



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We conducted this examination to determine whether the total costs incurred for seven U.S. Environmental Protection Agency (EPA) assistance agreements were fairly presented, in all material respects, and the incurred costs were allowable in accordance with the terms and conditions of the agreements and applicable regulations.

Background

EPA awarded seven assistance agreements to the Association of State and Interstate Water Pollution Control Administrators (Association) to assist States, Tribes, and territories in complying with the Clean Water Act.

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/2006/20060731-2006-4-00122.pdf

Association of State and Interstate Water Pollution Control Administrators Incurred Costs for Seven EPA Assistance Agreements

What We Found

The Association did not comply with the financial and program management standards and the procurement standards promulgated in Title 40 Code of Federal Regulations (CFR), Subchapter B, Part 30. Specifically, the Association (1) could not provide support for any of its general journal entries; (2) included duplicate recorded costs in its accounting system; (3) could not always trace grant draws to the accounting records; (4) could not always support labor charged to the EPA grants; (5) could not support the recorded indirect costs; (6) did not record all of its program income; (7) did not have adequate written procedures for determining reasonable, allocable, and allowable costs; (8) drew EPA grant funds in excess of the funds needed; and (9) did not complete the required single audits for fiscal years ended June 30, 2004, and June 30, 2005.

The Association's procurement system did not comply with the procurement standards. The Association awarded contracts to the America's Clean Water Foundation, contrary to the requirements of Title 40 CFR 30.42 and 30.45. Because the Association did not adequately document its costs and did not comply with the EPA regulations, we questioned \$1,883,590 paid to the Association.

What We Recommend

We recommend that EPA (1) recover \$1,883,590 paid unless the Association is able to reconstruct its accounting records to meet the minimum financial management standards required in Title 40 CFR 30.21; (2) disallow contract costs procured in violation of Title 40 CFR 30.42 and 30.45; (3) rescind provisional indirect cost rates for the fiscal years ended June 30, 2005, and June 30, 2006; (4) stop work on all active grants and do not award any new grants until EPA has assurances that the Association meets minimum financial management requirements; (5) keep the Association on the reimbursement payment method until the Association meets minimum financial management requirements, settles current Federal liabilities, and repays all disallowed costs; and (6) require the Association to comply with single audit requirements for fiscal years ended June 30, 2004 and June 30, 2005. The Association stated many improvements have already been implemented and will continue to work to implement and address any remaining concerns.