



# At a Glance

## Why We Did This Review

The U.S. Environmental Protection Agency (EPA) has significantly increased its funding of environmental programs in Guam from approximately \$1.3 million in 2006 to \$8.3 million in 2013. We conducted this audit to determine whether the EPA:

- Has controls and processes in place to ensure proper oversight of Guam's assistance agreements.
- Is ensuring that the assistance agreements effectively and efficiently protect human health and the environment.

During the course of our audit, we decided to focus on consolidated cooperative agreements (CCAs), as they involved the most funding.

**This report addresses the following EPA goals or cross-agency strategies:**

- *Protecting America's waters.*
- *Launching a new era of state, tribal and local partnerships.*

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## EPA Region 9 Needs to Improve Oversight Over Guam's Consolidated Cooperative Agreements

### What We Found

The internal controls of the Guam Environmental Protection Agency (GEPA) and the Guam Waterworks Authority (GWA) over assistance agreements need improvement, as well as Region 9's oversight of Guam's CCAs. We identified the following areas requiring attention:

- GEPA does not have complete control over program income funds.
- GEPA and GWA CCAs have inconsistent terms and conditions on agreement payment.
- GWA contracts shift risk to GWA and are missing federal and industrywide terms.
- GEPA and GWA inconsistently reported in-kind and interagency agreement costs.
- Region 9 project files were not readily available to third parties.
- Region 9 did not ensure reliability of GEPA Safe Drinking Water Information System data.

**More than \$67 million in CCA funds may not be administered efficiently and effectively. As a result, the EPA needs to enhance its internal controls accordingly.**

Recipients are required to comply with CCA terms and conditions, as well as the Code of Federal Regulations (CFR) in 2 CFR Part 225 and 40 CFR Part 31. Without adequate internal controls and oversight, more than \$67 million in CCA funds may not be administered efficiently and effectively, thus reducing the impact those funds could have on protecting human health and the environment. As a result, Guam agencies need to improve the management of EPA-funded projects, and the EPA needs to expand its internal controls accordingly.

### Recommendations and Planned Agency Corrective Actions

We made 18 recommendations to Region 9 regarding oversight and the need for other improvements, including:

- Recovering \$316,858 in unallowable costs and up to \$2,015,719 in misappropriated program income.
- Accessing and utilizing program income funds.
- Using appropriate grant payment methods and level of project officer review.
- Including needed federal terms and conditions in GWA contracts.
- Improving in-kind and interagency agreement expenditure reporting.
- Improving maintenance of Region 9 project officer files.
- Improving the accuracy of GEPA information system data.

Region 9 concurred with all of the recommendations and plans to complete a majority of the corrective actions by September 30, 2016.