



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA) awarded American Recovery and Reinvestment Act cooperative agreement 2L-97234209 to the New Jersey Department of Environmental Protection (NJDEP). The EPA Office of Inspector General (OIG) contracted with Ahmad Associates Limited, an independent public accounting (IPA) firm, to audit the agreement. The objectives of the audit were to determine whether NJDEP's costs incurred and procurements under the cooperative agreement complied with the applicable federal requirements and whether NJDEP met the Recovery Act requirements and cooperative agreement objectives.

This report addresses the following EPA goals or cross-agency strategies:

- *Cleaning up communities and advancing sustainable development.*
- *Launching a new era of state, tribal, local and international partnerships.*

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2014/20140604-14-R-0278.pdf

New Jersey Department of Environmental Protection Needs to Meet Cooperative Agreement Objectives and Davis-Bacon Act Requirements to Fully Achieve Leaking Underground Storage Tank Goals

What the IPA Auditor Found

The IPA auditor found that NJDEP did not fully meet the cooperative agreement objectives and could not demonstrate compliance with the Buy American and Davis-Bacon Act provisions of the Recovery Act. However, the OIG later determined that the agency and NJDEP had reasonable basis for their determination that the Buy American requirements do not apply to the projects under the cooperative agreement. As a result, the OIG has removed the recommendation relating to the Buy American issue.

NJDEP did not fully meet cooperative agreement objectives or ensure compliance with Davis-Bacon Act requirements.

The IPA auditor found that NJDEP under-reported the number of jobs created and retained for one of the quarters sampled.

The IPA auditor found that NJDEP had adequate financial management systems to ensure that costs claimed were in accordance with the federal requirements. The IPA also found that NJDEP complied with New Jersey's state procurement policies and procedures, as required under the Code of Federal Regulations (CFR) in 40 CFR 31.36(a).

The IPA auditor is responsible for the content of the audit report, with the exception of the EPA's comments to the draft report and the OIG's evaluation of those agency comments. The OIG performed the procedures necessary to obtain reasonable assurance about the IPA auditor's independence, qualifications, technical approach and audit results. Having done so, except for the Buy American issue as described above, the OIG accepts the IPA auditor's conclusions and recommendations.

Recommendations and Planned Corrective Actions

The IPA auditor's report recommends that the Region 2 Regional Administrator require NJDEP to establish internal controls to ensure that modifications to the cooperative agreement work plan are in accordance with 40 CFR 31.30 and 31.40. The report also made recommendations relating to Davis-Bacon Act compliance and reported job creation/retention.

NJDEP and Region 2 concurred with the job reporting issue and have provided a summary and explanations for the job reporting error. The issue is resolved. NJDEP and Region 2 disagreed with the remaining findings and recommendations in their draft responses. However, during subsequent discussions, Region 2 agreed that NJDEP will ensure that the sites that meet the criteria established in its Office of Underground Storage Tanks Recovery Act guidance meet the Davis-Bacon Act requirements.