



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

During our review of a single audit of the State of Alaska, we noted that the single auditor raised issues regarding the State's Department of Environmental Conservation (State) that potentially impact the allowability of expenditures incurred by the State.

## Background

The Single Audit Act of 1984 established uniform entity-wide audit requirements for State and local governments receiving Federal financial assistance. The single audit for Alaska for the year ended June 30, 2003, was performed by the State's Division of Legislative Audit. The Office of Inspector General is required to review and disseminate the results of single audits to responsible U.S. Environmental Protection Agency (EPA) officials. The State identified \$33,887,200 in Federal expenditures for EPA grants under the Alaska Village Safe Water program.

**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/2006/20060726-2006-3-00167.pdf](http://www.epa.gov/oig/reports/2006/20060726-2006-3-00167.pdf)

## ***Single Audit Report for the State of Alaska Department of Environmental Conservation for the Year Ended June 30, 2003***

### **What We Found**

The single audit questioned \$1,166,051 in labor costs because State employees did not account for their activities in accordance with Federal requirements. In addition, we have questioned the balance of the EPA grant amounts of \$32,721,149 due to the following single audit results:

- The State claimed disbursements that were advances and not actual costs.
- The State did not correctly report assets and expenditures.
- The State did not follow procurement procedures.

We also found that the State did not adequately monitor its subrecipients. As a result, one subrecipient earned interest and dividend income, contrary to EPA regulations. We estimate that the potential amount of Federal interest earned on the over \$100 million in investments from 2001 to 2003 would be over \$7 million.

### **What We Recommend**

We recommend that the Acting Regional Administrator, EPA Region 10:

- Implement the single audit recommendations and disallow \$1,166,051 of personnel services costs;
- Require the State to prepare and submit an indirect cost rate proposal for indirect costs related to direct labor costs under the Village Safe Water program;
- Disallow the remaining \$32,721,149 of costs associated with EPA funds until the State can provide actual cost data, which includes the proper application of the 4 percent administrative costs under each grant;
- Require remittance of dividend and interest earned on EPA funds by its subrecipient; and,
- Formally place the State on a reimbursable payment basis until EPA determines the State's cash management, labor, and financial reporting systems fully meet Federal requirements, and the recommendations of this report have been fully satisfied.