



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Agreed-Upon Procedures Applied to EPA Grants Awarded to Summit Lake Paiute Tribe, Sparks, Nevada

Report No. 12-2-0072

November 10, 2011

REDACTED VERSION FOR PUBLIC RELEASE

The full version of this report contained sensitive information. This is a redacted version of that report, which means the sensitive information has been removed. The redactions are clearly identified in the report.

Report Contributors:

Jessica Knight
Lela Wong

Abbreviations

CFR	Code of Federal Regulations
EC	Environmental coordinator
EPA	U.S. Environmental Protection Agency
GAP	Indian Environmental General Assistance Program
OIG	Office of Inspector General
SLPT	Summit Lake Paiute Tribe

Hotline

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1200 Pennsylvania Avenue NW
Mailcode 2431T
Washington, DC 20460



**U.S. Environmental Protection Agency
Office of Inspector General**

12-2-0072
November 10, 2011

At a Glance

Why We Performed These Agreed-Upon Procedures

The U.S. Environmental Protection Agency (EPA), Region 9, requested assistance from the Office of Inspector General due to concerns with the Summit Lake Paiute Tribe's financial practices and internal controls.

Background

The tribe receives financial assistance from EPA under three programs—the Indian Environmental General Assistance Program, Water Pollution Control State and Interstate Program Support, and Nonpoint Source Implementation.

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/2012/20111110-12-2-0072.pdf

Agreed-Upon Procedures Applied to EPA Grants Awarded to Summit Lake Paiute Tribe, Sparks, Nevada

What We Found

Although our transaction tests showed that labor costs claimed by the Summit Lake Paiute Tribe under the EPA grants were generally supported by timesheets, the following timekeeping issues warrant attention:

- The timekeeping process for the Indian Environmental General Assistance Program grants did not comply with Code of Federal Regulations (CFR) requirements in 2 CFR Part 225.
- A third party did not consistently verify the chairman's consent to use his signature stamp for timesheet approval.
- The tribe charged indirect labor costs as direct costs, contrary to its accounting policy.
- The tribe did not have policies and procedures for leave allocation.

As a result of the above issues, we questioned labor costs of \$96,615.

We found that the tribe was addressing some of the issues raised in the 2008 and 2009 single audits. However, additional work remains to be done on issues relating to deferred revenues and updating policies and procedures.

What We Recommend

We recommend that the Regional Administrator, EPA Region 9, disallow and recover unallowable costs of \$96,615. We also recommend that the Regional Administrator require the tribe to implement certain internal controls related to timekeeping. Finally, we recommend that the Regional Administrator require the tribe to update its policies and procedures to ensure that they address all accounting issues and reflect the tribe's actual accounting practices.

The region agreed with our recommendations. The tribe disagreed with the recommendation to disallow the \$96,615 in labor costs.



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

THE INSPECTOR GENERAL

November 10, 2011

MEMORANDUM

SUBJECT: Agreed-Upon Procedures Applied to EPA Grants Awarded to
Summit Lake Paiute Tribe, Sparks, Nevada
Report No. 12-2-0072

FROM: Arthur A. Elkins, Jr.
Inspector General

TO: Jared Blumenfeld
Regional Administrator, Region 9
U.S. Environmental Protection Agency

A handwritten signature in black ink that reads "Arthur A. Elkins, Jr."

The attached attestation report represents the results of the Office of Inspector General's (OIG's) agreed-upon procedures engagement. This report is intended solely for your information and use, and should not be used by those who have not agreed to the procedures or taken responsibility for the sufficiency of the procedures for their purpose.

This report contains findings that the OIG identified and corrective actions the OIG recommends. The report represents the opinion of the OIG and does not necessarily represent the final position of the U.S. Environmental Protection Agency (EPA). EPA managers will make final determinations on matters in this report.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 120 calendar days. You should include a corrective action plan for agreed-upon actions, including milestone dates. Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal.

This report will be available at <http://www.epa.gov/oig>. If you or your staff have any questions regarding this report, please contact Robert Adachi, Director of Forensic Audits, at (415) 947-4537 or adachi.robert@epa.gov; or Lela Wong, Project Manager, at (415) 947-4531 or wong.lela@epa.gov.

Note: We have redacted information on page 13 of this report. Exemption (b)(6) of the Freedom of Information Act permits the government to withhold names of individuals when disclosure of such information “would constitute a clearly unwarranted invasion of personal privacy” [5 U.S.C. § 552 (b)(6)]. The individual whose name is redacted was not a high level official nor was the person’s involvement materially significant to the concerns or matters addressed in this report.

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Introduction

Purpose

On January 20, 2011, the U.S. Environmental Protection Agency (EPA), Region 9, Communities and Ecosystems Division, requested assistance from the Office of Inspector General (OIG) due to concerns with the Summit Lake Paiute Tribe's financial practices and internal controls. After meeting with the region's representatives, it was decided that an agreed-upon procedures engagement would be performed to evaluate the tribe's timekeeping process for the EPA grants and to identify the corrective actions taken by the tribe to address its outstanding 2008 and 2009 single audit issues.

Background

The tribe receives assistance from EPA under the following programs:

- Indian Environmental General Assistance Program (GAP). The GAP grants provide financial assistance to expand the tribe's environmental program. Activities funded under this program include protection of environmental resources, community outreach and education, and coordination with federal agencies on environmental issues.
- Water Pollution Control State and Interstate Program Support. The water pollution control grants under this support are authorized under Section 106 of the Clean Water Act. The grants provide financial assistance to implement the tribe's water quality monitoring program and further the professional development of staff.
- Nonpoint Source Implementation. The nonpoint source implementation grants are authorized under Section 319 of the Clean Water Act. The grants provide financial assistance to implement the tribe's nonpoint source program, which includes assessing the program to identify new nonpoint source issues, assessing springs, repairing and installing fences and cattle guards, and providing alternative water sources for cattle to reduce nonpoint source pollution.

The tribe manages its EPA grants under two different departments. The GAP grant is under the Environmental Protection Department and managed by the environmental coordinator (EC), and the remaining grants are under the Natural Resources Department headed by the natural resources director.

On March 9, 2011, the OIG transmitted the tribe's 2008 and 2009 single audit reports to EPA Region 9 for review and action. As a result of the single audit findings, the OIG recommended that the region recover \$291,097 and \$301,113 in questioned costs for 2008 and 2009, respectively. The outstanding 2008 and 2009 findings are summarized below:

1. The tribe did not segregate duties with respect to financial reporting. One person at the tribe controlled transactions and determined how the transactions were entered into the financial records without the approval of another individual.
2. The tribe filed all quarterly SF-269 reports (Financial Status Reports) late and did not reconcile the reports to the general ledger. Also, the tribe filed the annual SF-272 (Federal Cash Transaction Report) and Minority Business Enterprise/Women Business Enterprise Reports for the GAP grant late.
3. In prior years, the tribe drew down grant funds to cover deficits in other funds. As a result, the single auditor questioned \$1,070,651 in 2009 for deferred revenue balance in excess of cash on hand. Of this amount, \$135,854 was attributable to EPA.
4. The tribe's operating practices did not reflect the processes described in the approved policies and procedures manual. The tribe's written policies and procedures were also not current and did not adequately address all areas of the tribe's accounting department.

Independent Auditor's Report on Applying Agreed-Upon Procedures

In response to the EPA Region 9 January 20, 2011, request, we applied the agreed-upon procedures to the EPA grants awarded to the Summit Lake Paiute Tribe.

We performed the procedures enumerated below, which were agreed to by the OIG and the region on March 31, 2011. We performed these procedures solely to assist the region in evaluating the tribe's timekeeping process for the EPA grants for the period September 1, 2005, to April 30, 2011, and to identify corrective actions taken by the tribe to address its outstanding 2008 and 2009 single audit findings. By receiving the awards, the recipient has accepted responsibility for complying with the requirements of the Code of Federal Regulations (CFR) in 2 CFR Part 225, 40 CFR Part 31, and 40 CFR Part 35 Subpart B; and the terms and conditions of the grants.

We performed these agreed-upon procedures in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of Region 9. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We conducted our audit work from April 4 to August 23, 2011. We performed the following procedures:

1. Evaluated the tribe's timekeeping process for the period September 1, 2005, through April 30, 2011, to ensure compliance with grant terms and conditions, and the requirements of 2 CFR Part 225 and 40 CFR Part 31. Specifically, we performed a system walk-through to document our understanding of the tribe's timekeeping processes for all EPA grants. We also tested a judgmental sample of the payroll transactions.
2. Interviewed the tribe's employees and reviewed documentation to identify the corrective actions the tribe has taken to address its outstanding 2008 and 2009 single audit findings. These findings include:
 - a. Lack of segregation of duties in regard to financial reporting
 - b. Untimely and inaccurate financial status reports

- c. Deferred revenue totaling \$1,281,148, of which \$135,854 is attributable to EPA
- d. Lack of accounting policies and procedures

Results of these procedures are presented in the next section of this report.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the region in its evaluation of the tribe's timekeeping process for EPA grants for September 1, 2005, through April 30, 2011, and the tribe's corrective actions to address the 2008 and 2009 single audit findings and recommendations, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.



Robert K. Adachi
Director of Forensic Audits
November 10, 2011

Results of Agreed-Upon Procedures Engagement

Although our transaction tests showed that labor costs claimed by the Summit Lake Paiute Tribe under the EPA grants were generally supported by timesheets, we did note several timekeeping issues. Because of these issues, we questioned labor costs of \$96,615. We also found that the tribe was addressing some of the issues raised in the 2008 and 2009 single audits, but additional work remains to be done on issues relating to deferred revenues and updating policies and procedures.

Timekeeping Process

We evaluated the tribe's timekeeping process for the period September 1, 2005, through April 30, 2011. Specifically, we performed a labor system walk-through and judgmentally sampled 28 sets of payroll documentation.

Our test of the payroll sample showed that labor costs claimed under the EPA grants were generally supported by timesheets. We identified three exceptions. Two of the exceptions were immaterial rounding differences in the payroll calculation. The third exception was a 4-hour variance between the timesheet and payroll documentation attributed to the tribe's EC, which is explained below.

While the labor costs claimed under the EPA grants were generally supported by timesheets, we identified the following timekeeping issues that warrant attention:

- The timekeeping process for the GAP grants did not comply with 2 CFR Part 225 requirements.
- A third party did not consistently verify the chairman's consent to use his signature stamp for timesheet approval.
- The tribe charged indirect labor costs as direct costs, contrary to its accounting policy.
- The tribe did not have policies and procedures for leave allocation.

As a result of the above issues, we questioned labor costs of \$96,615, consisting of EC labor costs of \$92,696 and indirect labor costs of \$3,919 inappropriately charged as direct costs.

Timekeeping Process Did Not Comply With Federal Requirements

The tribe's timekeeping process under the GAP grant did not comply with federal requirements. Specifically, the tribe's EC performed work under multiple cost objectives without documenting his total labor activities, as required by 2 CFR Part 225.

The EC managed the tribe's GAP grant and was compensated as a full-time employee under the grant. Starting in February 2008, he also functioned as the

tribe's acting chief administrative employee and was compensated for this work under a Bureau of Indian Affairs contract. In addition, he performed work relating to the tribe's Ruby Pipeline project. However, he did not track the hours he worked under the Bureau of Indian Affairs contract in a timesheet or other personnel activity report, as required by 2 CFR Part 225.

According to 2 CFR 225, Appendix B, 8.h.(4), when employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Title 2 CFR 225, Appendix B, 8.h.(5), further states that personnel activity reports must account for total activity for which each employee is compensated. Since the EC did not track his acting chief administrative employee hours, he did not comply with 2 CFR Part 225 requirements.

In addition, we found instances in which the EC appeared to have claimed work hours and sick and annual leave time under the GAP grants, contrary to the requirements of 2 CFR Part 225. In particular:

- On April 27 and 28, 2010, the EC claimed 4 hours of sick leave from 5:00 a.m. to 9:00 a.m. before he attended a Bureau of Indian Affairs training from 9:00 a.m. to 5:00 p.m.
- On January 24, 2011, the EC charged 15 hours to the Ruby Pipeline Project and 8 hours of annual leave to the GAP grant, totaling 23 hours for the day. His use of annual leave was also not approved in advance, as required under the tribe's policy.
- On April 6, 2011, the OIG auditors were at the tribe's office conducting the field work for this engagement. The auditors observed that the EC came into work at 8:00 a.m. and left at 11:00 a.m., stating that he was taking the rest of the day off as sick leave. However, the EC claimed 8 hours under the GAP for that day.

Title 2 CFR 225, Appendix B, 8.a.(1), states that compensation for personal services are allowable to the extent that these costs for individual employees are reasonable. The hours claimed in the above examples were not reasonable, and therefore were not allowable under 2 CFR Part 225.

As a result of the above issues, we question \$92,696 in labor costs claimed under the GAP grants.

The questioned amount represents the EC's total labor costs claimed from January 1, 2010, to April 30, 2011. The noncompliance with federal requirements began in February 2008, when the EC started as the acting chief administrative employee. The tribe claimed a total of \$197,807 for the EC's labor costs from February 2008 to April 30, 2011. However, costs claimed for 2008 and 2009 were

already questioned by the OIG under the single audits; therefore, we question the remaining labor costs and the applicable indirect costs in this report. Table 1 summarizes the costs claimed and questioned by calendar year.

Table 1: Summary of questioned costs

Calendar year	Direct labor costs claimed	Direct labor costs questioned	Applicable indirect costs	Total
2008	\$59,889	\$0	\$0	\$0
2009	61,586	0	0	0
2010	59,852	59,852	16,364	76,216
2011	16,480	16,480	^a 0	16,480
Total	\$197,807	\$76,332	\$16,364	\$92,696

Source: General ledger reports provided by the tribe.

^a As of June 11, 2011, the tribe had not claimed indirect costs for 2011 under the GAP grant.

Approval to Use Chairman's Signature Stamp Not Consistently Verified

The tribe did not consistently verify the chairman's consent to use his signature stamp for approval of department directors' timesheets. The chairman did not live or work in the same city as the tribe's administrative office. As a result, he was generally not available to approve the timesheets in person. Each department director e-mailed the chairman his or her timesheet for review. Upon receipt of an e-mail approval from the chairman, the department director used the chairman's signature stamp to sign the timesheets. The chairman's approval e-mail was not consistently verified by a third person to ensure proper segregation of duties.

In the draft report response, the tribe did not comment on the third-party verification, but stated that it is mandatory for proof of the chairman's approval to be kept in a secured file. The tribe provided four examples of phone messages authorizing the use of the chairman's stamp. The tribe did not provide evidence to demonstrate that all approvals were independently verified; therefore, our position on this issue remains unchanged.

Indirect Labor Costs Charged as Direct Costs

The tribe claimed indirect labor costs of \$16,272 as a direct cost under the EPA grants, contrary to the requirements of 2 CFR Part 225. Title 2 CFR 225, Appendix A, Section C.1(f), states that for costs to be allowable under federal awards, they must be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances had been allocated to the federal award as an indirect cost.

The tribe claimed accountant labor costs of \$16,272 as direct costs under the EPA grants. According to the tribe's indirect cost proposal, salaries and fringe benefits for administrative staff, including the accountants, are 100 percent indirect costs; therefore, the tribe cannot claim administrative staff salaries as a direct cost under the EPA grants. As a result, we question labor costs of \$3,919 as unallowable costs. The questioned amount excludes the portion of the accountant's labor costs that were already questioned by the OIG under the 2008 and 2009 single audits.

Tribe Did Not Have Leave Allocation Procedures

The tribe did not have established procedures for allocating leave time, as required by 2 CFR Part 225. According to 2 CFR 225, Appendix B, 8.d.(2), the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable in part, if the costs are equitably allocated to all related activities, including federal awards. According to the tribe's Natural Resources Department director, for employees who work on multiple grants, the amount of leave time charged to a grant was based a variety of factors, including budget as well as actual work performed at the time the leave was earned, and when the leave was used.

During our field work, we explained to the tribe that leave costs should be consistently allocated among cost objectives based on actual related work performed. On May 24, 2011, the Natural Resources Department director notified the OIG that the tribe had updated its leave allocation procedures, and leave costs are now charged to the grants based on actual related work performed. However, we have neither reviewed the revised procedures nor verified the tribe's implementation of the procedures.

Single Audit Corrective Actions

We interviewed the tribe's employees to identify corrective actions the tribe has taken to address its outstanding 2008 and 2009 single audit findings. Our agreed-upon procedures were limited to identifying and confirming corrective actions taken. We did not evaluate the adequacy of the corrective actions.

Lack of Segregation of Duties in Financial Reporting

To address the lack of segregation of duties issue, the tribe has hired two Finance Department staff to work with the accountant. According to the accountant, the tribe has also instituted new systems and procedures to appropriately segregate the Finance Department's activities.

Untimely and Inaccurate Financial Status Reports

According to the tribe's accountant, hiring the two additional staff members in the Finance Department has resulted in the tribe being more organized. Specifically, the accountant stated that the tribe has improved its process for tracking due dates for various financial reports.

Regarding the inaccurate financial status report issue, the accountant explained that the tribe has updated its financial status report preparation procedures. Previously, the tribe did not reconcile its general ledger on a monthly basis. Therefore, any adjustment made after the financial status report preparation date would result in discrepancies between the general ledger and financial status report. The tribe's current procedures require all accounts to be reconciled before financial status report preparation. The accountant stated that the tribe has corrected all accounting errors and resubmitted revised financial status reports for all of its grants.

Deferred Revenue Balance

According to the tribe's accountant, the tribe agrees that it has a deferred revenue balance attributable to EPA. However, the tribe is of the opinion that the actual amount is different from what was reported in the single audits. The tribe believes that an error was made in the balance sheets of the earlier single audits and was carried forward, since single audits for 2002 through 2007 were completed concurrently. The tribe has hired an outside consultant to help quantify the actual deferred revenue balance. The tribe's accountant showed us a copy of the draft analysis to confirm that the tribe has been actively working on this issue.

The deferred revenue issue appears to have been due to the tribe not fully recuperating its indirect costs from federal grants and contracts. According to the tribe's accountant, the tribe did not collect any indirect costs for many years, which resulted in the initial deferred revenue balance. The tribe's accountant expressed concern that the tribe is still not collecting its full approved indirect cost rate on current EPA grants. For example, the proposal for GAP 4, year 1, included \$29,940 in indirect costs, which is 29.92 percent of direct costs. The tribe's approved indirect cost rate is 37.63 percent.

Lack of Accounting Policies and Procedures

We noted that the tribe has updated parts of its policies and procedures. However, the tribe's personnel manual is still incomplete and out of date. We also found that the financial management manual did not address all applicable issues. As explained above, the tribe's policies and procedures did not address leave allocation and did not require employees to record all hours worked. We also found a discrepancy between the tribe's policies and its actual practices regarding

overtime pay for professional service employees. According to the tribe's chairman, the tribe updated its policies on a piecemeal basis as issues arose.

Recommendations

We recommend that the Regional Administrator, EPA Region 9:

1. Disallow and recover unallowable costs of \$96,615.
2. Require the tribe to implement internal controls to ensure that:
 - a. Employees document all hours worked in accordance with 2 CFR Part 225 requirements.
 - b. The chairman's consent to use his signature stamp for timesheet approval is independently verified.
 - c. Leave allocation complies with 2 CFR Part 225 requirements.
3. Require the tribe to update its policies and procedures to ensure that they address all accounting issues and reflect the tribe's actual accounting practices.

Agency and Grantee Comments

The OIG received comments on the draft report from EPA Region 9 on September 15, 2011, and from the tribe on September 21, 2011. The tribe also provided supplemental documentation as support for its comments.

Region 9 had no comments on the report's factual accuracy and concurred with the recommendations. The region's complete written response is included in appendix A.

The tribe disagreed with our recommendation to disallow labor costs of \$96,615. The tribe's complete written response, along with our comments, is included in appendix B. The supplemental documentation provided by the tribe is not included in the report due to its volume and is available upon request.

OIG Response

The tribe's comments and supporting documentation did not resolve any of the issues identified. Therefore, our position on the findings and recommendations remains unchanged.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
1	10	Disallow and recover unallowable costs of \$96,615	U	Regional Administrator, Region 9		\$97	
2	10	Require the tribe to implement internal controls to ensure that:	U	Regional Administrator, Region 9			
		a. Employees document all hours worked in accordance with 2 CFR Part 225 requirements.					
		b. The chairman's consent to use his signature stamp for timesheet approval is independently verified.					
		c. Leave allocation complies with 2 CFR Part 225 requirements.					
3	10	Require the tribe to update its policies and procedures to ensure that they address all accounting issues and reflect the tribe's actual accounting practices.	U	Regional Administrator, Region 9			

¹ O = recommendation is open with agreed-to corrective actions pending
C = recommendation is closed with all agreed-to actions completed
U = recommendation is unresolved with resolution efforts in progress

Region 9's Comments on the Draft Report



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 9
75 Hawthorne Street
San Francisco, CA 94105**

SEP 15 2011

MEMORANDUM

SUBJECT: Draft Attestation Report:
Agreed-Upon Procedures
Applied to EPA Grants Awarded to Summit Lake Paiute Tribe
Sparks, Nevada
Project No. 2011-1745

FROM: Tom McCullough
Assistant Regional Administrator
Management and Technical Services Division (MTS-1)

TO: Robert Adachi
Director of Forensic Audits

Thank you for the opportunity to review the *Draft Attestation Report* dated August 23, 2011. The Region has reviewed the report and has no significant comments on its factual accuracy or recommendations. We agree with the recommendations and concur that the Region (1) should recover unallowable costs of \$96,615, (2) requires the Tribe to establish and implement internal controls, and (3) requires the tribe to update its policies and procedures to ensure that the Tribe addresses all accounting issues to reflect actual practices.

Per EPA Order 2750, please let me know within 15 calendar days whether you find this response acceptable. Should you or your staff have any comments, questions, or concerns, please contact Magdalen Mak, Regional Audit Follow-up Coordinator at (415) 972-3773.

cc: Warner Barlese, Chairman, Summit Lake Paiute Tribe
Frances Winn, Tribal Accountant, Summit Lake Paiute Tribe
Enrique Manzanilla, Director, Communities and Ecosystems Division, Region 9
Tim Wilhite, Program Officer, Region 9
Laura Mayo, Program Officer, Region 9
Fareed Ali, Grant Specialist, Region 9
Renee Chan, Grant Specialist, Region 9
Marie Ortesi, Accountant, Region 9
Magdalen Mak, Audit Follow-up Coordinator, Region 9
Lela Wong, Project Manager, OIG
Jessica Knight, Management Analyst, OIG

Grantee's Comments on the Draft Report and OIG Evaluation

The Summit Lake Paiute Tribal Council does not support your findings that wages paid to the former Environmental Coordinator in the amount of \$96,615.00 for calendar years 2010 and 2011.

Timekeeping process

The Summit Lake Paiute tribe's acting chief administrative employee was compensated for work under a Bureau of Indian Affairs contract and was paid a salary. When employees work on multiple activities or cost objectives, a portion of their salaries or wages is supported by personnel activity reports. Monthly reports are given at the SLPT [Summit Lake Paiute Tribe] council meetings. Such reports are in the meeting minutes. We do have procedures for making sure that all timesheets are approved by a supervisor. Finance reviews any staff that have annual or sick leave to make sure that they have enough leave time to pay employees who work on multiple grants. The amount of leave time charged to a grant was based a variety of factors, including budget as well as actual work performed at the time the leave was earned and when the leave was used. The tribe had updated its leave allocation procedures and leave costs are now charged to the grants based on actual related work performed.

OIG Response 1: According to 2 CFR 225, Appendix B, 8.h.(5), personnel activity reports or equivalent documentation must account for the total activity for which each employee is compensated. The tribe's EC did not track the hours he worked under the Bureau of Indian Affairs contract in a timesheet or other personnel activity report. It is not sufficient for an employee who works on multiple activities to document only a portion of his time. Therefore, our position on this issue and the questioned labor costs remain unchanged.

As stated in the report, we acknowledge that the tribe has taken steps to correct its leave allocation procedures.

Third party verification

Department directors e-mail the chairman his or her timesheet for review. The chairman approves or disapproves the time sheets via e-mail and only the Natural Resource department director or the Acting Administrator can use the signature stamp. It is mandatory that proof of this e-mail, text, or voice message approval left by the SLPT chairman is kept in a secure file. The attached are examples of how the administration staff records my approvals for use of my signature stamp. These examples are all from 2010. The person who wrote these messages was [REDACTED] who is no longer on the SLPT staff.

OIG Response 2: The tribe's response did not comment on the third-party verification, but stated that it is mandatory for proof of the chairman's approval to be kept in a secured file. We acknowledge that the tribe provided some examples of the chairman's approval for the signature stamp. However, the tribe did not demonstrate that all uses of the signature stamp were approved via e-mail, text, or voice message, and that the approvals were verified by a third person. Therefore, our position on this issue remains unchanged.

Direct costs vs. indirect costs

My finance director is on vacation this week and I rely on her to explain why the tribe charged indirect labor costs as direct costs. I will be able to address this issue when she is back at the office.

Allocation procedures

My finance director will also need to explain the policies for leave allocation. The SLPT updates its policies and procedures to ensure that the council address' all accounting issues and it reflect the tribe's actual accounting practices. We do have personnel policies for employee leave and it is attached. If it's a question on how the leave is entered in the accounting system, I will need my finance director to assist me to thoroughly explain that process.

OIG Response 3: As stated in the report, we acknowledge that the tribe has updated portions of its policies and procedures. However, the tribe's personnel manual is incomplete and out of date, and the financial management manual does not address issues such as leave allocation or the requirement that employees record all hours worked. We also found a discrepancy between the tribe's policies and its actual practices regarding overtime pay for professional service employees.

Deferred Revenue

The council agrees that the SLPT has deferred revenue. However, the council has the opinion that the actual amount is different from what was reported in the single audits. The council believes that an error was made in the balance sheets of the earlier single audits and was carried forward. Since single audits for 2002 through 2007 were completed concurrently, the council has hired an outside consultant to help quantify the actual deferred revenue balance. The council showed a copy of the draft analysis to confirm that the council has been actively working on this issue. The deferred revenue issue appears to have been due to the SLPT not fully recuperating its indirect costs from federal grants and contracts. According to the council, the SLPT did not collect any indirect costs for many years, which resulted in the initial deferred revenue balance. The council expressed concern that the SLPT is still not collecting its full approved indirect cost rate on current EPA grants. This deferred revenue is almost settled and you will see it on this next audit year.

OIG Response 4: The tribe acknowledged the deferred revenue issue and has taken some steps to address the deferred revenue balance. However, as of the date of this report, the issue has not been resolved. Our position remains unchanged.

I am in possession of supporting documents that will demonstrate the employee was performing GAP duties during this time period. Copies of these documents will be sent via FedEx to you on or before September 22, 2011.

OIG Response 5: We have reviewed the provided documentation and determined that it does not support the questioned labor costs. The tribe provided documentation that attempts to show some of the EC's GAP-related activities in 2010 and 2011. However, we questioned the EC's labor costs because he did not track the hours worked as the tribe's acting chief administrative employee under the Bureau of Indian Affairs contract. In addition, we found that some of the EC's hours claimed under the GAP grant were not reasonable. The documentation provided by the tribe does not address or rectify either of these issues. Our position remains unchanged.

Appendix C

Distribution

Regional Administrator, Region 9
Agency Follow-Up Official (the CFO)
Agency Follow-Up Coordinator
Assistant Regional Administrator, Region 9
Director, Office of Grants and Debarment, Office of Administration and Resources Management
Director, Grants and Interagency Agreements Management Division, Office of Administration
and Resources Management
Audit Follow-Up Coordinator, Region 9
Chairman, Summit Lake Paiute Tribe