



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

OFFICE OF  
INSPECTOR GENERAL

January 9, 2012

Sharon S Cole, Ph.D.  
Senior Program Director  
Railroad Research Foundation  
425 3<sup>rd</sup> Street, SW, Suite  
Washington, D.C. 20024

Dear Dr. Cole:

The U.S. Environmental Protection Agency (EPA), Office of the Inspector General conducts audits of grants awarded to non-profit organizations. We will audit the federal expenditures and recipient share reported by the Railroad Research under EPA Cooperative Agreement 2A-96694301. We plan to determine whether costs reported under the cooperative agreement are reasonable, allowable, and allocable in accordance with the applicable laws, regulations and agreement terms and conditions, and whether results intended were achieved. During the course of the review, we will notify you of any matters that arise.

We would like to meet with you in your offices from January 24 to 27, 2012 to hold an entrance conference and to begin our review of supporting project documentation. In order for us to complete our work as expeditiously as possible, we ask your cooperation in making staff and records available to assist us. Prior to our arrival, please locate and have readily available the following documentation related to the cooperative agreement for review during our visit from January 24–27, 2012:

- Progress reports, board meeting minutes, final reports, final financial status reports, payment requests/Automated Clearing House draw downs, and supporting data;
- Copies of project descriptions;
- Listing of all contractors and vendors used on the projects funded by the cooperative agreement, copies of these contracts and change orders, and documentation supporting the procurements;
- Internal procurement policies and procedures;
- Report and/or summary of internal and external audits, attestations, and reviews performed during the cooperative agreement period, as well as the auditors' contact information; and
- Electronic version of accounting records for the projects funded by the cooperative agreement.

- Financial records for the cooperative agreement (all ledgers, journals, and other books of original entry), original documents supporting cooperative agreement activity (invoices, activity reports, cash receipts, vouchers, expense reports, bank statements, cancelled checks, and other relevant supporting records), and income credited to the agreement; and
- Information of the status of the deliverables specified in the cooperative agreement workplan.

In anticipation of our visit, please provide in writing your response to questions contained in Attachment A. Please provide your response to the attached questions as soon as possible, but no later than January 18, 2011. Your response should be sent electronically to [rickey.michael@epa.gov](mailto:rickey.michael@epa.gov) and [maness.iantha@epa.gov](mailto:maness.iantha@epa.gov).

If you any question, please feel free to contact me at (415) 947-4537 or at [adachi.robert@epamail.epa.gov](mailto:adachi.robert@epamail.epa.gov) or Michael Rickey at (239) 940-9161 or at [owen.michael@epa.gov](mailto:owen.michael@epa.gov).

Sincerely,



Robert Adachi  
Director of Forensic Audits

cc: Howard Corcoran, Director, Office of Grants and Debarment  
LaShaun Phillips, Audit Follow-up Coordinator/Grants Specialist, Office of Grants and Debarment  
Al Armendariz, Region 6, Regional Administrator  
Barbara Davis, Project Officer, Region 6, Multimedia Planning and Permitting Division  
Brian Berry, Grant Specialist, Region 6, Grants Program Section  
Susan Jenkins, Region 6, Audit Follow-up Coordinator  
Arthur A.Elkins, Jr., Inspector General  
Melissa Heist, Assistant Inspector General for Audit  
Liz Grossman, Acting Assistant Inspector General for Program Evaluation  
Eileen McMahon, Assistant Inspector General Congressional, and Public Affairs  
Robert C. Vanderclute, Vice-President and Director, Railroad Research Foundation  
Jeffery D. Marsh, Vice-President, Treasurer and Director, Railroad Research Foundation

## ATTACHMENT A - INTERNAL CONTROL QUESTIONNAIRE

The attached questionnaire has been prepared by the Environmental Protection Agency (EPA), Office of Inspector General (IG). Its purpose is to provide the OIG with a tool to assist in evaluating the adequacy of your polices/procedures relative to compliance with key fiscal requirements of your EPA funded assistance agreements.

### Organization structure

- Do you have any affiliated/related organizations? If so, please provide the following information:

Name	Address	Organization Type*	Performing Work Under the Assistance Agreement(s)?

\* Profit or non profit. For non profit organizations, identify the IRS status applicable to the organization (ie. 501(c)(3)).

- Have you been audited the last three years?

Yes \_\_\_\_\_ No \_\_\_\_\_

If so, please summarized the issues noted and have the audit reports available for our review.

Title of Report	Date of Report	Period Covered	Issues Noted

**Accounting Structure**

1. Do you have written accounting procedures?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is yes, please have the procedures available for the start of the audit field work.

Comments/Explanation:

2. What is your basis of accounting?

Cash\_\_\_\_\_ Accrual\_\_\_\_\_ Modified  
Accrual\_\_\_\_\_

3. What is your fiscal year?

Calendar Year\_\_\_\_\_ Other\_\_\_\_\_

If your accounting period is not on a calendar year, please identify your fiscal period.

Comments/Explanation:

4. Do you have a fund accounting system?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please identify the type of accounting system that you use.

Comments/Explanation:

5. Do you have a separate fund established for each Federal assistance agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain how you account for assistance agreement costs.

Comments/Explanation:

6. Is your accounting structure set up to account for costs by costs element (e.g. labor, travel, equipment etc.) awarded under each assistance agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain how you account or identify costs by cost element.

Comments/Explanation:

7. Do you have policies and procedures to preclude charging federal programs, either directly or indirectly, for certain costs which are specifically deemed unallowable per 2 CFR Part 230 (formerly OMB Circular A-122) (alcohol, fines and penalties, lobbying, and defense of fraud proceedings)?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is yes, please have the policies and procedures available for the start of the audit field work. If the answer is no, please describe how unallowable costs are recording in your accounting.

Comments/Explanation:

8. Are costs recorded in your accounting system used as a basis to prepare your Financial Status Report or the Federal Cash Transaction Reports?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain what you use as a basis to prepare your financial reports.

Comments/Explanation:

9. Do you have a written policy on charging costs as either direct or indirect?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is yes, please have the procedures available for the start of the audit field work. If the answer is no, please explain how you identify costs as either direct or indirect in your accounting system.

Comments/Explanation:

**Personnel Cost**

1. Do you have written payroll and timekeeping policies and procedures?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is yes, please have the procedures available for the start of the audit field work.

Comments/Explanation:

2. Do all employees prepare time sheets?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please identify those employees who do not prepare time sheets and why time sheets are not prepared.

Comments/Explanation:

3. Do your time sheets account for total hours for which the employee is compensated?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain.

Comments/Explanation:

4. What period of time do your time sheets cover: weekly\_\_\_\_\_ bi-weekly\_\_\_\_\_ bi-monthly\_\_\_\_\_ or a monthly\_\_\_\_\_ basis? (Please pick one).

5. Are employee's time sheet completed on a contemporaneous basis?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain when and how the time sheets are prepared.

Comments/Explanation:

6. Do the hours recorded on the employee's time sheets represent actual hours worked?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain what the recorded hours represent.

Comments/Explanation:

7. Do your time sheets coincide with one or more pay periods?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain.

Comments/Explanation:

8. Are salary charges to assistance agreements based on the time recorded on the employee's time sheets?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain how salary costs are charged to assistance agreement.

Comments/Explanation:

9. Do your employees work hours that are not compensated?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is yes, please explain how uncompensated hours are treated in the accounting system, and if the uncompensated hours are charged either direct or indirect to the assistance agreement.

Comments/Explanation:

10. Are time sheets signed by the individual employees?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain who signs the time sheets.

Comments/Explanation:

11. Are time sheets signed and approved by the employee's supervisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain who approves the time sheets.

Comments/Explanation:

12. Do you have written policies for paid absences (vacation, holiday, sick leave, and other leave)?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is yes, please have the procedures available for the start of the audit field work. If the answer is no, please explain your policy for the paid absences.

Comments/Explanation:

13. What are your procedures for recording the costs of paid absences in your accounting system? Please explain.

Comments/Explanation:

## **Travel**

1. Are travel authorization documents prepared and approved by an authorized person before beginning the travel?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain how travel is approved.

Comments/Explanation:



2. Are travel vouchers prepared after each trip is completed?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain how travel expenses are reimbursed.

Comments/Explanation:

3. Is the business purpose included on all travel authorizations and travel vouchers?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain.

Comments/Explanation:

4. Are receipts required for all travel expenses?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is no, please explain.

Comments/Explanation:

5. Have you claimed any foreign travel expenses under your EPA assistance agreement as either a direct or indirect cost?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, did you obtain prior written approval from EPA prior to the trip?

Comments/Explanation:

## **Procurement**

1. Are your procurement procedures in writing?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please have the procedures available for the start of the audit field

work. If the answer is no, please explain your procurement procedures.

Comments/Explanation:

2. Under the EPA assistance agreement(s):

a. Did you procure any contract services on a sole source basis?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please identify the contractor(s) and the value of the contract(s).

Comments/Explanation:

b. Did you perform a cost review for all sole source procurement?

Yes \_\_\_\_ No \_\_\_\_ N/A \_\_\_\_

If the answer is no, please explain how you determine the reasonableness of the proposed costs.

Comments/Explanation:

c. Did you maintain records to support the contractor selection?

Yes \_\_\_\_ No \_\_\_\_

Comments/Explanation:

d. Justify the lack of competition when competitive bids or offers were not obtained?

Yes \_\_\_\_ No \_\_\_\_

Comments/Explanation:

e. Maintain the basis for award cost or price?

Yes \_\_\_\_ No \_\_\_\_

Comments/Explanation:

- f. For competitive procurements, do you perform either a cost or pricing analysis?

Yes \_\_\_\_ No \_\_\_\_

If the answer is no, please explain how you determine the reasonableness of the proposed costs.

Comments/Explanation:

3. Contracting/consulting with officers, board members, and relatives of officers and board members:

- a. Do any of your officers or board members have any contracts or consulting arrangements with your organization?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please identify the contracts or consulting arrangements and the value of each. Also please explain the procurement process for obtaining these services.

Comments/Explanation:

Were any of these contracts awarded and charged to any EPA awards?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please identify the EPA award and the value of the contract(s).

Comments/Explanation:

- b. Do any relatives of your officers or board members have any contracts or consulting arrangements with your organization?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please identify the contracts or consulting arrangements and the value of each. Also please explain the procurement process for obtaining these services.

Were any of these contracts awarded and charged to any EPA awards?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please identify the EPA award and the value of the contract(s).

Comments/Explanation:

4. Do any of your affiliated companies or organizations have any contracts or consulting arrangements with your organization?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please identify the contracts or consulting arrangements and the value of each. Also please explain the procurement process for obtaining these services.

Were any of these contracts awarded and charged to any EPA awards?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please identify the EPA award and the value of the contract(s).

Comments/Explanation:

5. Do you have a contract administration system to ensure contractors comply with the terms and conditions of the contract?

Yes \_\_\_\_ No \_\_\_\_

If the answer is no, please explain how you manage your contracts.

Comments/Explanation:

6. Were any of your contracts based on a cost-plus-a-percentage-of costs or percentage of construction costs?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please identify the contract(s) and the value of the contract(s).

Comments/Explanation:

7. Did you retain any consultants under the assistance agreement(s)?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, were the salary rates limited to the maximum daily rate the level 4 of the Executive Schedule?

Yes \_\_\_\_ No \_\_\_\_

If the answer is no, please explain?

Comments/Explanation:

### **Indirect Costs**

1. Is your organization claiming any indirect costs under your EPA assistance agreements?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, have you developed and submitted provisional and final indirect cost rate proposals to EPA?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, please have the proposals available for the start of the audit field work.

Comments/Explanation:

2. Has EPA or any other Federal agency reviewed and approved your provisional and final overhead rates?

Yes \_\_\_\_ No \_\_\_\_

If the answer, is yes please have the approved indirect rates available for the start of the audit field work.

Comments/Explanation:

**In-kind Costs**

1. Do you have a matching or cost sharing requirement under any of your EPA assistance agreements?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, do you use in-kind services? If so, please explain how you account for your in-kind services. If you do not use in-kind services, please explain how you account for your match.

Comments/Explanation: