business Center. The recipient also agreed that it did not submit indirect cost rate proposals for FY 2006 through FY 2008. The recipient cannot submit its proposals until it completes the related single audit reports. The recipient discussed its ongoing efforts to complete this work. We concur with the recipient's efforts. The recipient and EPA should agree upon milestone dates for the completion of these audits.

Regarding time reporting issues, the recipient stated that it modified its employee timesheets after January 2006 to account for the program activities and hours for each employee. During our audit, we confirmed that this was correct. To comply with Title 2 CFR Part 230, the recipient must review and amend timesheets prior to that date. Staff turnover complicates this task; former employees are not available to assist with this task. It may be possible to reconstruct timesheets for an employee that was associated with a single program. However, it would be difficult to reconstruct timesheets for any employee who was associated with more than one program. While reconstructing the timesheets may be difficult, it is required in order for the costs to be allowable.

Direct Allocation Method Used to Report Costs

The recipient reported indirect costs using the direct cost allocation method for agreement XA97913701 from the start of the project period in March 2002 until September 30, 2005. Under this method, the recipient charged indirect costs directly to agreement XA97913701. Because the indirect cost rate agreements did not disclose this method, the costs are unallowable for reimbursement. Therefore, we question claimed directly allocated costs of \$1,095,121 as unsupported.

Title 2 CFR 230, Attachment A, Section E requires nonprofit organizations to submit an indirect cost proposal to the cognizant organization for review. The cognizant organization uses the proposal to negotiate the indirect cost rate. The recipient's proposal indicated it would use the modified total direct cost method for allocating indirect costs. The recipient certified in its 2005 indirect cost proposal that it accounted for similar costs consistently, and the recipient allocated these costs to grant agreements based upon a causal/beneficial relationship. The recipient specifically certified that costs treated as indirect were not claimed as direct costs.

Title 2 CFR 230, Attachment A, Section B.1 states that a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstances, has been allocated to an award as an indirect cost. While reviewing the recipient's accounting records, we identified various categories of costs that the recipient charged to agreement XA97913071 as direct costs (see Table 3-3), but later identified in its 2005 indirect cost proposal as indirect costs.

The recipient stated that it charged indirect costs directly to agreement XA97913701 because the agreement did not include a provision for charging indirect costs. We confirmed that the agreement did not include an allowance for indirect costs.

We therefore questioned \$1,095,121 as unsupported for all direct costs reported for agreement XA97913701 for FY 2002 through FY 2005, until the recipient separates its directly allocated costs from its direct costs and has its method of allocating costs presented as part of its indirect cost proposals.

Table 3-3: Indirect Costs Claimed as Direct

Cost Category	FY 2002	FY 2003	FY 2004	FY 2005	Total
Personnel	\$ 61,792	\$ 88,694	\$ 142,627	\$ 109,976	\$ 403,089
Fringe Benefits and P/R Taxes	5,372	18,713	31,640	17,155	72,880
Contractual Services	82,416	24,255	23,998	40,045	170,714
Board Expense	-	-	-	10	10
Travel	46,028	67,110	81,781	59,643	254,562
Conferences and Meetings	125	7,583	5,623	1,458	14,789
Training and Development		1,171	655	1,275	3,101
Advertising	-	3,988	1,620	-	5,608
Supplies	4,244	3,738	6,206	622	14,810
General Expenses	6,091	19,233	15,143	8,695	49,162
Occupancy	20,032	30,206	38,988	5,329	94,555
Property Rent and Maintenance	1,784	3,611	3,165	-	8,560
Property	523	-	-	1,680	2,203
Other Income and Expenses	-	1,012	66	-	1,078
Total	\$228,407	\$269,314	\$351,512	\$245,888	\$1,095,121

Sources: Reported cost data from recipient's outlay reports. Questioned and allowable cost information based on OIG analysis.

Recipient Response and OIG Analysis

In its response, the recipient explained that for agreement XA97913701, the EPA project officer permitted the recipient to directly allocate charges to direct line items. These directly allocated charges were often coded in separate line items as “IDC” in its accounting system. This coding should aid in separating the indirect costs from direct costs. The recipient will analyze the FY 2005 indirect cost proposal and separate the directly allocated costs from direct costs. For FY 2002 through FY 2004, the recipient will conduct a similar analysis and document the method of allocating costs to indirect cost proposals.

We concur with the recipient’s plan to analyze costs for FY 2002 through FY 2004 and submit its proposals to EPA. Once EPA negotiates the indirect cost rates, the recipient will need to submit revised FSRs to reflect any adjustments in direct and indirect costs.

Reconciliation of Outlays

The recipient could reconcile and support costs reported for only one of the three EPA agreements reviewed. Reported amounts for agreement XA83376601 agreed to accounting records without exception. The recipient could not reconcile reported costs to its accounting records for the remaining two agreements. This resulted in unsupported questioned costs of \$24,899 for agreement XA83200101 and \$196,152 for agreement XA97913701.

We discussed the reconciliation process with the recipient. Prior to FY 2007, an outside accounting firm prepared the recipient’s FSRs that were provided to EPA. That accounting firm is now dissolved and the recipient’s staff has no knowledge of how these reports were prepared and reconciled to the accounting records. The recipient began preparing its own reports beginning in FY 2007. Since then, the recipient has made improvements in its financial management system.

Title 2 CFR 230, Appendix A, subparagraph A.2.g states that to be allowable, costs must be adequately supported. In addition, Title 40 CFR 30.21(b)(1) requires a recipient’s financial management system to provide accurate, current, and complete disclosure of financial results of each federally sponsored project.

Table 3-4: Questioned Unreconciled Costs

Agreement	Reported Costs	Costs Supported by Accounting Records	Unsupported Questioned Costs	Note
XA97913701	\$2,416,877	\$2,220,725	\$196,152	1
XA83200101	1,058,370	1,033,471	24,899	2
XA83376601	111,198	111,198	0	
Total	\$3,586,445	\$3,365,394	\$221,051	3

Sources: Reported cost data from recipient's outlay reports. Questioned and allowable cost information based on OIG analysis.

Note 1: Unsupported Journal Entry. The recipient recorded an accounting entry totaling \$196,152 under agreement XA97913701 for the period March 1, 2002, to December 31, 2002, which affected various general ledger accounts. The December 31, 2002, entry represents expenditures incurred and recorded in the previous system and carried forward to a new system. The recipient was unable to provide any detail or supporting documentation regarding this entry.

Note 2: Unsupported Reported Costs. Our comparison of amounts reported by the recipient to its accounting records show that \$24,899 of costs is unexplained.

Note 3: Misclassified Travel Costs. Included in the costs for agreement XA97913701, the recipient allocated \$5,553 in travel and meeting expenses directly to the agreement that should have been included in the indirect costs allocation pool.

Recipient Response and OIG Analysis

The recipient could not provide any documentation to explain or support the unreconciled claimed costs of \$196,152 for agreement XA97913701. During our exit conference with the recipient, it indicated that it had transaction information and could identify the breakdown of costs related to the \$196,152. However, the recipient has not provided this additional information for our review, so these costs will remain questioned.

Regarding the \$24,899 of unreconciled costs for agreement XA83200101, the recipient stated that it could not fully respond to this issue because it needed additional information from the auditors to reconcile these amounts. We subsequently provided to the recipient our analysis. Based upon the information provided, the recipient agreed with our finding and will perform further research to support these costs.

For agreement XA97913701, the recipient agreed with our findings and stated it would properly classify \$5,553 in travel and meeting expenses to the indirect

costs allocation pool once the change was approved by EPA. As part of audit resolution, EPA must obtain documentation to verify that these adjustments were made.

Unsupported Personnel Costs

The recipient did not maintain the required supporting documentation for distributing its salary costs to agreements, as required by federal regulations. Accordingly, we have questioned as unsupported \$1,217,388 of reported salary costs.

The recipient allocated its personnel costs as follows:

Table 3-5: Questioned Personnel Costs

Time Period	XA97937901	XA93200101	XA83376601	Unsupported Questioned Costs	Note
2002 (10/01 - 12/31)	\$ 61,792	\$ -	\$ -	\$ 61,792	
2003	88,694	-	-	88,694	
2004	142,627	25,855	-	168,482	
2005	147,058	125,164	-	272,222	
2006 (01/01 - 01/14)	6,861	6,444	-	13,305	
Subtotal	\$ 447,032	\$ 157,463	\$ -	\$ 604,495	1
2006 (01/15 - 12/31)	162,280	137,417	-	\$ 299,697	
2007	133,121	94,290	30,319	257,730	
2008 (01/01 - 03/31)	30,714	-	24,752	55,466	
Subtotal	\$ 326,115	\$ 231,707	\$ 55,071	\$ 612,893	2
Total	\$ 773,147	\$ 389,170	\$ 55,071	\$ 1,217,388	

Sources: Personnel costs from recipient's financial management system. Questioned costs based on OIG analysis.

Title 2 CFR Part 230, Attachment B, paragraph 8.m requires that the distribution of personnel costs to awards must be supported by personnel activity reports except when a substitute system has been approved in writing by the cognizant agency. These reports must reflect the distribution of activity for each employee and be maintained for all staff (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards, as follows:

1. The reports must reflect an after-the-fact determination of the actual activity of each employee and not be based on estimates.
2. Each report must account for the total activity for which employees are compensated.

Note 1: Time Charged Based on Budgeted Amounts. For the period October 1, 2002, through January 14, 2006, the recipient allocated \$604,495 in personnel costs to agreements based on budgeted percentages. We could not verify the labor charges because the recipient's employees were not required to

prepare labor activity reports (timesheets) that meet Title 2 CFR Part 230 labor documentation requirements. Because the recipient could not support claimed salary costs with proper documentation, we questioned the \$604,495 of expenditures.

Note 2: Actual Employee Timesheets Not Used to Allocate Costs.

For the period of January 15, 2006, through March 31, 2008, the recipient did require employees to maintain timesheets that met the Title 2 CFR Part 230 requirements. However, the recipient did not always use activity reports to allocate labor charges of \$612,893 to agreements. Instead, the recipient allocated salary costs to stay within the award budget. While some of the labor charges may be allowable, it is the recipient's responsibility to review all labor costs and charge them to the proper agreements. We did not determine how much of the \$612,893 would be allowable and questioned the \$612,893 of expenditures.

Recipient Response and OIG Analysis

For the period prior to January 14, 2006, the recipient agreed that it did not follow federal requirements to charge personnel costs based upon actual after-the-fact costs and not on budgeted percentages. The recipient stated that it would be very difficult to reconstruct these time charges due to employee turnover. The recipient suggested that it could reconstruct timesheets by converting the allocated percentages to hours, and then recording the hours for each employee on a revised timesheet that can account for single- or multi-program activities. For those employees who charged 100 percent of their time to one program/project, the recipient's proposed method is acceptable. However, for those employees who charged time to multiple activities, we do not agree with the recipient's proposed method because it will not be accurate. As we reported, the recipient based the allocations on budgeted amounts, and not on actual hours worked.

The recipient has been working to correct payroll charges and related employee paid leave allocations in its accounting system for the period starting January 15, 2006. The recipient should continue its efforts to complete this work and provide relevant documentation to EPA. The personnel costs will therefore remain questioned until the recipient completes its analysis.

Inequitable Allocation of Employee Paid Leave

The recipient included the cost of employee paid absences with its allocation of direct salary costs, contrary to its negotiated indirect cost rate agreement. The FY 2004 indirect cost rate agreement states the costs of vacation, holiday, sick leave, and other paid absences are to be included in the recipient's fringe benefit rate and are not to be included in the direct cost of salaries and wages. Claims for direct salaries and wages must exclude those amounts paid to employees for periods when employees are not working.

Our review of the recipient's timekeeping practice found that employees identified paid absences on their biweekly time reports, but the recipient did not identify them in its accounting records. The recipient's accounting treatment of paid absence costs for those fiscal years that did not have an approved indirect cost rate are consistent with the FY 2004 practice of not excluding them from direct salary costs. According to the recipient's business manager, he continued to follow the practice started before him of not excluding paid absences from direct salary costs. Therefore, we could not determine whether the recipient was over- or undercompensated for the cost of employee paid absences. As of the completion of our field work on January 30, 2009, the recipient had not changed its accounting treatment of allocating these costs to agreements.

Recipient Response and OIG Analysis

The recipient is working to correct its accounting records to ensure that it treats paid absences as indirect expenses. We concur with the recipient's actions to review employee leave and make adjustments as needed.

Procurement Did Not Comply with Standards

The recipient neither followed its procurement system nor complied with EPA's procurement standards. When applying for grant assistance, the recipient certified that it would comply with applicable requirements of federal laws, regulations, and policies governing each grant. The procurement standards are codified in Title 40 CFR 30.41 through 30.48. We found that the recipient (a) awarded contracts without performing the cost or price analysis, and (b) did not provide contract documents to support costs reported.

No Cost or Price Analysis

We questioned as unsupported contract costs of \$190,533, allocated to agreement XA97913701, because the recipient did not perform or document the required cost or price analysis for sole-source contracts. EPA's procurement standards (Title 40 CFR 30.45) require that recipients perform and document some type of cost or price analysis for its procurements. We reviewed six contracts and found that three were sole-source procurements. The recipient's files did not contain any evidence of a cost or price review, as follows:

Table 3-6: Questioned Contract Costs – Lack of Cost or Price Analysis

Contractor	Unsupported Questioned Costs
E.H. Pechan and Associates, Inc.	\$ 64,759
Katahdin Consulting	50,102
Northern Arizona University	75,672
Total	\$190,533

Sources: Contract costs obtained from the recipient's accounting records. OIG amounts questioned based upon analysis.

The recipient's contract files did not have evidence that it performed the required cost or price analysis on each procurement action. The recipient outsourced its financial management and contract administration, resulting in disorganized records maintenance. The recipient now has all financial and contract documents in its possession, but must review them to provide support for its procurement action.

Regarding the Northern Arizona University contract, the recipient believed it did not have to perform a cost or price analysis because it is a follow-on contract. As discussed in its sole-source justification, authority and funding for tribal projects under the WRAP program were transferred from the Western Governors' Association to the recipient. This contract is a continuing project; the Association originally procured the contract under a competitive process. However, Title 40 CFR 30.45 requires that every procurement shall have some form of cost or price analysis. The recipient's WRAP Tribal Caucus Coordinator/Budget Analyst said he would contact the Association to obtain background information on the original procurement to assist him in preparing his cost analysis and justification to support that the recipient received a fair and reasonable contract price.

Without a sufficient cost or price analysis, we cannot be assured that a fair and reasonable price was obtained. Accordingly, we question the \$190,533 as unsupported.

Lack of Contract Documents to Support Costs

We questioned as unsupported contract costs of \$14,815, allocated to agreement XA97913701, because the recipient could not locate its procurement file for the Bearhawk, Inc., contract. At the time of our field work, the recipient was unable to provide a copy of the contract, the basis for contractor selection, or a cost and price analysis. These documents are needed to ensure that the costs reported were within the terms of the contract and a fair and reasonable price was obtained for the procurement. The recipient now has all financial and contract documents in its possession, but needs to review them to obtain support for its procurement action. Accordingly, we question the \$14,815 paid to the contractor until the recipient can provide the supporting contract documentation.

Recipient Response and OIG Analysis

The recipient did not dispute that it did not prepare documentation to support that cost or price analyses were performed for the questioned procurements. The recipient provided background on the procurements and the basis for contractor selections (see page 36). The recipient also confirmed that it could not find supporting documentation for the Bearhawk contract. Therefore, the costs remain questioned in the final report. The recipient discussed its steps to ensure that it will conduct its future procurements in accordance with federal regulations and

that required documentation will be maintained. During our audit, we reviewed the recipient's accounting and financial management policies and found them to be adequate for initiating, recording, and reporting financial transactions. However, our testing found that these policies were not complied with. Therefore, we continue to recommend that EPA review recipient procurement records for a period of time, to ensure that the recipient's contract administration system complies with its policies and federal regulations.

Other Costs

The recipient claimed various other direct costs that did not comply with federal requirements. We found that the recipient:

- Did not credit conference income to an agreement
- Incorrectly allocated costs to agreements
- Had no documentary evidence to support certain costs related to advertising, general expenses, and travel/meeting expenses

Conference Reimbursement

The recipient has not credited agreement XA8320011 for revenue received to offset the cost of the 2007 Northern Arizona University (University) conference, which the recipient hosted jointly with the University. The University agreed that the recipient would pay for costs incurred related to the conference, and after the conference, the University would reimburse the recipient for its share. The recipient reported \$33,732 in expenditures under the agreement that were later reimbursed by the University. However, the recipient did not properly credit the agreement. Title 2 CFR Part 230, Appendix A.5 requires recipients to credit expenditures for funds received. Accordingly, we question \$33,732 as ineligible.

Recipient Response and OIG Analysis

The recipient disagreed that it did not properly credit \$33,732 in reimbursed conference charges back to agreement XA8320011. The recipient provided documentation showing a journal entry for \$33,732 to support its claim that the reimbursed conference charges were credited to the grant. However, during the audit, we identified a total of nine journal entries related to this event. Through our analysis of these journal entries and the affected accounts, we determined that, ultimately, the recipient's general fund was credited and not the NTAA agreement. To assist the recipient, we provided our analysis to the recipient for its review. Until the recipient properly posts this credit to the agreement, it remains questioned as ineligible.

Incorrectly Allocated Costs to Agreements

The recipient reported \$9,405 of ineligible costs incorrectly charged to agreement XA97913701. The WRAP agreement is to provide funding to enable the recipient to facilitate the participation of Western Indian Tribes in the partnership. The recipient incorrectly charged activities related to the NTAA agreement to the WRAP agreements. The recipient also claimed some indirect costs as direct costs to the WRAP agreement. These costs are ineligible because they were not within the scope of the agreement or were contrary to federal regulations.

Table 3-7: Questioned, Incorrectly Allocated Costs

Expenses	Questioned Ineligible	Note
Advertising	\$ 832	1
General	3,020	2
Travel & meeting	5,553	3
Total Costs	\$9,405	

Sources: Costs obtained from the recipient's accounting records. OIG amounts questioned based on analysis.

Note 1: Advertising Expenses. The recipient claimed \$832 in advertising costs related to the National Air Quality Annual Conference that it incorrectly allocated to the WRAP agreement. The recipient should have charged these costs to the NTAA agreements.

Note 2: General Expenses. The recipient incorrectly charged to the agreement \$3,020 for the NTAA newsletter.

Note 3: Travel and Meeting Expenses. In FYs 2006 and 2007, the recipient inadvertently recorded \$5,553 of indirect travel and meeting expenses directly to the WRAP program. The business manager stated the recipient would make the adjustment when it prepares its indirect cost rate proposals for those two years.

Title 2 CFR Part 230 Appendix A, subparagraph 4a states that costs are allocable to a specific federal award if they are treated consistently with like costs under similar circumstances. Since these costs were either charged to the incorrect agreement or were not treated in a consistent manner, they are unallowable.

Recipient Response and OIG Analysis

The recipient agreed that it incorrectly allocated \$9,405 of other costs to agreement XA9793701 and will make adjustments, upon approval by EPA. As part of audit resolution, EPA must obtain documentation from the recipient to ensure that the recipient made these adjustments.

Unsupported Rental Costs

The recipient allocated to the agreement rental charges of \$1,200 representing payments for the WRAP program field office that were not supported by any documentation.

According to the recipient, it negotiated the home office rental and utility payments with the WRAP program manager when it was negotiating the employment compensation package. These costs are for the rental period July through September 2006. There was no evidence in the program manager's personnel file to support the amounts negotiated and the rationale for the amount being reasonable, nor did the recipient provide us with invoices or a contractual agreement. Title 2 CFR Appendix A, subparagraph 2.g requires that allowable costs be adequately documented. At a minimum, we would expect to see a written document containing the terms of the agreement, including the amount and period covered by that agreement. We would also expect a written explanation of how the amount of rent was determined.

We did not tabulate related utility payments, which the recipient also negotiated separately, because of the small dollar value. Accordingly, we have questioned the unsupported \$1,200 for the period July 1, 2006, to September 30, 2006.

Recipient Response and OIG Comments

The recipient agreed that it could not find any documentation to support the basis for the rental costs. The recipient proposes to complete a new Personnel Action Form that would include the basis for office rent and utilities as part of the employment agreement with the WRAP program manager. While this might address future charges – provided that the recipient complies with all relevant federal regulations – we will continue to question the unsupported rental costs.

Reporting

The recipient did not meet its reporting requirements as specified in the agreements. The recipient's single audit reports were not completed and filed in a timely manner with the Federal Audit Clearinghouse as required by the terms and condition of the agreements. It also did not prepare and submit its Federal Cash Transactions Report (FCTR) and/or FSR as required in the agreements and EPA regulations.

Annual Single Audit Reports Not Completed in a Timely Manner

The most recent annual single audit filed was for the period ended December 31, 2005. That audit was not completed until January 17, 2007. However, the recipient is required to submit its single audits 9 months after the end of the recipient's fiscal year. The annual audits for 2006 and 2007 have not been

completed and should have been submitted by September 30, 2007, and September 30, 2008, respectively. Office of Management and Budget (OMB) Circular A-133, Section 200 requires nonfederal recipients to have a single audit performed when the recipient expends more than \$500,000 in federal funds during that year. Section 320 states that the audit will be completed and submitted within 9 months of the end of the recipient's fiscal year. The recipient stated that it was difficult to find a certified public accounting firm to perform an annual audit for such a small entity. However, it now has contracted with an auditor and the single audits have begun.

Financial Reports Not Prepared/Submitted in a Timely Manner

The recipient did not prepare and submit in a timely manner its FCTR and/or FSR, as required by the terms and condition of the agreements. For agreement XA83200101, it never prepared or submitted FCTRs even though it was required to submit a FCTR annually within 15 days of the end of the year as per Title 40 CFR 30.52. When this agreement was completed on September 30, 2007, the recipient was required to submit a final FSR within 90 days, or by December 31, 2007. The recipient did not prepare the final FSR until February 2008.

The recipient said it was unaware of requirements to prepare annual FCTRs, but was aware of the requirement to submit FSRs sometime in 2007. According to the recipient's business manager, the recipient hired him in mid-2006. Prior to his employment, the recipient outsourced report preparation to a contractor. The business manager did not know why the contractor did not prepare FCTRs. Beginning in November 2007, he began preparing the financial reports. He believes this will improve the timeliness of financial reporting.

When recipients do not submit financial reports in a timely manner, EPA may not have sufficient information to make informed assessments of whether the unexpended funds are adequate to complete all work or close out agreements in a timely manner.

Recipient Comments and OIG Response

The recipient agreed with the findings and is in the process of getting its single audits completed. Beginning in November 2007, the recipient revised its process to ensure it complies with all reporting requirements. We concur with the actions the recipient has taken and plans to take to address reporting issues. We will continue to recommend that the recipient complete and submit its single audit reports, and that EPA should monitor the recipient's progress toward the timely completion and submission of all required reports.

Recommendations

We recommend that EPA's Director of Grants and Interagency Agreements Management Division and the EPA Regional Administrator, Region 9:

- 3-1 Disallow and recover the federal share of ineligible costs of \$33,732, as identified in Schedule 2 of this report.
- 3-2 Require the recipient to provide adequate support for the \$2,768,490 questioned as unsupported, and disallow and recover any costs that the recipient cannot support.
- 3-3 Direct the recipient to prepare indirect cost rate proposals for all fiscal years where it does not have approved rates, and determine whether the recipient has properly identified the direct and indirect costs and addressed the issues described in the report, for the period March 1, 2002, to March 31, 2008.
- 3-4 Require the recipient to prepare and submit revised claims, once EPA has made the disposition of questioned costs.
- 3-5 Require the recipient to:
 - a. discontinue its practice of allocating salary costs based on budgeted percentages, and
 - b. reconstruct its allocation of salary costs by agreements based on the actual time worked by employees as documented in their biweekly activity reports.
- 3-6 Require the recipient to discontinue its practice of including the direct cost of paid absence with salary costs and follow the accounting treatment of those costs in accordance with its negotiated indirect cost rate agreement.
- 3-7 Review the recipient's contract documentation for a period of time to determine whether the recipient has maintained an adequate contract administration system in accordance with its policies and federal regulations.
- 3-8 Require recipient to complete its annual single audits and submit them to the Federal Audit Clearinghouse.
- 3-9 Review the recipient's progress toward the timely completion and submission of required periodic financial reports.

Chapter 4

Results of Examination - Program Results

The recipient's work plans describe activities and planned deliverables but not its goals or objectives for participating in WRAP and NTAA. Without the goals and objectives, the annual reports cannot include a comparison of accomplishments with the goals and objectives for the period, as required by Title 40 CFR 30.51. As a result, EPA cannot determine if the EPA funds provided to the recipient achieved their intended purpose.

According to EPA's project officer training manual, the approved project work plan is the basis for making an award, and the project officer uses it to manage and evaluate performance under the agreement. The work plan must describe the need for the project, its objectives, and the method to accomplish the objectives. Title 40 CFR 30.51 requires the recipient to submit performance reports that include a comparison of the actual accomplishments with the goals and objectives established for the period.

EPA did not require the recipient to report on whether EPA-funded activities met the goals or objectives of the agreement as EPA regulations require. Agreement XA97913701 was for the continuation of the recipient's efforts to facilitate tribal participation in WRAP. The work plan describes the different positions the recipient's staff will hold within WRAP and the duties they would perform. Similarly, the annual reports for 2005 through 2007 described the activities that the recipient's staff accomplished in working with WRAP. In discussing performance reports, Title 40 CFR 30.51 requires such reports from the recipient to include a comparison of actual accomplishments with the goals and objectives for the period. Since the WRAP work plan did not include any goals or objectives, the performance report could not describe how the activities met the goals or objectives.

Similarly, work plans for agreements XA83200101 and XA833376601 focused on the goals and objectives of NTAA, not of the recipient.

Similar to the work plan, the performance report for agreement XA83200101 describes the activities that NTAA completed, but not the specific activities of the recipient. The performance report does not discuss how the recipient's activities contributed to the goals or what progress the recipient made in achieving the goals. The performance report does not include a comparison of the recipient's actual accomplishments with the goals and objectives of the recipient for the period, as EPA regulations require.

According to the EPA project officers, the recipient lacked a detailed work plan because its work was dependent on the work of WRAP and NTAA. The recipient has approximately 184 tribes that participate in NTAA and/or WRAP, and each one has its own emphasis under these programs. It does not want to create a specific work plan, so it can have the flexibility to address current issues.

The agreements' work plans need to identify the goals and objectives of the recipient's activities for its work with WRAP and NTAA. This will facilitate the recipient's preparation of performance reports that meet EPA regulations and include a comparison of accomplishments with goals and objectives. EPA's guidance for tribal general assistance program grants² provides a template for identifying the long-term and intermediate goals, commitments and outputs, and deliverables. While the template contains some elements specific to the general assistance program grants, it provides a format for presenting how activities and deliverables will lead to grant outcomes, and how the outcomes will result in overall goals.

Recommendation

We recommend that EPA's Grants and Interagency Agreements Management Division, and the Regional Administrator, Region 9:

- 4-1 Work with the recipient to develop:
 - a. work plans that identify objectives for the recipient's activities to support WRAP and NTAA, and
 - b. performance reports that include a comparison of accomplishments with goals and objectives in the work plan.

EPA Comments and OIG Analysis

In responding to the draft report (see Appendices C and D), EPA's Grants and Interagency Agreements Management Division and Region 9 concurred with the recommendation. EPA officials should coordinate with the recipient to implement the recommendation, including the establishment of milestone dates for corrective action.

² Additional information on the template for the Indian general assistance program can be found at <http://www.epa.gov/Indian/gap-wpf.htm>.

Schedules of Outlays and Results of Examination

Schedule 1 Outlays and Results of Examination for Cooperative Agreement XA97913701

Description	Amount	Questioned Outlays - Unsupported	Note
Personnel	\$ 773,148	\$ 773,148	1
Fringe Benefits	166,712	166,712	2
Travel	516,073	260,115	3
Contractual	405,455	317,591	4
Other Costs	255,830	195,075	5
Indirect Costs	299,659	299,659	6
Total	\$2,416,877	\$2,012,300	

Sources: Total reported outlays and amounts claimed from the recipient's report of expenditures for the period ended 3/31/2008. Amounts questioned based on OIG analysis.

Note 1: We have questioned the \$773,148 in personnel costs reported that are not supported by adequate documentation. See discussion on *Unsupported Personnel Costs* in **Chapter 3**. We have also questioned a portion of the same personnel costs for additional reasons:

- a. \$403,089 of costs related to indirect costs incorrectly charged as direct costs. See discussion on *Indirect Costs Reported Using the Direct Allocation Method* in **Chapter 3**.
- b. \$61,792 related to an unsupported journal entry. See discussion on *Unsupported Journal Entry* in **Chapter 3**.

Note 2: The recipient's financial management system did not identify the dollar amount of paid absences. We are therefore precluded from determining the material effect of the improper accounting treatment of these costs. See discussion on *Inequitable Allocation of Employee Paid Leave* in **Chapter 3**.

Note 3: We questioned \$260,115 of travel costs for the following reasons:

- a. \$254,562 of indirect costs reported as direct. See discussion on *Indirect Costs Reported Using the Direct Allocation Method* in **Chapter 3**.
- b. \$5,553 of costs directly allocated to the EPA grant that should have been included in the indirect cost pool. See discussion on *Reconciliation of Outlays* in **Chapter 3**.

Included in the \$260,115 of indirect costs reported as direct costs are \$39,911 of costs not supported by source documentation. See discussion on *Unsupported Journal Entry* in **Chapter 3**.

Note 4: We question \$317,591 of contractual costs for the following reasons:

- a. \$112,243 of indirect costs reported using the direct allocation method, as discussed in **Chapter 3**.
- b. \$ 205,348 of costs that did not comply with EPA's procurement standards. See *Procurements Did Not Comply with Standards* in **Chapter 3**.

Included in the \$112,243 in note 4(a) is \$61,625 of costs not supported by source documentation. See discussion on *Unsupported Journal Entry* in **Chapter 3**.

Note 5: We question \$195,075 of other costs for the following reasons:

- a. \$193,875 of indirect costs reported using the direct allocation method.
- b. \$ 1,200 of rental costs incurred that were not supported by vendor invoices or contractual agreement.

Included in the \$193,875 in note 5(a) is \$3,852 of advertising and general expenses associated with another assistance agreement. See discussion on *Other Costs* in **Chapter 3**.

Note 6: We have questioned the \$299,659 of indirect costs because the recipient does not have approved indirect cost rates. See discussion on *Indirect Costs* in **Chapter 3**.

Schedule 2
Outlays and Results of Examination for
Cooperative Agreement XA83200101

Description	Amount	Questioned Outlays – Ineligible	Questioned Outlays - Unsupported	Note
Personnel	\$ 389,169		\$389,169	1
Fringe Benefits	69,289		69,289	2
Travel	159,112		3,040	3
Contractual	1,804			
Other Costs	200,808	\$33,732	20,454	4
Indirect Costs	238,188		183,004	5
Total	\$1,058,370	\$33,732	\$664,956	

Sources: Total reported outlays and amounts claimed from the recipient's final FSR. Amounts questioned based on OIG analysis.

Note 1: We have questioned \$389,169 of personnel costs because of timesheet reporting reasons as discussed in *Unsupported Personnel Costs* in **Chapter 3**.

Note 2: The recipient's financial management system did not identify the dollar amount of paid absences. We are therefore precluded from determining the material effect of the improper accounting treatment of these costs. See discussion on *Inequitable Allocation of Employee Paid Leave* in **Chapter 3**.

Note 3: We have questioned travel costs of \$3,040 because the recipient could not reconcile its reported outlays to its financial management system. See discussion on *Reconciliation of Outlays* in **Chapter 3**.

Note 4: We have questioned other costs of \$33,372 as ineligible; this amount represents revenue the recipient received that was not credited to the agreement. We have questioned \$20,454 as unsupported because the recipient could not reconcile its reported outlays to its financial management system.

Note 5: We have questioned \$183,004 of indirect costs because of the lack of an approved indirect cost rate, as discussed in *Indirect Costs* in **Chapter 3**.

Schedule 3
Outlays and Results of Examination for
Cooperative Agreement XA83376601

Description	Amount	Questioned Outlays – Unsupported	Note
Personnel	\$ 55,071	\$55,071	1
Fringe Benefits	11,165	11,165	2
Travel	11,504		
Other Costs	8,460		
Indirect Costs	24,998	24,998	3
Total	\$111,198	\$91,234	

Sources: Total reported outlays and amounts claimed from the recipient's quarterly FSR for the quarter ended 3/31/2008. Amounts questioned based on OIG analysis.

Note 1: We have questioned \$55,071 of personnel costs for timesheet reporting issues as discussed in *Unsupported Personnel Costs* in **Chapter 3**.

Note 2: The recipient's financial management system did not identify the dollar amount of paid absences. We are therefore precluded from determining the material effect of the improper accounting treatment of these costs. See discussion on *Inequitable Allocation of Employee Paid Leave* in **Chapter 3**.

Note 3: We have questioned \$24,998 of indirect costs because of the lack of an approved indirect cost rate as discussed in *Indirect Costs* in **Chapter 3**.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
3-1	19	Disallow and recover the federal share of ineligible costs of \$33,732, as identified in Schedule 2 of this report.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9		\$34	
3-2	19	Require the recipient to provide adequate support for the \$2,768,490 questioned as unsupported, and disallow and recover any costs that the recipient cannot support.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9		\$2,768	
3-3	19	Direct the recipient to prepare indirect cost rate proposals for all fiscal years where it does not have approved rates, and determine whether the recipient has properly identified the direct and indirect costs and addressed the issues described in the report, for the period March 1, 2002 to March 31, 2008.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9			
3-4	19	Require the recipient to prepare and submit revised claims, once EPA has made the disposition of questioned costs.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9			
3-5	19	Require the recipient to: a) discontinue its practice of allocating salary costs based on budgeted percentages, and b) reconstruct its allocation of salary costs by agreements based on the actual time worked by employees as documented in their biweekly activity reports.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9			
3-6	19	Require the recipient to discontinue its practice of including the direct cost of paid absence with salary costs and follow the accounting treatment of those costs in accordance with its negotiated indirect cost rate agreement.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9			
3-7	19	Review the recipient's contract documentation for a period of time to determine whether the recipient has maintained an adequate contract administration system in accordance with its policies and federal regulations.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9			
3-8	19	Require recipient to complete its annual single audits and submit them to the Federal Audit Clearinghouse.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9			

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
3-9	19	Review the recipient's progress toward the timely completion and submission of required periodic financial reports.	U	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9			
4-1	21	Work with the recipient to develop: <ul style="list-style-type: none"> a) work plans that identify objectives for the recipient's activities to support WRAP and NTAA, and b) performance reports that include a comparison of accomplishments with goals and objectives in the work plan. 	O	EPA Director of Grants and Interagency Agreements Management Division and Regional Administrator, Region 9			

¹ O = recommendation is open with agreed-to corrective actions pending
C = recommendation is closed with all agreed-to actions completed
U = recommendation is undecided with resolution efforts in progress

Appendix A***Scope and Methodology***

We performed our examination in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. We also followed the guidelines and procedures established in the OIG's *Project Management Handbook*.

We conducted this examination to express an opinion on the reported outlays as of March 31, 2008, and determine whether the recipient complied with all applicable laws and regulations, as well as with any special requirements under the agreements. We conducted our audit work from October 28, 2008, through July 7, 2009.

In conducting our examination, we performed the following procedures:

- Interviewed EPA personnel and reviewed grant and project files to obtain background information on the recipient and the agreements.
- Interviewed recipient personnel to understand the accounting system and the applicable internal controls as they relate to the reported outlays.
- Reviewed the FY 2003 through FY 2005 single audit reports to identify issues that could affect our examination.
- Reviewed the recipient's internal controls specifically related to our objectives.
- Performed tests of the internal controls to determine whether they were operating effectively.
- Examined the reported outlays on a test basis to determine whether the outlays were adequately supported and eligible for reimbursement under the terms and conditions of the agreements and federal regulations and cost principles.

The OIG has not audited the recipient before. However, the Office of Grants and Debarment reviewed the recipient's financial management system in 2006 and 2008, and we followed up on the findings reported, which included the recipient claiming ineligible costs, charging costs to wrong agreements, not filing various required reports, excessive cash draws, and not having indirect cost rate proposals submitted to EPA.

Appendix B

Recipient's Response

November 6, 2009

Janet Kasper, Director
Contract and Assistance Agreement Audits
Office of Inspector General
U.S. Environmental Protection Agency
Washington, D.C. 20460

Subject: Draft Attestation Report – National Tribal Environmental Council, Inc., Incurred
Cost Audit of Three EPA Cooperative Agreements

Dear Ms. Kasper:

Please find enclosed written comments in response to the findings and recommendations outlined in the draft attestation report for the incurred cost audit for cooperative agreements XA97913701, XA83200101, and XA83376601. Our comments focus on Chapter 3 of the draft report, and are submitted in Microsoft Word format as required.

Thank you for allowing an extension of time to provide these comments. We appreciate your patience and understanding.

Sincerely,



Jerry Pardilla
Executive Director

Enclosure

cc: Bobby Shade, NTEC Business Manager

Draft Attestation Report – National Tribal Environmental Council, Inc., Incurred Cost Audit of EPA Cooperative Agreements XA97913701, XA83200101, XA83376601

National Tribal Environmental Council Inc. (NTEC) comments provided below will follow the format outlined in Chapter 3 of the draft attestation report.

Indirect Costs

The finding was that \$507,661 reported as indirect costs for the three agreements were determined to be unallowable and questioned for several reasons defined in Notes 1, 2, and 3.

Note 1

Note 1 pertains to the lack of approved rates, and that NTEC did not submit final indirect cost rate proposals for FYs 2002, 2003, 2006, 2007, and 2008. However, NTEC had approved final indirect cost rates for FY 2004 and 2005, and a provisional rate for FY2006. NTEC does not have an approved final indirect cost rate for FY 2006, 2007, and 2008. NTEC agrees with these findings.

In review of NTEC's records, we offer a chronology to explain what occurred in FY 2002, 2003, 2004, 2005, and 2006.

NTEC submitted an indirect cost rate proposal to EPA for FY2001 but EPA never responded. A copy of that proposal is attached. That FY 2001 proposal used the direct allocation methodology and proposed a rate of 41.79 percent. In lieu of an approved final indirect cost rate, NTEC used the direct allocation method for program support costs. This was the understanding between NTEC and the EPA project officer for Agreement XA97913701, and the approved budgets reflected line items that included program support costs.

Agreement XA83200101 was negotiated for a three-year cycle. The EPA grants office and project officer approved indirect cost rates of 41 percent and 40 percent for the first two years. And, after the provisional rate of 29 percent was established for FY2006, it was applied. The 41 percent awarded was consistent with the rate that NTEC proposed for FY2001. NTEC assumed the 41 percent indirect cost rate was established for the first year, and that the rate of 40% was established for the second year. The award documents and approved budgets reflected these percentages.

NTEC received its first approved final indirect cost rate for FY2004, which was awarded retroactively on July 31, 2006 by the U.S. Department of Interior National Business Center. The approved final rate for FY 2004 was 29 percent, and the same percentage for a provisional rate was established for FY 2005 and 2006. At that juncture, the 29 percent provisional rate was applied to Agreement XA83200101 for its third year. It was our understanding that the 29 percent rate was not applied to the prior two years as they had already been closed. Moreover, our project officer did not require us to amend the prior years financial reports.

In preparation of the indirect cost rate proposal for FY 2005, we used the FY 2004 proposal for reference. This proposal used the modified total direct cost method, and we noticed that the FY 2004 proposal submission contained an error. One subaward was substantially greater than \$25,000 and the amount in excess of \$25,000 was not excluded from the direct base, as required in the modified total direct cost method. This one factor would have increased the indirect cost rate from 29 percent to 34.5 percent. We inquired about this matter with the National Business Center, but the Indirect Cost Coordinator informed us that the National Business Center is reluctant to re-negotiate once a final rate is established. This will become moot once we submit and negotiate our final indirect cost rate for FY 2006.

The approved final indirect cost rate of 43.6 percent for FY 2005 was approved on December 29, by the National Business Center.

For FY 2006, NTEC was authorized to use a provisional rate of 29 percent. The FY 2006 final indirect cost rate proposal has not been submitted to the National Business Center due to the single audit not being completed. Our auditor has taken an exceedingly long time to conduct his work, but he is finally at the reporting stage and should complete his work in a few weeks. We have a draft indirect cost rate proposal for FY 2006 already prepared using our IRS Form 990. Once we receive the audited financial statements for 2006, we will reconcile the draft indirect cost proposal with the 2006 audit and then immediately submit the proposal to the National Business Center.

The FY 2007 and 2008 final indirect cost rate proposals have not been submitted to the National Business Center due to the single audits not being completed. We have engaged another auditor who will begin his work once the FY 2006 audit is final. The new auditor is motivated and understands the importance in completing these audits expeditiously. The FY 2007 audit is scheduled in late November 2009, and the FY 2008 audit is scheduled in December 2009.

Lastly, NTEC agrees that the final indirect cost rates were not established for FY 2002 and 2003, but we are prepared to resolve this issue by submitting indirect cost rate proposals for each of those years to the National Business Center.

Note 2

For Agreement XA97913701, we provided comments in Note 1 as to our understanding of the timing and approval of the indirect cost rates. It was unclear from Amendment No. 6 whether indirect costs could be claimed for any time period in which NTEC received an approved rate, particularly FY 2004 to 2006, or if the amendment was applied only prospectively from July 24, 2007.

For Agreement XA83200101, we provided comments in Note 1 as to the indirect cost rates specified in the award documents. NTEC applied those rates and EPA approved. NTEC has since established final rates for FY 2004 and 2005, and a provisional rate for FY 2006 with the National Business Center.

NTEC understands the requirement to have approved indirect cost rates for the periods covered by a cooperative agreement. We are striving to get our proposals completed and submitted timely so that rates can be negotiated and approved by the National Business Center for inclusion in each year's award documents for each cooperative agreement. We understand that final indirect cost rate proposals are due at the National Business Center by June 30 each year as our fiscal year is based on the calendar year.

The limiting factor has been completion of single audits. In Albuquerque, New Mexico, the field of auditors who perform single audits for nonprofit organizations has been narrowing, and very few CPA firms are undertaking such work. The last firm who performed our single audits was Neff & Ricci, and once this firm stopped performing these audits for nonprofit organizations, we were only able to retain the services of a sole practitioner CPA auditor. Our current auditor, Michael Moore, has been methodical if not extremely cautious due to the OIG incurred expense audit, and thus has taken an inordinate amount of time with our CY 2006 audit. We are anxious to complete this 2006 audit and also to expedite the completion of the 2007 and 2008 audits. At last, our current auditor is in the final reporting stage of our CY 2006 audit and it should be completed by the end of November 2009. We are not satisfied with how long this has taken, and to remedy this situation we have engaged a new auditor to complete the 2007 and 2008 audits.

Our new auditor estimates that each audit will be completed in about 4 weeks, which would be a dramatic improvement. Our new auditor is ready to start and has been briefed about the priority for expeditious work. Once these audits are completed, we will immediately submit our final indirect cost rate proposals to the National Business Center. At this juncture, we have draft proposals prepared based on the IRS Form 990s for FY 2007 and 2008. We will be able to finalize our proposals once we reconcile each to reflect the audited financial statements.

Finally, our plan is to continue on with the CY 2009 audit so that our indirect cost proposal for FY 2011 will be submitted to the National Business Center before June 30, 2010.

Note 3

NTEC modified its employee timesheets after January 2006 to account for the program activities and hours for each employee. Prior to that date, in order to comply with Title 2 CFR Part 230, NTEC would need to review and amend timesheets. There are complications to accomplish this task due to staff turnover. Former employees are not available to assist with this task. It may be possible to reconstruct timesheets for an employee that was associated with a single program. However, it would be difficult to reconstruct timesheets for any employee who was associated with more than one program.

Direct Allocation Method Used to Report Cost

In the Indirect Costs section above, we outlined the chronology and status of the indirect cost rates. For Agreement XA97913701, NTEC was permitted by its EPA project officer to directly allocate charges to direct line items. These directly allocated charges were often coded in separate line items as "IDC" in our accounting system. This coding should aid in separating the

indirect costs from direct costs. NTEC will analyze the FY 2005 indirect cost proposal and separate the directly allocated costs from direct costs. For FYs 2002 to 2004, NTEC will conduct a similar analysis and document the method of allocating costs to indirect cost proposals.

Reconciliation of Outlays

The finding was that NTEC could reconcile and support costs for only Agreement XA83376601, but that NTEC could not reconcile reported costs for XA97913701 and XA83200101. For XA97913701, the unsupported questioned cost was \$196,152. For XA83200101, the unsupported questioned cost was \$24,899.

Note 1

We have not been able to document the details of the general ledger entry pertaining to XA97913701 made on December 31, 2002. We were unable to find sufficient details in our electronic system, which required breaking the password code to gain entry into the electronic files. We searched our hardcopy financial records. We had to retrieve our records from Iron Mountain facilities in Albuquerque and re-inventory. The search for hardcopy documentation was a major undertaking that required many hours of physical labor, staff time, and regular follow-up, but we could not find sufficient documentation about the elements for the general ledger entry. While our search was not fruitful, we retained all retrieved records as provided in our Records Retention Policy.

We have had staffing changes since December 2002, and we tried to contact our former Office Manager but we were unable to get a response. We also ran into a barrier with the accounting firm mentioned in the findings narrative. The accounting firm that assisted the former Office Manager with this entry is not available.

NTEC has undergone staffing changes in recent years and new managers have taken steps to document transactions and maintain records. We have conducted training on records management, and have emphasized adherence to our own Records Retention Policy.

Note 2

We are unable to provide a response to this finding, as we are uncertain as to the line items in question or whether this was a cumulative amount or attributed to a specific year. More information is needed to reconcile this amount. However, in the subsequent Agreement XA83376601, NTEC has improved its recordkeeping and we have reconciled all costs.

Note 3

For Agreement XA97913701, NTEC will properly classify \$5,553 in travel and meeting expenses to the indirect costs allocation pool once approved by EPA to make the change. Our

business manager has waited for completion of this audit and approval from EPA to make these reclassifications.

Unsupported Personnel Costs

The finding was that NTEC did not maintain supporting documentation for distributing its salary costs to agreements as required by federal regulations.

Note 1

Prior to January 14, 2006, NTEC required employees to record total hours worked for each pay bi-weekly period, and NTEC allocated personnel costs based on budgeted percentages. We understand this was not in compliance with Title 2 CFR Part 230. For compliance, NTEC would need to review and amend timesheets to reflect actual activity for each employee during each pay period. However, there would be difficulties to accomplish this task due to staff turnover. Employees from that time period are no longer employed by NTEC, and thus are not available to assist with this task. It may be possible to reconstruct timesheets for an employee that was associated with a single program. However, it would be difficult to reconstruct timesheets for any employee who was associated with more than one program. A possible method to reconstruct these timesheets would be to convert the allocated percentages to hours, and then record the hours for each employee on a revised timesheet that can account for single- or multi-program activities. If this method is acceptable, we would make the appropriate changes.

Note 2

NTEC modified its employee timesheets after January 15, 2006 to account for the program activities and hours for each employee. NTEC employees have been using detailed timesheets since 2006, and improvements have been made in the timesheet format in each year since then. NTEC has entered the actual hours as labor costs as indicated on timesheets for FY 2006 in the accounting system, and NTEC has completed entries for actual hours as labor costs for approximately 60 – 70 percent of the timesheets for FY 2007 and 2008.

The business manager is the only NTEC employee who makes entries in our QuickBooks financial software, and the task for making retroactive changes is his responsibility. He began work in 2006 at NTEC, and his focus on retroactive changes started with the time for which he has direct knowledge. The business manager is performing these retroactive changes while he is carrying out his duties for current and ongoing administrative tasks. This is a heavy administrative burden.

For FY 2009 and 2010, NTEC has documented employee time and activities on timesheets that meet the requirements specified in Title 2 CFR Part 230. We reviewed our Financial Handbook and made revisions to ensure that we are properly accounting for and documenting employee activities. Accordingly, we developed an improved timesheet to allow employees to document their activities and hours on a bi-weekly basis. We have also trained employees how to use the

new timesheets. We require directors and managers to oversee proper use of timesheets and to approve timesheets for each payroll period. This procedure ensures that payroll matches the activities and hours recorded on the timesheets.

Inequitable Allocation of Employee Paid Leave

NTEC did not exclude paid absences from direct salary costs for certain periods since FY 2004. As stated in the audit findings, the FY 2004 indirect agreement certified that paid absences were to be included in employee fringe benefits rate and not included in direct cost of salaries or wages.

The FY 2004 final indirect cost agreement was approved retroactively in July 2006. The accounting firm and NTEC staff who prepared and submitted that indirect proposal are no longer associated with NTEC. By the time the agreement was approved in 2006, NTEC had hired a new business manager. He was not briefed nor familiar with the element that specified paid absences were to be treated as indirect costs. Likewise, new managers hired later were not aware of the requirement.

During the course of this audit, NTEC learned of the requirement to treat paid absences as indirect costs. The business manager has taken steps to revise the financial records to reflect this requirement. His efforts began with the period for which he has direct knowledge, starting in 2006. At this time, the business manager has completed his adjustments for 2006. He has completed approximately 60 – 70 percent of the entries for 2007 and 2008. Again, the business manager is completing these tasks while performing his regular duties for current and ongoing administrative tasks. His work will continue to revise the financial records for 2004 and 2005, and through the present time, so that employee paid absences will be correctly treated and recorded as indirect costs.

Procurement Did Not Comply with Standards

General Comment

NTEC management has taken measures to ensure that our procurement follows our own organizational policies and applicable federal laws, regulations and policies. The NTEC Financial Handbook was revised to clarify and strengthen policies and procedures, particularly with regard to procurement. The revised financial handbook and applicable OMB Circulars and CFRs have been provided to program directors and managers for guidance when obtaining goods and professional services. The business manager is involved in all procurement and he provides guidance during the process to ensure compliance and proper documentation.

No Cost or Price Analysis

NTEC did not explicitly prepare and document cost or price analyses for contracts awarded to E.H. Pechan and Associates, Katahdin Consulting, and Northern Arizona University. For the

contract that was ultimately awarded to E.H. Pechan, NTEC solicited bids through an RFP process. Tribal representatives who were partners in the Western Regional Air Partnership were integrally involved in the selection process. Pechan was selected based on its qualifications and competitive costs in relation to other bids. For the Katahdin contract, no explicit cost analysis was completed. The NTEC WRAP Tribal Co-Director selected the contractor based on his knowledge of the WRAP project and requisite skills to work with Alaska Native Villages, and for being based in Anchorage, Alaska. For communication and outreach services, the Katahdin contract seemed reasonable and was a preferred option to hiring a part-time or full-time employee. Moreover, the tribal partners in the Western Regional Air Partnership approved the scope of work and contract costs for Katahdin, and provided oversight for the work that was performed with and among Alaska Native Villages. As noted in the audit findings and notes, NTEC continued the contract with Northern Arizona University as it was transferred from the Western Governors' Association (WGA). We asked for documentation from WGA about its selection of the Northern Arizona University and its Institute for Tribal Environmental Professionals (ITEP), but our communication only yielded assurances that Northern Arizona University ITEP was selected on the basis of its unique qualifications and strong performance record in the field of air quality technical services and Indian Tribes. Like WGA, we sole-sourced the ITEP contract because there was no other legitimate candidate to perform the work with expertise and credibility with Indian Tribes in the Western United States. Additionally, the WRAP tribal partners were satisfied with work performance, and continued to approve of their work in annual workplans. We believe the ITEP rates and contract costs were reasonable, the organization was uniquely qualified, and the contract was reviewed regularly and sanctioned by the tribal partners in the Western Regional Air Partnership.

Lack of Contract Documents to Support Costs

We were unable to find supporting documentation for the Bearhawk contract. A search of vendor records maintained in our onsite files was unsuccessful. All offsite records were retrieved from Iron Mountain facilities and thoroughly searched. That search was also unsuccessful. We cannot locate documents pertaining to the Bearhawk contract.

We have taken steps to collect, inventory, and maintain contract files and organizational records as specified in our organizational Records Retention Policy. We have conducted training on this policy and require managers and directors to safeguard all records, particularly contract and financial records. We are striving to prevent the loss of any other records.

For use in administrative and program related duties, we distributed an electronic copy of our Financial Handbook to directors and managers. Our financial handbook contains the Records Retention Policy and guidance for Vendor Files and Required Documentation.

Other Costs

Conference Reimbursement

The finding was that NTEC did not properly credit Agreement XA8320011 for a reimbursement from Northern Arizona University (NAU) for conference expenses. In our records, we found that NTEC credited this agreement on July 31, 2007 for a reimbursement of \$33,731.97. The transaction was Journal Entry 240. A record of this entry is attached.

Incorrectly Allocated Costs to Agreements

A total of \$9,405 was incorrectly charged to Agreement XA97913701. As outlined in Notes 1, 2 and 3, these errors were for advertising expenses, general expenses, and travel and meeting expenses. Subject to approval by EPA, we propose to make adjustments to the Agreements and correctly allocate the costs.

Unsupported Rental Costs

The current managers at NTEC were not on staff when the WRAP Tribal Co-Director was hired. We acknowledge the terms of the agreement, and have continued to provide for such rental costs. However, we have not located the Personnel Action Form (NTEC's internal document, referred to as PAF) that would have memorialized the agreement made by the former executive director to pay rent for a satellite office for the Tribal Co-Director. If approved by EPA as a corrective action, we will prepare a PAF to complete the employee record for the WRAP Tribal Co-Director. The PAF will also contain an explanation of the basis for agreement to compensate for office rent and utilities, and include all terms of the agreement.

Reporting

Annual Single Audit Report Not Completed Timely

NTEC agrees with the finding. We understand that we are required to complete and file our single audit reports with the Federal Audit Clearinghouse nine months after the end of our fiscal year. As we have commented in the Indirect Costs section above, we are striving to complete our CY 2006, 2007 and 2008 single audits. Our auditor is nearing completion of the CY 2006 audit. We expect this audit to be completed by the end of November 2009. We have retained a new auditor to expedite the completion of the CY 2007 and 2008 audits, which will start in late November 2009. Our new auditor understands the importance for completing these audits expeditiously as it pertains to compliance with OMB Circular A-133 but also to facilitate completion of indirect cost rate proposals. For the CY 2009 audit, we plan to further engage our new auditor after he completes the 2007 and 2008 audits.

Financial Reports Not Prepared/Submitted Timely

NTEC agrees with the finding. As noted in the audit comments, NTEC is no longer outsourcing the preparation of FCTRs and FSRs reports. The business manager has assumed full responsibility for preparation and completion of these reports, and has submitted past reports. NTEC will strive to comply with the reporting requirements as specified in award documents in agreements and also provided in relevant CFRs.

Appendix C

***EPA Grants and Interagency Agreements
Management Division Response***

January 14, 2010

MEMORANDUM

SUBJECT: Response to Draft Attestation Report
National Tribal Environmental Council, Inc.
Incurred Cost Audit of Three EPA Cooperative Agreements
Assignment No. OA-FY08-0243

FROM: Denise Sirmons, Deputy Director /s/
Office of Grants and Debarment

TO: Janet Kasper, Director
Contract and Assistance Agreement Audits

Thank you for the opportunity to review and comment on the subject Office of Inspector General (OIG) Draft Attestation Report (Report), dated August 31, 2009. You specifically requested that EPA respond to the findings and recommendations in Chapter 4 of the Report.

Based on our review, we generally agree with the findings and recommendations in Chapter 4. Consistent with Recommendation 4-1, we will work with Region 9 to ensure the development of (a) work plans that identify goals and objectives for the recipient's activities to support the Western Regional Air Partnership and the National Tribal Air Association, and (b) performance reports that include a comparison of accomplishments with goals and objectives in the work plan.

Our thanks again for the opportunity to comment on the draft Report. If you have any questions concerning this matter, please contact me at 202-564-6771 or LaShaun Phillips, Audit Follow-up Coordinator, at 202-564-0956.

cc: Leah Nikaidoh, OIG
Rich Hennekest
Denise Polk
LaShaun Phillips

Appendix D

EPA Region 9 Response

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 9
75 Hawthorne Street
San Francisco, CA 94105**

January 8, 2010

MEMORANDUM

SUBJECT: Attestation Report:
National Tribal Environmental Council, Inc., Incurred Cost Audit of Three EPA
Cooperative Agreements
Assignment No. OA-FY08-0243

FROM: *Lorretta Barsamian, Deputy Director, for*
Nancy Lindsay /s/
Assistant Regional Administrator
Management and Technical Services Division (MTS-1)

TO: Janet Kasper
Contract and Assistance Agreement Audits

Thank you for the opportunity to review the *Draft Attestation Report – National Tribal Council, Inc., Incurred Cost Audit of Three EPA Cooperative Agreements*, dated August 31, 2009. The Region has reviewed the report and has no significant comments on its factual accuracy or recommendations. We agree with the recommendations in chapter and will work with the recipient to develop (a) work plans that identify goals and objectives for the recipient's activities to support the Western Regional Air Partnership and the National Tribal Air Association, and (b) performance reports that include a comparison of accomplishments with goals and objectives in the work plan.

Per EPA Order 2750, please let me know within 15 calendar days whether you find this response acceptable. Should you or your staff have any comments, questions, or concerns, please contact Rich Hennecke, Regional Audit Follow-up Coordinator at (415) 972-3760.

cc: Leah Nikaidoh, OIG
Rich Hennecke (MTS-4-2)
Veronica Adams (MTS-7)
Roy Ford (AIR-8)

bcc: LaShaun Phillips, GAD (3903)

Appendix E

Distribution

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