



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We conducted this examination to determine whether (1) the incurred costs of \$9,042,706 fairly present the allowable costs under the U.S. Environmental Protection Agency (EPA) assistance agreements audited; (2) the amounts claimed by the recipient under EPA grants were reasonable, allocable, and allowable in accordance with the terms of the agreements and applicable regulations; and (3) the recipient achieved the intended results of the grants.

## Background

EPA awarded four assistance agreements to the recipient for the following purposes: to coordinate Northeastern States' efforts to assess the degree of ozone transport, and strategies for mitigating interstate pollution; and to develop State implementation plans for reducing regional haze.

**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/2007/20070731-2007-4-00068.pdf](http://www.epa.gov/oig/reports/2007/20070731-2007-4-00068.pdf)

## **Ozone Transport Commission Incurred Costs Under EPA Assistance Agreements XA98379901, OT83098301, XA97318101, and OT83264901**

### **What We Found**

In our opinion, with the exception of the questioned costs discussed below, the outlays reported in the *Financial Status Reports* present fairly, in all material respects, the allowable outlays incurred in accordance with the terms and conditions of the agreements and applicable laws and regulations. We questioned \$2,723,706 of the \$9,042,706 in reported outlays because the recipient claimed unallowable outlays for contractual services, indirect costs, and in-kind costs. Specifically, the recipient:

- Did not compete contracts, justify sole-source procurements, or perform cost analysis of contracts;
- Claimed indirect costs without approved indirect rates; and
- Did not maintain adequate documentation for in-kind costs used as recipient match.

We did not identify any concerns with the deliverables required by the grants.

### **What We Recommend**

We recommend that EPA recover questioned outlays of \$2,723,706 unless the recipient provides sufficient documentation to support the related claimed costs in accordance with Federal regulations. We also recommend that EPA direct the recipient to implement procedures to address issues relating to procurement of contracts, indirect cost rates, and documentation of in-kind costs, and monitor the recipient's subrecipient and procurement activities until EPA is assured that the recipient is consistently meeting Federal requirements.