



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We conducted this examination to express an opinion on the reported outlays on the Federal Cash Transactions Reports, and determine whether the recipient was managing its EPA grant in accordance with applicable requirements.

Background

EPA awarded grant R828112-01 to the recipient on November 14, 2000. The agreement was authorized under section 103 of the Clean Air Act, as amended. This agreement provided \$18,750,000 to the recipient to identify and help the broader science community plan for new research in air toxics, accountability, and the health effects of emerging fuels and technologies.

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/2005/20050331-2005-4-00054.pdf

Reported Outlays Under EPA Grant R828112-01 Health Effects Institute

What We Found

We questioned \$2,009,473 of reported outlays because the Health Effects Institute did not maintain the necessary documentation to fully support the reported costs, as required by Federal regulations. Employee time sheets did not specifically identify the EPA grant as a chargeable activity and were not used as the basis for charging labor and related costs to the grant. The recipient charged time for specific employees even though the employees might have worked on other non-grant activities. In addition, the recipient charged travel and other costs to the grant without determining the allocable benefit of such costs.

The Health Effects Institute did not agree with our conclusions. The Institute stated that it had only one final cost objective and all of its cost were allocable to the EPA grant. This position is inconsistent with the Institute's accounting records which identified two cost objectives, one for the EPA grant and one for industry. Besides the automotive industry, the Institute received funds from several other sources.

What We Recommend

We recommend that EPA (1) obtain sufficient documentation to support the outlays of \$2,009,473 in accordance with EPA regulations or disallow the costs from Federal grant participation; (2) place the recipient on a cost reimbursement payment basis and review the supporting documentation for all claims prior to payment until such time as the recipient can demonstrate that it has addressed its financial management weaknesses; and (3) ensure the recipient's indirect cost rate proposal includes information for identifying direct and indirect costs, and an explanation of how these costs are accounted for in the accounting system.