



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA) Office of Inspector General is examining assistance agreements to nonprofit organizations. We selected the North Carolina Rural Economic Development Center, Inc., (NCREDC) for review. The purpose of the review was to determine whether the NCREDC complied with grant requirements and applicable regulations.

Background

EPA Region 4 issued to the NCREDC Grant No. X96418405, in the amount of \$994,100, to help fund a \$1,046,421 project under Section 104(b)(3) of the Clean Water Act. The grant was amended to increase funding, bringing the total award to \$1,192,500. The grantee, which also received funding from state sources, incurred costs of \$2,204,031 between October 1, 2003, and May 31, 2007.

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/2012/20120523-12-4-0499.pdf

Costs Claimed by the North Carolina Rural Economic Development Center, Inc., Under EPA Grant No. X96418405

What We Found

The NCREDC did not comply with the Code of Federal Regulations (CFR), specifically 2 CFR Part 230, regarding financial management. The NCREDC did not properly allocate direct costs between state and federal funding sources. Therefore, EPA should recover \$1,192,500 in costs questioned under the grant. The NCREDC failed to properly allocate the questioned costs primarily because EPA provided incorrect guidance and inadequately monitored the grant. Region 4 must recognize that the \$178,556 budget revision it directed is not allocable to the EPA grant because it shifted subcontract costs allocable to state funding sources to the EPA grant. Additionally, the NCREDC was unfamiliar with federal grant regulations.

What We Recommend

We recommend that the Regional Administrator, Region 4, disallow all costs paid under Grant No. X96418405 and recover \$1,192,500.

Planned Agency Corrective Actions

Region 4 and the NCREDC disagreed with our draft findings and recommendation. We evaluated the information in their responses to our draft report but did not modify our findings or recommendation. The recommendation is thus unresolved with resolution efforts in progress.

Region 4 provided a corrective action plan indicating that the NCREDC will submit a plan outlining full accounting of the allocation of costs between state and federal funding sources for the project. With the NCREDC's plan, the region can determine the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles.