



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA), Office of Inspector General, conducted this examination based upon an anonymous hotline complaint that expressed concerns associated with the publication of the *Bay Journal* by the Alliance for the Chesapeake Bay, Inc. (the recipient). The purpose of this examination was to determine whether the recipient's costs reported are reasonable, allowable, and allocable in accordance with the terms and condition of the cooperative agreements and whether results intended were achieved. EPA awarded the recipient five cooperative agreements between August 2005 and July 2010 with a total approved project cost of \$3,619,049. The purpose of the agreements was to promote public education, outreach, and participation in the restoration of the Chesapeake Bay. One of the tasks under the cooperative agreements was to produce and publish the *Bay Journal*.

Furthering EPA's Goals and Cross-Cutting Strategies

- *Protecting America's waters*
- *Enforcing environmental laws*

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2012/20120822-12-4-0720.pdf

Examination of Costs Claimed Under EPA Cooperative Agreements CB-97324701 Through CB-97324705 Awarded to Alliance for the Chesapeake Bay, Inc.

What We Found

The recipient achieved the intended result of producing the *Bay Journal*, but did not comply with the Code of Federal Regulations (CFR)—specifically, 40 CFR Part 30 and 2 CFR Part 230—regarding procurement and financial management requirements. The recipient did not prepare and document a cost or price analysis, nor evaluate the performance of its *Bay Journal* contractor. Also, its federal financial reports are not supported by its accounting records. We questioned project costs totaling \$1,357,035.

The recipient's written policies and procedures do not include necessary guidance to ensure compliance with 40 CFR Part 30. When recipients do not complete the required cost or price analysis, we have no assurance that costs are fair and reasonable. Due to noncompliance issues and procurement policy and procedure weaknesses, the recipient may not have the capability to manage current and future grant awards.

Recommendations and Agency/Recipient Response

We recommend that the Regional Administrator, Region 3, disallow the total questioned project costs of \$1,357,035 and recover \$1,189,864 of federal funds paid under the cooperative agreements. We also recommend that the Regional Administrator require the recipient to improve its procurement internal controls and ensure that future federal financial reports are supported by accounting system data. Lastly, we recommend that certain special conditions be included for all active and future EPA awards to the recipient until the region determines that the recipient has met all applicable federal financial and procurement requirements.

Region 3 proposed an alternative resolution to review the costs of the contracts. We cannot accept this resolution because the region did not provide information on how it would demonstrate that the costs associated with the publication of the *Bay Journal* were fair and reasonable. The recipient stated that the facts do not support the recommendation to disallow and recover the claimed costs. The recipient agreed that it achieved the intended results of producing the *Bay Journal*.