



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

The U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) conducted a review of earmarked grants known as Special Appropriation Act Projects issued to local and tribal Governments. The City of Middletown, New York, was selected for review.

## Background

The City of Middletown received an EPA Special Appropriation Act Project grant, XP98284701. The purpose of the grant was to provide Federal assistance of \$433,700 for the procurement of equipment for the grantee's drinking water treatment plant. The City of Middletown was required to provide local matching funds equal to 49 percent of the EPA-awarded funds.

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

To view the full report, click on the following link:  
[www.epa.gov/oig/reports/2007/20070925-2007-2-00039.pdf](http://www.epa.gov/oig/reports/2007/20070925-2007-2-00039.pdf)

## ***Ineligible Federal Funds Drawn on EPA Grant No. XP98284701 Awarded to the City of Middletown, New York***

### **What We Found**

The City of Middletown (grantee) claimed costs that were incurred prior to the timeframes provided for in Office of Management and Budget Circular A-87 and the Special Appropriation Act Projects guidance. These guidelines indicate that costs are eligible as of the beginning of the fiscal year when funds are appropriated. The grant funds were appropriated in Fiscal Year 2003; therefore, preaward costs incurred after October 1, 2002, were eligible for reimbursement. However, the grantee incurred the entire \$853,002 in total project costs prior to October 1, 2002. Also, the grant conditions only approved preaward costs 90 days prior to the grant award. The costs claimed by the grantee were incurred approximately 15 months prior to the grant award date. As a result, all costs claimed under the EPA grant are ineligible for Federal reimbursement and grants funds of \$433,700 must be repaid.

### **What We Recommend**

We recommend that the EPA Region 2 Regional Administrator require the City of Middletown to repay the \$433,700 in Federal funds drawn.