



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Public Liaison Report

Review of Complaint on the University of Nevada, Reno, Regional Environmental Monitoring and Assessment Program Cooperative Agreement CR 826293-01

Report 2006-P-00008

December 28, 2005

Report Contributors:

Dan Cox
Les Partridge

Abbreviations

BRRC	Biological Resources Research Center
EPA	U.S. Environmental Protection Agency
OIG	Office of Inspector General
REMAP	Regional Environmental Monitoring and Assessment Program



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

A complainant expressed concern regarding activities on the Office of Research and Development Regional Environmental Monitoring and Assessment Program cooperative agreement with the University of Nevada, Reno. This review addresses issues based on the complainant's concerns.

Background

The Office of Research and Development of the U.S. Environmental Protection Agency (EPA) awarded a \$400,000 cooperative agreement to the University of Nevada, Reno (the University). The agreement created a biological baseline for the Humboldt watershed and devised bioassessment protocols for the State that can effectively assess the biological conditions of perennial streams and rivers.

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/2006/20051228-2006-P-00008.pdf

Review of Complaint on the University of Nevada, Reno, Regional Environmental Monitoring and Assessment Program Cooperative Agreement CR 826293-01

What We Found

Did the recipient complete the project with the required final products?

The recipient has not submitted a complete report.

Did recipient personnel work on other grants while charging to EPA funds?

Recipient personnel were working on other Federal grant projects while paid from EPA funds.

Did the recipient properly record revenues and expenses?

The recipient did not allocate expenses to the appropriate Federal grant or cooperative agreement.

Did EPA require the recipient to submit work plans, status reports, and progress reports?

The project officer did not require the recipient to complete work plans, progress reports, and status reports. In the absence of compliance reports, the project officer could not determine the status of the project or guarantee its success.

What We Recommend

We recommend that EPA

- require the recipient to submit a complete report,
- require the recipient to repay \$21,260 in unallowable costs,
- require the University to establish better control over the recipient's accounting practices to make sure University policies and practices are followed, and
- emphasize to this project officer the importance of carrying out his duties and responsibilities in the most effective and efficient manner and establish a process for measuring his accountability and performance.



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

OFFICE OF
INSPECTOR GENERAL

December 28, 2005

MEMORANDUM

SUBJECT: Review of Complaint on the University of Nevada, Reno, Regional Environmental Monitoring and Assessment Program Cooperative Agreement CR 826293-01

FROM: Paul D. McKechnie /s/
Director for Public Liaison
Office of Congressional and Public Liaison

TO: George Gray
Assistant Administrator
Office of Research and Development

Attached is our final report, *Review of Complaint on the University of Nevada, Reno, Regional Environmental Monitoring and Assessment Program (REMAP) Cooperative Agreement CR 826293-01*, conducted by the Office of Inspector General (OIG). The Public Liaison office initiated this audit from an anonymous complaint.

This report contains findings and recommendations the OIG has identified as well as Environmental Protection Agency Office of Research and Development comments relevant to our recommendations. This report represents the opinion of the OIG and the 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.

Action Required

Based on the Office of Research and Development concurrence with the findings, acceptance of the recommendations, and creation of a corrective actions schedule, the OIG recommends this report be closed upon issuance.

We appreciate the efforts of EPA officials and staff working with us to develop this report. If you or your staff has any questions regarding this report, please contact me at (617) 918-1471, or Dan Cox, Assignment Manager, at (916) 498-6592.

cc: Cheryl Varkalis, Audit Followup Coordinator, Office of Research and Development

Table of Contents

At a Glance

Purpose	1
Background	1
Scope and Methodology	1
Results of Review	2
Did the recipient complete the project with the required final products?	2
Did recipient personnel work on other grants while charging to EPA funds?.....	3
Did the recipient properly record revenues and expenses?	4
Did EPA require the recipient to submit work plans, status reports, and progress reports?	4
Recommendations	5
Agency Response and OIG Evaluation	5
Appendices	
A Agency Response	6
B Distribution	9

Purpose

The Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) conducted a review of issues that a complainant brought to the OIG's attention related to the University of Nevada, Reno, Biological Resources Research Center (BRRC) Regional Environmental Monitoring and Assessment Program (REMAP) cooperative agreement, in Reno, Nevada. Based on the issues raised, we sought to determine the following:

- Did the recipient complete the project with the required final products?
- Did recipient personnel work on other grants while charging to EPA funds?
- Did the recipient properly record revenues and expenses?
- Did EPA require the recipient to submit work plans, status reports, and progress reports?

Background

On February 24, 2004, we met with the complainant to discuss problems with a cooperative agreement at the BRRC. At that meeting, the complainant laid out the issues that we include in this review.

The purpose of this cooperative agreement was to create a biological baseline for the Humboldt watershed, and devise bioassessment protocols for the State of Nevada that can effectively assess the biological conditions of perennial streams and rivers. The initial cooperative agreement started December 1, 1997, for 2 years at a cost of \$200,000. The agreement was amended once to add an additional \$200,000 for work on the Walker and Virgin-Muddy Watersheds and extend the performance period 2 more years; and then a second time to extend the ending date. The performance and budget period ran out May 31, 2002. The cooperative agreement has not been extended further.

We found the originators based the funding on an arbitrary amount for the samples gathered and analyzed. From the outset they felt the project should run for 4 years and that they collect 160 samples at a cost of \$2,500 per site sampled for a total of \$400,000.

During the evaluation phase, prior to award, a peer review panel found the project flawed in meeting the REMAP concept and on its technical merit. Specifically they found problems with the design of the study, objectives that were not well focused, lack of questions and hypotheses, previous work that was not referenced, and protocols used by United States Geological Service that were not mentioned. Despite these shortcomings, the project moved forward to award.

As the project began, the co-principal investigator in charge of the project suffered a heart attack and died. The co-principal investigator was one of the originators of the project and a key component to the success of the project.

Scope and Methodology

We performed our review in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the review from November 1, 2004,

through July 12, 2005. We did not review the system of internal controls due to the limited scope of our evaluation and the fact that such a review was not relevant to our objectives.

To accomplish our objectives, we conducted interviews with the complainant, the University, the BRRRC, and EPA representatives. We researched laws, rules, and regulations applicable to the issues raised by the complainant; and reviewed relevant documents obtained from the complainant, the University, the BRRRC, and EPA representatives. We reviewed the accounting records of the cooperative agreement in the University accounting system and those records kept by the BRRRC.

Results of Review

In March 2003, the EPA OIG report, *EPA Must Emphasize Importance of Pre-Award Reviews for Assistance Agreements*, reported that EPA leadership did not always stress the importance of project officer duties, and did not hold project officers accountable for conducting complete pre-award surveys. Our report found that the project officer should have maintained more positive control over his duties on this cooperative agreement.

In September 2005, the EPA OIG audit report, *EPA Managers Did Not Hold Supervisors and Project Officers Accountable for Grants Management*, identified that EPA did not hold supervisors and project officers accountable for grants management because there is no process to measure most grants management practices. Also, project officers' duties were not discussed in year-end evaluations. The EPA OIG identified these problems in past OIG reports; they are a continuing weakness in the EPA. Because EPA managers do not stress the importance of carrying out project officer duties and responsibilities in the most effective and efficient manner and establishing a process of measuring project officer accountability and performance, weaknesses in EPA grants management continue. We found these problems to exist with the project officer on this cooperative agreement.

In response to the complaint, we found the following regarding each of our questions.

Did the recipient complete the project with the required final products?

The complainant alleged the recipient did not submit the agreed deliverables timely or in a completed form.

We found the BRRRC did not submit a final report until OIG involvement, 2½ years late. The project officer accepted an incomplete report on May 18, 2005, nearly 3 years late. This report was not compiled or supervised by a qualified principal investigator. Although not determined to be a deliverable, the project also required the BRRRC to submit laboratory data to the EPA for entry into the EPA environmental mapping database. When the BRRRC submitted the final report, some of the required laboratory data the BRRRC submitted were questionable and had to be re-evaluated. Submission of an incomplete final report happened because of the following:

- On the death of the original principal investigator, the BRRRC did not have a qualified person to take over. Although listed as a co-principal investigator, the director of the BRRRC did not consider himself qualified.
- The project officer allowed the project to continue even though the BRRRC lost the original principal investigator and the project was given a questionable chance of success by the peer review process. The peer review panel found the project lacked consistency, stating “objectives were very general and not well focused,” and on technical merit, stating “data analysis was not adequately addressed.”
- The project officer allowed the BRRRC to receive reimbursement of all EPA cooperative agreement funds without receiving the deliverable.
- The BRRRC placed the responsibility for writing the final report on two graduate assistants. According to the project officer, he received “one good report and one incomplete and middling report.”
- The University did not maintain oversight control over the BRRRC to make sure the BRRRC submitted a complete and timely final report.

Did recipient personnel work on other grants while charging to EPA funds?

The complainant suggested that recipient personnel were working on other Federal grants and paid from EPA cooperative agreement funds.

We found that employees of the recipient were working on specific Fish and Wildlife Service grants, Department of Agriculture grants, and other grants (State grants) and paid from EPA funds for salaries, travel, and tuition. It was a common recipient practice to charge another grant that had funding while waiting for grant funds to begin. This reimbursement procedure did not apply to the amounts questioned. These funds were not reimbursed from other grants.

Table 1. Schedule of Questioned Costs

	Salaries and Wages	Travel	Fringe Benefits & Tuition	Supplies & Other Costs	Indirect Costs	Total Costs
Claimed	\$228,515	\$7,130	\$29,129	\$54,791	\$80,129	\$399,694
Questioned	\$ 10,411	\$1,516	\$ 4,946	\$ -0-	\$ 4,387	\$ 21,260

The director of the BRRRC told us that three specific personnel worked on the EPA project. We found that these three employees did not work on the project, but worked on other Fish and Wildlife Service grants. According to OMB Circular A-21, this practice is not allowed. We questioned \$10,411 in salaries paid to these employees.

The BRRRC office manager furnished us a listing identifying all personnel working for the BRRRC. From the listing we identified several BRRRC employees not working on the EPA agreement but charging travel costs to the EPA agreement. We questioned \$1,516 in travel costs not chargeable to the cooperative agreement.

We also found the BRRRC used EPA funds to pay tuition for three employees that should have been charged to a Fish and Wildlife Service grant, a Department of Agriculture grant, and a

private scholarship. We questioned \$4,946 of tuition costs as not chargeable to the EPA agreement; we also questioned \$4,387 in indirect costs.

When EPA funds ran out, we found the BRRC paid the remaining graduate assistant \$13,750 in salary from earmarked Fish and Wildlife Service grant money.

These errors occurred because the project officer did not maintain sufficient awareness and control of the project through work plans, progress reports, and financial reports to make sure the BRRC had proper accounting on the cooperative agreement. The University, in its fiduciary role, did not make sure the BRRC followed established policies and practices.

Did the recipient properly record revenues and expenses?

The complainant felt that the recipient was not recording expenses properly.

We found the BRRC used EPA cooperative agreement funds to pay for work performed on other agencies' grants. We also found other agencies' grant funds paid for work on the EPA cooperative agreement. The BRRC did not record expenses in compliance with OMB Circular A-21. The circular states that expenses are properly allocable to the grant account to which they are applicable. The BRRC used EPA cooperative agreement funds until the other agencies' grant funds became available and then reversed the charges to correct the accounts. The BRRC followed this practice even though the University had a procedure to set up temporary (memo) accounts just for this purpose. Because the BRRC did not follow this procedure, we found costs claimed and reimbursed that were not properly chargeable to the EPA cooperative agreement. The inappropriate charging happened because the University did not make sure the BRRC maintained proper accounting of grant and cooperative agreement funds. The project officer did not maintain sufficient awareness and control of the project through work plans, progress reports, and financial reports to make sure the cooperative agreement had proper accounting.

Did EPA require the recipient to submit work plans, status reports, and progress reports?

We found the recipient had not submitted the required reports during the period of the cooperative agreement.

The cooperative agreement and the Code of Federal Regulations required the BRRC to submit work plans, progress reports, and status reports. The project officer's responsibility was to require the recipient to furnish the required reports. However, the project officer relied on another EPA employee to furnish him information and control the project. This person was not a project officer and yet was allowed to act like the project officer on site. Without compliance reports, the project officer could not determine the status of the project or guarantee the success of the project. Examples of negative indicators were that no qualified principal investigator was available to take over, funds were spent on other grants, errors occurred in accounting records, and no qualified BRRC personnel were available to complete a final report.

Recommendations

We recommend that the Assistant Administrator for the Office of Research and Development

1. Require the recipient to submit a completed report.
2. Require the recipient to repay \$21,260 in costs not allowed on this cooperative agreement.
3. Require the University establish better control over the recipient's accounting practices to make sure University policies and practices are followed.
4. Emphasize to this project officer the importance of carrying out his duties and responsibilities in the most effective and efficient manner and establish a process for measuring his accountability and performance.

Agency Response and OIG Evaluation

EPA's Office of Research and Development concurred with the findings and content of the draft report. Further, the Office of Research and Development has prepared a corrective action report and initiated immediate corrective actions to address the draft report recommendations.

In August 2005, the project officer received two reports from the University satisfying the requirements for final product delivery.

Upon receipt of the OIG final report, the Office of Research and Development will notify the recipient and EPA Grants Administration Division about the unallowable costs. The Grants Administration Division will help arrange for the recipient to repay \$21,260 in unallowable costs.

The Office of Research and Development, with the assistance of the Grants Administration Division, will require the University to establish better control over the recipient's accounting practices to make sure University policies and practices are followed. The Environmental Services Division intends to change future cooperative agreement practices allowing project officers greater awareness in tracking and reporting Agency funds. Also, the Environmental Services Division plans to work with the Grants Administration Division in establishing practices whereby project officers are more cognizant of actual expenses for which funds are used.

The Director, Environmental Services Division, recognizes the seriousness of project officer duties and responsibilities and has directed that all Division Branch Managers receive additional extramural management training. The Environmental Services Division will pursue additional databases to aid project officers in managing their cooperative agreements and have progress reports and associated billings sent to the project officers for their review.

The Office of Research and Development has completed action on the first recommendation and has included a corrective action plan for agreed-upon actions and milestone dates on the other recommendations. For these reasons this audit should be closed upon issuance.



Agency Response

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

November 28, 2005

OFFICE OF
RESEARCH AND DEVELOPMENT

MEMORANDUM

SUBJECT: Response to OIG Draft Public Liaison Report, "Review of Complaint on the University of Nevada, Reno, Regional Environmental Monitoring and Assessment Program Cooperative Agreement," CR 826293-01

FROM: George Gray /s/ *Lek Kadeli for*
Assistant Administrator (8101R)

TO: Paul D. McKechnie
Director for Public Liaison
Office of Congressional and Public Liaison

Purpose

The purpose of this memorandum is to provide the Office of Research and Development's (ORD) comments on the subject draft report.

Background/Discussion

In response to your October 28, 2005 memorandum, we have reviewed the subject draft public liaison report. We concur with the findings and content of the draft report and have initiated immediate corrective actions to address the draft report recommendations. Along with the internal management controls identified in the attached Corrective Action Plan, ORD will continue to work with the Grants Administration Division to resolve the findings that fall under its direct authority. Since ORD has already completed one of the required actions and identified milestones for others, we believe the final report should state this and be closed upon issuance.

We would like to thank Mr. Dan Cox and Mr. Les Partridge, Office of Inspector General, for their professionalism and helpfulness during their investigation and reporting. If you have any questions or require additional information, please contact Cheryl Varkalis of my staff at (202) 564-6688.

Attachment

cc: Lek Kadeli
Jack Puzak
Alice Sabatini
Jorge Rangel
Cheryl Varkalis

November 28, 2005

**ORD Corrective Action Plan
for
OIG Draft Public Liaison Report, dated October 28, 2005
Review of Complaint on the University of Nevada, Reno
Regional Environmental Monitoring and Assessment Program (REMAP)
Cooperative Agreement CR 826293-01**

Rec #	Report Recommendation	Action Official	Corrective Action	Due Date
1	Require the recipient to submit a complete report.	Daniel Heggem, Project Officer (PO)	Two reports were received in August 2005. The reports satisfied the requirements for final product delivery. On 8/22/05, PO requested the Grants Administration Division (GAD) to close the Cooperative Agreement since the final deliverables were received.	Complete
2	Require the recipient to repay \$21,260 in unallowable costs.	GAD and PO	Notify the recipient to submit a credit for these unallowable costs.	Upon receipt of OIG final report
3	Require the University to establish better control over the recipient's accounting practices to make sure University policies and practices are followed.	GAD, PO and Sue Jackson, Extramural Management Specialist (EMS)	Notify the University to establish better control over recipient's accounting practices. For future Environmental Sciences Division cooperative agreements, include in the Terms and Conditions that our funding must be tracked and reported separately from other entities funds. Work with GAD to set up future cooperative agreements as reimbursable agreements; in this way the PO will be cognizant of actual expenses for which funds are used, and the recipient will be reimbursed accordingly.	Upon receipt of OIG final report
4	Emphasize to the PO the importance of carrying out his duties and responsibilities in the most effective and efficient manner and establish a process of measuring his accountability and performance.	Dr. John Lyon, Supervisor of the PO and EMS	The Director, Environmental Sciences Division, has already discussed the seriousness of this matter with the PO and has directed that all Division Branch Managers receive additional extramural management training. EMS will meet with all POs on cooperative agreements to introduce databases that can be used to track and monitor costs, including the Grants Data Warehouse where the PO can track the Document Control Number and the disbursements that are paid out under the agreement. In Terms and Conditions, will have progress reports required and the billings associated with those reports be sent to the PO.	1/15/06

Distribution

Office of the Administrator
Assistant Administrator for Research and Development
Director, Grants Administration Division
Agency Followup Official (the CFO)
Agency Followup Coordinator
Audit Liaison, Office of Research and Development
Associate Administrator for Congressional and Intergovernmental Relations
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