



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency Office of Inspector General conducted this examination of the costs claimed by Grace Hill Settlement House under American Recovery and Reinvestment Act cooperative agreement 2A-97706701. The OIG conducted this examination to determine whether the costs claimed were reasonable, allocable, and allowable in accordance with applicable federal requirements and the terms and conditions of the CA. The OIG also reviewed GH's compliance with selected Recovery Act requirements and accomplishment of the objective of the CA.

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/2013/20130830-13-R-0367.pdf

Examination of Costs Claimed Under American Recovery and Reinvestment Act Cooperative Agreement 2A-97706701 Awarded to Grace Hill Settlement House, St. Louis, Missouri

What We Found

GH's financial management system did not meet federal standards. In particular:

- Procurements did not meet the competition or cost and price analysis requirements of the Code of Federal Regulations in 40 CFR §30.43 and §30.45.
- The contract administration system did not meet the requirements of 40 CFR §30.47.
- Unallowable costs were not segregated and financial management data were not properly supported as required under 40 CFR §30.21 and 2 CFR Part 230.
- Labor charges did not comply with the requirements of 2 CFR Part 230.
- Cash draws did not meet immediate cash needs requirement and were not properly documented as required under 40 CFR §30.22 and §30.21.

As a result of the issues noted, we questioned \$1,615,343 of the \$2,250,031 claimed under the CA. In addition, due to lack of adequate documentation from GH, we were unable to determine whether GH accomplished the objective of the CA or met the job reporting requirements of Recovery Act Section 1512.

Recommendations

We recommend that the Region 7 regional administrator disallow questioned costs of \$1,615,343 and recover \$1,423,028 of that amount under the CA. We also recommend that, prior to any future EPA awards, the regional administrator verify that GH has adequate controls related to such issues as procurement, contract administration, cost allowability, labor charges, and cash draws. In addition, we recommend that the regional administrator verify that GH reported the number of jobs created and retained in accordance with Recovery Act requirements and Office of Management and Budget guidance. We also recommend that the regional administrator verify that the vehicles GH reported as retrofitted under the CA were completed in accordance with workplan.

GH disagreed with our recommendations. GH believed the contract costs were fair and reasonable, no federal funds were over-drawn, and it has exceeded the emission objective of the CA. GH believed no costs should be recovered, with an exception to a limited amount of personnel costs. Region 7 did not comment on the draft report.