



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA), Office of Inspector General, reviewed the amounts drawn by Cascade Sierra Solutions (CSS) under Cooperative Agreement (CA) 2A-83440701. The purpose of the audit was to determine whether CSS complied with federal requirements and terms and conditions for Diesel Emission Reduction Act grants or cooperative agreements awarded under the American Recovery and Reinvestment Act of 2009 (Recovery Act). EPA awarded the CA to CSS in August 2009 under the Recovery Act. The CA provides \$9 million to create a revolving loan program for heavy duty diesel trucks to save fuel and reduce emissions.

This report addresses the following EPA Goal or Cross-Cutting Strategy:

- *Taking action on climate change and improving air quality*

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/2012/20120904-12-R-0749.pdf

Examination of Costs Claimed Under EPA Cooperative Agreement 2A-83440701 Awarded Under the Recovery Act to Cascade Sierra Solutions, Eugene, Oregon

What We Found

CSS' financial management system did not support that funds drawn are reasonable, allocable, and allowable in accordance with applicable laws, regulations, and CA terms and conditions. In particular, CSS':

- Financial management system pertaining to cash draws, revolving fund accounting, project costs, and progress reporting does not meet the requirements of the Code of Federal Regulations (CFR) under 40 CFR Part 30 and 2 CFR Part 230, and the CA.
- Procurements did not meet competition or cost and price analysis requirements of 40 CFR Part 30, the recipient's procurement policy, or CA requirements.
- Reporting of the number of jobs created or retained with Recovery Act funds did not comply with Office of Management and Budget guidance.

As a result, we are unable to provide an opinion on the financial resources, related liabilities, revenue, expenses, and residual balances of the CA-funded revolving loan program. Therefore, we have questioned the \$9 million drawn under the CA as unallowable costs.

Recommendations and Planned Agency Corrective Actions

We recommend that the Director for the Office of Grants and Debarment disallow and recover \$9 million in questioned costs; consider suspension and debarment of CSS on current and future awards; require CSS to ensure that the use of funds meets federal criteria; require special conditions for future awards to CSS; and provide clarifying guidance to CSS on progress reporting requirements. We also recommend that the Director require CSS to comply with pertinent procurement requirements; disallow pre-2007 model year trucks as project costs; and assist CSS with developing a methodology to calculate number of jobs created and direct CSS to correct the numbers reported, with documentation. The Agency generally agreed with the findings and said that it has initiated corrective actions to address some of the weaknesses identified in the report. CSS disagreed with most of the findings and two of the recommendations. CSS partially agreed with one recommendation and neither agreed nor disagreed with six recommendations. CSS described actions planned to document compliance with EPA procurement regulations and is willing to work with EPA on developing a Recovery Act job reporting methodology.