



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

DEC 18 2015

MEMORANDUM

SUBJECT: Proposed Management Decision
Agreed-Upon Procedures Audit
Audit Report No. 14-2-0316

Single Audit Report for Wells Band Council, Wells, Nevada
Audit Report No. 13-3-0350
October 1, 2007 to September 30, 2008
October 1, 2010 to September 30, 2011
October 1, 2011 to September 30, 2012

FROM: Craig Wills *Craig Wills*
Grants Management Officer
Environmental Management Division

TO: John Trefry
Director of Forensic Audits
Office of Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject audit reports. The region will be issuing one management decision letter for the two audits identified above because the audits questioned cost related to the same grants. We have reviewed our files and contacted the project officer and the recipient to ascertain the status of the findings related to EPA grants. Following is a proposed summary of the agency's overall position, along with its position on each of the reports' recommendations.

OIG Recommendation 1 (#14-2-0316): *Require the Council to provide adequate documentation to support the \$390,000 in total cash draws made by the Council between October 1, 2010, and December 31, 2013. If the Council is unable to provide adequate supporting documentation, the region should recover these costs accordingly. The amount of costs recovered as a result of the resolution of this report should be offset by any questioned costs recovered as part of the resolution of OIG Report No. 13-3-0350, Single Audit Reports for the Wells Band Council, August 21, 2013.*

EPA Response: The OIG Agreed-Upon Procedures audit looked at costs from October 1, 2010 and December 31, 2013. In resolving both audits, EPA requested the Tribe to reconcile all costs for both grants going back to October 1, 2006, the start date of the earliest grant (GA96972701).

Wells Band Council contracted with Joseph Eve, CPA firm, to assist the tribe in reviewing its Financial Management System and improve its internal control. The Council has improved its accounting system so costs can now be identified by cost categories. The Council has also gone back through their source documentation from FY2007 to present and has made the necessary corrections to their accounting system.

Based on our review, the total cost allowable under Grant GA96972701 is \$478,000 and \$532,334 under Grant GA00T39801. EPA will not seek to recover any funds from the Tribe.

In addition, Wells Band also implemented a new timesheet to be in compliance with 2 CFR Part 225. The Council is in the process of renewing its contract with Joseph Eve's firm for continuing oversight in the Wells Band Council Office.

OIG Recommendation 2 (#14-2-0316): *Complete the resolution of OIG Report No. 13-3-0350, in order to resolve the \$361,027 in questioned unsupported costs (of which \$248,642 pertained to EPA grant 00T39801); and implement the recommendation to identify the Council as high risk, in accordance with 40 CFR Part 31.12, and place appropriate grant restrictions and grant conditions on the grantee.*

EPA Response: See response to OIG Recommendation 1 (#14-0316)

Single Audit Recommendation 1 (#13-3-0350): *Recover the \$361,027 in questioned unsupported costs, related to Finding 2011-03 unless the recipient can provide adequate documentation that the costs claimed are allowable and allocable to the assistance agreements.*

EPA Response: See response to OIG Recommendation 1 (#14-0316)

Single Audit Recommendation 2 (#13-3-0350): *Consider the recipient to be high-risk, in accordance with 40 CFR 31.12, and place appropriate restrictions/grant conditions upon the recipient. Also, we recommend that you input these findings into the Grantee Compliance Database, and consider this information as part of future pre-award decisions.*

EPA Response: Wells Band has been on high risk designation since September 25, 2014. Based on the completed work and improvements by the Tribe and their CPA contractors, EPA feels that the Tribe has made significant progress, but will continue to be on high risk designation until the Tribe meets the requirements outlined in the high risk designation letter. The Tribe is planning to continue their contract with Joseph Eve to provide oversight in the Wells Band Council Office.

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 Magdalen Mak, Regional Audit Follow-up Coordinator at (415) 972-3773.

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