



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA), Region 9, requested assistance from the Office of Inspector General (OIG) due to concerns about the financial practices and internal controls of the Wells Band Council (Council). The financial practices and internal controls involved equipment and travel costs, and timekeeping methods and procedures.

This report addresses the following EPA goal or cross-agency strategy:

- *Working to make a visible difference in communities.*

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

The full report is at:
www.epa.gov/oig/reports/2014/20140714-14-2-0316.pdf

Wells Band Council Needs to Improve Its Accounting System to Comply With Federal Regulations

What We Found

The Council did not timely submit Federal Financial Reports (FFRs) to support cash draws of \$390,000, which were made by the Council under EPA grant 00T39801. By not submitting FFRs within the period reviewed under this engagement, the Council had not claimed any costs; therefore, we could not evaluate travel and equipment costs incurred under their EPA grant.

The Council's timekeeping methods and procedures were not in compliance with the Code of Federal Regulations (CFR), through 2 CFR Part 225, Appendix B. The Council did not maintain personnel activity reports or equivalent documentation as required by the regulation.

The Council's financial management system did not meet the standards established under 40 CFR § 31.20(b). The regulation requires that a grant recipient's financial management system provide accurate, current and complete disclosure of financial results; compare actual expenditures with budgeted amounts; and relate financial information to performance or productivity data. The Council did not meet these requirements.

As a result of the issues noted above, we questioned \$390,000 drawn under the grant as unsupported.

Recommendations

We recommend that the Regional Administrator for EPA Region 9 recover \$390,000 drawn under the grant, unless the Council can provide adequate documentation to support eligible costs incurred under the grant. We also recommend that the Regional Administrator designate the Council a high risk grantee, as was previously recommended in the Council's Office of Management and Budget Circular A-133 audits.

Agency and Auditee Response

EPA Region 9 program officials concurred with our findings and recommendations, and said they will work with the Council to resolve the findings.

The Council generally agreed that its accounting system may not have met federal requirements. The Council submitted the required FFRs to Region 9 in March 2014, after the completion of our audit testing. The OIG has not reviewed these FFRs for compliance with federal regulations. The Council expressed concerns about being designated high risk and how this designation might impact their ability to obtain future federal grants.

The Wells Band Council's accounting system did not comply with federal regulations, which resulted in \$390,000 of questioned costs and proposed high-risk designation for the grantee.