



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

Wrangell Cooperative Association Reported Outlays Under EPA Grants GA980448-01 and GA970335-01

Report No. 2005-4-00056

April 19, 2005

This audit report contains findings that describe problems the Office of Inspector General (OIG) has identified and corrective actions the OIG recommends. The report represents the opinion of the OIG, and findings contained in this report do not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

Report Contributors:

Keith Reichard
Jan Lister

Abbreviations

CFR	Code of Federal Regulations
EPA	Environmental Protection Agency
OIG	Office of Inspector General
OMB	Office of Management and Budget
Recipient	Wrangell Cooperative Association



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

At the request of the Environmental Protection Agency (EPA), Region 10, we conducted this examination to express an opinion on the reported outlays on the Financial Status Reports, and to determine whether the recipient was managing its grants in accordance with applicable requirements.

Background

EPA awarded two General Assistance Program grants to the recipient totaling \$465,000. These grants were for environmental capacity development.

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/2005/20050419-2005-4-00056.pdf

Wrangell Cooperative Association Reported Outlays Under EPA Grants GA980448-01 and GA970335-01

What We Found

The recipient did not maintain a labor distribution system as required by Office of Management and Budget (OMB) Circular A-87. Consequently, we questioned labor and fringe benefit outlays of \$140,275 and \$59,823, respectively. We also questioned unallowable travel and other outlays of \$3,149 and \$2,744, respectively. Further, we noted that the recipient did not (1) submit timely and accurate performance reports, and (2) draw down EPA grant funds based on immediate cash needs.

What We Recommend

We recommend that EPA recover the Federal share questioned of \$204,059 (the totals of the four amounts mentioned above, minus a \$1,932 offset). We also recommend that if EPA provides any future grants to the recipient, that the recipient (1) establish an adequate labor distribution system, as required by OMB Circular A-87; (2) submit adequate performance reports; and (3) draw down EPA grant funds for immediate cash needs only.



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

OFFICE OF
INSPECTOR GENERAL

April 19, 2005

MEMORANDUM

SUBJECT: Report No. 2005-4-00056
Wrangell Cooperative Association Reported Outlays Under
EPA Grants GA980448-01 and GA970335-01

FROM: Michael A. Rickey /s/ *Michael A. Rickey*
Director, Assistance Agreement Audits

TO: Ron Kreizenbeck
Acting Regional Administrator, Region 10

This is the final report to express an opinion on the outlays reported through June 30, 2003, by the Wrangell Cooperative Association (recipient) under Environmental Protection Agency (EPA) grants GA980448-01 and GA970335-01. We conducted this examination in response to Region 10's request dated March 29, 2004, to investigate issues raised in a hotline complaint. The complaint alleged financial mismanagement and misuse of Federal grant funds awarded to the recipient. This report addresses all the relevant issues identified in the hotline complaint.

In order to address the allegations, we examined the recipient's reported outlays under the two EPA grants. The grants were authorized under the Indian Environmental General Assistance Program Act of 1992 to help the recipient establish an environmental program.

We have questioned over \$200,000 of labor and related fringe benefits because the recipient did not maintain a labor distribution system as required by Office of Management and Budget (OMB) Circular A-87. We also questioned almost \$5,900 of unallowable travel and other outlays. In addition, we found that the recipient did not submit adequate and timely performance reports, and drew down Federal funds in advance of actual cash needs.

The report represents the opinion of the Office of Inspector General (OIG), and the findings contained in this report do not necessarily represent the final EPA position. The OIG has no objection to the release of this report to any member of the public upon request.

On January 18, 2005, we issued a draft report to the recipient for review and comment. The recipient did not agree with the report findings. We have included the recipient's response to the draft report in Appendix B (we did not include the recipient's attachments but they are available upon request). The response is also summarized after each finding with our comments.

Action Required

In accordance with EPA Manual 2750, the action official is required to provide this office with a proposed management decision within 120 days of the date of this transmittal memorandum. The proposed management decision must address each finding and recommendation. Where you disagree with a finding or recommendation, please provide alternative actions and support or precedence for your position

If you have questions concerning this report, please contact Keith Reichard, at (312) 886-3045.

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Background

The Environmental Protection Agency (EPA) awarded two grants to the Wrangell Cooperative Association (recipient) under the Indian Environmental General Assistance Program Act of 1992 to help the recipient establish an environmental program. The following table provides some basic information about the authorized project periods and the funds awarded under each agreement.

Grants	Award Date	EPA Share	Recipient Share	Total Awarded	Project Period
GA980448-01	09/29/99	\$257,500*	\$7,500	\$265,000	10/01/99 - 07/31/02
GA970335-01	09/11/02	\$200,000	\$0	\$200,000	08/01/02 - 07/31/04

* The EPA share is 97 percent of all approved costs up to and not exceeding \$257,500.

Grant GA980448-01: This grant was for the recipient to build environmental capacity by establishing an environmental protection program that will identify environmental issues and determine long-term strategies and goals.

Grant GA970335-01: This grant was for the recipient to identify locations containing potential contaminants and to protect the watershed from the contaminants. The agreement involves developing (1) a comprehensive environmental ordinance and enforcement strategy, and (2) a comprehensive community environmental plan.

To help the reader understand the report, we define key terms below:

Reported Federal Outlays:

Program expenses or disbursements identified by the recipient on the *Financial Status Report* (Standard Form 269A).

Unallowable Costs:

Outlays that are (1) contrary to a provision of a law, regulation, agreement, or other documents governing the expenditure of funds; (2) not supported by adequate documentation; or (3) not approved by a responsible agency official.

Independent Auditor's Report

We have examined the total outlays reported by the recipient under the EPA grants, as shown below:

Grants	Financial Status Reports		
	Date Submitted	Period Ending	Federal Outlays Reported
GA980448-01	9/13/04	6/30/03	\$257,500
GA970335-01	5/28/04	6/30/03	\$75,000
Total			\$332,500

The recipient certified that the Federal outlays reported on the *Financial Status Reports*, Standard Form 269A, were correct and for the purposes set forth in the agreements. The preparation and certification of the financial status reports are the responsibility of the recipient. Our responsibility was to express an opinion on the reported outlays based on our examination.

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 examined, on a test basis, evidence supporting the reported outlays, and performed such other procedures as we considered necessary in the circumstances (see Appendix A for details). We believe that our examination provides a reasonable basis for our opinion.

We questioned labor and related fringe benefits of \$140,275 and \$59,823, respectively because the recipient did not maintain a labor distribution system as required by Office of Management and Budget (OMB) Circular A-87. We also questioned unallowable travel and other outlays of \$3,149 and \$2,744, respectively.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the reported Federal outlays on the *Financial Status Reports* do not present fairly, in all material respects, the allowable outlays incurred in accordance with the terms and conditions of the agreements and applicable EPA regulations. Details of our audit are included in the *Schedule of Reported Federal Outlays and Results of Audit for Grants GA980448-01 and GA970335-01* that follows.

/s/ Keith Reichard for

Office of the Inspector General
U.S. Environmental Protection Agency
September 29, 2004

Schedule of Reported Federal Outlays and Results of Audit for Grants GA980448-01 and GA970335-01

Cost Element	Reported Federal Outlays			Questioned Outlays	Note
	Grants		Total		
	GA980448-01	GA970335-01			
Personnel	\$106,453	\$33,822	\$140,275	\$140,275	1
Fringe	\$43,478	\$16,345	\$59,823	\$59,823	2
Travel	\$41,892	\$5,474	\$47,366	\$3,149	3
Supplies	\$13,512	\$3,067	\$16,579	\$0	
Contractual	\$34,617	\$7,781	\$42,398	\$0	
Other	\$19,480	\$8,511	\$27,991	\$2,744	3
Subtotal	\$259,432	\$75,000	\$334,432	\$205,991	
Less: Outlays in excess of the grant ceiling	(\$1,932)	\$0	(\$1,932)	(\$1,932)	4
Total	\$257,500¹	\$75,000	\$332,500	\$204,059	

Note 1: We questioned personnel outlays of \$140,275 because the recipient did not maintain support for its salaries and wages required by OMB Circular A-87, Attachment B, paragraph 11(h). As a result, the labor costs recorded in the general ledger were not allowable in accordance with the grant agreements and OMB Circular A-87.

The requirements of 40 CFR 31.22 provide that Indian tribal governments shall follow the provisions of OMB Circular A-87 for determining allowable costs. That Circular requires that charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official of the organization. The Circular also provides that when employees work on multiple activities or cost objectives², a distribution of their salary or wages will be supported by personnel activity reports which must meet the following standards:

¹The recipient's matching share of the total project costs was \$7,500. The recipient did not include its match in the reported outlays; however, we confirmed that the recipient met its \$7,500 match.

²A cost objective is defined in OMB Circular A-87 as a function, organization subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

- (a) The reports must reflect an after-the-fact distribution of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.
- (b) Each report must account for the total activity for which employees are compensated.
- (c) The reports must be prepared at least monthly and must coincide with one or more pay periods, and be signed by the employee.

The recipient's employees worked on other Federal and State projects but did not maintain any personnel activity reports or labor distribution records to identify the time and effort expended on these projects. The recipient generally charged all labor costs for the Office of Environmental Planning to EPA grants, and argued that the time spent on the other Federal and State projects was generally incurred during non-duty hours and were immaterial. The recipient further stated that some but not all employees prepared time sheets. However, these time sheets were inadequate because no final cost objectives were identified. Instead the time sheets only identified the hours worked during a given pay period for the purpose of paying the employees. Without adequate records to support the time spent on EPA grants and other Federal and State projects, the reported personnel outlays are not allowable.

Recipient's Response

We do not agree with this finding. EPA did not inform us of the OMB Circular A-87 requirements for time sheets, and EPA provided little, if any, guidance on any type of grant administration procedures, program development or administrative training to ensure compliance with a multitude of regulations. The need for time sheets was not mentioned, and had there been communication that time sheets were required, this simple procedure would have been implemented. We wrongly assumed that the salaries and wages presented in the EPA approved and funded work plan measured against project results and quarterly goals would suffice for accountability. We did not try to account for the time spent for the director or part-time staff by task. We considered the director position salaried per grant specifications in the approved work plan, so all work was directed toward the goal of developing a sustainable tribal environmental program.

OIG's Comments

The recipient did not submit adequate support for the questioned labor and related fringe benefits as required by OMB Circular A-87, Attachment B, paragraph 11(h). Further, we do not agree that EPA has any responsibility to manage the grant projects for the recipient. In submitting its grant application, the recipient certified that it has the institutional, managerial, and financial capability to ensure the

proper planning, management, and completion of the project described in the application. The recipient also certified that it would comply with all applicable requirements of Federal laws and regulations. Since the recipient did not maintain sufficient records to properly identify the actual labor costs incurred for the grants, the reported outlays are unallowable for Federal grant participation.

Note 2: We questioned fringe benefit costs of \$59,823 which represent the claimed fringe benefits applicable to the questioned direct labor of \$140,275.

Recipient’s Response

Refer to recipient’s response to Note 1 above.

OIG’s Comments

Refer to the OIG’s comments to Note 1 above.

Note 3: We questioned travel and other outlays of \$3,149 and \$2,744, respectively. To be allowable under Federal awards, OMB Circular A-87 provides that costs must be necessary, reasonable, allocable, and adequately documented. The recipient could not demonstrate that these costs were allowable. Accordingly the outlays have been questioned. The questioned travel and other outlays are detailed below in Tables 1 and 2.

Table 1

Description	Check	Date	Questioned Travel Outlays		Total	Notes
			Grant GA980448-01	Grant GA970335-01		
Shakes Island Project	1488	01/15/03		\$1,243	\$1,243	a
Shakes Island Project	1443	11/06/02		\$1,029	\$1,029	a
Shakes Island Project	1342	07/15/02	\$446		\$446	a
Roads Project	1539	03/06/03		\$406	\$406	a
Late Payment Fee	1202	11/30/01	\$25		\$25	b
Total Questioned			\$471	\$2,678	\$3,149	

Table 2

Description	Check	Date	Questioned Other Outlays	Notes
			Grant GA970335-01	
Mediation	1540	03/06/03	\$1,390	c
First Nations - Design	1541	03/13/03	\$720	a, d
Election	1553 1554 1555 1556	04/11/03	\$326	e
Shakes Island Project	1387	09/03/02	\$308	a
Total Questioned			\$2,744	

- a. The questioned outlays represent costs on other unrelated projects. These costs are not allocable to the EPA grants, and are unallowable.
- b. The questioned outlay represents late payment fees. Outlays related to the recipient's failure to make payments on time are not necessary or reasonable outlays, and are unallowable.
- c. The questioned outlay represents the costs to mediate conflicts between board members. These costs are not reasonable, necessary, or allocable to the grant, and are unallowable.
- d. The outlay was unsupported. The \$720 payment was for unknown services, and was paid to a company purportedly owned by the board president's wife. The recipient did not have an invoice, purchase order, or any other documentation to support the payment. Further, the payment may have violated the conflict of interest provisions of Title 40 CFR 31.36(b). Without adequate supporting documentation, the outlay has been questioned.
- e. The recipient claimed various outlays associated with board member elections. These costs are not allocable to the EPA grants, and are unallowable.

Recipient's Response

The recipient did not specifically address these findings.

Note 4: The recipient exceeded the grant ceiling by \$1,932 due to an accounting error. Accordingly, we have offset the questioned cost by the \$1,932 amount.

Recipient's Response

The recipient did not specifically address this finding.

Recommendation 1

We recommend that EPA recover the Federal share questioned of \$204,059.

Report of Non-Compliance

The recipient did not (1) have an adequate labor distribution system as required by OMB Circular A-87, (2) submit complete and timely performance reports as required by Title 40 CFR 31.40, and (3) draw down EPA grant funds based on its actual and immediate cash need as required by Title 40 CFR 31.21.

Inadequate Labor Distribution Systems

The recipient's labor distribution system did not meet the requirements of OMB Circular A-87. Refer to Note 1– *Schedule of Reported Federal Outlays and Results of Audit for Grants GA980448-01 and GA970335-01* on page 3 for additional details.

Recommendation 2

If EPA provides any future Federal funds to the recipient, we recommend that EPA require the recipient to establish an adequate labor distribution system that complies with the requirements of OMB Circular A-87, Attachment B, paragraph 11(h).

Inadequate and Untimely Performance Reports

For grant GA970335-01, the recipient did not submit complete or timely quarterly performance reports to EPA as required by Title 40 CFR 31.40 and the grant agreement. The provisions of Title 40 CFR 31.40 and the grant agreement required that the recipient submit quarterly performance reports to EPA and include (1) a comparison of actual accomplishments to the objectives in the agreement; (2) reasons for slippage from estimated time and performance objectives; (3) additional pertinent information, as necessary; and (4) significant developments such as problems, delays, or adverse conditions.

On May 5, 2004, EPA issued an enforcement letter to the recipient, informing the recipient that it was not in compliance with Federal regulations governing reporting activities under the grant. After EPA issued the enforcement letter, the recipient submitted all the missing quarterly performance reports. However, these reports were inadequate: they had little informative data, each report mirrored the prior reports with little or no additional data included, and the reports did not address all the significant problems and delays encountered.

Specifically, the reports did not identify problems and turnover of the recipient's management structure. For instance, in February 2003, the director and accountant in the environmental office performing the grant work were released. The recipient did not inform EPA in the reports that the director and accountant were replaced in March 2003, nor did the recipient ensure that the new director and accountant were qualified to perform

the required functions under the grant. Also, the recipient did not inform EPA in the reports of the ultimate closure of the environmental office in November 2003.

Due to the lack of pertinent reporting from the recipient: (1) EPA did not have sufficient information to understand the problems occurring with the recipient; (2) EPA was unable to assess the recipient's performance in meeting the grant's objectives; and (3) EPA was unable to determine the proper actions to take with regard to the unexpended funds remaining in the grant.

Recipient's Response

From April 2000 to February 2003, all quarterly reports were timely and accurately submitted. Problems with reporting began when new staff was hired after February 2003.

OIG's Comments

Regardless of which staff members were managing the projects, the fact remains that the quarterly performance reports for grant GA970335-01 were not submitted timely. In addition, the reports that were submitted lacked informative data, and did not identify any of the ongoing problems, including the turnover of the recipient's management structure and the closure of the environmental office.

Recommendation 3

If EPA provides any future Federal funds to the recipient, we recommend that EPA ensure that the recipient provide adequate performance reports that comply with the provisions of Title 40 CFR 31.40.

Inappropriate Cash Draws

The recipient drew down EPA grant funds in advance of the actual need. The grant regulations in Title 40 CFR 31.21 require the recipient to follow the basic standards of Title 31 CFR 205 in obtaining payments under the grants. The provisions of Title 31 CFR 205.20 provide that cash advances shall be limited to the minimum amounts needed and shall be timed to be in accord only with the actual and immediate cash requirements in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

We reviewed nine cash draws paid by EPA on agreements GA980448-01 and GA970335-01 and found that the recipient did not disburse funds timely for any of those cash draws. The recipient generally drew Federal funds and deposited them in their bank account for use over periods ranging from 8 to 168 days after the Federal funds were received. This practice occurred because the recipient lacked written procedures to minimize the time elapsing between the transfer of Federal funds and the redemption of

payment. This practice results in the Federal government incurring unnecessary interest costs on funds drawn down too early, and can result in overpayments.

Recipient's Response

We agree that we drew EPA grant funds in advance of actual need. Prior to electronic deposits, the Indian Environmental General Assistance Program (IGAP) participants were asked by EPA to draw more down at one time to lessen the work load on the Grants Office which was struggling to keep up with new tribal applications and requests. In addition, draw downs were approved at several levels within EPA before being allocated to the tribe. All funding was professionally allocated strictly according to the grant.

OIG's Comments

The recipient concurs with this finding.

Recommendation 4

If EPA provides any future grants to the recipient, we recommend that EPA ensure that the recipient comply with the provisions of Title 40 CFR 31.21 and Title 31 CFR 205 and draws funds for immediate cash needs only.

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 “Office of Inspector General Project Management Handbook,” dated June 21, 2004.

We conducted this examination to express an opinion on the reported outlays, and determine whether the recipient was managing its EPA agreements in accordance with applicable requirements. To meet these objectives, we asked the following questions:

1. Is the recipient’s accounting system adequate to account for agreement funds in accordance with Title 40 CFR 31.20?
2. Does the recipient maintain an adequate labor distribution system that conforms to requirements of OMB Circular A-87?
3. Is the recipient properly drawing down agreement funds in accordance with the grant regulations?
4. Is the recipient complying with its reporting requirements under Title 40 CFR 31.40 and 31.41?
5. Are the costs reported under the agreements adequately supported and eligible for reimbursement under the terms and conditions of the cooperative agreements, OMB Circular A-87, and applicable regulations?

In conducting our examination, we interviewed EPA personnel and reviewed project files to understand the grants and obtained the necessary grant information. We also interviewed recipient personnel to obtain an understanding of the accounting system and the applicable internal controls as they related to reported costs.

We reviewed management’s internal controls and procedures specifically related to our objectives. Our examination included reviewing the recipient’s compliance with OMB Circular A-87, Title 40 CFR Part 31, and the terms and conditions of the agreements. After gaining an understanding of the recipient’s financial management system, we reconciled the reported costs for each grant with the recipient’s general ledger. We also examined the reported costs on a test basis to determine whether the costs were adequately supported and eligible for reimbursement under the terms and conditions of the agreements and Federal regulations. We conducted our field work from August 3, 2004, through September 29, 2004.

Recipient's Response

Comments for the Office of Inspector General Audit Report: Assignment No. 2004-000851

Wrangell Cooperative Association Reported Outlays under EPA Grants GA980448-01 and GA970335-01

The following discussion was written by Paul Rushmore and Tis Peterman on be-half of the Wrangell Cooperative Association.

Response to Recommendation 1:

“We recommend that EPA recover the Federal share questioned of \$204,059” (page 6, line 8).

We do not agree with this finding.

As the director of the IRA Office of Environmental Planning (OEP) and administer of the IGAP program for the Wrangell Cooperative Association (WCA) from April 2000 to February 2003, I feel obligated to respond to the Office of Inspector General's (OIG) findings that suggest EPA was harmed by WCA during its administration of EPA Grants GA980448-01 and GA 970335-01. I would ask the review committee to consider what OEP was able to accomplish in 2.5 years with the IGAP program (GA980448-01) up until February 2003, and measure those accomplishments against all other Southeast Alaska IGAP participants. All the environmental data we collected, the Memorandums of Understanding (MOU) we signed with local, state and federal agencies to conduct multi-year projects, the grant writing program, writing a successful Quality Assurance Project Plan for EPA approval, and the general assistance we afforded the community and tribal members, directly pertained to EPA's environmental mission and was responsive to EPA program interest. The punishment recommended by the OIG for lacking one element of the entire multi component program is excessive.

Inadequate Labor Distribution Systems (page 7, line 6).

In 2000-02 OEP was not informed to the conditions of OMB Circular A-87, though ignorance of the law is no excuse. IGAP provided little, if ANY guidance on any type of grant administration procedures, program development or administrative training to ensure compliance with the multitude of regulations. Time sheets were never mentioned, not once; and it seems presumptuous to suggest that had I known time sheets were required that I would not have implemented such a simple procedure. It would have been helpful if an IGAP workshop on accountability requirements had been conducted rather than learn as I went, then all of this could have been avoided. I wrongly assumed that the salaries and wages presented in the EPA approved and funded Work Plan measured against project results and quarterly goals would suffice for accountability. I believe the finding of “no misappropriation of funds” through a forensic audit completed by OIG helps to substantiate this and shows due diligence on my part. By 2002 I had full confidence in our accounting system, though without oversight or guidance by superiors, we had no idea that records should have been kept differently. This is simply a part of building tribal capacity as per EPA's grant requirements. It was clearly stated in the EPA approved 2003-2004 Work Plan that we were going to improve our accounting and accountability practices for tracking the various programs that the office was involved in.

I had no knowledge of the time sheet requirement until the recent audit. I did not try to account for the amount of time that I or my part-time 2-person staff spent per task. I considered the director position as salaried as per grant specifications (approved work plan), so everything I did was directed toward the final goal; to develop a sustainable tribal environmental program. The job descriptions for the director and additional staff were plainly presented in every approved Work Plan. Many of these duties have implied activities that are inherently necessary to accomplish those duties on a daily basis.

ACHIEVEMENTS

OEP was designed to assess and quantify the number of individuals living in, recreating in or otherwise utilizing potentially dangerous environments, and to collect information regarding the past and present status of household hazardous waste (HHW) management practices on the island. It was important to select projects that were achievable and addressed local and regional concerns. As part of this effort, grants were written, agreements were made with local, state, and federal agencies in order to implement the following projects.

Health of the Beach (2001)

For the last 150 years the Wrangell shoreline has been intensely used for recreation, food gathering and other commercial and personal use activities. In this environment everything ends up on the beach. OEP was awarded funding (\$52,000) through EPA's Resource Conservation and Recovery Act (RCRA), to collect cursory environmental baseline data. To implement the RCRA grant a Quality Assurance Project Plan (QAPP) to test non-drinking water and sediment quality was approved by EPA (EXHIBIT A).

- Conducted a marine proton magnetometer survey to delineate off-shore dump sites (EXHIBIT B).
- Assessed beach sediments for a suite of several hundred potential toxins (EXHIBIT C).
- Conducted run off water quality assessments.
- Presented our IGAP program at the RCRA Annual National Convention, Washington, DC.
- Presented water quality programs to the grade school.
- A harbor crab assessment grant was written that was not funded, among others (EXHIBIT D, E). The quality assessment of crab taken from harbors for consumption is a regional imperative.

Hazardous Household Waste (HHW)

One of the more alarming observations derived during our initial assessment was that improper disposal of HHW from 1000 single-family homes and waste from several small generators within a carrying capacity of 510 acres is a potentially dangerous situation that is in large part, preventable.

RCRA funded OEP \$30,500 to implement a household hazardous waste and small generator contamination prevention program which was sponsored through Southeast Conference in partnership with the Alaska Department of Environmental Conservation (ADEC) and the Alaska Marine Highway System. ADEC, the Division of Statewide Public Service coordinate and facilitate this collection event. OEP in cooperation with the city intend to remove as much HHW and small generator waste as possible on a yearly basis by hazwoper certified personnel, and increase the level of awareness through continued public education regarding hazardous waste issues. (This project is funded for 2002 and 2003).

Additional Projects (directed toward capacity and sustainability)

Fisheries Resource Monitoring Project

Two grants were approved for funding by the Federal Subsistence Board as a cooperative effort between WCA (OEP), the USDA Forest Service, and the Alaska Department of Fish and Game. This \$365,000, three-year project, was managed in-part through OEP and employed 3-4 tribal members on a seasonal basis. This project was directly related to regional environmental quality assessment concerns. Sockeye stock status and trends were monitored at Thoms, Salmon Bay, and Luck Lake (FIS# 01-127), and Virginia Lake (FIS# 01-179).

- OEP received two new computers, administration costs, and offered the opportunity to get IGAP staff off the IGAP payroll for three to four months extending their yearly availability.
- Project staff was required to keep a time sheet.

Bureau of Indian Affairs, Alaska Region

Grant Number E004400076. \$25,000.00 to train a tribal member as a Temporary Water and Wastewater Technician for the City of Wrangell. Education and training (capacity). The only effort expended by the OEP office on this grant was to receive grant monies from BIA and pass them through to the City of Wrangell.

Community Support

Catholic Community Services provided a pass-through grant to the tribe to supplement services to Native elders. This grant was written by Catholic Community Services and their Juneau office completed all of the required reports. The only effort expended by the OEP office on this grant was to receive grant monies from Health and Human Services and pass them through to Catholic Community services.

Bureau of Indian Affairs, Indian Reservation Roads Program: This program provided funds for road improvements in the community. Funds were reimbursed to the IGAP program for Tis Peterman's time spent on this project.

Both of these grants were considered part of the tribe's capacity building efforts which were mandated by IGAP.

Response to Recommendation 2: Inadequate and Untimely Performance Reports

From April 2000 to February 2003 all quarterly performance reports were timely and accurate or you would have heard from our Project Manager, Steve Torok. Mr. Torok knew the strengths and limitations of the tribe and was able to make it work. Mr. Torok continually took it upon himself to contact all the tribes he served of up-coming deadlines. Once Mr. Torok retired in 2002, communication with EPA was poor at-best, which was only exacerbated by the Southeast Project Officer being located in Anchorage. I can honestly say that after Mr. Torok left EPA, I received no more assistance what-so-ever from our Project Officer. After I and Tis Peterman left the office in February of 2003, we had no more contact with the office. All of our reports had been filed in a timely manner. What this finding is related to is the lack of actions by the new staff hired by the Tribe after February of 2003 and has nothing to do with the majority of the reporting periods. That Staff should be responsible for the program development or reporting that did not occur. I am requesting the review Committee takes this into consideration.

Comment:

The audit report states that EPA was not notified of the change in staff at OEP, this is not correct. EPA was notified in April 2003 (EXHIBIT F). According to available correspondence from April 2003, EPA made it clear to OEP that quarterlies and other deliverables were due. After May 2003 there was minimal communication between EPA and OEP, up until the enforcement letter mailed to OEP in May 2004, a full year after EPA was notified that new personnel were in place, suggests that neither EPA nor OEP made any effort to contact each other.

**Response to Recommendation 3:
Inappropriate Cash Draws**

”The recipient drew down EPA grant funds in advance of the actual need” (page 8, line 12). This is true, because prior to electronic deposits becoming institutionalized, IGAP participants in 2000-02 were asked by EPA to draw more down at one time to lessen the work load on the Grants Office who was struggling to keep up with new tribal applications and requests. I am confident that IGAP Project Managers and their superiors who worked with Southeast Alaska IGAP in the early 2000s remember this and could testify to that fact. Regardless, draw downs were approved at several levels within EPA before being allocated to the tribe. It was also my understanding at the time that bank interest accumulated on grant funds above \$33 was to be returned to the government. All funding was professionally allocated strictly according to the grant, which is substantiated by the OIG forensic audit that found “no misappropriation of funds.”

In closing, we do not believe EPA was harmed in their negotiations with the Wrangell Cooperative Association. The man-hours required to accomplish the projects described above far exceeds IGAPs financial contribution. All of our projects were applicable to regional concerns and was consistent with IGAPs mission statement. Thank you for your consideration, and we appreciate this opportunity to comment.

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Wrangell Research Associates

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