

Report of Interim Audit of Superfund Cooperative Agreement Number CR818689 Clark Atlanta University

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CHAPTER 1
INTRODUCTION

PURPOSE

We have completed an interim audit of Environmental Protection Agency (EPA) Cooperative Agreement No. CR818689 (the CA) awarded to Clark Atlanta University (CAU). The CA provided funds for a Center for Environmental Policy, Education, and Research (CEPER) which CAU proposed to create under a congressional earmark of EPA's Superfund appropriation. We initiated this audit at the request of the Office of Research and Development's (ORD) Office of Exploratory Research, now the National Center for Environmental Research and Quality Assurance.

The primary objectives of the audit were to:

- Evaluate the progress and accomplishments of CAU through the use of the earmarked funding;

- Assess whether CAU complied with the terms of the CA; and
- Determine the allowability of the costs claimed by CAU.

BACKGROUND

Clark Atlanta University

CAU is a private educational institution and a member of a consortium of predominantly African American institutions located in Atlanta, Georgia. CAU receives almost \$50 million of Federal assistance each year. CAU recently completed construction of a \$29 million Research Center for Science and Technology funded by the Department of Energy (DOE). CEPER was supposed to be located in this Research Center building, along with ten other CAU centers.

Congressional Earmarks

The Fiscal Year (FY) 1991 Superfund appropriation contained a congressional earmark for CAU "Superfund research" that led to the creation of CEPER. According to EPA, the intent of the earmark was to enhance the participation of minority scientists, engineers, and students in Superfund research. The FY 1992, 1993, and 1995 Superfund appropriations contained additional earmarks for CAU which were used to fund CEPER.

In FY 1994, there was no congressional earmark for CAU related to CEPER; however, EPA funded CEPER with \$2.5 million from EPA's Superfund base budget. The inclusion of CEPER in the base budget was a result of EPA's commitment to implement the Minority Academic Institutions task force recommendations of the early 1990's. CAU's Vice President for Research and Sponsored Programs (VP/R&SP) was a member of the task force. EPA continued the base budget funding of CEPER in FY 1995.

The appropriation language for CAU's congressional earmarks were as follows:

1991 +\$2,000,000 for Superfund research at Clark Atlanta University.

1992 +\$2,500,000 for Superfund research at Clark Atlanta University.

1993 +\$3,000,000 for Clark Atlanta University Hazardous Substance Research Center.

1995 +\$3,500,000 for Clark Atlanta University Hazardous Substance Research Center.

Besides CAU, EPA has five other Hazardous Substance Research Centers. Those five centers were competitively awarded and established in 1989 at other academic institutions and are expected to operate for eight years with EPA funding a maximum of 80 percent of costs.

The CA

CAU applied for the earmarked funding through an Application for Federal Assistance, dated May 17, 1991. On September 23, 1991, EPA awarded CAU the earmarked funds through a CA under the statutory authority of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) 311(d), Hazardous Substance Research Centers. EPA's Office of Research and Development (ORD) approved the noncompetitive award and was responsible for technical review of the assistance proposal. EPA's Grants Administration Division (GAD) actually issued the CA and was responsible for administrative review of CAU's application.

CAU's VP/R&SP served as the CEPER Project Manager (or Project Director per CAU) and managed the CA for CAU. An Environmental Engineer and subsequently a Program Analyst in ORD served as the EPA PO responsible for managing the CA for EPA.

The CA specified an overall project period of five years - October 1, 1991 to September 30, 1996 - and funded the following project as proposed by CAU in their application for Federal assistance:

Center for Environmental Policy, Education, and Research (CEPER) - Develop a sustainable environmental center conducting multi-disciplinary educational and research programs, leading to the enhancement of environmental policy, scientific, and socioeconomic knowledge.

As of June 1995, EPA had awarded CAU a total of \$10,732,770 of EPA and other Federal funds through the CA. The awards were as follows:

Month / Year	Award	Description/Purpose of Award
09/91	\$ 2,000,000	1991 Congressional Superfund Earmark
03/92	\$ 21,300	Workshop on Hazardous Waste and Site Cleanup Dilemma: Role of Academic Institutions
09/92	\$ 2,500,000	1992 Congressional Superfund Earmark
09/92	\$ 367,470	Interagency Agreement (IAG) Funds from U.S. Marine Corps. (footnote 1)
09/92	\$ 105,000	Conference on Environmental Equity
09/92	\$ 22,000	EPA Region 4 Mentoring Program
09/92	\$ 112,000	Graduate Program-Environmental Health Sciences and Toxicology
12/93	\$ 3,000,000	1993 Congressional Superfund Earmark
05/94	\$ 105,000	IAG Funds from U.S. Marine Corps.
09/94	\$ 2,500,000	1994 EPA Superfund Base Funding
Total	\$10,732,770	

The CA required that CAU submit a workplan for CEPER:

A detailed work plan for the activities and outputs of CEPER shall be submitted within 60 days of the start date of the project for approval by the EPA Project Officer. The plan will be revised as necessary and submitted for review by the EPA Project Officer with the regular quarterly management reports.

CAU's 1991 CEPER workplan presented the proposed establishment and operations of CEPER for the first two-year budget period of the CA - October 1991 to September 1993. CAU prepared a second workplan (the 1993 CEPER workplan) for the second two-year budget period of the CA - October 1993 to September 1995.

The 1991 CEPER workplan described the purposes of the CA and CEPER as follows:

1. CEPER was to assist EPA in reshaping its policy, research and technological strategies for addressing future environmental problems under Superfund associated with ecological and health risks to the general population

for problems of solid and hazardous waste, while at the same time developing infrastructure and producing manpower to meet future workforce demands;

2. The CA was to provide a link between EPA and CAU for developing the necessary infrastructure to provide training, research and technology development and demonstration, and engineering opportunities to minority faculty and students in environmental restoration and waste management under Superfund;

3. CEPER consisted of five major project areas - administrative, technical, infrastructure development, research, and outreach.

CEPER Projects and Activities

The 1991 and 1993 CEPER workplans contained a total of 28 proposed CEPER projects (see table below) along with a wide variety of educational and outreach activities. The first 15 projects were in the 1991 CEPER workplan while the last 13 were in the 1993 CEPER workplan.

The 28 CEPER Projects In The 1991 and 1993 CEPER Workplans

- (1) The Emission of Mercury into the Atmosphere.
- (2) Rearrangement of Epoxidyl Free Radicals.
- (3) Mechanisms of Salt Tolerance in Halophytic & Glycophytic Plants.
- (4) Airborne Microorganisms as Continuous Indoor Air Pollutants in Buildings.
- (5) Purification & Characterization of Flocculent Materials of Cyanobacteria in Silage Microbial Mat Systems.
- (6) Economic Consequences of Subtitle D.
- (7) Decomposition of Organophosphorus Compounds over Alumina-Supported Catalysts.
- (8) Incineration of Chlorinated Hydrocarbons Using a Catalytically Stabilized Thermal Combustor.
- (9) Internalizing the Health Risk of Hazardous Waste into the Cost-Benefit Analysis of Hazardous Waste Sites.
- (10) The Neotoxic Potentials of the Environmental Pyridines: Relevance to Parkinson's Disease.
- (11) Molecular Cloning & Characterization of the Metallothionein Gene from Cyanobacteria.
- (12) Decontamination of Heavy Metal-Polluted Wastewater by Solvent Extraction.
- (13) Biological Effects of Cultured Cyanobacteria Mats on the Following Water Contaminants: Enteric Bacteria; Eutrophying Minerals; and Heavy Metals.
- (14) Determination of Biochemical Effects Produced by the Simultaneous Exposure of Human Cells to Multiple Environmental Pollutants.
- (15) Undergraduate Environmental Science Program Development at CAU: Environmental Seminar, Research, and Off-Campus Study Coordination.
- (16) Biotreatment of Mixed Contaminants with Silage Microbial Mats.
- (17) Purification & Characterization of Flocculent Materials of Cyanobacteria in Silage Microbial Mat Systems.
- (18) Aerosol Sciences.
- (19) Toward the Development of a Comprehensive Academic, Research, & Outreach Program in Earth System

Sciences: (a) Evaluate & Develop Techniques for Collecting & Using Vegetative Emissivities for Environmental Remote Sensing Applications; (b) Fidelity of Satellite Interferences of Transport from the Troposphere to the Stratosphere; (c) Project TEAM (Teaching Educators about Meteorology); (d) Project Skymath; and (e) Futurescape.

(20) Exposure Modeling of Biological Tissue to Electromagnetic Radiation.

(21) Thermodynamic Modeling of Chemical Speciation & Equilibrium Chemistry of Contaminated Groundwater.

(22) Biological Effects of Cultured Cyanobacteria Mats on the Following Water Contaminants: Enteric Bacteria; Eutrophying Minerals; and Heavy Metals.

(23) Environmentally Hazardous Metals-DNA Interactions; Metal Sequestering Polymers.

(24) (a) An Investigation of Airborne Lead Exposures for Sections of the Atlanta Metropolitan Area; (b) Decision Tool for Assessing Risk to Low-Level Lead Pollutants.

(25) To Study EPA Technological Decision Making in Siting of Solid and Hazardous Waste Facilities: Some Case Studies.

(26) Investigation of an Innovative Combustion System for Municipal Solid & Hazardous Waste Incineration.

(27) Conference on Environmental Equity.

(28) To Provide National Congress Support; To Study the Characteristics & Needs of the Minority Environmental Business Community.

SCOPE AND METHODOLOGY

This audit was performed in accordance with the Government Auditing Standards, 1994 Revision, issued by the Comptroller General of the United States and included tests of CAU's records and other auditing procedures as we considered necessary. This audit represented an interim audit of the CA with CAU. We conducted our on-site audit work at the CAU campus in Atlanta, Georgia, between October 1994 and June 1995.

Our evaluation of CAU's performance under the CA covered the period May 1991 through May 1995. The review of costs claimed was limited to costs incurred during the CA's first budget period, October 1991 through September 1993, for which a Financial Status Report (FSR) had been completed. This audit formed the basis of our opinion on CAU's performance under the CA and CAU's costs claimed. However, the scope of our review and our opinion was impacted by the conditions described in the "Circumstances Affecting Audit Scope and Results" section of this chapter.

To assess CAU's performance under the CA, we reviewed the terms and conditions of the CA and applicable laws, regulations, and policies. We discussed CEPER with the current EPA PO, the CAU VP/R&SP (CEPER Project Manager), the CAU Transportation Director, and various CAU accounting department personnel and Principal Investigators (PI). We reviewed CAU, GAD, and PO records related to this CA. The audit was also assisted by an OIG engineering technical review of the CEPER projects described in the 1991 and 1993 CEPER workplans to determine the relationship of the projects to the CA.

We selected and tested items, including costs claimed, on a judgmental basis. Our audit samples were not statistically valid for purposes of projecting our results to the entire population associated with these samples. Therefore, this report only presents the specific findings that we identified in our audit samples.

Auditing standards required that we plan and perform the audit to obtain reasonable assurance about whether CAU's costs claimed were free of material misstatement and whether there was compliance with laws and regulations that could materially affect the results of the audit. Accordingly, we performed tests of transactions, on a sample basis, of all of the cost categories presented in Exhibit A of this report. In addition, this report describes any material instances of noncompliance that we identified during the audit. However, we did not conduct a review of CAU's overall compliance for purposes of forming an opinion thereon because such a review was beyond the scope of the audit. The errors, questionable actions, and control weaknesses disclosed during the audit caused us to believe that CAU may not be in compliance with the CA or the associated laws and regulations for those items not tested.

Our audit was limited to the CA. An independent Certified Public Accountant firm conducted audits of CAU's Federally-funded projects per the requirements of Office of Management and Budget (OMB) Circular A-133. Those audits identified and reviewed CAU's significant internal controls including the controls established to ensure compliance with laws, regulations, and the CA. The 1993 A-133 audit report cited problems with CAU's accounting for Federal grant expenditures (also cited in 1991-1992 report), late FSRs, FSRs not supported by accounting records, equipment purchased not identified to Federal sponsor or grant, no support for personnel charges to grants, inadequate tracking and monitoring of cost matching expenditures, and \$64,500 in unsupported CEPER costs. However, our audit identified many wide-spread or significant internal control weaknesses related to ineligible/unsupported costs, labor charges, procurements, travel, subcontracts, and equipment that had not been identified in prior OMB Circular A-133 audits. The deficiencies we found could be prevalent in all sponsored projects at CAU since the problems we identified primarily related to management of the CA by the VP/R&SP who has administrative control over all sponsored projects at CAU.

In conducting this audit, we obtained an understanding of CAU's internal controls related to the CA. We did not conduct a review of CAU's overall system of internal controls for purposes of forming an opinion thereon because such a review was beyond the scope of this audit. Accordingly, we did not rely on CAU's internal controls in conducting this audit. Our examination of CAU's internal controls was limited to those controls related to performance and costs claimed under the CA. Material deficiencies in controls are described in Chapter 4 and Exhibit A.

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected by CAU or an audit. Since we did not review CAU's internal controls for purposes of forming an opinion thereon, we cannot provide positive assurance that those CAU controls not tested were adequate for EPA purposes.

Significant Federal requirements pertinent to the audit included:

Federal Grant and Cooperative Agreement Act of 1977.

CERCLA 311(d), Hazardous Substance Research Centers.

OMB Circular A-21, Cost Principles for Educational Institutions.

OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions.

40 Code of Federal Regulation (CFR) 30, General Regulation for Assistance Programs for Other than State and Local Government.

40 CFR 40, Research and Demonstration Grants.

CIRCUMSTANCES AFFECTING AUDIT SCOPE AND RESULTS

Due to several circumstances encountered during the audit, our audit results are qualified to the extent that:

CAU provided us all relevant records and information during the audit. We considered CAU to be uncooperative during the audit process. CAU's responses to our requests for records and information were often delayed and/or incomplete and many of the records we reviewed were incomplete and/or inaccurate. We issued a demand letter to CAU in an attempt to obtain full disclosure by CAU. Despite the demand letter, CAU's response to the draft report alludes to records which they believe we have not seen. Since our audit is complete, we advised CAU to provide such documentation to the EPA action official for consideration in resolution of the audit report.

CAU prepared a CEPER equipment inventory listing for our use during the audit, in response to our demand letter, and with the knowledge that we would review the data. However, the inventory listing did not reconcile with the claimed equipment costs.

The EPA PO for the first CEPER budget period - October 1991 to September 1993 - was unable to effectively participate in the audit process. The EPA PO was incapacitated by illness in October 1993. A replacement EPA PO was named in December 1993.

The audit firm that conducted the audits of CAU under the requirements of OMB Circular A-133 did not respond to our inquiry concerning details of findings in their reports, depth of audit coverage, and CAU's corrective actions on their findings. The Department of Education informed us that they were the cognizant agency for CAU and that they had received CAU's 1993 A-133 audit report on June 15, 1995. We noted that CAU's 1993 A-133 audit report was dated January 28, 1994, almost 1.5 years earlier.

CAU did not provide sufficient documentation on the executive payroll system through which the VP/R&SP was paid.

CAU RESPONSE

CAU's response included comments on certain sections of this chapter. Pertinent portions of those comments are addressed in Chapters 2 through 4. CAU's response indicated that Chapter 1 incorrectly identified the Department of Education as the A-133 cognizant agency. However, during the audit, we had verified with the Department of Education that they are currently cognizant for CAU A-133 audits. Education officials indicated that when cognizance changed from the Department of Health and Human Services to Education, CAU may not have been officially informed of this change.

CHAPTER 2 **CEPER NOT PROPERLY ESTABLISHED**

Almost four years after the award of the CA and expenditure of millions of dollars in EPA funds, CAU has not properly established CEPER as proposed in the CA. CEPER, at the time of our review, had no formal or physical structure and operated under the complete control of the VP/R&SP. CEPER activities primarily consisted of a multitude of expenditures with no cohesive organization, direction, and oversight to ensure that CEPER was properly established, the funds were effectively utilized for CEPER projects, and the goals and objectives as described in the CA and the 1991 and 1993 CEPER workplans were progressively accomplished. In addition, the 1991 and 1993 CEPER workplans did not properly establish the scope of work within the purposes of the CA and the underlying authorizing statute - CERCLA 311(d). Specifically, CAU had not properly or adequately: (1) designated a Center Director or Fiscal Officer to direct the operations and expenditures of CEPER; (2) established administrative offices for support of CEPER; (3) established an advisory board to plan, advise, and monitor CEPER projects; (4) established an external peer review process and obtained an approved QA plan to ensure the quality and integrity of research projects; (5) ensured that CEPER projects and activities directly related to hazardous waste policy, education, and research; and (6)

controlled CEPER projects and costs. As a result, CEPER objectives and projects were not properly established or effectively accomplished. Also, a significant portion of the costs (\$3,673,041 of \$5,132,757) claimed for the first two-year budget period were determined unallowable for Federal participation.

According to CAU officials, for the first three years of the project period, funds were primarily used to build infrastructure for CEPER. Therefore, the establishment of CEPER management and oversight was not given priority. However, infrastructure development was only one of five major objectives in the 1991 CEPER workplan. In addition, based on inconsistencies between the 1991 and 1993 CEPER workplans and the authorizing statute for the CA, we concluded that CAU officials were apparently unaware of or ignored the scope of the CA and CERCLA 311(d) and, thus, had not ensured that Superfund monies were used only for authorized purposes.

The 1991 CEPER workplan emphasized the importance of establishing CEPER:

Clark Atlanta University devoted a considerable amount of thought to the development of an organizational structure for the Center.... . The structure had to be such that the Center could operate efficiently and effectively within the framework of the University.

It identified five major project areas for CEPER: administrative, technical, infrastructure development, research, and outreach. The administrative project area included how CEPER would be established. It prescribed the naming of a Center Director, establishing of administrative offices, naming a Fiscal Officer, and establishing an advisory board.

NO CEPER CENTER DIRECTOR

The CA and the 1991 CEPER workplan implicitly required the designation of a Center Director. However, at the time of our review, almost four years after initiation of CEPER, CAU had not yet named a Center Director. The VP/R&SP told us that he acted as the Center Director. However, we concluded that the VP/R&SP did not have sufficient time to devote to CEPER to be an effective director, as intended in the CA. The VP/R&SP was actually the CAU Project Director. The VP/R&SP subsequently told us during the audit that he had recently named a Technical Director for CEPER but this appointment did not satisfy the requirement for a Center Director as prescribed in the CA and the 1991 CEPER workplan. The Center Director was a crucial component of CEPER's organizational structure and was necessary for effective administrative, as well as technical operation of CEPER. As described in this and other chapters in this report, CAU's actions under the CA without a Center Director were often uncontrolled and ineffective.

Although the CA did not specifically require a Center Director or a minimum level of effort to be provided by a Center Director, special conditions in the CA clearly implied that a Center Director was needed in order to perform certain functions/duties. Special Conditions 13 through 18 of the CA required the following:

13. ...The membership [of a steering committee] will be established by the EPA Project Officer and advice from the Center Director...

14. The Center Director will involve the EPA Project Officer in the development of the requests for projects...

15. The Center Director will directly involve the EPA Project Officer in the activities and proceedings of the Center's Industrial/Government Advisory Board...

16. The Center Director and the EPA Project Officer will work collaboratively to promote and disseminate information about the Center...

17. ...The Center Director and EPA Project Officer will coordinate this review...

18. ...Members from academia, industry, state, and Federal governments will be appointed by the Center Director in consultation with the EPA Project Officer.

The 1991 CEPER workplan also indicated the importance of and need for a Center Director as follows:

The Director will be the ultimate administrative authority in the Center and will be accountable to the EPA for the conduct and achievements of the Center.

The Director will oversee the Center and insure its effective operation.

The Center Director will be the administrative and technical head and will report to the Vice-President for Research and Sponsored Programs...

The Center Director shall be an Associate or Full professor and selected through a Selection Committee.

Although the VP/R&SP claimed he was the Center Director during the audit, this claim was not supported by the 1991 CEPER workplan and the CEPER budget therein.

CAU's budgets identified the VP/R&SP as the CAU Project Director and indicated that the Center Director position was vacant. Although the first year budget did not indicate any names for either position, both the second and third year budgets listed the name of the VP/R&SP as the CAU Program Director while the name of the Center Director was denoted as "TBN" for to-be-named.

The 1991 CEPER workplan suggested that the positions of Center Director and VP/R&SP would be different and distinct by stating:

The Center Director will be the administrative and technical head and will report to the Vice-President for Research and Sponsored Programs...

The VP/R&SP had far too many responsibilities to be an effective Center Director. According to the CAU Operating Procedures Manual, the VP/R&SP:

Coordinates the administration of University centers and institutes. He develops and recommends policies relative to the establishment, operation, and reporting responsibilities for University centers and institutes, along with all pre and post grants and contracts administration and support. The Vice-President has the responsibility for all government and private sponsored research programs conducted by CAU. He works closely with the Provost, Deans, Directors, and department heads in establishing research policies and procedures.

In addition, the VP-R&SP served as CAU Project Director for several other projects besides CEPER (see Appendix 3).

CAU's budgets indicated that the amount of effort actually planned for the VP/R&SP corresponded with the Program Director position, not the Center Director position. Labor distribution data provided by CAU indicated that the VP/R&SP charged only 9.375 percent (\$9,000 of \$96,000) of his annual labor cost to CEPER during the first two years of operation. The first year budget included charges of \$7,200 for the Project Director and \$54,000 for the Center Director. The second year budget included a 10 percent effort commitment or \$9,600 in labor charges for the Project Director and 75 percent or \$56,160 in labor charges for the Center Director. Therefore, we concluded the VP/R&SP's charges represented the Project Director's position.

For competitive centers, ORD's standard solicitation required that Center Directors commit at least 50 percent of their time to directing the centers.

During the audit, the VP/R&SP named a Technical Director for CEPER, effective January 1, 1995. However, the VP/R&SP retained all administrative and financial responsibility for CEPER. The effectiveness of appointing a Technical Director while the VP/R&SP retains administrative responsibility for CEPER was questionable for the following reasons:

The splitting of the administrative and technical duties of the Center Director position is contrary to the 1991 CEPER workplan which describes the Center Director as the administrative and technical head of CEPER.

The VP/R&SP's previous administrative oversight of CEPER has been questionable (see Chapter 3).

The VP/R&SP had insufficient time to effectively perform the administrative duties of the Center Director.

The named Technical Director also had insufficient time to effectively perform the technical duties of the Center Director. The Personnel Action Form (PAF) designating the Technical Director did not indicate that he was the Technical Director for CEPER. Instead, it indicated that he was the Technical Director for CAU's Research Center for Science and Technology, a 200,000 sq.ft. research facility on the CAU campus. The VP/R&SP told us that eleven centers are housed in the building. Therefore, we concluded that the Technical Director was responsible for all eleven centers, not just CEPER under our CA.

NO CEPER ADMINISTRATIVE OFFICES OR FISCAL OFFICER

As of June 1995, CAU had not physically established administrative offices or formally named a Fiscal Officer for CEPER as required by the 1991 CEPER workplan. The administrative offices and Fiscal Officer were critical organizational components for proper fiscal and administrative management of CEPER's operations. In our opinion, CAU's actions under the CA without an administrative office and staff were haphazard, disorganized, and fiscally inefficient.

The 1991 CEPER workplan indicated that administrative offices would be established for CEPER. However, we observed that although CAU had set up administrative offices for many other centers in CAU's Research Center for Science and Technology facility, CAU had not set up an administrative office for CEPER. Since construction of CAU's Research Center for Science and Technology facility was completed in February 1994, we believe CAU should have established the CEPER administrative offices by the time of our audit.

CEPER budgets also provided for a CEPER Fiscal Officer; however, a Fiscal Officer had not been designated at the time of our audit. The budgets indicated the position would be full-time.

NO CEPER ADVISORY BOARD

CAU did not utilize an advisory board to plan, guide, and monitor CEPER projects. Both the special conditions in the CA and the 1991 CEPER workplan called for the establishment of an advisory board. However, as of June 1995, almost four years after initiation of CEPER, the VP/R&SP indicated that no advisory board, as required in the 1991 CEPER workplan, had been established. Without an advisory board there was no monitoring and functioning control over CEPER long-term planning, proposed projects, operational guidance, or any related decisions of the VP/R&SP.

The CA's special conditions implied there would be an advisory board by requiring:

The Center Director will directly involve the EPA Project Officer in the activities and proceedings of the Center's Industrial/Governmental Advisory Board to enable the EPA Project Officer to effectively contribute to the development of a viable Center.

The 1991 CEPER workplan was much more specific about the advisory board:

The primary role of the Industrial/Governmental Advisory Board (IGAB) is to advise and recommend to the Director on matters of Center operations, policy, and research. It will provide advice for the long-term guidance of the Center. The Board will be the forum through which the ideas, goals and requirements of the government and industrial participants are expressed and coordinated. Its membership and responsibilities, noted below, are designed to achieve these ends.

Members:

- U.S. Environmental Protection Agency, one representative.
- Industry, one representative per participating firm, one vote per member.
- Other governmental, one representative for each participating organization.
- Additional Observers, as invited by the Board, non-voting.

Responsibilities of Board

- Review programs proposed for the Center activities and make recommendations to the Vice-President for Research and Sponsored Programs and the Center director for final approval.
- Review operating and research budgets.
- Make recommendations on Center policy governing direction content and utility of the research, interaction procedures among participants, sponsors, patent and publication policies, and other foundation affairs, consistent with the policies of the University.

The 1991 CEPER workplan further states that the other Federal agencies represented on the advisory board will be include DOD, DOE, and HHS ([footnote 2](#)). Also, industrial membership will come from waste management and chemical industries and professional societies.

When we asked the VP/R&SP about the advisory board, he responded in writing that the "Science Research Advisory Board" had been inactive until this year (1995) because CEPER emphasis had been on infrastructure. The VP/R&SP's written response included the following statements related to the Science Research Advisory Board:

This Committee has been inactive since the emphasis of the CEPER Center until this year has been on infrastructure development. However, some members of this Committee have visited the Center periodically in the past three years for informal discussion to review the development of the research, education, and outreach programs of the Center. The current list of members is attached. The committee will meet in July [1995] to review the Center's programs.

Member

[*] - SAIC, Inc. - remediation technologies

[*] - Second Nature - environmental policy, education, and pollution prevention

[*] - Florida International University - remediation technologies

[*] - Southern University - analytical techniques

[*] - University of Cincinnati - environmental policy and education policy

[*] - Army Environmental Policy Institute - environmental policy and bioremediation

[*] - Bechtel Environmental Inc. - remediation technologies

[*] - Georgia Tech - bioremediation and air quality

[*] - New Jersey Institute of Technology - pollution prevention

* Name deleted.

However, the board described by the VP/R&SP did not include an EPA representative, other Federal agency representatives, or representatives from waste management/chemical industries and professional societies. Also, the "Science Research Advisory Board" did not conform to the committee structure provided for in the 1991 CEPER workplan. Additionally, our audit disclosed no documentation in CAU's records, such as a charter, membership appointments, and minutes of meetings that indicated the existence of an advisory board. Further, there was no documentation that any CEPER projects had been reviewed or monitored by any advisory board. As of September 1993 (the end of the first budget period), we were able to reconstruct project costs and determine that over \$1.5 million had been charged to the CA for 23 research, education, and outreach projects. None of the projects had been reviewed, recommended for funding, or monitored by an advisory board as intended in Special Condition No. 15 of the CA and the 1991 CEPER workplan.

Based on our review of CAU's records and comments by the VP/R&SP, we concluded that:

CAU never established an advisory board nor has the advisory board ever operated as provided for in the CA and the 1991 CEPER workplan.

The structure and membership of CAU's Science Research Advisory Board does not conform to the requirements of the advisory board described in the CA and the 1991 CEPER workplan. The board does not include the required Federal representation or any substantial representation of waste management or chemical companies.

NO CEPER EXTERNAL PEER REVIEW PROCESS

CAU did not establish an external peer review process to ensure that CEPER projects funded under the CA were sound, relevant, of value, and cost effective. CA Special Condition No. 18 required CAU to establish an external peer review process for all policy, education, and research projects. The peer review process was to include members from academia, industry, state and Federal governments.

Our review disclosed several CEPER projects that may be of questionable value or outside the scope of the CA (see Chapter 3). The advisory board and the external review peer review process were the controls to ensure that all projects were properly planned, relevant, and cost-effective.

The VP/R&SP admitted that an external peer review process had not been established for proposed CEPER projects. However, he indicated that he encourages PIs to obtain informal reviews of their work from peers at EPA laboratories. No documentation of project peer reviews from EPA laboratories was found during the audit.

NO APPROVED QUALITY ASSURANCE PLAN

EPA Order 5360.1 requires EPA to assure implementation of quality assurance for all contracts and financial assistance involving environmentally related measurements. This would be accomplished through approved QA plans and QA audits. The purpose of a QA plan is to provide the EPA assurance as to the quality and accuracy of the results of environmental studies and research funded by the Agency.

Special Condition No. 11 of the CA required that an acceptable QA plan be submitted to the EPA PO within 90 days of the acceptance of the CA, September 30, 1991. At the time of our audit, almost four years after acceptance of the CA, CAU had not submitted a QA plan to EPA. On July 27, 1993, CAU did submit to the EPA PO a statement on CAU quality assurance. However, this statement indicated a detailed QA plan was still under development. Special Condition No. 11 further states that no work involving environmental measurements or data generation under this project shall be initiated until the EPA Quality Assurance Officer has approved CAU's QA plan. However, CAU has been conducting environmental research and data generation under the CA since the award in September 1991, without an approved QA plan. We identified 28 projects included in CAU's 1991 and 1993 workplans. Many of these projects involve environmental measurements (air, water quality, etc.) and data generation. Without an acceptable QA plan, EPA has no assurance that the results of these projects are reliable, accurate, and therefore useful products. As a result, the hundreds of thousands of dollars expended for these projects thus far may have been wasted.

PROJECTS INCONSISTENT WITH AUTHORIZING STATUTE

EPA funded CEPER under CERCLA 311(d). CERCLA 311(d) authorizes grants to institutions of higher learning to establish hazardous substance research centers for the purpose of conducting research and training related to the manufacture, use, transportation, disposal, and management of hazardous substances and publication and dissemination of the results of this research. An amendment to CERCLA by the Superfund Amendment and Reauthorization Act (SARA) 209(a) added the authority for research related to hazardous waste site assessment, technology evaluation, and development of alternative treatment technologies.

Our review of the 1991 and 1993 CEPER workplans disclosed many projects that appeared to be outside the scope of the CA and CERCLA 311(d). For instance, the CEPER mission statement in the 1991 CEPER workplan properly indicated that one of CEPER's objectives related to hazardous waste management; however, the mission statement also included solid waste management [particularly municipal/industrial waste which is regulated under the Resource Conservation and Recovery Act (RCRA) not CERCLA] and environmental health research. Environmental health research grants are authorized under CERCLA 311(c) but require coordination with the Department of Health and Human Services (HHS) to preclude duplication of effort. There was no documentation of any coordination with HHS prior to award of this CA.

The 1991 CEPER workplan also provided for Program Assistants within CEPER for organizing and managing research. This included Program Assistants for water quality and air quality and research projects related to atmospheric toxics, indoor air, health effects from air toxics, and ecological effects from global warming; all of which appear outside the scope of the CA and CERCLA 311(d). CEPER projects related to Clean Air and Clean Water statutes were also included in the 1991 CEPER workplan. Finally, the 1991 CEPER workplan included many general environmental education and outreach activities and a project - development of economic policies to promote sustainable use of natural resources for environmental quality in third world countries - which we concluded were also outside the scope of the CA and CERCLA 311(d).

The 1993 CEPER workplan continued to include those projects we concluded were outside the scope of the CA and CERCLA 311(d). The 1993 CEPER workplan also added projects related to an Earth Sciences Center (atmospheric/meteorological research), an Aerosol Sciences Program, a large student stipends (financial aid and work study) program (over \$500,000), and promotion of minority environmental businesses. All of these projects appeared outside the scope of the CA and CERCLA 311(d).

In conclusion, it was evident that CAU misunderstood or ignored the scope of the CA and CERCLA 311(d) and that EPA had not educated CAU officials as to the proper scope for CEPER and the associated problems with the 1991 and 1993 CEPER workplans. This condition was a primary cause of the 12 projects questioned in Chapter 3 as being outside the scope of the CA and the related questioned costs included in Chapter 4 and Exhibit A. In our opinion, the use of the Superfund appropriation to fund projects totally unrelated to Superfund could constitute a violation of Federal appropriation law.

ACCOMPLISHMENTS DIFFICULT TO DETERMINE

Because CAU did not maintain files for each project or activity funded under the CA, it was difficult to assess whether projects were completed, partially completed, in process, or never started. The VP/R&SP indicated that it takes about five years before a research project produces any peer reviewed publications. Based on our review of the project progress reports in the 1993 CEPER workplan, none of the projects described in the 1991 CEPER workplan had been completed.

Administrative and Technical Projects for CEPER

We noted seven deliverables in the 1991 CEPER workplan that related to CEPER administrative, technical, or educational projects. None of the deliverables were mentioned in the CEPER progress descriptions contained in the 1993 CEPER workplan. Therefore, we concluded that these deliverables, as listed below, had not been accomplished and that all of these deliverables should have been accomplished within a year after establishment of CEPER.

Administrative Deliverables in Accomplished per the 1991 CEPER Workplan the 1993 Workplan

[\(footnote 3\)](#)

Program Management System & No

Financial Management Data System

Quality Assurance Management Plan No

Advisory Board No

CEPER Administrative Offices No

Process for Reporting to EPA PO No

Technical/Educational Projects Accomplished per in the 1991 Workplan the 1993 Workplan

Multidisciplinary Environmental Developed but not implemented.

Curriculum

Information/Data Systems to Developed but not implemented.

Support CAU Research Center

The CAU VP/R&SP told us that the multidisciplinary environmental curriculum had been developed and implemented. He said the curriculum was available to instructors for integration into regular curriculum courses in science and engineering. However, he could not document implementation of the curriculum because use of the curriculum was voluntary. There were no environmental specific courses developed. We asked the VP/R&SP if he could document implementation of the curriculum through environmental degree programs established. He said no such degree programs existed. However, the 1993 workplan shows that an undergraduate minor and masters and doctorates in environmental science were to be established under the curriculum program. The plan also showed specific environmental courses such as Environmental Biology I and II were to be added to CAU's science curriculum.

CEPER Project

A comparison of the 1991 CEPER workplan to the 1993 CEPER workplan disclosed that CAU did not report the progress of some projects proposed in the 1991 CEPER workplan in the 1993 CEPER workplan and that the 1993 CEPER workplan contained progress reports on some new projects that were not proposed in the 1991 CEPER workplan.

Progress Not Reported for 11 Projects

The progress of only 4 of 15 projects proposed in the 1991 CEPER workplan was reported by CAU in the 1993 CEPER workplan. The 1993 CEPER workplan contained no progress reports for the other 11 projects. EPA regulations (40 CFR 160-1) required that CAU present in the 1993 CEPER workplan a summary of all CEPER progress made to date. Since CAU did not prepare quarterly progress reports on CEPER and CAU did not maintain individual project accounts, we had little information with which to measure progress.

The table below lists the 11 projects, the project costs for the first CEPER budget period, and CAU's unaudited comment on the current status of the project.

Projects In The 1991 CEPER Workplan That Did Not Have Any Progress Reported In The 1993 CEPER Workplan (with CAU's unaudited comment on project status shown)	Costs* (10/01/91 to 09/30/93)
CEPER Project No. 1: The Emission of Mercury into the Atmosphere. [CAU comment: Project not implemented because PI left CAU.]	\$0
CEPER Project No. 2: Rearrangement of Epoxidyl Free Radicals. [CAU comment: A project report is now available.]	\$9,740
CEPER Project No. 3: Mechanisms of Salt Tolerance in Halophytic & Glycophytic Plants. [CAU comment: PI encountered difficulties due to lack of appropriate facilities.]	\$29,100
CEPER Project No. 4: Airborne Microorganisms as Continuous Indoor Air Pollutants in Buildings. [CAU comment: Project not implemented because PI left CAU.]	\$0
CEPER Project No. 6: Economic Consequences of Subtitle D. [CAU comment: A project report is now available.]	\$17,252
CEPER Project No. 7: Decomposition of Organophosphorus Compounds over Alumina-	\$45,768

Supported Catalysts.

[CAU comment: A project report is now available.]

CEPER Project No. 9: Internalizing the Health Risk of Hazardous Waste into the Cost-Benefit Analysis of Hazardous Waste Sites \$24,575

[CAU comment: PI encountered difficulties in obtaining access to data.]

CEPER Project No. 10: The Neutoxic Potentials of the Environmental Pyridines: Relevance to Parkinson's Disease. \$0

[CAU comment: A substitute project - CEPER Project No. 20 - was implemented.]

CEPER Project No. 11: Molecular Cloning & Characterization of the Metallothionein Gene from Cyanobacteria. \$48,349

[CAU comment: PI was terminated.]

CEPER Project No. 12: Decontamination of Heavy Metal-Polluted Wastewater by Solvent Extraction. \$40,685

[CAU comment: A project report is now available.]

CEPER Project No. 14: Determination of Biochemical Effects Produced by the Simultaneous Exposure of Human Cells to Multiple Environmental Pollutants. \$96,192

[CAU comment: A project report is now available.]

TOTAL \$311,661

*CAU did not maintain costs by project. However, we were able to relate certain costs to certain projects

Five Projects In 1991 CEPER Workplan

The 1993 CEPER workplan contained both progress reports and proposals for five projects that were not proposed by CAU in the 1991 CEPER workplan (see CEPER Projects No. 18, 19, 20, 23, and 24 in table below). CAU initiated these projects before proposing them to EPA. Although CAU did not maintain project costs, our reconstruction of costs show that \$497,451 was spent on these unapproved projects during the first CEPER budget period.

Based on the progress reports in the 1993 CEPER workplan, four of these unapproved projects were started on or before September 30, 1991, the beginning of the first budget period under the CA (see CEPER Projects No. 18, 19, 20 ,and 24 in table below). Therefore, these four projects had been in progress for almost two years when EPA received the proposals for the projects.

The table below lists the five projects, the project costs for the first CEPER budget period, and CAU's unaudited comment on the project.

Projects With Progress Reports In The 1993 CEPER Workplan Which Were Not Proposed In The 1991 CEPER Workplan.	Costs* (10/01/91-09/30/93)
CEPER Project No. 18: Aerosol Sciences. [CAU comment: This curriculum and human resources project was included to indicate progress in faculty development.]	\$98,430
CEPER Project No. 19: Toward the Development of a Comprehensive Academic, Research, & Outreach Program in Earth System Sciences: (a)Evaluate & Develop Techniques for	\$120,441

Collecting & Using Vegetative Emissivities for Environmental Remote Sensing Applications; (b) Fidelity of Satellite Interferences of Transport from the Troposphere to the Stratosphere; (c) Project TEAM (Teaching Educators about Meteorology); (d) Project Skymath; and (e) Futurescape.

[CAU comment: This curriculum and human resources project was included to indicate progress in faculty development.]

CEPER Project No. 20: Exposure Modeling of Biological Tissue to Electromagnetic Radiation. \$59,848

[CAU comment: This project was a substitute for CEPER Project No. 10.)

CEPER Project No. 23: Environmentally Hazardous Metals-DNA Interactions; Metal Sequestering Polymers. \$139,011

[CAU comment: none.]

CEPER Project No. 24: (a) An Investigation of Airborne Lead Exposures for Sections of the Atlanta Metropolitan Area; (b) Decision Tool for Assessing Risk to Low-Level Lead Pollutants. \$79,721

[CAU comment: This project was initiated as a case study for the Environmental Equity Conference.]

TOTAL \$497,451

* CAU did not maintain costs by project. However, we were able to relate certain costs to certain projects.

Special Condition 14 required the CEPER Center Director to involve the EPA PO "...in the development of the request for projects, review of the individual projects and approval of projects for funding." CAU had not involved the EPA PO in either the development or approval of the five projects listed above before they were funded and implemented.

RECOMMENDATIONS

We recommend that the Director, Grants Administration Division, Office of Grants and Debarment:

2-1 Suspend further awards under the CA until the EPA-ORD certifies that CAU has properly named a Center Director, established administrative offices, named a Fiscal Officer; established a proper operational advisory board and peer review process for CEPER; and submitted an acceptable QA plan.

We further recommend that the Director, National Center for Environmental Research and Quality Assurance, Office of Research and Development:

2-2 Assist CAU in their efforts to properly implement CEPER as proposed in the CA and the 1991 CEPER workplan to include appointment of a Center Director and a Fiscal Officer and establishment of administrative offices and a proper advisory board for CEPER.

2-3 Instruct CAU to cease all work on projects involving environmental measurements and/or data generation until an approved QA plan is obtained from EPA.

2-4 Upon completion of actions related to recommendation 2-2, certify to GAD that all actions required to properly establish CEPER have been taken by CAU and ORD.

2-5 Educate CAU officials as to the scope of the CA and CERCLA 311(d) and ensure that CEPER workplans and projects are revised to reflect this scope.

2-6 Instruct CAU to maintain files for each CEPER project so that projects dropped, projects implemented, and project progress and accomplishments can be readily identified and tracked.

2-7 Require final reports or explanations for the eight research projects included in the 1991 workplan which were implemented but for which there were no progress reports or further work proposed in the 1993 CEPER workplan.

(The CAU response to the draft report contained some of this information.)

2-8 Require CAU to submit new projects for approval prior to implementation and funding. If a substantial number of projects are changed or dropped, require CAU to submit a revised CEPER workplan.

CAU RESPONSE

CAU disagreed with the findings in this chapter but agreed with all of the recommendations except for Recommendation 2-3 which was not included in the draft report.

CAU disagreed that CEPER had not been formally or physically established. CAU stated they had established one of the largest bases for environmental research, education, and policy among higher education institutions in the country.

CAU asserted that their implementation of CEPER was in accordance with their original proposal and they had implemented CEPER in good faith that EPA had approved its 1991 CEPER workplan. CAU maintained that CEPER had made significant progress towards a sustainable multi-disciplinary environmental research, education, and policy analysis center that meets EPA's Superfund needs. CAU also maintained that the infrastructure foundation for a sustainable center has been overwhelmingly achieved. CAU indicated that nobody ever questions the need for infrastructure development at majority institutions. CAU stated that EPA officials understood and approved of CEPER's focus on infrastructure development.

CAU indicated that their purpose for seeking and obtaining a congressional earmark for CEPER was to develop environmental research, education, and policy analysis programs to be housed in CAU's newly constructed Research Center for Science and Technology facility. CAU stated that the \$29 million, 200,000 sq.ft. facility was constructed principally for environmental research, education, and policy analysis. CAU maintained that many of the centers in that facility are devoted to specific themes under CEPER while other centers and laboratories in the building are devoted entirely to subcategory activities of CEPER. CAU indicated that the only activities in the building not related to CEPER and with faculty not participating in CEPER pertain to the NSF-funded theoretical physics and computational sciences center. CAU stated that all of the faculty involved with the HiPPAC, SEAS, and CREST centers are also PIs for CEPER. Also, the Environmental Justice Resource Center and the ViSiDEL laboratory were established under CEPER. CAU indicated that several other buildings currently house CEPER faculty/staff including Sage-Bacote Hall, McPheeters-Dennis Hall, Clement Hall, 82 Piedmont, Haven-Warren Hall, and Trevor-Arnett Hall. CAU plans to add a 25,000 sq.ft. annex to the Research Center building to support projects under CEPER and to concentrate CEPER on fewer projects as opposed to the current situation where the goal was to involve as many PIs as possible pursuant to the holistic approach of CEPER.

CAU indicated other Hazardous Substance Research Centers performed projects similar to those projects the OIG determined to be outside the scope of the authorizing statutes. CAU indicated that the only difference between CEPER and EPA's five competitively-awarded Hazardous Substance Research Centers was that CEPER is comprehensive and encompasses several projects in the areas of research, education, policy analysis, technology transfer, and outreach.

CAU considered the VP/R&SP to be the most qualified and effective person to serve as Center Director due to the emphasis on infrastructure development. CAU noted that the VP/R&SP was also the CEPER Program Director, a professor of chemistry, and an active researcher and scientist. CAU plans to have the faculty member, who was appointed as the CEPER Technical Director on January 1, 1995, assume the full responsibilities of Center Director effective October 1, 1995, with EPA PO approval.

CAU indicated that since the VP/R&SP functioned as the Center Director, the VP/R&SP's administrative offices were actually project offices and that the project staff for CEPER were physically located in the office suite of the VP/R&SP.

CAU indicated that the advisory board was not chartered due to the emphasis on infrastructure and that CAU had not yet inaugurated the advisory board.

OIG EVALUATION OF CAU COMMENTS

The appropriation language of the 1991 and 1992 earmarks provided funding for "Superfund research" while the language for the 1993 and 1994 earmarks provided funding for a "Hazardous Substance Research Center" at CAU. There was nothing in the appropriation language that indicated approximately four-years of funding would be devoted to establishing an infrastructure before research was conducted. Also, there was nothing in the appropriation language that would authorize expenditures for expenses that were not directly related to Superfund and Hazardous Waste research. Additionally, there was nothing to indicate that the funded research was dependent upon or related to other Federally funded projects such as the research building funded by DOE and research conducted by the HiPPAC, SEAS, CREST and other centers which were funded by other Federal agencies.

Neither the CA nor the 1991 CEPER workplan indicated that CEPER was intended to be CAU's Research Center for Science and Technology building or a conglomeration of other CAU centers in and around this facility. The array of centers, laboratories, faculty, staff, and students that benefitted from CA funds was indicative of CAU's uncontrolled use of these monies and the absence of a properly established and functioning CEPER. Many of these other centers conducted projects unrelated to Superfund hazardous waste research and training and could not be legitimately funded and supported under CEPER.

Therefore, we found no other basis to evaluate CAU's progress except the appropriation language related to Superfund and Hazardous Substance Research, the authorizing statute (CERCLA 311(d)), and the related requirements of the CA and workplans. As such, after four years, we found that CAU had made very little progress in implementing CEPER other than establishing the infrastructure. Additionally, we do not believe that CAU's failure to implement several critical components of CEPER should have been dependent on completing this infrastructure. Specifically, CAU should have named a Center Director and Fiscal Officer; obtained an approved QA plan; and established an advisory board, external peer review process, individual project budgets, and separate administrative offices. If CAU had implemented these critical components when the CA was initially awarded, many of the conditions and questionable projects and activities cited in this chapter may have been avoided.

CHAPTER 3

COOPERATIVE AGREEMENT MISMANAGED

CAU substantially mismanaged the CA both financially and administratively. CAU top management circumvented University internal controls and requirements related to CEPER procurements, contracts, and disbursements. Also, CAU management disregarded many of the special conditions, EPA regulations, and objectives of the CA and CEPER workplans related to CEPER oversight and monitoring. CAU's noncompliance with special conditions and regulations related to progress reports, timely FSR submission, and EPA PO involvement in project development/approval and advisory board meetings precluded effective EPA oversight

of CEPER. These deficiencies represented serious weaknesses in CAU's controls over CEPER related actions and costs charged to the CA.

The VP/R&SP, as CEPER Project Manager, was responsible for establishing and maintaining an adequate internal control structure and for ensuring compliance with all terms of the CA and applicable laws and regulations. However, our audit disclosed that the VP/R&SP did not properly establish CEPER as previously discussed in Chapter 2, bypassed internal controls over costs incurred and related disbursements, arbitrarily charged unrelated costs to CEPER, transferred costs to CEPER from other projects and accounts without adequate justification, and procured unrelated services and equipment sole source without justification. The VP/R&SP also did not adequately report the progress of CEPER to EPA through quarterly and annual reports as required by the CA, CEPER workplans, and EPA regulations. Further, the VP/R&SP did not adequately budget or track the costs for individual projects conducted under the CA. Instead, the VP/R&SP simply used one master budget and one master set of accounts to plan, record, manage, and report the costs for all of the projects conducted with CA funds.

The VP/R&SP, as CEPER Project Manager, was also required to conduct operations in accordance with CAU policies and procedures and to maintain adequate controls over assistance projects and funds [40 CFR Part 30]. CAU's Administrative Policy states:

[The Vice-President has] ...the primary responsibility for conducting the sponsored project in accordance with award terms and conditions and within the funds allocated for such effort.

[The Vice-President has] ...the responsibility for assuring all sponsored research and training conducted within their jurisdiction is consistent with University policy and the available funds.

According to CAU's Operations Procedures Manual, the VP/R&SP was only accountable to CAU's President:

The Office of Research and Sponsored Programs is headed by the Vice-President for Research and Sponsored Programs who reports directly to the President of the University.

QUESTIONABLE ACTIONS AND COSTS

The VP/R&SP's (CEPER Project Manager) actions related to the CA frequently usurped CAU's operating policies, procedures, and related internal controls and the CA's terms and conditions. The VP/R&SP maintained control over CA funds and identified or approved the charging of almost all costs associated with the CA. Some of the controls bypassed by the VP/R&SP included receipts/invoices to support disbursements, travel receipts to support travel charges, support for relationship or proration of charges to CA, competitive procurement requirements, etc.. Specific control weaknesses and associated questioned costs are further described in Chapter 4 and Appendix A. These inappropriate actions by the VP/R&SP went unquestioned by his subordinates and his supervisor.

Arbitrarily Charged Unrelated Costs

The VP/R&SP arbitrarily charged about \$1,516,858 of unrelated costs to the CA. The VP/R&SP characterized his actions as the splitting of costs to projects whose scopes permitted the charges. The VP/R&SP also claimed to be leveraging CA funds with other federal support in order that CAU could accomplish more. We considered the charges to be unallowable and indicative of serious control problems at CAU since the VP/R&SP had authority to control costs charged to all sponsored projects at CAU. Some of the charges made to CEPER related to other Federally-funded projects. Examples of categories and types of unrelated costs charged to CEPER are presented below.[\(footnote 4\)](#)

Subcontracts, and Stipends

\$761,794 of unrelated personnel, consultant, professional service, subcontract, and stipend costs were charged to the CA by the VP/R&SP. These questionable charges which were questioned for being outside the scope of the CA included:

- \$274,113 of personnel costs that were related to projects that we concluded were unrelated to CEPER or related to other sponsored projects [see the list of projects on page 32 of this chapter and Exhibit A, Note 2(D)].
- \$302,546 of student stipends that had no documented relationship to CEPER [see Exhibit A, Note 10(A)].
- \$190,882 of subcontract costs for work that related to another Federally-funded project [see Exhibit A, Note 9(A)].
- \$53,900 of consultant and professional services costs that did not relate to CEPER [see Exhibit A, Notes 4(A)&5].

Travel Costs

\$139,229 of unrelated travel costs were charged to the CA. These questionable charges included:

- \$101,329 of conference costs. The VP/R&SP charged 100 percent of the hotel rooms and about 50 percent of food charges for a conference hosted by the Historically Black Colleges and Universities/Minority Institutions (HBCU/MI) Consortium [see Exhibit A, Note 6(A)(1)]. \$12,392 of the food charges represented unallowable entertainment costs.
- \$37,051 of travel costs related to other Federally-funded projects [see Exhibit A, Notes 6(A)(2)-(10) & (12)-(21)].
- \$849 of travel to conduct job interviews unrelated to the CA or CEPER [see Exhibit A, Note 6(A)(11)].

Equipment, Vehicles, Supplies, and Rent

\$446,786 of unrelated equipment ([footnote 5](#)), supplies, and rent charged to the CA. We questioned costs charged to the CA for those equipment items that we determined, based on the available source documentation and our own physical inventory, were for purposes other than the CA. Also, other types of equipment, supplies, and rent expenditures were questionable. The questionable charges by the VP/R&SP included:

- \$244,147 of equipment that was associated with other projects or sponsors, was used for non-Superfund purposes, was used for projects not included in the 1991 or 1993 CEPER workplans, or was assigned to personnel who did not charge personnel costs to CEPER [see Exhibit A, Notes 8(B)(2-14)].
- \$109,788 for a mini-bus, shuttle bus, motor home, and van that were not directly related to the CA.
- \$79,500 of unrelated rent charged to the CA as other direct costs. These charges included \$37,500 for rental of a building used for other projects and \$42,000 for the purchase of two mobile offices (mobile homes) that were incorrectly charged as rent [see Exhibit A, Notes 11(A)(1) & (2)].
- \$13,351 of supplies that were unrelated to the CA [see Exhibit A, Note 7(A)].

Recipient Share

\$169,049 of unrelated costs claimed as recipient share. CAU was required to provide an 11 percent cost matching under the CA (see Chapter 4). These unrelated costs represented in-kind contributions that did not meet the requirements of OMB Circular A-21 or CAU policy for cost matching. These claimed costs related to equipment that CAU received from Georgia State University (GSU) that was bought with funds from the Georgia Research Alliance (GRA) which is funded by the Georgia Lottery. This equipment was used on GRA projects and not on projects under our CA.

Transferred Costs Without Adequate Justification

The VP/R&SP transferred \$581,594 of costs from other projects and accounts to the CA without adequate justification. The questionable transfers by the VP/R&SP included:

- \$319,819 of equipment costs transferred from projects funded by the U.S. Army and NASA to the CA [see Exhibit A, Note 8(A)]. The VP/R&SP charged these costs to the other projects and later transferred the costs to the CA.
- \$258,692 of personnel costs for eight faculty members that were transferred from CAU's unrestricted budget accounts to the CA [see Exhibit A, Note 2(B)]. The VP/R&SP made the transfer about a year after the work had been completed. There was no documentation that these employees worked on CEPER projects.
- \$3,083 of other direct costs for a video that the VP/R&SP originally charged to a U.S. Army project and then later transferred to the CA [see Exhibit A, Note 11(A)(4)]. There was no documentation of how the video, titled "Racing to Save the Planet," related to the CA.

NONCOMPLIANCE WITH CONDITIONS AND REGULATIONS

CAU did not comply with critical special conditions contained in the CA and EPA regulations applicable to the CA. The original CA contained 18 special conditions. We determined that CAU did not comply with seven of the most significant CA conditions. Many of these CA conditions were to ensure proper internal and external monitoring and oversight of CEPER operations and effective use of EPA funds. However, the required operational controls were never properly implemented. CAU's noncompliance with special conditions, regulations and policies hampered EPA's ability to effectively oversee CAU's performance under the CA and ensure that EPA funds were properly used.

The VP/R&SP, as CEPER Project Manager, was responsible for ensuring that CAU complied with all terms, conditions, laws, regulations, and policies pertaining to the CA.

CEPER, Advisory Board, External Peer Review Process, and QA Plan Not Established

As reported in Chapter 2, CAU did not properly establish CEPER and related advisory board (Special Condition 15), external peer review process (Special Condition 18), and QA plan (Special Condition 11) as required by the CA and the CEPER workplans. The VP/R&SP, as CEPER Project Manager, was responsible for the implementation of CEPER and the related external and internal oversight processes.

Inadequate Reporting of Progress

The VP/R&SP did not adequately report CEPER progress and actions taken with CA funds to EPA. The CA, 1991 CEPER workplan, and EPA regulations all contained quarterly or annual progress reporting requirements that CAU did not meet. Progress reports were critical for effective EPA oversight of the CA and CAU performance under the CA. Special Condition No. 9 of the CA indicated:

The recipient agrees to submit quarterly progress reports to the EPA Project Officer. These reports will include brief statements covering work status, work progress, preliminary data results and evaluation made during the reporting period. It will address difficulties encountered, remedial actions taken, and a statement of activity anticipated during the subsequent reporting period, including a description of equipment, techniques, and materials to be used or evaluated. The report will include any changes of key personnel concerned with the project and a brief discussion of expenditures.

A similar requirement is contained in EPA regulations (40 CFR 40.160).

The 1991 CEPER workplan also indicated that research results and publications would be made available to the EPA PO through quarterly and annual reports.

The VP/R&SP provided the following written comment on his reporting of progress to EPA:

I discussed with the EPA Project Officer on several occasions when we talked on the phone the fact that the major focus of the CEPER Center on infrastructure development during the first two to three years made it difficult for me to prepare the quarterly technical report. Therefore, only annual progress reports were prepared as part of the submission of continuation proposals. I do not recall requesting in writing a waiver nor was a written waiver received from the EPA Project Officer, [name deleted]. The annual reports contained the required details.

However, we determined that:

- The EPA PO's files did not contain any quarterly or annual progress reports for CEPER.
- The quarterly progress report required by the CA was more than just a technical report as suggested by the VP/R&SP. Special Condition 9 required that progress reports also include a statement of activity anticipated during subsequent reporting periods, including a list of equipment, techniques, and materials to be used or evaluated, and any changes of key personnel and a brief discussion of expenditures.
- The CA was never modified to waive the reporting requirement nor did the EPA PO's file indicate that CAU would not submit the reports.
- CAU did not submit an annual progress report as part of obtaining the second year funding (\$2.5 million earmark) for CEPER. The VP/R&SP only submitted a budget and told EPA that a revised CEPER workplan would be submitted. However, the VP/R&SP did not submit the revised CEPER workplan.
- CAU did report progress on the first two years of CEPER in the 1993 CEPER workplan which covered the third and fourth years of CEPER.
- The 1991 CEPER workplan did not indicate that infrastructure development was the primary focus of CEPER. CEPER included administrative, technical, infrastructure development, research, and outreach projects.

Therefore, we concluded that CAU did not meet the quarterly and annual progress reporting requirements and that infrastructure development was not sufficient justification for not reporting progress to EPA.

Sole Source Procurements/Contracts

The VP/R&SP approved and charged many unjustified, sole source procurements to the CA. In fact, none of the procurements reviewed had any documentation of bids, price quotations, or rates being obtained from more than one source or any other evidence of competition. 40 CFR 33.230(a) requires the recipient to conduct procurement transactions in a manner that provides maximum open and free competition. CAU's procurement policies also required competitive procurements; however, the VP/R&SP did not comply with these policies in approving procurements under the CA. Therefore, there was no assurance that EPA funds were effectively used to acquire the best goods and services at the least cost.

In our sample of costs claimed, we identified over \$1.8 million in noncompetitive purchases of equipment, consulting services, subcontracts, and vehicles. Some of these noncompetitive procurements were determined to be unrelated to the CA and, therefore, questionable use of CA funds. Details of these questionable noncompetitive procurements are presented in Exhibit A of this report.

For instance, CAU noncompetitively procured 4 used vehicles and charged the total cost of these vehicles to the CA. We determined that the use of the vehicles was not directly related to our CA and CEPER.

NONCOMPETITIVE PROCUREMENTS Vehicles Improperly Charged to CEPER

Vehicle	Vendor	Purchase Date	Cost	Observations
Mini-Bus	Metrotrans Corp.	11/20/91	\$49,100.00	Purchase Requisition showed vehicle purchased for Research Center for Science and Technology, not CEPER.
Motor Home	Family RV Center	12/07/93	\$12,500.00	Purchase Requisition showed vehicle purchased for the DOE/URI project, not CEPER. Vehicle for study of air masses and wind turbulence. Air monitoring equipment not installed on vehicle as of February 1995.
Shuttle Bus	Metrotrans Corp.	01/25/94	\$29,000.00	Purchase Requisition showed vehicle purchased for Research Center for Science and Technology.
Passenger Van	Spaulding Ford	08/30/94	\$19,188.00	Purchase Requisition showed vehicle purchased for Research Center for Science and Technology.
Total Cost			\$109,788.00	

a Vehicles purchased after September 1993 were outside the scope of our financial audit. Therefore, these charges are not included in the questioned costs presented in Exhibit A.

b The Research Center for Science and Technology is a \$29 million 200,000 sq.ft. facility at CAU which houses several centers.

CAU did not have records which showed that these vehicles were used exclusively by CEPER.

During the audit, the VP/R&SP provided a written response regarding the vehicle procurements which indicated that the CAU Director of Transportation had visited several vendors before making a recommendation to him and that several bids were reviewed before a decision was made. The Transportation Director did not provide any documentation confirming that competitive bids were obtained.

Other Significant Noncompliance with CA Terms, EPA Regulations, and OMB Requirements

CAU noncomplied with special conditions and EPA regulations related to control, accountability, and oversight for CEPER projects and costs claimed under the CA. Noncompliance with Special Conditions 9, 11, 15, and 18 related to progress reports and establishment of an advisory board, external peer review process, and an approved QA plan have already been discussed. Also, CAU noncompliance with competitive procurement requirements in EPA regulations was provided above. The following tables identify CAU noncompliance with other CA conditions, EPA regulations, and OMB requirements.

CA Special Conditions

No	Requirement	Noncompliance
2	Submit FSR within 90 days after end of budget period.	Budget period ended 9/3/93. FSR submitted 5/11/94, 4.5 months late, to wrong EPA office. FSR did not agree with CAU general ledger. CAU submitted corrected FSR 2/20/95.
6	Use of recycled paper for all reports delivered to EPA.	CAU did not use recycled paper because more expensive.
14	Center Director to involve EPA PO in project development, approval, and	No center director appointed. EPA PO was not involved in projects. No Advisory Board established.
15	proceedings of Advisory Board.	

40 CFR	Requirement	Noncompliance
30.530(a)	EPA approval of equipment purchases in excess of \$10,000 for each purchase.	No EPA approval for \$120,100 in equipment purchases in excess of \$10,000 each.
30.530(b)(1)	Equipment/property purchased must be used in EPA assisted project.	CAU purchased \$627,621 in property, equipment for unrelated purposes.
30.510(b)	Records/supporting documents for the source and application of all project funds.	Inadequate accounting records and \$299,422 of unsupported costs were identified.
30.510(c)	Control and accountability for all project funds, property, and other assets.	Inadequate or nonexistent controls for equipment, procurements, and costs incurred, claimed.

EPA Automated Clearinghouse Payment System Requirements

Page 4	Drawdowns must reflect current expenditures.	CAU's drawdowns did not reconcile to current expenditures.
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OMB Circular A-110 Requirements

Attachment N	Physical inventory of equipment and reconciliation with property records every two years.	No inventory or reconciliation performed for \$956,499 of equipment purchased during first 3.5 years of CA. CAU performed inventory as result of audit but could not reconcile equipment to costs claimed under the CA.
Attachment G	Federal Cash Transaction Reports (FCTR) due 15 days after end of quarter.	FCTRs were late and not filed quarterly.

PROJECTS OUTSIDE SCOPE OF CA

The VP/R&SP prepared and submitted CEPER workplans to EPA that contained projects that we concluded were outside the scope of the CA and CERCLA 311(d). Also, the EPA PO's files contained evidence that some proposed CAU projects were weak, of marginal value, or duplicated projects performed elsewhere. Such questionable projects could have been precluded if the EPA PO had been more involved in project development

and approval, the EPA PO had notified CAU of deficiencies in the CEPER workplans, and CAU had established the advisory board and external peer review process required by the CA.

The VP/R&SP told us that no one at EPA ever questioned any of the projects proposed in the 1991 or 1993 CEPER workplans. He also said he never received any notification from EPA that the workplans were not approved. Because he received no feedback from EPA, he considered the plans to meet all requirements. However, in our opinion, some of the projects were so far removed from the scope of the CA and CERCLA 311(d) that the VP/R&SP should have been aware that these projects were not within the CA's scope.

The authorizing statute, CERCLA 311(d), specified education and research related to hazardous waste manufacture, use, disposal, transportation, cleanup, or management. Although the VP/R&SP said that all of the CEPER projects related directly or indirectly to Superfund and the authorizing statute, we questioned the relationship of 12 projects.

Of the 28 education, outreach, and research projects included in the 1991 and 1993 CEPER workplans, we determined that 12 projects ([footnote 6](#)) appeared to be unrelated or indirectly related, to a minimal degree, to the CA and CERCLA 311(d). We questioned \$667,653 in costs related to these 12 projects (see Exhibit A, Notes 2, 6, and 8).

An additional 3 projects were determined to be indirectly related to the scope of the CA and CERCLA 311(d). However, since there was a substantial relationship between these projects and the scope of the CA and CERCLA 311(d), we did not question the costs related to these projects. Listed below are the 12 projects we considered totally outside the scope of the CA and CERCLA 311(d) or with only a minimal indirect relationship to the Center.

CEPER Projects Outside The Scope Of CA And CERCLA 311(d).	Research Area	Relation to Center	Costs* 10/01/91 - 09/30/93
CEPER Project No. 1: The Emission of Mercury into the Atmosphere.	Ambient Air	Indirect	\$0
CEPER Project No. 2: Rearrangement of Epoxidyl Free Radicals.	Ambient Air	Indirect	\$9,740
CEPER Project No. 3: Mechanisms of Salt Tolerance in Halophytic & Glycophytic Plants.	Plant Biology	None	\$29,100
CEPER Project No. 4: Airborne Microorganisms as Continuous Indoor Air Pollutants in Buildings.	Indoor Air	None	\$0
CEPER Project No. 6: Economic Consequences of Subtitle D.	Solid Waste	None	\$17,252
CEPER Project No. 7: Decomposition of Organophosphorus Compounds over Alumina-Supported Catalysts.	Pesticides	Indirect	\$45,768
CEPER Project No. 10: The Neotoxic Potentials of the Environmental Pyridines: Relevance to Parkinson's Disease.	Immunology, Physiology	Indirect	\$0
CEPER Project No. 14: Determination of Biochemical Effects Produced by the Simultaneous Exposure of Human Cells to Multiple Environmental Pollutants.	Toxicology	Indirect	\$96,192
CEPER Project No. 18: Aerosol Sciences.	Ambient Air	Indirect	\$98,430

CEPER Project No. 19: Toward the Development of a Comprehensive Academic, Research, & Outreach Program in Earth System Sciences: (a)Evaluate & Develop Techniques for Collecting & Using Vegetative Emissivities for Environmental Remote Sensing Applications; (b) Fidelity of Satellite Interferences of Transport from the Troposphere to the Stratosphere; (c) Project TEAM (Teaching Educators about Meteorology); (d) Project Skymath; and (e) Futurescape.	(a)	Indirect	
	(b)	None	
	Earth Systems	(c)	\$120,441
		Indirect	
		(d)	None
		(e)	None
CEPER Project No. 20: Exposure Modeling of Biological Tissue to Electromagnetic Radiation.	Immunology, Physiology	Indirect	\$59,848
CEPER Project No. 28: To Provide National Congress Support; To Study the Characteristics & Needs of the Minority Environmental Business Community.	Business Development	Indirect	\$190,882

aCAU did not maintain costs by project. Nonetheless, we were able to associate certain costs to certain projects via the assigned personnel.

The EPA PO's files for the CA indicated that projects in the 1991 CEPER workplan were submitted to independent peer reviewers for comment. The EPA PO's file documented many negative comments about the 1991 CEPER workplan including that the projects proposed were weak, of little value, or were duplicative of work being performed by other organizations. However, there was no evidence that the EPA PO ever informed CAU of these problems or requested a revised CEPER workplan.

INADEQUATE BUDGETING AND TRACKING OF EXPENDITURES

CAU's Administrative Policy gave the VP/R&SP authority over the budget:

After a project is funded, the proposed budget for a restricted program must be approved by the Vice-President for Research and Sponsored Programs and the President or Provost.

However, the VP/R&SP did not adequately budget or track the costs for individual projects conducted under the CA. The 1991 and 1993 CEPER workplans submitted to EPA did not include detailed budgets for individual projects proposed. They contained only a budget for CEPER as a whole. Within CAU's accounting system, the VP/R&SP only used one budget for the entire CA and one set of accounts (established by category of costs rather than project) to plan, record, manage, and report the costs for all projects conducted with CA funds.

Due to the magnitude of funds involved and the diversity of CEPER projects, the VP/R&SP should have submitted individual project budgets as part of the 1991 and 1993 CEPER workplans. Then, to track budgeted costs to actual costs, the VP/R&SP should have established and used subsidiary budgets and accounts for each project. The approach CAU used to budget and account for costs precluded adequate accountability and control over project costs and represented poor management of the CA. Because of the lack of project accounts, we could not always directly associate costs to particular projects.

For example, of the 46 CAU employees who charged labor to the CA, we could not associate 22 employees to any particular CEPER project. These 22 employees charged \$390,166 in labor costs to the CA during the first

CEPER budget period. Without a detailed budget for each PI's project, EPA can not identify those PI costs associated with the CA versus those PI costs associated with other sponsors. When Federal funding is involved, CAU should provide detailed budgets which breakdown each PI's projects and costs by each sponsor involved.

Another example of inadequate budgeting and tracking of costs related to the Environmental Equity Conference conducted by CAU in September 1992. EPA amended the CA in September 1992 to provide \$105,000 to fund this conference. However, we could only identify \$29,032 in costs charged to the CA for this conference. We identified the following claimed costs to the conference.

Costs Identified for Environmental Equity Conference

Hotel/Food Costs	\$12,604
Consultants	7,145
Travel	8,197
Other	1,086
	<hr/>
	\$29,032

We could not identify what the remaining \$75,968 (\$105,000 minus \$29,032) was used for. CAU's response to the draft report indicated that personnel (faculty and staff) costs composed the remainder of the costs but did not provide documentation to support their claim. Since CAU did not maintain project costs, CAU's financial records would not specifically identify the personnel costs associated with the conference.

Additionally, an HCU/MI Consortium Forum was conducted by CAU the very next month (October 1992) for which we were able to identify over \$100,000 in costs charged to the CA. In a demand letter, dated April 3, 1995, we requested that CAU identify the costs claimed during the first budget period for specific conferences and meetings but CAU failed to provide this information.

In conclusion, the projects conducted with CA funds were numerous and diverse. The 1991 CEPER workplan identified five major project areas - administrative, technical, infrastructure development, research, and outreach - and contained 15 proposed projects. In contrast, the budget only presented the proposed CEPER costs in these overall budget categories

Personnel:	Management Research Student Assistants
Non-Personnel:	Workshops, Training, & Seminars Outreach Programs Management Information Systems Equipment Supplies Travel Reproduction/Printing Consultants Other Costs Indirect Costs

Therefore, CAU's budgets did not present a functional breakdown of the costs by the five major CEPER project areas much less the individual projects in each area. Since no detailed budgets were established, CAU did not have any means by which to track the costs of the projects conducted under each major project area.

MULTIPLE FUNDING SOURCES FOR CEPER PIs

Many of CEPER's PIs received funding from multiple sponsors, including the EPA CA. However, neither the 1991 nor the 1993 CEPER workplans fully documented each PI's sponsors and the rationale for allocating the costs associated with the PI's projects among the sponsors, specifically the EPA CA.

Since CAU did not use project budgets and accounts for each CEPER project, it was difficult for us to determine if the costs of the PI's projects were equitably allocated including the costs allocated to the EPA CA. For example, the PI for CEPER Project No. 23 charged 100 percent of her labor to CEPER although she received funding from five other sponsors.

The following table lists the 25 CEPER PIs (only 25 of the 28 CEPER projects had PIs) and their other sponsors for the period 1991 to 1995:

CEPER PI	PI's Other Sponsors (1991 to 1995)
PI for CEPER Project No. 1	DOE, NSF
PI for CEPER Project No. 2	none
PI for CEPER Project No. 3	NSF, Pew Foundation
PI for CEPER Project No. 4	none
PI for CEPER Projects No. 5,17	Army, HHS, Navy
PI for CEPER Project No. 6	none
PI for CEPER Project No. 7	DOE
PI for CEPER Projects No. 8,21	Battelle, DOD, Novoste Corporation, NSF, Southern University
PI for CEPER Project No. 9	AID
PI for CEPER Projects No. 10,20	Ford Foundation, Georgia Institute of Technology, HHS, NASA, NSF, RCMI
PI for CEPER Project No. 11	none
PI for CEPER Project No. 12	DOE, NSF
PI for CEPER Projects No. 13,16	Army, Navy
PI for CEPER Project No. 14	Army, GRA, HHS, USDA

PI for CEPER Projects No. 15,22	AID, Army, CDC, DOE, DOI, Education, TVA
PI for CEPER Project No. 18	DOE, NSF
PI for CEPER Project No. 19	AT&T Foundation, Battelle, DOC, Education, NASA, NOAA, NSF
PI for CEPER Project No. 23	Army, GRA, HHS, Navy, RCMI
PI for CEPER Project No. 24	Army
PI for CEPER Project No. 25	U.S. Information Agency, Fulton County

Appendix 3 of this report further identifies and presents additional information on each of these projects.

RECOMMENDATIONS

We recommend that the Director, Grants Administration Division, in coordination with the Director, National Center for Environmental Research and Quality Assurance, Office of Research and Development, through modification(s) to the CA or some other means, require the President, Clark-Atlanta University to:

- 3-1 Appoint a full-time Center Director and assign responsibility for operational and financial management of CEPER to the Director.
- 3-2 Disassociate the VP/R&SP from the day-to-day financial, as well as technical management of CEPER.
- 3-3 Instruct the Center Director to review the CA and relevant EPA regulations and statutory authority and ensure that all CA conditions, EPA regulations, and statutes have been fully implemented and complied with. Further instruct the Director to ensure that all CAU internal control policies related to equipment, procurements, and financial transactions are properly implemented.
- 3-4 Obtain an external peer review of all on-going and proposed projects, submit peer review comments to the EPA PO, and, in coordination with the EPA PO, reconsider the funding of any projects deemed outside the scope of the CA and CERCLA 311(d), of marginal value, or duplicative of projects being performed by other organizations.
- 3-5 Require budgets and separate cost accounting for each project or activity funded under the CA.
- 3-6 Require PIs to disclose all funding sources in project proposals and progress reports to include total project cost, costs budgeted and/or charged to each funding source, and rationale for allocation of budgeted or actual costs to the CA.
- 3-7 Require CAU to provide a breakdown of costs charged to date by project including all research, outreach, education, conference, forum, administrative, and infrastructure development.

CAU RESPONSE

CAU disagreed with the findings in this chapter but agreed with the recommendations.

CAU objected to what they considered to be an after-the-fact OIG interpretation of whether CEPER projects were related to Superfund. CAU indicated that at no time was CAU informed by EPA that any aspects of its original and subsequent proposals were not allowable under the Superfund program. Without being informed to the contrary, CAU proceeded to implement its program in good faith that EPA had approved its project plan.

CAU indicated that CEPER activities such as education and infrastructure development are indirectly related to Superfund and thus allowable under Superfund authorities. CAU indicated that CEPER co-sponsorship of conferences and workshops were justifiable and allowable as an environmental education activity. CAU maintained that EPA officials understood and approved of CEPER's focus on infrastructure development. CAU considered infrastructure development to include all activities except actual scientific research and development.

CAU objected to the audit basis of what was allowable under the CA - namely the "notion" of what the Superfund authority allowed - as opposed to what the CAU proposal contained. CAU indicated that the auditors used a narrow definition of Superfund research to evaluate allowability and that the auditors used a very narrow interpretation of what constitutes a hazardous substance.

CAU maintained that the auditors prejudiced the report by referring to the CAU Project Director as the VP/R&SP. CAU indicated that the VP/R&SP was not in complete control of CEPER because financial records and processes were controlled by the CAU Office of Budget and Finance.

CAU indicated that their anticipated acquisition of a large number of computers and office equipment along with several vehicles was indicated in budget explanations given to EPA in the 1991 workplan. CAU maintained that EPA's award of the CA, based on CAU's workplan and budget, constituted approval of the equipment purchased.

CAU indicated that the decision to use a single budget was discussed with the EPA PO who agreed that this approach was appropriate given the infrastructure development emphasis of the first three years of CEPER. CAU and the EPA PO agreed that project budgets would be preferable when the focus of CEPER shifted from infrastructure development to research. Upon substantial completion of the infrastructure development, CAU fully intended to assign budget codes to individual research projects.

CAU indicated that henceforth all quarterly reports will be submitted.

CAU indicated that leveraging was a specific strategy for CEPER during its development phases and that CAU sought funding for environmental research, education, and policy analysis from other sources. CAU indicated that they did not have the same tasks funded by multiple funding sources. CAU indicated that in the future they will fully describe sponsored projects related to CEPER as well as all sponsored projects for the CEPER PIs.

CAU's comments on the questioned costs presented in this chapter are addressed in Exhibit A.

OIG EVALUATION OF CAU COMMENTS

As described in the report, our review of the scope of the CEPER projects was primarily based on the CEPER appropriation earmarks, the CA purpose, and CERCLA 311(d). Given the lack of a Center Director, an advisory board, peer reviewers, and involvement by EPA POs, there were few controls to ensure that CEPER projects were within either the scope of the CA or the authorizing statute.

Based on CAU's response and discussions with CAU officials after the draft report, in our opinion, CAU apparently believes that Superfund monies provided under the CA can be used for any environmentally related activity, no matter how generalized or remote from the purpose of the authorizing statute. We could not

conclude that such activities were properly funded under the limited scope of CERCLA 311(d) which provides for funding of hazardous waste research and training.

In our opinion, CAU used the CA funds for infrastructure development and support for centers and projects unrelated to the scope of the CA and authorizing statute. CAU also expended CA funds for generalized environmental activities, including education, outreach and student financial aid, that did not clearly relate to hazardous waste research and training or support EPA's Superfund program and related mission. The benefit of such activities and projects to EPA and the purpose of the Superfund program in a time of government financial restraint is questionable.

As indicated in the report, CAU mismanaged the CA in an environment of serious internal control weaknesses. This mismanagement was evidenced by CAU's financial and programmatic records for CA projects and activities. We did not refer to the VP/R&SP as the CAU Project Director because the VP/R&SP utilized executive management authorities not held by typical CAU project directors and because the VP/R&SP represented himself as the VP/R&SP in CEPER-related correspondence.

Copies of CAU's 1991 workplan and budget in EPA files maintained by the PO and GAD did not contain the equipment listings referred to in CAU's response. Neither was there any evidence in these EPA files that EPA ever received or approved the subject equipment listings.

CAU's comments on the questioned costs presented in this chapter are included in Exhibit A along with our evaluation of these comments.

CHAPTER 4 **ALLOWABILITY OF COSTS NOT ENSURED**

Under OMB and EPA procedures, CAU is responsible for day-to-day management of the CA. This responsibility includes establishing and maintaining an adequate system of controls over CA funds and property and ensuring that costs claimed under the CA are eligible, allowable, and supported. However, we found material weaknesses in CAU's controls over CA funds and the property and services acquired under the CA. As a result, over 70 percent (\$3,673,041 of \$5,132,757) of the costs claimed by CAU for the first budget period of the CA were questioned as ineligible or unsupported (see Exhibit A).

OPINION ON ALLOWABILITY OF COSTS CLAIMED

Our review of CEPER's costs focused on the first two-year budget period of CEPER - October 1, 1991 to September 30, 1993. For that budget period, EPA awarded funds of \$5,127,770 and CAU was to match with funds of \$636,002 for a total project cost of \$5,763,772. CAU claimed project costs of \$5,132,757 on a Financial Status Report (FSR), dated February 20, 1995. The costs claimed consisted of an EPA share of \$4,568,154 and a CAU share of \$564,603.

As part of this audit, we determined the allowability of the costs claimed by CAU so that EPA's participation would be limited to the allowable portion of the amount approved in the CA.

Allowable costs must be eligible, reasonable, necessary, and allocable to the project, permitted by the appropriate Federal cost principles, and approved by EPA in the CA.

In our opinion, the costs claimed by CAU were not fairly presented in accordance with the requirements of the CA due to the substantial amount of costs questioned. The results of our analysis of the allowability of the costs claimed are summarized below and presented in detail in Exhibit A.

	<u>Questioned</u>		
	<u>Claimed</u>	<u>Ineligible</u>	<u>Unsupported</u>
Total	\$ 5,132,757	\$ 3,373,619	\$ 299,422
EPA Share (89%)	\$ 4,568,154	\$ 3,002,521	\$ 266,486
EPA Share Claimed and Reviewed			\$ 4,568,154
Less EPA Share Questioned:			
Ineligible		\$ 3,002,521	
Unsupported		266,486	
			<u>3,269,007</u>
Allowable EPA Share			<u>1,299,147</u>
Balance Due EPA			\$ 3,269,007

OPINION ON INTERNAL CONTROL AND COMPLIANCE

The management of CAU was responsible for establishing and maintaining an internal control structure and for ensuring compliance with the CA and associated requirements. The VP/R&SP primarily administered the CA while CAU's Financial Accounting and Reporting Unit within CAU's Office of Budget and Finance was responsible for tracking costs under the CA and for performing accounting and financial reporting functions.

In our opinion, CAU management did not establish and maintain an adequate internal control structure and did not ensure compliance with the CA and associated requirements. Significant internal controls at CAU were not complied with or were nonexistent. Noncompliance with various requirements and related control weaknesses resulted in our questioning a significant portion of the costs claimed by CAU (see Exhibit A).

Personnel

CAU did not have an after-the-fact confirmation of effort as required by OMB Circular A-21, EPA regulations (CFR 30.500), and CAU policy. The OMB Circular and EPA regulations allow CAU to distribute salaries based on budgeted, planned, or assigned activity if CAU has, at least annually, a statement that is signed by the employee or responsible official using suitable means of verification that the work was performed and which states that the salaries charged are reasonable in relation to the work performed. CAU policy likewise required time-and-effort certifications by employees for payroll distributions to Federal grants and contracts.

We found that CAU distributed labor costs to Federally-funded projects based solely on PAFs, a before-the-fact or budgetary type form. However, CAU had no subsequent certifications of labor charges by employees whose salaries were actually charged to the CA (see Exhibit A, Note 2). In addition, CAU did not have PAFs for 8 of the 46 employees who charged labor to the CA (see Exhibit A, Note 2).

Procurement

The procurement of goods and services under the CA did not comply with EPA regulations (40 CFR 33), OMB Circular A-21, and CAU policy. The following types of noncompliance were identified:

- Noncompetitive procurement of equipment, vehicles, hotel, professional and subcontracted services.
- No documentation of competition or justification for sole source procurements.

- No advance approval from EPA for purchases of equipment over \$10,000 or for general purpose equipment.

Also, CAU's records for their procurements in excess of \$10,000 did not comply with EPA regulations (40 CFR 33.250) which require CAU's records to include the basis for contractor selection, a written justification for the procurement method used, a written justification for any specification that restricts free and open competition, a written justification for type of subagreement, and the basis for the contract price.

Noncompetitive/Sole Source Procurements - CAU's procurements of goods and services did not comply with EPA regulations (40 CFR 33.230), OMB Circular A-21, or CAU policy (see Exhibit A, Notes 3-9). We concluded that CAU's procurement records contained insufficient evidence of free and open competition along with insufficient evidence of bids, quotes, and rates obtained from more than one source. Also, we concluded there was also insufficient evidence to justify sole source procurements. The questionable procurements were:

<u>Equipment</u> (numerous vendors)	\$ 956,499
<u>Subcontractors</u>	
ECG, Inc.	\$ 316,758
Basic Technologies, Inc.	190,882
Nationwide Technologies, Inc.	<u>18,000</u>
	\$ 525,640
<u>Vehicles</u>	
Mini-Coach Bus	\$ 49,100
Shuttle Bus	29,000
Passenger Van	19,188
Motor Home	<u>12,500</u>
	\$ 109,788
<u>Conferences</u>	
Ramada Inn	\$ 55,200
Georgia World Congress Center Food Service	23,497
Radisson Hotel	<u>22,632</u>
	\$ 101,329
<u>Professional Services</u>	
Gerald Grams	\$ 45,000
Office Products Unlimited	16,247
Lawrence Livermore Lab	12,500
Threshold Productions	<u>2,400</u>
	\$ 76,147
<u>Consultants</u>	
Faye Lyons-Gary	\$ 23,300
A. M. A. Imevbore	7,000
Theodore Harper	4,500
Dr. Thomas Mensah	2,500
Delane Garner	<u>2,000</u>
	\$ 39,300
<u>Lease</u>	
Coordinated Properties	\$ 37,500
Total	\$ 1,846,203

General Purpose Equipment - CAU did not comply with OMB Circular A-21 J16(a)(4) which requires documented prior EPA approval of all purchases of general purpose equipment. General purpose equipment is office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment. CAU policy indicates that "...purchases of general office equipment and furnishings, such as desks, chairs, tables, etc., will not be approved generally by a Federal agency". We questioned general purpose equipment of \$351,295 as ineligible because it was purchased without documented prior approval from EPA (see Exhibit A, Note 8).

Equipment Purchases Of \$10,000 Or More - CAU did not comply with EPA regulations (40 CFR 30.530) which require prior EPA approval of all purchases of equipment with a unit acquisition cost of \$10,000 or more. We questioned \$120,100 of equipment purchases because the required prior EPA approval was not obtained (see Exhibit A, Note 8).

Subcontracts In Excess of \$10,000 - CAU did not comply with

EPA regulations (40 CFR 33.820) which require prior EPA approval for subcontracts over \$10,000. CAU had no documented prior approval by EPA for any of their three subcontracts.

Equipment

CAU did not maintain adequate control over equipment as required by EPA regulations (40 CFR 30.510) and OMB Circular A-110, Attachment N. The EPA regulations required CAU to maintain control over and accountability for all project funds, property, and other assets and provide assurance that these are used solely for their authorized purpose. The OMB Circular required CAU to properly identify nonexpendable personal property purchased with assistance funds, perform a physical inventory, and reconcile equipment records every two years.

CAU could not adequately identify what equipment had been bought with CA funds. CAU provided us with four different equipment inventory lists during the audit - none of which reconciled to the claimed equipment costs booked on the general ledger (see Exhibit A, Note 8E). Also, at the time of our audit, almost four years after the CA was awarded, CAU had not taken an inventory of CEPER equipment or reconciled the equipment records. However, CAU initiated a CEPER equipment review during our audit.

In our opinion, CAU purchased an unreasonable amount of computer-related equipment given the number of CAU employees that charged labor to the CA. During the first budget period of CEPER (October 1991 - September 1993), CAU purchased \$344,726 of computer-related equipment including 105 personal computer systems (\$243,851), another 33 monitors (\$15,371), another 22 keyboards (\$3,520), and another 22 printers (\$31,011). However, only 46 CAU employees charged labor costs to the CA during the first budget period, and only 24 of these employees could be identified with CEPER or specific CEPER projects. As of March 1995, the number of personal computer systems purchased by CAU and charged to the CA had grown from 105 to 244.

We conducted a physical inventory of a judgmental sample of 102 equipment items during the audit. The existence of the following six equipment items could not be verified:

- A Compact Disc Player assigned to the VP/R&SP which CAU indicated was destroyed in a fire but which was shown on CAU's current inventory listing. The Disc Player had not been included in the police report concerning property damaged during the fire.
- A film evaporator and MacPowerbook Computer 180 assigned to a CAU employee.
- A Compaq Contura Computer assigned to the VP/R&SP.
- A MacIntosh Powerbook 140 Computer assigned to a non-CAU employee located in another state.
- A portable computer that had the same CAU tag number as another computer that we had previously verified in another location.
- Two computers which could not be located by the CAU employee to whom the equipment was assigned.
- Also during our physical inventory, we observed:
- CEPER equipment was located in other Federally-sponsored centers such as HiPPAC and the HBCU/MI Consortium office.
- Some CAU employees were assigned CEPER equipment but did not charge any labor to CEPER.
- CEPER equipment being used by administrative personnel in four buildings on the CAU campus.

- The use of CEPER fax machines and copiers was not restricted to CEPER personnel.
- Unopened computer equipment was in a storeroom in the Research Center for Science and Technology that CAU had not assigned to anyone. CAU indicated that none of this equipment was related to CEPER.
- Used computer equipment was in a storeroom in the Research Center for Science and Technology. CAU indicated that not all of this equipment was related to CEPER.

Travel

CAU did not comply with its own travel policy. OMB Circular A-21 required that travel costs charged to the CA be incurred in compliance with CAU's travel policy. We noted the following exceptions to CAU's travel policy:

- Employees who charged travel to the CA did not always obtain prior written approval for their trips (see Exhibit A, Note 6).
- Employees who charged travel to the CA did not always submit reports of actual expenses and receipts after their trips (see Exhibit A, Note 6).
- CAU did not always follow-up on employees who charged travel advances to the CA and did not submit reports of actual expenses and receipts after their trips. During the audit, CAU conducted a review of travel advances charged to the CA but we were not fully informed of the results of this review (see Exhibit A, Note 6).\\

Lack of Invoices

CAU prepaid for goods and services without obtaining subsequent invoices to substantiate actual costs. CAU prepaid a total of \$348,688 consisting of \$208,882 for subcontracts, \$118,341 for equipment, \$14,696 for supplies, and \$6,769 for other direct costs.

For example, the VP/R&SP authorized prepayments of \$190,882 to Basic Technologies, Inc., a subcontractor, based on cash flow needs, without an invoice from the subcontractor. The subcontract required that payments only be made upon the receipt of invoices. During the audit, CAU did not have any invoices from the subcontractor to support payments made (see Exhibit A, Note 9)

In-Kind Contributions

CAU did not comply with EPA regulations and CAU policy regarding in-kind contributions (see Exhibit A, Note 13). EPA regulations (40 CFR 30.307) allow recipients to satisfy the matching requirement with non-cash contributions called in-kind contributions, if such are: (1) negotiated before and specified in the assistance agreement; (2) verifiable from the recipient's records; (3) used exclusively for a single project; and (4) properly allocable to and allowable under the project. CAU had similar policies regarding in-kind contributions. To meet the 11 percent matching requirement in the CA, CAU claimed \$169,049 of in-kind contributions. However, the CA did not specify any in-kind contributions and the budgets in the 1991 CEPER workplan did not mention in-kind contributions under cost matching.

The in-kind contributions claimed by CAU represented equipment received from a third party, Georgia State University (GSU). GSU purchased the equipment with Georgia Research Alliance (GRA) grants awarded to CAU. The GRA grants are funded by the State of Georgia Lottery. Being a private institution, CAU could not directly receive the GRA grants because the State of Georgia cannot legally give funds to a private institution. Therefore, GRA provided CAU's equipment money to GSU who then purchased the equipment and provided it to CAU.

General Record Keeping

CAU did not have adequate general record keeping. We questioned costs claimed due to inadequate records, missing approvals, and booking errors. Exhibit A questions a total of \$299,422 as unsupported.

Financial Status Report

CAU's final FSR for the first CA budget period was poorly prepared. CAU's original FSR (dated May 11, 1994) reflected total outlays, Federal share, and recipient share amounts that did not reconcile to CAU's supporting cost schedules. During our audit, CAU revised their FSR (dated February 20, 1995) to match the supporting cost schedule. However, the revised FSR was also inaccurate because:

- \$81,449 of labor adjustments shown on the cost schedule were not reflected in CAU's records.
- A \$16,787 variance in personnel costs existed between total personnel claimed and CAU's supporting records.
- No in-kind contributions were shown on the FSR.

RECOMMENDATIONS

We recommend the Director, Grants Administration Division, Office of Grants and Debarment:

4-1 Adjust the CA costs in accordance with our determinations; and

4-2 Take appropriate action to recover the excess EPA funds paid to CAU.

We recommend the Director, National Center for Environmental Research and Quality Assurance, Office of Research & Development:

4-3 Instruct CAU to implement proper controls and accounting procedures to ensure the eligibility and adequate support for costs charged to the CA or claimed for cost matching purposes to include:

- Preparation of PAFs for all CAU personnel charged to the CA.

- Obtaining confirmation of labor charges from CAU personnel whose salaries or wages are charged to the CA.

- Ensuring that travel vouchers with receipts and documentation of actual expenses are submitted to justify travel advances.

- Obtaining invoices to support all payments from CA funds.

4-4 Require CAU to reconcile its inventory of equipment purchased with CA funds with equipment costs claimed or charged to the CA and account for all property purchased under the CA. The cost of any equipment used by other sponsored projects should be transferred from CEPER accounts to the appropriate sponsor's accounts.

- 4-5 Require CAU to justify each computer or computer related equipment purchased and charged to the CA. The number of computers and computer related equipment purchased should be reconciled to the number of CAU employees assigned to CEPER management or projects funded under the CA.
- 4-6 Instruct CAU to request prior EPA approval for: (1) property/equipment purchases with unit acquisition costs of \$10,000 or more; (2) subagreements exceeding \$10,000; (3) general purpose equipment, including computers and computer related equipment, to be procured with CA funds; and (4) use of in-kind contributions for cost matching.

- 4-7 Require CAU to ensure that all costs claimed on FSRs are adequately supported by CAU's accounting records.

CAU RESPONSE

CAU disagreed with the findings and recommendations in this chapter.

CAU maintained that no internal controls were bypassed, no charges were arbitrary, no charges were unjustified, there were no sole source procurements, and all CAU policies were adhered to. CAU indicated that the consolidation of Atlanta University and Clark College caused delays in timely reporting between 1991 and 1994 but that CAU has now established effective financial controls.

CAU indicated that the completion of after-the-fact confirmations of effort was delayed due to a CAU internal conflict that is now resolved. CAU also indicated that it has already revised or plans to review internal controls related to cost reclassifications and travel advances.

CAU indicated that persons may conduct CEPER activities that require equipment without charging labor and that their payment of student stipends under the CA reflected an infusion of environmental issues into the total curriculum.

CAU indicated that their Office of Grants and Contracts has verified the costs claimed and that the costs claimed are supported by adequate documentation. CAU maintained that adequate records are available which support the costs questioned due to inadequate records, missing approvals, and booking errors.

CAU asserted that EPA approval of all equipment purchases and subcontracts was obtained via detailed budgets in the 1991 and 1993 CEPER workplans. CAU also asserted that all CEPER travel received prior approval and that receipts must be submitted to receive reimbursement of expenses. CAU indicated that it has obtained back-up invoices for all prepaid amounts.

CAU believed that they made a good faith effort to meet the matching requirement, that the GRA matching funds (for equipment purchased by GSU) were not in-kind contributions, and that CAU should not be penalized for a legal problem that prevented the GRA funds (State funds) from being given directly to CAU (a private institution).

Other CAU comments on the costs questioned are addressed in Exhibit A.

OIG EVALUATION OF CAU COMMENTS

The following assertions made by CAU were directly contradicted and/or were unsubstantiated by CAU's records, EPA's records, and other information collected during the audit:

- No internal controls were bypassed;
- No charges were arbitrary;
- No charges were unjustified;
- There were no sole source procurements;
- CAU policies were adhered to;

- CAU has established effective financial controls;
- After-the-fact confirmations of effort were used;
- The costs claimed are supported by adequate documentation;
- Adequate records support the costs questioned due to inadequate records, missing approvals, and booking errors;
- EPA approved all equipment purchases and subcontracts;
- Travel received prior approval; and
- Receipts support travel reimbursements.

Because CAU's uncooperativeness during the audit required us to utilize a demand letter to obtain records, the validity of records provided by CAU subsequent to the audit should be carefully considered as to their source and date prepared.

CAU's response contained various comments that directly contradict statements made by CAU staff during the audit. For example, CAU's Contract Specialist, Budget Analyst, and Payroll Manager informed us during the audit that CAU did not use after-the-fact confirmations of effort for labor charges to the CA. This is further evidence that the actions of the VP/R&SP are not questioned by his supervisor or his subordinates.

We consider CAU's comments regarding persons using CEPER-funded equipment without charging labor to CEPER and the use of stipends to infuse environmental issues into their general curriculum to be examples of CAU's improper use of CA funds for leveraging other Federal funding to achieve a CAU agenda of generalized infrastructure and educational development that was outside the scope of the earmarks, the CA, and CERCLA 311(d).

Our copy of the CEPER budget information in the 1991 CEPER workplan which we obtained from the EPA PO files did not contain the detailed information on the equipment purchases or the subcontracts. There was no evidence in the EPA PO files that EPA ever received or approved the equipment purchases and subcontracts either via CEPER budgets or by any other means.

Further evaluations of CAU's comments on the costs questioned are presented in Exhibit A.

ANALYSIS OF

ALLOWABILITY OF COSTS CLAIMED

FOR THE PERIOD OCTOBER 1, 1991 TO SEPTEMBER 30, 1993

UNDER EPA COOPERATIVE AGREEMENT NO. CR818689

AWARDED TO CLARK ATLANTA UNIVERSITY

AUDITOR'S OPINION

<u>Description</u>	<u>Costs</u>		
	<u>Claimed</u>	<u>Ineligible</u>	<u>Unsupported</u>

Notes

(Note 1)

Federal Share:

Personnel	\$ 1,385,834	\$ 1,385,834	\$ 0	2
Fringe Benefit	222,778	222,778	0	3
Consultants	59,304	7,258	0	4
Prof. Services	68,193	45,500	12,450	5
Travel	226,650	152,178	1,202	6
Supplies	158,775	13,351	19,168	7
Equipment	956,499	627,621	231,227	8
Subcontracts	525,640	190,882	18,000	9
Stipends	302,546	302,546	0	10
Other Direct	128,880	90,221	17,375	11
Indirect	<u>533,055</u>	<u>95,520</u>	<u>0</u>	12
	4,568,154	3,133,689	299,422	

Recipient Share:

Indirect	395,554	70,881	0	13
Other	<u>169,049</u>	<u>169,049</u>	<u>0</u>	13
	564,603	239,930	0	

Total \$ 5,132,757 \$ 3,373,619 \$ 299,422

EPA Share (89%) \$ 4,568,154 \$ 3,002,521 \$ 266,486
EPA Share Claimed and Reviewed \$ 4,568,154

Less EPA Share Questioned:

Ineligible	\$ 3,002,521
Unsupported	<u>266,486</u>
	<u>3,269,007</u>
Allowable EPA Share	\$ 1,299,147
Balance Due EPA	\$ 3,269,007

NOTE: The exhibit notes contain pertinent portions of CAU's response along with an OIG evaluation. CAU did not respond to all issues nor did we include all of CAU's response. Some of the issues in this exhibit are discussed in Chapters 2, 3, and 4 of the report.

NOTE 1: COSTS CLAIMED.

CAU claimed a total of \$5,132,757 on a revised FSR, dated February 20, 1995, which covered the budget period October 1, 1991, to September 30, 1993. The total costs claimed by CAU consisted of a Federal share of \$4,568,154 and a CAU share of \$564,603. CAU supported the FSR with a cost schedule which presented the costs claimed by the line items shown in Exhibit A. Several terms used in the Exhibit (e.g. costs claimed, costs questioned, ineligible costs, and unsupported costs) are defined in Attachment 1.

Within each cost category, certain costs were questioned more than once due to multiple reasons for unallowability. However, Exhibit A only shows such costs as being questioned once in order to prevent any duplication in calculating the balance due EPA. Where applicable, the notes indicate which costs were questioned previously.

NOTE 2: PERSONNEL COSTS.

A. Labor Reporting Practice.

We questioned \$1,375,934 of personnel costs as ineligible because CAU's labor reporting practice used for the CA did not fully comply with the requirements in EPA regulations, OMB Circular A-21, and CAU policy. The questioned amount represented the total personnel costs claimed of \$1,385,834 less a \$9,900 payment to the Georgia Space Grant Consortium Options Program which was not actual personnel costs and which is questioned under Note 2(D)(2). EPA regulations (40 CFR 30.410) required CAU's labor reporting practice to comply with the requirements of OMB Circular A-21. OMB Circular A-21 prescribed:

Criteria for Acceptable Methods

The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs...

Examples of Acceptable Methods

1. Plan-Confirmation: ...at least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual indirect cost or other categories are reasonable in relation to work performed.

2. After-The-Fact Activity Reports: ...activity reports will reflect the distribution of activity expended by employees... ...these reports will reflect an after-the-fact reporting of the percentage of distribution of activity of

employees. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principle investigator, or responsible official(s) using suitable means of verification that the work was performed.

3. Multiple Confirmation Records: ...reports will be prepared each academic term, but no less frequently than every six months...to confirm that distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the record for each employee will include: (1) The signature of the employee or of a person having direct knowledge of the work, confirming that the record of activities allocable as direct costs of each sponsored agreement is appropriate.

Likewise, CAU policy required a time-and-effort certification by employees to support the distribution of personnel charges to Federal grants and contracts. However, CAU's labor reporting practice used for the CA did not include any form of an after-the-fact confirmation or certification of effort and no time-and-effort certifications by employees were prepared. CAU merely distributed labor per each employee's PAF which represented a before-the-fact or pre-determined distribution of effort.

CAU Response

CAU indicated it followed the labor reporting practice prescribed but time-and-effort reports had not been completed due to a policy conflict on instructional course load. The conflict was settled during the 1994-95 academic and time-and-effort reports have been completed for sponsored projects and CEPER.

OIG Evaluation of CAU Response

Our position remains unchanged. The comment directly contradicts information provided by CAU personnel during the audit. CAU's Contract Specialist, Budget Analyst, and Payroll Manager informed us during the audit that CAU did not use after-the-fact confirmations of effort and/or time-and-effort reports.

B. Cost Transfer.

We questioned \$258,692 of personnel costs as ineligible because a cost transfer by the VP/R&SP was unjustified and did not comply with EPA regulations and CAU policy. In March 1994, the VP/R&SP requested the transfer of \$258,692 associated with eight faculty members for CAU's FYs 1992 and 1993 from unrestricted budget accounts to CEPER. CAU policy required that journal entries, such as the transfer, be approved by the Director of Financial Accounting and Reporting and that a purpose or reason for the adjustment be provided. EPA regulations (40 CFR 30.510) required CAU to have records that supported the transfer.

During the audit, written comments from the VP/R&SP explained that the transfer was made upon his review of charges to CEPER and represented a belated but routine distribution of effort for faculty members that did not have PAFs. However, the transfer was neither approved by the Director of Financial Accounting and Reporting nor included a purpose or a reason for the adjustment. Also, the VP/R&SP had no documentation to indicate that he performed a review of charges or how he determined the specific amounts transferred for each faculty member. Nor did the VP/R&SP have any documentation that showed the faculty members actually worked on CEPER projects. In fact, the PAFs for the eight faculty members for the period immediately following the transfer - CAU FY 1994 - showed that only one of the faculty members charged to the CA during that time period. The VP/R&SP made the transfer almost six months after the end of the first budget period for CEPER - September 30, 1993 - but before the costs claimed for the budget period were submitted to EPA. The \$258,692 questioned under this note was also questioned under Note 1(A).

CAU Response

CAU indicated that the transfer was justified based upon activities conducted by the PIs. The Director of Grants and Contracts Accounting has the authority to approve reclassifications for the Office of Sponsored Programs; whereas, the Director of Financial Accounting and Reporting approves for the unrestricted budgets. The VP/R&SP has recommended to the President for Budget and Finance and the university President that definite procedures need to be implemented.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertions were unsubstantiated by CAU's records and information collected during the audit. The activities of the PIs could not be verified because CAU had no time-and-effort reports during the audit.

C. Noncompliance With Special Condition.

We questioned \$298,924 of personnel costs as ineligible because the costs were not incurred in compliance with Special Condition No. 12 in the CA. The special condition required that CAU revise the CEPER workplan as necessary and submit it for review by the EPA Project Officer. The questioned amount represented five CEPER projects that represented revisions to the CEPER workplan. CAU neither revised the CEPER workplan to include the projects nor submitted a revised CEPER workplan with the projects to the EPA Project Officer.

The questioned projects were not among the 15 projects proposed in the 1991 CEPER workplan nor were the PIs for the questioned projects among the 15 PIs that proposed projects in the 1991 CEPER workplan. The 1993 CEPER workplan contained progress reports on the questioned projects and the PIs for the questioned projects charged costs to the CA. Since the questioned projects were also included as proposals in the 1993 CEPER workplan, we only questioned the portion of the projects that were conducted prior to the effective date of the 1993 CEPER workplan - October 1, 1993. The questioned projects and costs were:

Projects With Progress Reports In The 1993 CEPER Workplan Which Were Not Proposed In The 1991 CEPER Workplan.	Costs* (10/01/91
CEPER Project No. 18: Aerosol Sciences.	\$49,600 - 09/30/93)
CEPER Project No. 19: Toward the Development of a Comprehensive Academic, Research, & Outreach Program in Earth System Sciences: (a)Evaluate & Develop Techniques for Collecting & Using Vegetative Emissivities for Environmental Remote Sensing Applications; (b) Fidelity of Satellite Interferences of Transport from the Troposphere to the Stratosphere; (c) Project TEAM (Teaching Educators about Meteorology); (d) Project Skymath; and (e) Futurescape. [CAU comment: This curriculum and human resources project was included to indicate progress in faculty development.]	\$72,880
CEPER Project No. 20: Exposure Modeling of Biological Tissue to Electromagnetic Radiation. [CAU comment: This project was a substitute for CEPER Project No. 10.)	\$59,634
CEPER Project No. 23: Environmentally Hazardous Metals-DNA Interactions; Metal Sequestering Polymers. [CAU comment: none.]	\$79,142
CEPER Project No. 24: (a) An Investigation of Airborne Lead Exposures for Sections of the Atlanta Metropolitan Area; (b) Decision Tool for Assessing Risk to Low-Level Lead Pollutants. [CAU comment: This project was initiated as a case study for the Environmental Equity Conference.]	\$37,668

TOTAL	\$298,924
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*CAU did not maintain costs by project. However, we were able to relate certain costs to certain projects.

The \$298,924 questioned under this note was also questioned under Note 1(A).

CAU Response

CAU explained that the five projects questioned were not revisions to the 1991 CEPER workplan. Proposals submitted to agencies are based upon preliminary work. The preliminary data has to be obtained before the proposals are submitted which is standard for all academic institutions.

OIG Evaluation of CAU Response

Our position remains unchanged.

D. Outside Scope Of CA.

We questioned \$274,113 of personnel costs as ineligible because the costs represented activities outside the scope of the CA. The questioned amounts were:

(1) \$264,213 for 12 research projects that were not directly related to CEPER's mission as described in CERCLA Section 311(d), the earmark in the 1991 Superfund appropriation, and the project description in the CA. We identified the 12 projects that did not have a direct relationship to CEPER with assistance from the OIG Engineering and Science Staff. The OIG Engineering and Science Staff conducted a review of projects' descriptions in the 1991 and 1993 CEPER workplans and characterized the relationship between each project and CEPER as direct, indirect, or none. We questioned the following projects:

CEPER Projects Questioned As Outside The Scope Of The CA.	Research Area	Relation to Center	Personnel Costs
CEPER Project No. 1: The Emission of Mercury into the Atmosphere.	Ambient Air	Indirect	\$0
CEPER Project No. 2: Rearrangement of Epoxidyl Free Radicals.	Ambient Air	Indirect	\$0
CEPER Project No. 3: Mechanisms of Salt Tolerance in Halophytic & Glycophytic Plants.	Plant Biology	None	\$28,125
CEPER Project No. 4: Airborne Microorganisms as Continuous Indoor Air Pollutants in Buildings.	Indoor Air	None	\$0
CEPER Project No. 6: Economic Consequences of Subtitle D.	Solid Waste	None	\$16,585
CEPER Project No. 7: Decomposition of Organophosphorus Compounds over Alumina-Supported Catalysts.	Pesticides	Indirect	\$0
CEPER Project No. 10: The Neurotoxic Potentials of the Environmental Pyridines: Relevance to Parkinson's Disease.	Immunology, Physiology	Indirect	\$0
CEPER Project No. 14: Determination of Biochemical Effects Produced by the Simultaneous Exposure of Human Cells to Multiple	Toxicology	Indirect	\$37,389

Environmental Pollutants.

CEPER Project No. 18: Aerosol Sciences.

Ambient Air Indirect \$49,600

(a)
Indirect

(b) None

Earth Systems (c) \$72,880
Indirect

(d) None

(e) None

CEPER Project No. 19: Toward the Development of a Comprehensive Academic, Research, & Outreach Program in Earth System Sciences: (a) Evaluate & Develop Techniques for Collecting & Using Vegetative Emissivities for Environmental Remote Sensing Applications; (b) Fidelity of Satellite Interferences of Transport from the Troposphere to the Stratosphere; (c) Project TEAM (Teaching Educators about Meteorology); (d) Project Skymath; and (e) Futurescape.

CEPER Project No. 20: Exposure Modeling of Biological Tissue to Electromagnetic Radiation.

Immunology,
Physiology Indirect \$59,634

CEPER Project No. 28: To Provide National Congress Support; To Study the Characteristics & Needs of the Minority Environmental Business Community.

Business
Development Indirect \$0

CAU did not maintain costs by project. Nonetheless, we were able to associate the costs shown to the projects indicated.

The \$264,213 questioned here was also questioned under Note 1(A). The \$49,600 questioned here for project 9 and the \$72,880 questioned here for project 10 were also questioned under Note 6(C).

(2) \$9,900 paid to the Georgia Space Grant Consortium Options Program for a summer enrichment program for high school students. CAU claimed the amount as personnel costs but it was not related to personnel charges. The purpose of the Options Program was to:

...change the future for the metro Atlanta youth of African American descent through self-proclaimed positive images for the future.

The program was designed to help teenagers cope with life and childhood in general and included discussions on topics such as peer pressure, drug use and abuse, and alcohol abuse. The program was also intended to motivate children to succeed. In contrast, the outreach program described in the 1991 CEPER workplan was:

...training and education programs at the K-12, under-graduate, and graduate levels in environmental sciences, engineering, and toxicology.

CAU Response

CAU indicated the \$9,900 represented training and education programs at the K-12 level addressing socio-economic issues related to elementary and secondary schooling. If the students do not stay in school, they cannot be educated to become environmental scientists and engineers.

OIG Evaluation of CAU Response

Our position remains unchanged. The Options Program was unrelated to the authorizing statute, CA, and workplan.

E. Vice-President's Charges.

We questioned \$18,105 of personnel costs as ineligible because the costs represented direct charges by the VP/R&SP which did not comply with EPA regulations and CAU policy. Specifically, the direct charges by the VP/R&SP should have been indirect charges. EPA regulations (40 CFR 30.410) required CAU to comply with the cost principles of OMB Circular A-21. OMB Circular A-21 indicated:

Indirect costs are those that are incurred for common or joint objectives... At educational institutions such costs normally are classified under the following indirect cost categories:...sponsored projects administration expenses...

The position of VP/R&SP was administrative in nature and as such the charges should not have been direct. The VP/R&SP charges were included in CEPER's budget submitted to EPA. However, no PAFs were provided for the VP/R&SP labor charged to CEPER and the VP/R&SP was paid through a special payroll system that was separate from the CAU employee payroll system. The charges should have been treated as indirect costs and allocated to CEPER through the normal application of CAU's overhead rate. The impact of the questioned charges on CAU's overhead rate would have been negligible. The \$18,105 questioned under this note was also questioned under Note 1(A).

CAU Response

CAU indicated that 10 percent for services as project director was indicated in the budget. It is not unusual for a scientist or engineer to also serve as vice president, or in another administrative capacity. The CEPER project director is not 100 percent administrator, but rather an active researcher and professor of chemistry. CAU indicated the CAU Vice President for Finance did not receive a request for information on the executive payroll system.

OIG Evaluation of CAU Response

Our position remains unchanged. After issuance of the OIG draft report, we made a written request clarifying the documentation needed to support the VP/R&SP's labor charges to the CEPER. We have not received any documentation from CAU regarding this matter.

F. Inadequate Records.

We questioned \$150,023 of personnel costs as unsupported because CAU did not have adequate records to support the costs. EPA regulations (40 CFR 30.510) required CAU to maintain records to support the costs.

(1) CAU did not have PAFs to support \$51,787 charged by eight employees. The \$51,787 questioned under this note was also questioned under Note 1(A) and \$13,087 of the \$51,787 questioned under this note was also questioned as part of the \$72,880 questioned under Notes 1(C) and 1(D).

(2) CAU did not have any records to support \$81,449 in labor adjustments charged to the CA. A total of \$340,141 in labor adjustments were charged to the CA according to CAU's cost summary supporting the FSR. A transfer made by the VP/R&SP accounted for \$258,692 of the adjustments [see Note 2(B)]. CAU had no records supporting the remaining \$81,449 of adjustments. The \$81,449 questioned under this note was also questioned under Note 1(A).

(3) CAU did not have records to support a \$16,787 variance between the total personnel costs charged to the CA and the total costs documented by CAU's records. The variance was as follows:

Costs claimed	\$ 1,385,834
Less documented costs:	
Monthly payrolls	\$ 975,847
Biweekly payrolls, stipends	43,159
Adjustments	340,141
Options program	<u>9,900</u>
	<u>1,369,047</u>
Unsupported Cost	\$ 16,787

The \$16,787 questioned here was also questioned under Note 1(A).

CAU Response

CAU has adequate records to support the costs claimed.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU has not provided documentation to support the charges.

NOTE 3: FRINGE BENEFIT COSTS.

We questioned all fringe benefit costs as ineligible or unsupported for the same reasons the associated personnel costs were questioned under Note 2.

NOTE 4: CONSULTANT COSTS.

A. Noncompliance With CAU Policy.

We questioned \$7,258 of consultant costs as ineligible because the internal consultant services were not obtained in compliance with CAU policy. CAU's policy on the use of internal consultants required:

Approval through regular University channels is obtained in advance by completing a PAF and a Consultant Statement of Work Form...; payments are authorized with a requisition accompanied by the previously approved PAF.

CAU did not have PAFs, Statement of Work Forms, or requisitions which showed that consultant charges were incurred in accordance with CAU policy. We were able to associate \$2,632 of the costs with three employees by reviewing payroll records but we were unable to identify the employees associated with the remaining \$4,626.

NOTE 5: PROFESSIONAL SERVICE COSTS.

A. Outside Scope Of CA; Noncompliance With CAU Policy; Noncompliance With Subcontract Terms.

We questioned \$45,000 of professional services as ineligible because the professional services were outside the scope of the CA, were not obtained in compliance with CAU policy, and the terms of the subcontract were violated. The costs were outside the scope of the CA because the services were unrelated to the Superfund mission of the CA and were associated with other projects/sponsors. The \$45,000 was incurred for technical assistance to develop a research program in Aerosol Sciences and an academic program in Geosciences. We questioned other costs for such activities under Notes 2(C) and 2(F). The services were not obtained in compliance with CAU policy because the VP/R&SP selected the subcontractor and approved invoices and payments to subcontractor. Noncompliance with CAU procurement policy is presented in detail in Chapters 3 and 4 of this report. The terms of the subcontract were violated because the payment ceiling was exceeded. The Letter of Subcontract for the services indicated that total payments were not to exceed \$22,500 but \$45,000 was paid to the subcontractor between September 1992 and February 1993.

This project did not directly relate to CEPER's mission as described in CERCLA Section 311(d), the earmark in the 1991 Superfund appropriation, and the project description in the CA. We determined this project did not have a direct relationship to CEPER with assistance from the OIG Engineering and Science Staff. The OIG Engineering and Science Staff conducted a review of projects' descriptions in the 1991 and 1993 CEPER workplans and characterized the relationship between each project and CEPER as direct, indirect, or none. This project had an indirect relationship with CEPER and primarily concerned ambient air research.

CAU Response

CAU indicated the subcontract services were within the scope of the CA and Superfund. The subcontract was appropriately issued in accordance with CAU policy and practice. CAU agreed that an additional payment under this subcontract should have been paid to the individual as personal services. An amendment to the subcontract should have been made.

OIG Evaluation of CAU Response

Our position remains unchanged. We concur that the VP/R&SP has the authority to approve subcontracts but the procurements must be secured by requisitions through the Purchasing Office which was not done.

B. Outside Scope Of CA.

We questioned \$500 of professional services as ineligible because the professional services were outside the scope of the CA. Specifically, the services were unrelated to the Superfund mission of the CA and were allocable to another sponsored project. The VP/R&SP approved the payment of \$500 for laboratory fees for the analysis of pesticide in field soil samples. The services related to another project - "*Impact of Synthetic Agrichemicals Applied to Banana Crops on Fresh Water Shrimp Populations in St. Vincent and the Grenadines, West Indies.*" - funded by AID.

C. Inadequate Records.

We questioned \$12,450 of professional services as unsupported because CAU did not provide any records to support the costs. The questioned amount was recorded on CAU's books as a payment to Lawrence Livermore, a national laboratory, but CAU had no documentation to support the charge.

CAU Response

CAU indicated the payment was for an activity (Information and Data Systems program) which was included in the 1991 CEPER workplan.

OIG Evaluation of CAU Response

Our position remains unchanged. We questioned the lack of records to support the charges not the relationship to the workplan.

NOTE 6: TRAVEL COSTS.

A. Outside Scope Of CA.

We questioned \$140,608 of travel costs as ineligible because the costs were outside the scope of the CA. Specifically, the costs were associated with other projects/sponsors and/or were unrelated to the Superfund mission of CEPER.

(1) \$101,329 for prepaid hotel rooms (\$55,200 for 200 rooms and \$22,632 for 80 more rooms) and food service (\$23,497) associated with a conference - "*Forum on Undergraduate Research Experiences of Minority Science, Mathematics, and Engineering Students and a Workshop on Graduate School Opportunities*" - hosted by CAU in October 1992 at the Georgia World Congress Center in Atlanta, Georgia. Although the 1991 CEPER workplan indicated that workshops and symposia would be conducted under the outreach program, this particular conference was not mentioned. The VP/R&SP split the costs associated with the conference between CEPER and a DOE-funded project - "*Historically Black Colleges and Universities/Minority Institutions Environmental Technology and Waste Management Consortium*." In a letter inviting the Project Officer to the conference, the VP/R&SP indicated that the primary sponsor of the conference was the Consortium funded by DOE. Nonetheless, the VP/R&SP charged 100 percent of the 280 hotel rooms associated with the conference to CEPER along with 50 percent of certain food service charges. The VP/R&SP charged the remaining food service charges to the Consortium. CAU prepaid for the hotel rooms but did not follow-up after the conference to ensure the prepayments were adjusted to reflect actual charges. A subsequent review of one prepayment (\$55,200) by CAU's OMB Circular A-133 auditors found that CAU was due a refund of \$9,748 from the hotel. CAU received the refund and credited it to the CA in 1994. CAU did not include the credit in the costs claimed so we questioned the entire charge (\$55,200). The \$22,632 prepayment was not adjusted to actual costs incurred.

CAU Response

CAU indicated that the CEPER co-sponsorship of the conference and workshop was justifiable as an environmental education activity under CEPER.

OIG Evaluation of CAU Response

Our position remains unchanged. There was no documentation of how the conference related to Superfund hazardous waste research and training.

(2) \$13,500 of per diem (\$6,500) and lodging (\$7,000) for 10 students to travel to Duke University, Durham, NC as "*Scholars for the 1993-1994 HBCU/MI Consortium EPA ORD Research Triangle Park Scholarship/Fellowship Awardees*." CAU records showed the costs were associated with another project - "*To Provide Training for Undergraduate Students from HBCUs and MIs of Higher Learning by U.S. EPA RTP ORD Laboratories and Offices*" - funded by EPA under another assistant agreement.

CAU Response

CAU indicated this program was developed as a specific activity of the CEPER program pursuant to the goal of involving other HBCUs/MIs. CAU sought additional partial funding from EPA/RTP to support this activity because sufficient funds were not available on the CEPER grant. CAU indicated the splitting of costs is leveraging.

OIG Evaluation of CAU Response

Our position remains unchanged. According to CAU's records, the VP/R&SP reclassified the costs to the other EPA project by stating:

...the reason for reallocation was a misunderstanding about the grant to which the expenditures should have been made. Because there are several EPA grants that support students, the original requisitions were charged to the wrong budget code....

(3) \$11,167 for travel costs related to the "*Minority Access to Research Careers/Minority Biomedical Research Support (MARC/MBRS) Symposium*" held in October 1992 in Puerto Rico. The symposium consisted of lectures on biochemistry, cell biology, cellular biochemistry, epidemiology, immunology, molecular genetics, and neurobiology. The questioned amount was part of a total cost for the symposium that the VP/R&SP distributed among CEPER, the Atlanta University Center MARC Program, and the HBCU/MI Consortium. The questioned amount consisted of a \$5,000 payment to Winston-Salem State University which was then used to pay part of a \$10,000 deposit for the hotel in Puerto Rico and \$6,167 in travel advances to the CAU attendees. CAU charged all of the travel advances to CEPER. Three of the four CAU attendees that charged travel costs to CEPER did not charge any labor to CEPER. Amounts of \$2,108, \$1,560, and \$371 formed part of the \$6,167 in travel advances.

CAU Response

CAU indicated that the partial support of the Puerto Rico conference is justifiable.

OIG Evaluation of CAU Response

Our position remains unchanged. This conference is unrelated to the purpose of the CA.

(4) \$1,550 of non-airfare costs for an employee to attend the first IEEE International Conference on Fuzz-lee Systems. The conference was hosted by the Institute of Electrical and Electronics Engineers Electron Devices Society.

(5) \$1,325 for non-airfare costs for three Oglethorpe Elementary School teachers to attend the DOE-sponsored National Geographic Society Kids Summer Institute. Travel advances of \$702 and \$156 were part of the \$1,325.

(6) \$1,324 of airfare for the VP/R&SP and an employee to attend program development meetings with the Department of Agriculture, the U.S. Forest Service, and the Paper Science Institute. The questioned amount consisted of two charges - \$714 and \$610.

(7) \$1,292 of airfare and non-airfare costs for the VP/R&SP and another employee to attend the "*USDA, Forest Services, Annual AFPA/TAPPI Liaison Committee Meetings*." Other trip costs were charged to another project - "*Enhancing CAU's Participation in Defense Research*" - funded by the Army. The questioned amount consisted of three charges - \$728, \$264, and \$300.

(8) \$930 for a travel advance given to an employee to attend the National Council of University Research Administrators 34th Annual Meeting. The employee had no personnel costs charged to the CEPER and the employee's job title was Program Initiator for the Office of Research and Sponsored Programs. Such charges are typically overhead expenses. There were no receipts for \$341 of the \$930 charged to the CA. CAU policy prescribes the Director's duties include proposal processing, advising, reviewing, and monitoring projects' performance and reporting. These responsibilities far exceed just the CEPER program. This cost should have been charged as an overhead expense rather than direct to CEPER.

(9) \$913 of non-airfare costs for the VP/R&SP to meet with Jostens Learning Corporation on computer/based learning for pre-college science, math teachers/students. We questioned \$35,000 of equipment costs purchased from Jostens in Note 8(C).

(10) \$908 of non-airfare costs for the CAU Director of the Catalysis Center to attend the Biosym Training and Review Meeting sponsored by Biosym Technologies, Inc. for the members of the Biosym Catalysis and Sorption Consortium. The purpose of the meeting was to receive software training in the use of the Catalysis 3.0 Version. We questioned \$36,000 of software purchased from Biosym Technologies in Note 8(C).

(11) \$849 of airfare costs for three job candidates to visit CAU. Such charges are typically overhead expenses. If subsequently hired, the job candidates did not charge any costs to CEPER. The documentation did not indicate what job positions the candidates were interviewing for. The questioned amount consisted of three airfares - \$213, \$290, and \$346.

CAU Response

CAU indicated that these costs were for three people to present seminars and that these individuals subsequently met with the VP/R&SP to discuss joining the University.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion directly contradicts CAU records collected during the audit.

(12) \$705 of non-airfare costs for the CAU Director of the Catalysis Center to present a research paper at an American Chemical Society meeting.

(13) \$717 of airfare and non-airfare costs for the VP/R&SP to attend a program development meeting with NOAA officials about an Atmosphere Sciences Programs.

(14) \$600 of airfare for an employee to make a presentation for a proposal entitled "Comprehensive Academic & Outreach in Geophysical Sciences." The employee was a co-PI on a project - "Research Careers In Geosciences For Minority Scholars" - funded by NSF.

(15) \$437 of non-airfare costs for an employee to attend program development meetings with USDA. The amount was not supported with receipts.

(16) \$911 for the VP/R&SP to attend meetings at Tufts University and the Massachusetts Institute of Technology to discuss Environmental Literacy Programs and the 1992 HBCU Undergraduate Research Forum.

(17) \$288 of non-airfare costs for an employee to represent CAU at the Atlanta Cluster Initiative Meeting at the Department of Interior. CAU had another project - "The Development of Atlanta Cluster Initiative Research Agenda and Corresponding Proposals" - funded by DOI. The employee had no labor charged to CEPER.

(18) \$219 of non-airfare costs for the VP/R&SP to attend program development meetings with business and industry representatives to discuss the HBCU/MI Consortium's Technology Transfer Programs in Environment and Information Systems. The HBCU/MI Consortium was funded by DOE.

(19) \$161 of non-airfare costs for an employee to make a presentation to MICOM (U.S. Army Missile Command). The reimbursement check provided to the employee indicated the charges concerned the Office of Naval Research.

(20) \$121 for non-airfare costs for an EPA Intergovernmental Personnel Act (IPA) employee to attend a meeting with Basic Technologies Inc. and the Undergraduate Committee of the National Congress. This activity related to the DOE-funded HBCU/MI Consortium. We questioned other costs related to this activity under Note 9(A).

(21) Another \$1,362 in travel costs (\$2,411 total questioned less \$1,049 previously questioned under this Note 6(A)) was questioned because 12 research projects were not directly related to CEPER's mission as described in CERCLA Section 311(d), the earmark in the 1991 Superfund appropriation, and the project description in the CA. We identified the 12 projects that did not have a direct relationship to CEPER with assistance from the OIG Engineering and Science Staff. The OIG Engineering and Science Staff conducted a review of projects' descriptions in the 1991 and 1993 CEPER workplans and characterized the relationship between each project and CEPER as direct, indirect, or none. We questioned travel costs related to the following projects:

CEPER Projects Questioned As Outside The Scope Of The CA.	Research Area	Relation to Center	Travel Costs
CEPER Project No.1: The Emission of Mercury into the Atmosphere.	Ambient Air	Indirect	\$0
CEPER Project No.2: Rearrangement of Epoxidyl Free Radicals.	Ambient Air	Indirect	\$0
CEPER Project No.3: Mechanisms of Salt Tolerance in Halophytic & Glycophytic Plants.	Plant Biology	None	\$0
CEPER Project No.4: Airborne Microorganisms as Continuous Indoor Air Pollutants in Buildings.	Indoor Air	None	\$0
CEPER Project No.6: Economic Consequences of Subtitle D.	Solid Waste	None	\$667
CEPER Project No.7: Decomposition of Organophosphorus Compounds over Alumina-Supported Catalysts.	Pesticides	Indirect	\$288
CEPER Project No.10: The Neurotoxic Potentials of the Environmental Pyridines: Relevance to Parkinson's Disease.	Immunology, Physiology	Indirect	\$0
CEPER Project No.14: Determination of Biochemical Effects Produced by the Simultaneous Exposure of Human Cells to Multiple Environmental Pollutants.	Toxicology	Indirect	\$139
CEPER Project No.18: Aerosol Sciences.	Ambient Air	Indirect	\$0
CEPER Project No.19: Toward the Development of a Comprehensive Academic, Research, & Outreach Program in Earth System Sciences: (a)Evaluate & Develop Techniques for Collecting & Using Vegetative Emissivities for Environmental Remote Sensing Applications; (b) Fidelity of Satellite Interferences of Transport from the Troposphere to the Stratosphere; (c) Project TEAM (Teaching Educators about Meteorology); (d) Project Skymath; and (e) Futurescape.	Earth Systems	(a) Indirect	
		(b) None	
		(c) Indirect	\$1,103
		(d) None	
		(e) None	
CEPER Project No.20: Exposure Modeling of Biological Tissue to	Immunology,	Indirect	\$214

Electromagnetic Radiation.

Physiology

CEPER Project No.28: To Provide National Congress Support; To Study the Characteristics & Needs of the Minority Environmental Business Community.

Business
Development Indirect \$0

CAU did not maintain costs by project. Nonetheless, we were able to associate the costs shown to the projects indicated.

\$1,049 of the \$2,411 questioned here was questioned in previous notes. The \$288 for project 6 was also questioned under Note 6(A)(17). The \$1,103 for project 10 includes \$600 also questioned under Note 6(A)(14) and \$161 also questioned under Note 6(A)(19).

CAU Response

CAU indicated that the projects relate to CEPER and disagreed with the OIG engineer's opinion.

OIG Evaluation of CAU Response

Our position remains unchanged.

B. Noncompliance With CAU Policy/OMB Circular A-21/EPA Regulations.

We questioned \$14,670 of travel costs as ineligible because the costs were not incurred in accordance with CAU travel policy, OMB Circular A-21, and EPA regulations. EPA regulations (40 CFR 30.410) required CAU to comply with the cost principles of OMB Circular A-21. OMB Circular A-21 required allowable travel expenses to be incurred in accordance with CAU travel policy. CAU policy required: (1) prior authorization of travel; (2) travel advances be reconciled with actual expenses after the completion of travel; and (3) airfare be arranged through an authorized travel agency. The following travel costs were questioned:

(1) \$8,480 for travel advances given to employees who did not submit actual expenses or receipts after the completion of the travel. The advances were never reconciled with actual expenses. The questioned travel advances were:

04/29/93	\$204
04/29/93	\$427
04/29/93	\$204
06/24/93	\$200
05/28/92	\$1,762
08/31/93	\$397
08/19/93	\$389
07/20/93	\$156 (a)
07/20/93	\$702 (a)
10/09/92	\$1,560 (b)
10/09/92	\$2,108 (b)

(a) These costs also questioned under Note 6(A)(5).

(b) These costs also questioned under Note 6(A)(3).

CAU Response

CAU indicated if CAU employees do not request a travel advance, a travel requisition form is not completed until the trip is complete and the employees submit receipts. The employees obtain approval from the VP, R&SP prior to the travel taking place. CAU indicated that travel advances were reconciled.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertions directly contradict CAU policy and information collected during the audit. We have not received support for the travel advance reconciliation.

(2) \$1,623 for a CAU employee to attend a multi-media production show. The employee did not obtain prior authorization.

CAU Response

CAU indicated the employee received prior authorization.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's claim is unsubstantiated. The employee did not obtain proper prior approval in accordance with CAU policy as required by OMB-Circular A-21.

(3) \$1,420 for which an employee requested and received reimbursement (paid February 11, 1993) for cash provided to seven students and chaperons for per diem (\$420), lodging (\$910), and car rental (\$90) to attend the Southern Community/Labor Conference for Environmental Justice on December 4-6, 1992. Prior authorization was not obtained because the employee claiming reimbursement signed for the VP/R&SP whose signature was required for reimbursement. Although meal receipts are not required by CAU policy, the seven students and chaperons signed statements which required them to submit meal receipts upon the completion of travel and return any unused funds. Nonetheless, no receipts were submitted and no funds were returned. The signed statements also indicated that another individual, not the employee claiming reimbursement, provided them the meal money. The employee claiming reimbursement had no labor charges to CEPER. Also, we were unable to determine the ownership of the credit card for verification of the lodging (\$910) because the costs related to 7 other employees, not the employee claiming reimbursement.

CAU Response

CAU indicated that the individual who signed the travel requisition form was authorized to sign for the VP, R&SP in his absence. Meal receipts are not required for reimbursement.

OIG Evaluation of CAU Response

Our position remains unchanged. It is improper for an employee who is claiming reimbursement to approve their expenses in place of the approving official or immediate supervisor. CAU's claim that meal receipts were

not required directly contradicts CAU's records collected during the audit. There was no evidence the employee claiming reimbursement attended the Conference.

(4) \$1,395 for a CAU employee to attend conferences on multi-media technologies and shows for new multi-media products and general computer products. The employee did not arrange airfare through an authorized travel agency and prior authorization was not obtained.

CAU Response

CAU indicated the employee received prior authorization. These comments remain constant for item nos. 5-10 below as well as the OIG evaluation.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU employees did not obtain proper prior approval in accordance with CAU policy.

(5) \$705 for the CAU Director of the Catalysis Center to present a paper at the American Chemical Society meeting. The employee did not obtain prior authorization. This amount was also questioned under Note 6(A)(12).

(6) \$437 for an employee to attend a program development meeting with USDA. The employee did not obtain prior authorization. This amount was also questioned under Note 6(A)(15).

(7) \$325 for an employee to attend a presentation for the Title III Directors meeting. The employee did not obtain prior authorization.

(8) \$113 for an EPA/IPA employee to attend a meeting in Washington, D.C. with Basic Technologies Inc. and the Undergraduate Committee of the National Congress. The employee did not obtain prior authorization. This amount was also questioned under Note 6(A)(20).

(9) \$99 for a CAU employee to attend the Conference on Ethics and Environmental Policies. The employee did not obtain prior authorization.

(10) \$73 for a CAU employee to attend the Conference on Ethics and Environmental Policies. The employee did not obtain prior authorization.

C. Non-working Meals & Refreshments.

We questioned \$12,392 of travel costs as ineligible because the costs represented non-working meals and refreshments at a conference which were unallowable entertainment expenses per EPA regulations and OMB Circular A-21. The conference is described in Note 6(A)(1). EPA regulations (40 CFR 30.410) required CAU to comply with the cost principles in OMB Circular A-21. OMB Circular A-21 stated:

Costs incurred for amusement, social activities, entertainment and any items relating thereto, such as meals, lodging, rentals, transportation, and gratuities, are unallowable.

According to the General Accounting Office's "Principles of Federal Appropriation Law," food disallowed as entertainment includes food and drink (including alcohol) served as snacks and refreshments and food and drink for receptions and banquets.

The questioned costs were:

- (1) \$7,530 for a reception on October 15, 1992.
- (2) \$1,476 for a continental breakfast on October 15, 1992.
- (3) \$1,476 for a continental breakfast on October 16, 1992.
- (4) \$955 for a refreshment break on October 15, 1992.
- (5) \$955 for a refreshment break on October 16, 1992.

The \$12,392 questioned here was also questioned as part of the \$101,329 questioned in Note 2(A)(1).

CAU Response

CAU indicated that the working meals and refreshments for breakfasts, breaks, and receptions were provided in lieu of per diem to the participants.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertions directly contradict CAU's records collected during the audit.

D. Booking Errors.

We questioned \$3,052 of travel costs as ineligible because the supporting records showed the costs should not have been charged to CEPER. The questioned costs were:

- (1) \$924 for the VP/R&SP attend the 1993 National Congress Debriefing should have been charged to project no. 668228, not CEPER.
- (2) \$680 for the VP/R&SP to attend a program development meeting duplicated costs included in a \$1,604 charge to CEPER dated June 30, 1993.
- (3) \$612 for an employee to attend Training of Trainers Program presented by Office of International Training should have been charged to project no. 668281, not CEPER.
- (4) \$442 for the VP/R&SP to make a presentation about the HBCU/MI Consortium and CEPER at a National Association for Equal Opportunity in Higher Education meeting should have been charged to project no. 668228, not CEPER.
- (5) \$394 for the VP/R&SP to attend meetings concerning CEPER, National Science Agencies, and other Agencies. The \$394 (one-half of the total trip costs of \$788) should have been charged to project no. 668202, not CEPER.

CAU Response

CAU indicated these were not booking errors but allowable and justifiable charges to the CA.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertions directly contradict CAU's records collected during the audit.

E. Inadequate Records.

We questioned \$1,555 of travel costs as unsupported because CAU did not have adequate records to support the costs. EPA regulations (40 CFR 30.510) required CAU to maintain records to support the costs. The questioned costs were:

- (1) \$991 of unidentified travel costs. This consisted of three charges - \$139, \$179, and \$673. The \$991 questioned here includes \$139 also questioned under Project 8 in Note 6(A)(22).
- (2) \$564 of non-airfare costs for two employees (\$214 and \$350) to attend the "*19th Annual Extramural Funding Symposium*" held in December 1992 at the North Carolina Agricultural and Technical State University. The employees' airfare was charged to the DOE-funded HBCU/MI Consortium. The relationship of the costs to CEPER was unclear. The \$564 questioned here includes \$214 also questioned under Project 11 in Note 6(A)(22).

NOTE 7: SUPPLIES.

A. Ineligible Supplies.

We questioned a total \$13,351 of supplies as ineligible as follows:

(1) \$8,100 related to the Options Program which were outside the scope of the CA as described in Note 2(D)(3). The charges consisted of:

- \$2,500 for transportation,
- \$1,000 for stationery,
- \$1,000 for T-shirts,
- \$600 for initial fees/start-up costs,
- \$500 for contest materials,
- \$500 for hardware,
- \$500 for miscellaneous items,
- \$400 for a picnic,
- \$300 for research,
- \$250 for electronic supplies,
- \$180 for the SCITREK,
- \$125 for a meeting
- \$100 for office support,

- \$60 for educational supplies
- \$55 for the Fernbank Science Center, and
- \$30 for the Apex Museum.

CAU Response

CAU indicated the costs are allowable as a science and engineering outreach program of CEPER.

OIG Evaluation of CAU Response

Our position remains unchanged. In our opinion, the Options program was a generic program designed to increase the number of college bound students.

(2) \$3,806 for chemicals and lab supplies purchased by a faculty member who did not charge any effort to CEPER.

(3) \$902 for laboratory supplies purchased from the Aldrich Chemical Company. The questioned amount resulted from an initial charge of \$1,055 and a subsequent credit of \$153. The supporting records for the charge showed the charge did not relate to CEPER but to these other projects: \$137 to project 430273, \$20 to project 432208, \$381 to project 432217, \$68 to project 432209, and \$296 to project 432217.

CAU Response

CAU indicated this had been corrected.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU should decrease their claim by the questioned amount.

(4) \$185 of duplicated costs. A PI claimed and was paid for one charge twice. The PI was PI for a Navy project and also charged labor to CEPER. The costs were duplicated on two separate purchase requisitions - one charged to CEPER and one charged to the Navy project. The duplicate claims were reimbursed in one check provided to the PI.

CAU Response

CAU indicated that if the PI was reimbursed twice as alleged, the \$185 will be refunded by the PI.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU should decrease their claim by the questioned amount.

(5) Another \$358 for supplies (\$4,164 total questioned less \$3,806 previously questioned in Note 7(A)(2)) was questioned because 12 research projects were not directly related to CEPER's mission as described in CERCLA Section 311(d), the earmark in the 1991 Superfund appropriation, and the project description in the CA. We identified the 12 projects that did not have a direct relationship to CEPER with assistance from the OIG Engineering and Science Staff. The OIG Engineering and Science Staff conducted a review of projects' descriptions in the 1991 and 1993 CEPER workplans and characterized the relationship between each project and CEPER as direct, indirect, or none. We questioned supply costs related to the following projects:

CEPER Projects Questioned As Outside The Scope Of The CA.	Research Area	Relation to Center	Supply Costs
CEPER Project No.1: The Emission of Mercury into the Atmosphere.	Ambient Air	Indirect	\$0
CEPER Project No.2: Rearrangement of Epoxidyl Free Radicals.	Ambient Air	Indirect	\$3,806
CEPER Project No.3: Mechanisms of Salt Tolerance in Halophytic & Glycophytic Plants.	Plant Biology	None	\$0
CEPER Project No.4: Airborne Microorganisms as Continuous Indoor Air Pollutants in Buildings.	Indoor Air	None	\$0
CEPER Project No.6: Economic Consequences of Subtitle D.	Solid Waste	None	\$0
CEPER Project No.7: Decomposition of Organophosphorus Compounds over Alumina-Supported Catalysts.	Pesticides	Indirect	\$0
CEPER Project No.10: The Neurotoxic Potentials of the Environmental Pyridines: Relevance to Parkinson's Disease.	Immunology, Physiology	Indirect	\$0
CEPER Project No.14: Determination of Biochemical Effects Produced by the Simultaneous Exposure of Human Cells to Multiple Environmental Pollutants.	Toxicology	Indirect	\$0
CEPER Project No.18: Aerosol Sciences.	Ambient Air	Indirect	\$0
CEPER Project No.19: Toward the Development of a Comprehensive Academic, Research, & Outreach Program in Earth System Sciences: (a)Evaluate & Develop Techniques for Collecting & Using Vegetative Emissivities for Environmental Remote Sensing Applications; (b) Fidelity of Satellite Interferences of Transport from the Troposphere to the Stratosphere; (c) Project TEAM (Teaching Educators about Meteorology); (d) Project Skymath; and (e) Futurescape.	Earth Systems	(a) Indirect	
		(b) None	
		(c) Indirect	\$358
		(d) None	
		(e) None	
CEPER Project No.20: Exposure Modeling of Biological Tissue to Electromagnetic Radiation.	Immunology, Physiology	Indirect	\$0
CEPER Project No.28: To Provide National Congress Support; To Study the Characteristics & Needs of the Minority Environmental Business Community.	Business Development	Indirect	\$0
CAU did not maintain costs by project. Nonetheless, we were able to associate the costs shown to the projects indicated.			

B. Inadequate Records.

We questioned \$19,168 of supplies as unsupported because CAU did not have adequate records to support the costs. EPA regulations (40 CFR 30.510) required CAU to maintain records to support the costs. The questioned costs were:

- (1) \$14,696 for prepayments for computer accessories and lab supplies. CAU had no supporting vendor invoices.
- (2) \$2,924 for two payments (\$1,519 and \$1,405) to Fisher Scientific. CAU had no records to support the charges.
- (3) \$1,079 for computer software (Afterdark Screensaver) purchased from Networking Peripheral. The relationship between this software and CEPER was unclear.
- (4) \$352 for powered loud speakers and other stereo equipment purchased from Circuit City for a multi-media production. The relationship between the stereo equipment and CEPER was unclear.
- (5) \$117 for a reimbursement to a faculty member dated March 4, 1993. CAU had no records to support the charge.

CAU Response

CAU indicated supporting documentation is available for items 1, 2, and 5. CAU indicated that items 3 and 4 are allowable.

OIG Evaluation of CAU Response

Our position remains unchanged. No records to support these costs were provided during the audit.

NOTE 8: EQUIPMENT.

A. Cost Transfer.

We questioned \$319,819 of equipment costs as ineligible because a cost transfer by the VP/R&SP was unjustified and did not comply with EPA regulations and CAU policy. In March 1994, the VP/R&SP prepared a memorandum addressed to the Director of Grants and Contracts Accounting requesting the transfer of the costs from two other Federally-funded projects to CEPER. The stated justification for the transfer was that the VP/R&SP had done a review of charges. During the audit, written comments from the VP/R&SP explained that this review was done in May 1994. CAU policy required that journal entries, such as the transfer, be approved by the Director of Financial Accounting and Reporting and that a purpose or reason for the adjustment be provided. EPA regulations (40 CFR 30.510) required CAU to have records that supported the transfer. The transfer was neither approved by the Director of Financial Accounting and Reporting nor included an adequate justification.

The VP/R&SP had no documentation to indicate that he performed a review or how he determined the specific amounts transferred. Nor did the VP/R&SP have any documentation that showed the equipment was actually used on CEPER projects. CAU's records (purchase orders, purchase requisitions, and vendor invoices) for the costs showed that the equipment related to the two other Federally-funded projects. The costs were originally charged to the two other Federally-funded projects with the approval of the VP/R&SP. The VP/R&SP made the transfer almost six months after the end of the first budget period for CEPER - September 30, 1993 - but before the costs claimed for the budget period were submitted to EPA. The following costs were transferred:

(1) The VP/R&SP transferred \$177,098 associated with a project - "*Enhancing CAU's Participation in Defense Research*" - funded by the Army. The original charges to the Army project were between nine and 13 months prior to the transfer. The charges were:

(a) \$35,128 for computer equipment purchased from Silicon Graphics. The Army project number was on the purchase order and purchase requisition. The VP/R&SP approved the purchase.

CAU Response

CAU indicated that the equipment procured was for the GIS laboratory which was being developed for the CEPER Center. The reclassification was justifiable.

OIG Evaluation of CAU Response

Our position remains unchanged.

(b) \$29,768 for computer equipment (\$3,693) and analytical equipment (\$26,075) purchased from Silicon Graphics. The Army project number was on the purchase orders, purchase requisitions, and vendor invoices but the equipment was delivered to the HiPPAC Center funded by NASA. During our audit we observed that some of this equipment was in a virtual reality lab associated with a project - "*A Visualization, Stimulation & Design Laboratory (ViSiDEL)*" - funded by the Army. The VP/R&SP approved the purchase.

CAU Response

CAU indicated that there is no ViSiDEL funded by the Army. The laboratory in question was specifically developed under CEPER as integral to the GIS laboratory.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion that ViSiDEL was not funded by the Army directly contradicts CAU's records collected during the audit. Based on the supporting records reviewed, some of the equipment was identified with the NSF-funded Center for the Theoretical Study of Physical Systems (CTSPS). This directly contradicts other CAU comments (no. 62 and 78) which indicated that CTSPS is the only center activities in the Research Center not related to CEPER.

(c) \$25,654 for computer equipment purchased from Apple Computers. The Army project number was on the purchase orders and purchase requisitions. The VP/R&SP approved the purchase.

(d) \$21,125 for three separate purchases (\$9,015, \$5,500, and \$6,610) for computer equipment purchased from Networking Peripheral. The Army project number was on the purchase orders and purchase requisitions. The VP/R&SP approved the purchases. During the audit, we observed that some of the equipment (the \$5,500 charge) was being used by the Director of the Admissions Office. The Director of Admissions did not charge any labor to CEPER. CAU's inventory showed that this item was assigned to the VP/R&SP.

(e) \$18,893 for analytical equipment purchased from Silicon Graphics. The Army project number was on the purchase order, purchase requisition, and vendor invoice. The VP/R&SP approved the purchase.

(f) \$14,216 for computer equipment purchased from Apple Computers. The Army project number was on the purchase order and purchase requisition. The VP/R&SP approved the purchase.

(g) \$11,357 for computer equipment purchased from Networking Peripheral. The Army project number was on the purchase order and purchase requisition. The VP/R&SP approved the purchase.

(h) \$9,978 for equipment purchased from National Instruments. The Army project number was on the purchase order and purchase requisition. The VP/R&SP approved the purchase. Both the vendor invoice and the CAU check to the vendor were for \$3,370 not \$9,978.

(i) \$4,077 for computer equipment purchased from Comark/USA Flex. The Army project number was on the purchase order and purchase requisition. The VP/R&SP approved the purchase.

(j) \$3,230 for computer equipment purchased from Networking Peripheral. The Army project number was on the purchase order and purchase requisition. The VP/R&SP approved the purchase.

(k) \$1,650 for equipment purchased from National Instruments. CAU had no supporting records for this charge.

(l) \$1,034 for computer equipment purchased from Knowledge Garden. The Army project number was on the purchase order, purchase requisition, and vendor invoice. The VP/R&SP approved the purchase. The equipment was delivered to an employee who charged no labor to CEPER.

(m) \$988 for computer equipment purchased from Apple Computers. CAU did not have a purchase order or a purchase requisition for the charge. The Army project number was on the vendor invoice.

(2) The VP/R&SP transferred \$142,721 associated with a project - "*High Performance Polymers and Ceramics Research Center (HiPPAC)*" - funded by NASA. The original charges to the NASA project were between 12 and 15 months prior to the transfer. The charges were:

(a) \$33,845 for a copying machine purchased from ACME Business Products. The NASA project number was on the vendor invoice, purchase order, and purchase requisition. The equipment was ordered by the PI for the HiPPAC Center and was delivered to the HiPPAC Center. The VP/R&SP approved the purchase.

(b) \$29,593 for laboratory equipment purchased from Micrometrics. The NASA project number was on the vendor invoice, purchase order, and purchase requisition. The equipment was ordered by the PI for the HiPPAC Center and was delivered to a researcher in the HiPPAC Center. The VP/R&SP approved the purchase.

(c) \$27,562 for laboratory equipment purchased from Perkin-Elmer. The NASA project number was on the vendor invoice, purchase order, and purchase requisition. The equipment was ordered by the PI for the HiPPAC Center and was delivered to a researcher in the HiPPAC Center who charged no labor to CEPER. The VP/R&SP approved the purchase.

(d) \$23,370 for laboratory equipment purchased from ABB Autoclave Systems. CAU did not prepare a purchase requisition for the charge but the NASA project number was on the purchase order and the vendor invoice. The equipment was delivered to the HiPPAC Center.

(e) \$18,786 for two purchases (\$8,646 and \$10,140) equipment purchased from Fisher Scientific. CAU had no supporting records for these charges.

(f) \$9,565 for laboratory equipment purchased from the H. M. Morgan Company. The NASA project number was on the vendor invoice, purchase order, and purchase requisition. The equipment was ordered by and delivered to the PI for the HiPPAC Center. The VP/R&SP approved the purchase.

CAU Response

CAU indicated that reconciling charges and reclassifications towards the end of its fiscal year or the end of the project is standard practice. Procedures are being implemented to correct this practice.

CAU indicated that due to a delay in available facilities, the PIs were directed by the VP/R&SP not to acquire equipment. However, requisition requests from the PIs were submitted to the project staff who charged the equipment to two other projects with equipment line items: the HiPPAC grant from NASA and the Army grant. The VP/R&SP later realized the charges were incorrect and should have been charged to CEPER.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertions about the charging of the equipment directly contradicts CAU records which indicated the VP/R&SP approved and/or initiated all equipment purchases under the other grants. The delay in available facilities does not substantiate charging equipment purchases to other federal grants and later reclassifying the costs. Since facilities were not available to house equipment, CAU's response does not substantiate why the purchases were made.

B. Outside Scope Of CA.

We questioned 286,291 of equipment costs as ineligible because the costs were outside the scope of the CA. Specifically, the equipment was associated with other projects/sponsors, was used by personnel or for purposes unrelated to the Superfund mission of CEPER, was used for activities not included in the 1991 CEPER workplan, were used by or assigned to personnel who did not charge labor to CEPER, and/or were unapproved predating purchases.

(1) \$49,100 for a Classic Bus purchased from the Metrotrans Corporation. CAU records showed the bus was not used exclusively by CEPER. During the audit, the VP/R&SP explained the purchase as follows:

It was anticipated at the time of the submission of the CEPER three year proposal in June 1991 that vehicles will be needed to support the substantial outreach and pre-college programs; the technology transfer program through workshops, conferences, short-courses and field-trips for the research projects. Upon inquiry, it was found that the typical daily rental cost for a medium-sized bus was \$550 to \$700 plus insurance. Based upon this cost and the projected usage, it was felt it would be more cost-effective to acquire buses and van for the CEPER Center. Thus, provision was made in the budget submitted to EPA to acquire one bus in year one, a second bus in year two and a van in year three. The procurement was handled by the Director of University Transportation. He visited several vendors and made a recommendation to the CEPER Director. Several bids were reviewed before a decision was made. Based upon costs and available funds, the second bus and van were bought used from the dealers.

The outreach activities described in the 1991 CEPER workplan did not mention purchasing the bus and the budget in the 1991 CEPER workplan did not mention any vehicle costs. CAU did not have vendor quotations or other records indicating any cost analysis.

CAU Response

- 1) The Director of Transportation refuted all the facts in this finding. His response is included as an Appendix to CAU's response.
- 2) CAU included a copy of a detailed cost budget identifying vans to be purchased during the first budget period.

OIG Evaluation of CAU Response

Our position remains unchanged.

- 1) CAU's assertions regarding the procurement of the vehicles was unsubstantiated by CAU's records and information collected during the audit.
- 2) The detailed budget listing the van was not included in the EPA PO's 1991 CEPER workplan. We found no evidence that EPA ever received this equipment listing.
- (2) \$36,000 for a three-year membership/licensing agreement for modeling software for the development of improved sorption and catalysis purchased from Biosym Technologies Inc. The software was delivered to the NASA-funded HiPPAC Center. During the audit, we observed that the software was in a HiPPAC facility and was being used by HiPPAC personnel and other employees who did not charge labor to CEPER. The licensing period predicated the CA by one year and CAU did not have prior EPA approval to charge the predicated costs as required by OMB Circular A-21. The licensing agreement was not mentioned in the 1991 CEPER workplan.

CAU Response

The auditors misunderstood the licensing software agreement which caused them to reach false conclusions. CAU indicated the software development was initiated in 1989-90 by Biosym Technologies, Inc. in collaboration with researchers across the country. Upon joining, the \$36,000 was paid as an initiation fee which was required regardless of when one enters into an agreement to use the software.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion directly contradicts CAU documentation we collected during the audit.

- (3) \$35,000 for a product license and service agreement purchased from Jostens Learning Corporation. The purchase included 25 computer work-stations, INVEST Learning Program software, Early Childhood Learning software, Basic Learning System software, Physical Science Program software, Compton's Encyclopedia software, and support services. The licensing agreement predicated CEPER by three months and CAU did not have prior EPA approval to charge the predicated costs as required by OMB Circular A-21. The agreement was not mentioned in the 1991 CEPER workplan. The questioned amount was part of a total cost of \$114,279 that was allocated by the VP/R&SP (\$35,000 to CEPER, \$69,279 to a Navy-funded project, and \$10,000 to a NSF-funded project). During the audit, the VP/R&SP explained the following about the charge:

This system had already been selected by the Atlanta Public School System with which several pre-college programs for students and teachers had been proposed under the CEPER program. Thus, to maintain compatibility with a computerized learning system that the teachers and students in the Atlanta Public School System were already using, we had to install the same system for the computer networked laboratory that was established in the School of Education Clement Hall building at Clark Atlanta University.

CAU Response

CAU indicated the \$35,000 payment was made after the award of the CA and is allowable under CEPER.

OIG Evaluation of CAU Response

Our position remains unchanged. The payment (dated April 1992) was made after award; however, the licensing agreement predicated the CA (October 1991). It was unclear why CAU did not make payment until April 1992.

(4) \$11,651 for computer equipment purchased from SBM Computers. CAU's inventory listing indicated that these three items (\$4,272, \$4,272, and \$3,107) were assigned to employees who did not charge any labor to CEPER and their relationship to CEPER was unclear.

(5) \$8,940 for two facsimile machines (\$4,470 each) purchased from ACME Business Products. The machines were assigned to two employees that did not charge any labor to CEPER and their relationship to CEPER was unclear. The purchases were prepaid but CAU did not have subsequent vendor invoices to substantiate the actual costs.

CAU Response

CAU indicated the costs are allowable and all documentation is available.

OIG Evaluation of CAU Response

Our position remains unchanged. No acceptable documentation was provided during the audit.

(6) \$8,940 for two facsimile machines (\$4,470 each) purchased from ACME Business Products. The machines were shipped to the NASA-funded HiPPAC Center. CAU's inventory listing showed one machine was assigned to an employee who did not charge any labor to CEPER. The other machine was assigned to the VP/R&SP but was reportedly stolen from CAU.

CAU Response

CAU indicated that the equipment was for use by the CEPER project office and the CEPER faculty members and staff.

OIG Evaluation of CAU Response

Our position remains unchanged.

(7) \$5,451 for a receiver, antenna, and weather monitoring equipment. This equipment was assigned to a PI whose personnel costs were questioned as outside the scope of the CA under Note 2(D)(1).

CAU Response

The charge is appropriate; the project was allowable under CEPER.

OIG Evaluation of CAU Response

Our position remains unchanged.

(8) \$4,100 for a photocopier purchased from Electro-Graphics Products (check 49116, purchase requisition 82121). The photocopier was purchased for and physically located in the HBCU/MI Consortium's Trailer. The vendor's invoice also related the photocopier to the HBCU/MI Consortium. CAU's inventory listing showed the photocopier was assigned to an employee that did not charge any labor to CEPER.

CAU Response

CAU stated the non-computing equipment was delivered to the CAU director of technical services.

OIG Evaluation of CAU Response

Our position remains unchanged.

9) \$3,777 for a printer. The purchase was for the Southern Center for Studies in Public Policy. The equipment was assigned to an Office Manager whose only labor charges to CEPER predated this purchase by four months.

CAU Response

CAU indicated that the equipment was for the use by the faculty and staff who are conducting environmental policy and outreach activities of CEPER.

OIG Evaluation of CAU Response

Our position remains unchanged.

(10) \$3,126 for computer equipment purchased from Compaq Computer Corporation. The computers were assigned to two EPA employees on IPA assignments at CAU. The IPA agreement for one EPA employee showed that the DOE-funded HBCU/MI Consortium would provide such equipment to the EPA employee while the IPA agreement for the other EPA employee showed that CAU would be responsible for providing such equipment to the EPA employee.

CAU Response

CAU indicated that the EPA IPAs came to CAU to develop environmental policy, education and research programs that predated the development of the HBCU/MI Consortium.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion directly contradicts the EPA IPA agreements.

(11) \$2,158 for computer equipment purchased from Networking Peripherals. The items were purchased for an off-campus facility located at 82 Piedmont Avenue in Atlanta, Georgia which currently houses CAU's Office of International Training and Development. We could not determine the relationship between this Office and CEPER.

(12) \$1,499 for a color scanner purchased from Comp USA.

CAU's inventory listing showed the scanner was assigned to an employee that did not charge any labor to CEPER. The relationship between the equipment and CEPER was unclear.

(13) \$1,289 for a device programmer and a logic analyzer purchased from Link Computer Graphics. CAU's inventory listing showed the items were assigned to an employee who did not charge any labor to CEPER. The relationship between the equipment and CEPER was unclear.

(14) Another \$115,260 in equipment purchases (\$160,983 total questioned less \$45,723 previously questioned in this Note 8(B)) was questioned because 12 research projects were not directly related to CEPER's mission as described in CERCLA Section 311(d), the earmark in the 1991 Superfund appropriation, and the project description in CA. We identified the 12 projects that did not have a direct relationship to CEPER with assistance from the OIG Engineering and Science Staff. The OIG Engineering and Science Staff conducted a review of projects descriptions in the 1991 and 1993 CEPER workplans and characterized the relationship

between each project and CEPER as direct, indirect, or none. We questioned equipment purchases related to the following projects:

CEPER Projects Questioned As Outside The Scope Of The CA.	Research Area	Relation to Center	Equipment Costs
CEPER Project No.1: The Emission of Mercury into the Atmosphere.	Ambient Air	Indirect	\$0
CEPER Project No.2: Rearrangement of Epoxidyl Free Radicals.	Ambient Air	Indirect	\$5,934
CEPER Project No.3: Mechanisms of Salt Tolerance in Halophytic & Glycophytic Plants.	Plant Biology	None	\$975
CEPER Project No.4: Airborne Microorganisms as Continuous Indoor Air Pollutants in Buildings.	Indoor Air	None	\$0
CEPER Project No.6: Economic Consequences of Subtitle D.	Solid Waste	None	\$0
CEPER Project No.7: Decomposition of Organophosphorus Compounds over Alumina-Supported Catalysts.	Pesticides	Indirect	\$45,480
CEPER Project No.10: The Neurotoxic Potentials of the Environmental Pyridines: Relevance to Parkinson's Disease.	Immunology, Physiology	Indirect	\$0
CEPER Project No.14: Determination of Biochemical Effects Produced by the Simultaneous Exposure of Human Cells to Multiple Environmental Pollutants.	Toxicology	Indirect	\$58,664
CEPER Project No.18: Aerosol Sciences.	Ambient Air	Indirect (a) Indirect	\$3,830
CEPER Project No.19: Toward the Development of a Comprehensive Academic, Research, & Outreach Program in Earth System Sciences: (a)Evaluate & Develop Techniques for Collecting & Using Vegetative Emissivities for Environmental Remote Sensing Applications; (b) Fidelity of Satellite Interferences of Transport from the Troposphere to the Stratosphere; (c) Project TEAM (Teaching Educators about Meteorology); (d) Project Skymath; and (e) Futurescape.	Earth Systems	(b) None (c) Indirect (d) None (e) None	\$46,100
CEPER Project No.20: Exposure Modeling of Biological Tissue to Electromagnetic Radiation.	Immunology, Physiology	Indirect	\$0
CEPER Project No.28: To Provide National Congress Support; To Study the Characteristics & Needs of the Minority Environmental Business Community.	Business Development	Indirect	\$0

CAU did not maintain costs by project. Nonetheless, we were able to associate the costs shown to the projects indicated. Amounts shown are taken from CAU inventory listing.

The total of \$160,983 listed in the table includes \$45,723 also questioned as part of this Note 8(B):

- The \$58,664 questioned for Project 8 includes \$36,000 also questioned under Note 8(B)(2).
- The \$58,664 questioned for Project 8 includes \$4,272 which was part of the \$11,651 also questioned under Note 8(B)(4).
- The \$46,100 questioned for Project 10 includes \$5,451 also questioned under Note 8(B)(7)

The \$115,260 questioned here includes amounts previously questioned under other notes:

- The \$58,664 questioned for Project 8 includes \$9,565 also questioned under Note 8(A)(2).
- The \$46,100 questioned for Project 10 includes \$3,554 also questioned as part of the \$14,216 questioned under Note 8(A)(1)(f).

CAU Response

For item numbers 11-14 above, the charges were justifiable and allowable under CEPER.

OIG Evaluation of CAU Response

Our position remains unchanged.

C. Booking Errors.

We questioned \$41,238 of equipment costs as ineligible because the supporting records showed the costs should not have been charged to CEPER. The questioned costs were:

- (1) \$21,055 for a variance between the actual amount of a check and the costs booked to the general ledger for a payment made to Apple Computer. The actual amount of check no. 31748 was \$13,694 not the \$34,749 booked to the general ledger.
- (2) \$7,108 for a duplicated charge for computer equipment purchased from Apple Computer. The charge (check no. 53038) was initially booked twice to two separate accounts - capital equipment and scientific supplies. The charge in the scientific supplies account was then transferred to the capital equipment account. This resulted in the same charge appearing twice in the capital equipment account and our identifying the duplicate charge.
- (3) \$6,608 for a variance between the actual amount of a check and the amount that was reclassified to CEPER. The actual amount of check no. 55453, paid to National Instruments, was \$3,370 not the \$9,978 that was charged to CEPER. These costs were also questioned under Note 8(A)(1)(h).
- (4) \$6,467 for computer equipment purchased from Apple Computer. Supporting records showed the questioned amount should have been charged to the DOE-funded HBCU/MI Environmental Technology and Waste Management Consortium. The questioned amount was part of a total CEPER charge of \$15,278 that should have been split between CEPER (\$8,811) and the DOE-funded Consortium (\$6,467). The \$8,811 charged to CEPER was questioned as unsupported in Note 8(E)(3).

CAU Response

CAU provided justification as to why the cost was split.

OIG Evaluation of CAU Response

We agree with CAU's response. The charge should have been split. However, the total cost was charged to CEPER.

D. Lack Of EPA Approval.

We questioned \$387,295 of equipment costs as unsupported because the equipment purchases were not approved by EPA. The applicable criteria and questioned amounts were as follows:

(1) \$351,295 of general purpose equipment did not have documented evidence of prior approval by EPA as required by OMB Circular A-21. The Circular defined general purpose equipment that required prior EPA approval as follows:

General purpose equipment means equipment, the use of which is not limited only to research, medical, scientific or other technical activities. Examples of general purpose equipment include office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, motor vehicles, and automatic data processing equipment.

Capital expenditures for general purpose equipment, buildings, and the land are unallowable as direct charges, except where approved in advance by the sponsoring agency.

The following purchases were questioned:

<u>Amount</u>	<u>Check No.</u>	<u>Description</u>
\$49,100 (a)	27660	Classic Bus
\$42,379	79347	Computers
\$35,000 (b)	35581	Jostens licensing agreement
\$26,791	55309	Computers
\$23,970 (c)	38424	Computers
\$21,290 (c)	38409	Computers
\$18,607 (d)	53067	Printers
\$18,087 (f)	56397	Computers
\$12,752	50277	Computer accessories
\$12,102	38585	Computers
\$8,940 (e)	528132	Facsimile machines
\$7,108	53038	Computers
\$6,084 (f)	56397	Computer
\$5,630	49285	Computer, facsimile machine
\$5,283	50796	Computer accessories
\$4,470 (g)	49823	Facsimile machine
\$4,470 (g)	53069	Facsimile machine
\$4,100 (h)	49116	Photocopier
\$4,100 (f)	45117	Photocopier
\$3,777 (i)	51498	Printer
\$3,715 (j)	36530	Computer, printer
\$3,126 (k)	53936	Computers
\$2,923	40006	Computers
\$2,799	39984	Computers
\$2,550 (f)	56364	Printer
\$2,324	38605	Computers
\$2,310	43032	Printer
\$2,230 (l)	47500	Computers
\$2,158 (m)	52070	Scanner
\$2,095	34419	Laser disc player
\$1,995	30964	Printer
\$1,840 (l)	52050	Printer
\$1,749	44133	Printer
\$1,645	37172	Printer

\$1,499 (n)	52042	Scanner
\$1,289 (o)	53271	Computer accessories
\$1,008	53067	Computer

- (a) Also questioned under Note 8(B)(1).
- (b) Also questioned under Note 8(B)(3).
- (c) Also questioned under Project 6 in Note 8(B)(14).
- (d) \$11,651 of the \$18,607 also questioned under Note 8(B)(4).
- (e) Also questioned under Note 8(B)(5).
- (f) Also questioned under Project 10 in Note 8(B)(14).
- (g) Also questioned under Note 8(B)(6).
- (h) Also questioned under Note 8(B)(8).
- (i) Also questioned under Note 8(B)(9).
- (j) Also questioned under Project 8 in Note 8(B)(14).
- (k) Also questioned under Note 8(B)(10).
- (l) Also questioned under Project 9 in Note 8(B)(14).
- (m) Also questioned under Note 8(B)(11).0
- (n) Also questioned under Note 8(B)(12).
- (o) Also questioned under Note 8(B)(13).

The \$351,295 questioned here includes a total of \$220,402 which was also questioned under Note 8(B).

(2) Another \$36,000 (\$120,100 total questioned less \$84,100 previously questioned in this Note 8(D)) was questioned because the equipment purchases did not have documented evidence of prior approval by EPA as required by EPA regulations (40 CFR 30.530) required:

Before you purchase personal property or equipment with a unit acquisition cost of \$10,000 or more, you must receive the award official's approval.

The following purchases were questioned:

Amount	Description
\$49,100	Classic bus
\$36,000	Biosym Technologies licensing agreement
\$35,000	Jostens licensing agreement

The total of \$120,100 for the three purchases shown above includes \$49,100 and \$35,000 previously questioned in this Note 8(D). The three purchases were also questioned under previous notes:

- The \$49,100 purchase was also questioned under Note 8(B)(1).
- The \$36,000 purchase was also questioned under Note 8(B)(2)
- The \$35,000 purchase was also questioned under Note 8(B)(3).

CAU Response

CAU indicated that the list of equipment to be purchased was submitted with the CEPER budget explanation. CAU provided the list with their response to the draft audit report.

OIG Evaluation of CAU Response

Our position remains unchanged. The list of equipment that CAU provided was not included in the budget information for the 1991 CEPER workplan contained in the EPA PO's files. There was no evidence that EPA ever received or approved this equipment list.

E. Inadequate Records.

We questioned \$119,354 of equipment costs as unsupported because CAU did not have adequate records to support the costs. EPA regulations (40 CFR 30.510) required CAU to maintain records to support the costs.

(1) A total of \$45,284 was not supported by a purchase requisition, purchase order, and vendor invoice. The questioned costs were:

Amount Description \$20,757 Check 55062 to Networking Peripheral
\$13,694 Check 31748 to Apple Computers
\$10,833 Check 34405 to Apple computers

(2) A total of \$38,270 was not supported with any documentation. The questioned costs were:

Amount Description

\$12,746 Check 29122 to CBM Corporation

\$9,279 Check 39038 to Varian Associates

\$3,943 Check 31366 to Apple Computers

\$3,866 Check 32554 to Apple Computers

\$3,357 Check 33897 to Apple Computers

\$1,793 Check 53038 to Apple Computers

\$1,786 Check 54288 to Networking Peripheral

\$1,500 Check 32104 to American Comp Tech

(3) A total of \$28,592 was not supported by a vendor invoice. The questioned costs were:

<u>Amount</u>	<u>Description</u>
\$12,752*	Check 50277 to Dell Computers
\$8,811	Check 30329 to Apple Computers
\$2,310*	Check 43032 to Networking Peripheral
\$1,995*	Check 30964 (prepayment) to Technical Supplies
\$1,749*	Check 44133 (prepayment) to Networking Peripheral
\$975**	Check 57011 (prepayment) to VRW Scientific

* Also questioned under Note 8(D)(1).

** Also questioned under Project 3 in Note 8(B)(14).

CAU Response

CAU indicated that all costs are supported with the proper documentation.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion that all costs are supported was unsubstantiated by CAU's records collected during the audit.

(4) \$4,100 for a photocopier purchased from Electro-Graphics Products (check no. 45117, purchase requisition no. 77111).

The item was purchased for McPheeters-Dennis Hall. The purchase order indicated the purchase was prepaid but CAU did not have a subsequent vendor invoice to support the charge. The relationship between the equipment and CEPER was unclear. These costs were also questioned under Project 10 in Note 8(B)(14) and Note 8(D)(1).

CAU Response

CAU indicated faculty members who are conducting environmental policy analysis projects use this equipment.

OIG Evaluation of CAU Response

Our position remains unchanged. No documentation was submitted to support CAU's response.

(5) \$2,095 for a Pioneer laser disc player purchased from Technical Industries. The purchase was for the VP/R&SP. The item was reportedly destroyed in a fire. The purchase was prepaid but CAU did not have a subsequent vendor invoice to substantiate actual costs. These costs were also questioned under Note 8(D)(1).

CAU Response

CAU indicated this equipment was not for the VP/R&SP but rather the pre-college programs that were inventoried in the name of VP/R&SP.

OIG Evaluation of CAU Response

Our position remains unchanged.

(6) \$1,013 for French/English translation software purchased from Globalink. During the audit, we observed that the software was located in a storage room and was not being used. The relationship between the software and CEPER was unclear.

CAU Response

CAU indicated the software was purchased to allow environmental documents in French to be translated. Specialized software was repacked after installation.

OIG Evaluation of CAU Response

Our position remains unchanged. There was no documentation to support the relationship of this software to CEPER.

NOTE 9: SUBCONTRACT COSTS.

A. Outside Scope Of CA.

We questioned \$190,882 of subcontract costs as ineligible because work by the subcontractor was outside the scope of the CA. The subcontract work was unrelated to the Superfund mission of the CA, was associated with another project/sponsor, and was not included in the 1991 CEPER workplan. The subcontractor - Basic Technologies, Inc. (BTI) - provided support for a conference and conducted a study. The conference was the

"1993 National Conference For The Advancement Of Minorities In The Environmental Profession" held in February 1993 and the study was "A Minority Environmental Business Exchange (MEBEX)." The subcontract was signed in December 1992 and work began in January 1993. The subcontract specifically mentioned EPA and CEPER.

However, neither the conference nor the study was Superfund-related and the HBCU/MI Consortium had a cooperative agreement with DOE to conduct the conference. In fact, BTI's report on the conference specifically showed that BTI was a subcontractor to the HBCU/MI Environmental Technology Consortium for the U.S. DOE under CA no. DE-FC04-90-AL66158. Also, CAU did not mention the subcontract or services in the 1991 CEPER workplan. In 1992, CAU requested EPA to modify the CA and add \$349,868 for the conference but EPA did not award the funds. In 1993, CAU mentioned the subcontract and services in the 1993 CEPER workplan but the conference had already been held and the study had already begun. Further, CAU had already paid BTI the \$190,882 prior to the effective date of the 1993 CEPER workplan - October 1, 1993.

The BTI subcontract was CEPER Project No. 28. In our opinion, CEPER Project No. 28 did not directly relate to CEPER's mission as described in CERCLA Section 311(d), the earmark in the 1991 Superfund appropriation, and the project description in the CA.

We determined this project did not have a direct relationship to CEPER with assistance from the OIG Engineering and Science Staff. The OIG Engineering and Science Staff conducted a review of projects' descriptions in the 1991 and 1993 CEPER workplans and characterized the relationship between each project and the CA as direct, indirect, or none. That review determined that this project had an indirect relationship.

CAU Response

CAU indicated the subcontract costs were allowable and related to the outreach and technology transfer components of the CEPER. The purpose of the conference was to increase the awareness of minority professionals and businesses of Superfund remediation so that these companies could participate in environmental clean-up activities.

OIG Evaluation of CAU Response

Our position remains unchanged. The project description does not support CAU's response that this conference was related to Superfund remediation.

B. Inadequate Records.

We questioned \$208,882 of subcontract costs as unsupported because CAU did not have adequate records to support the costs. EPA regulations (40 CFR 30.510) required CAU to maintain records to support the costs. CAU did not have invoices to support the following payments to subcontractors:

Amount	Subcontractor
\$100,000*	Basic Technologies
\$90,882*	Basic Technologies
\$18,000	Nationwide Technologies

* These costs were also questioned under Note 9(A).

CAU Response

CAU indicated the payments made to BTI represented advances to cover cash flow needs and BTI subsequently submitted invoices to CAU, but those invoices were not in the files provided to the auditors.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU did not provide documentation to support the charges.

NOTE 10: STIPEND COSTS.

We questioned \$302,546 of stipend costs as ineligible. The questioned amounts represented all stipend costs claimed. The stipends were paid to more than 50 students and were identified as housing, board, tuition and fees, or simply stipends. CAU's records for the stipend charges consisted of a Financial Aid Roster form for each stipend payment.

A. Outside Scope Of CA.

We questioned \$302,546 of stipend costs as ineligible because the costs were outside the scope of the CA. The questioned amounts were:

(1) \$229,355 for which CAU's records did not substantiate a relationship between the stipends, the students, or the students' work and CEPER. Since it was unclear how the stipends related to CEPER, the VP/R&SP provided the following explanation during the audit:

The CEPER director submits roster of student support as either fellowships, tuition support or stipends. There are two types of student support under the CEPER Program: 1) PRISM-D (Program for Research Integration and Support for Matriculation to the Doctorate) - these students are selected upon a competitive review of incoming freshman applications; and 2) normal research assistantships for both undergraduate and graduate students under Federally sponsored projects. Here the students work as assistants to faculty and research scientists on CEPER projects.

We noted the following:

- (a) CAU's budget for CEPER contained in the 1991 CEPER workplan did not contain any stipend costs.
- (b) The budget did contain \$90,600 of personnel costs for five graduate student assistants and three undergraduate student assistants. However, no students were included in the 46 individuals identified as charging to CEPER.
- (c) In an August 1992 letter, EPA approved a \$62,000 PRISM-D program as part of CEPER's education program. EPA's approval indicated the need for CAU to designate a project leader, develop a scope of work, develop a detailed budget, and prepare a project approval form for the Project Officer and VP/R&SP to sign. However, CAU had no evidence that any of these tasks were accomplished. Since CAU did not budget and track the costs of individual CEPER projects, CAU did not have any records which showed the costs of the PRISM-D project funded by EPA. CAU also received \$5.0 million from the U.S. Navy for a PRISM-D program.
- (d) The rosters did not indicate which stipends were associated with PRISM-D and which stipends were normal research assistantships. Since the student assistants included in CEPER's budget were listed as personnel costs and no students charged personnel costs to CEPER, we concluded the stipends must have related to the PRISM-D program. However, the stipends claimed by CAU significantly exceeded the \$62,000 PRISM-D program funded by EPA as part of CEPER's activities.

CAU Response

CAU indicated that wages for students who serve as project assistants are paid as stipends and appropriate taxes are taken out. The fact that the remuneration is labeled stipends for processing purposes was apparently taken as the basis for disallowance by the auditors. The \$90,600 budgeted was paid as stipend wages to students. The statement that the PRISM-D amendment was not followed by a specific plan is inaccurate. ONR encouraged expansion of the program through other federal agencies. The idea was to impact as many students as possible especially since nearly 90% of the 1,000 freshman students receive some kind of financial support. The specific information about which students worked under which PIs was available. However, the auditors only reviewed financial transaction documents.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU incorporated financial aid as a major program of CEPER for purposes unrelated to the educational component of the Superfund statutes. Over half of the stipends were directly for tuition and about 10% for housing. We identified only five students with research projects and their stipends represented almost 20% of the amount claimed. While one of the goals of CEPER is to increase the number of minority environmental scientists and engineers, the VP/R&SP indicated that CAU does not have environmental science degree majors. CAU did not justify the relationship between the students' degree programs, Psychology for example, and the Superfund research of CEPER. We reviewed all financial and programmatic documents that CAU provided. CAU's assertion concerning the information about the students and the PIs was unsubstantiated by CAU records collected during the audit.

(e) A breakdown of the \$229,355 in stipends was as follows:

Students's Department	Tuition	Tuition & Fees	Stipend	Housing	Total
Computer Science/Chemistry	8,077	2,000			10,077
Physics/Chemistry	14,430	9,000			23,430
Chemistry	12,920	10,500			23,420
Computer Science	9,417				9,417
Computer Science	7,330	3,100			10,430
Chemistry	947	1,500			2,447
Biology	3,600	1,500			5,100
Computer Science	13,788				13,788
Chemistry		2,550			2,550
Chemistry		3,000			3,000
Computer Science	5,295				5,295
Chemistry		7,500			7,500
Chemistry		2,550			2,550
Computer Science	3,210	3,000	2,193		8,403
Biology	270				270
Chemistry	7,526	3,400			10,926

Biology		1,036		1,036
Chemistry		250		250
Chemistry		1,000		1,000
Chemistry		1,500		1,500
Computer Science		1,765		1,765
Mass Communications		2,500		2,500
Chemistry		3,000		3,000
Economics	927	4,000		4,927
Chemistry		5,000		5,000
Biology	309			309
Biology	2,430	5,210		7,640
Finance		2,781		2,781
Math	7,150	5,000		12,150
Biology/Chemistry		7,100		7,100
Chemistry	1,134	3,050		4,184
Chemistry	365			365
Biology	1,834	4,975	6,000	12,809
English		3,550		3,550
Chemistry		2,600		2,600
Math		250		250
Computer Science	2,781		3,106	5,887
Math	1,854			1,854
Biology		3,000		3,000
Computer Science	5,295			5,295
Totals	4,534	128,172	91,350	5,299
				229,355

(2) \$9,600 for five students associated with the NASA-funded HiPPAC Center.

(3) \$3,134 for stipends paid for time periods prior to the start of the CA. These stipends involved four students and the time periods of Summer of 1991 and the month of September 1991.

CAU Response

CAU indicated the CA was initiated in September 1991 and the stipends were for the period September-December 1991. No stipends were paid to students for summer 1991.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion that no stipends were paid for time periods prior to the CA directly contradicts the CA and CAU records collected during the audit.

(4) \$810 for a student who was not enrolled for the period of the stipend - June 1993. A handwritten note on the Financial Aid Roster indicated that the student was not enrolled.

CAU Response

A student may work during the summer semester without taking a course. In these cases, the Financial Aid Office may consider the student not enrolled.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion was unsubstantiated by CAU's records collected during the audit.

B. Inadequate Records.

We questioned \$59,647 of stipend costs as unsupported because CAU did not have any records to support the costs. EPA regulations (40 CFR 30.510) required CAU to maintain records to support the costs.

CAU Response

CAU provided a schedule of stipends and copies of financial aid rosters and indicated that no discrepancies in the costs claimed.

OIG Evaluation of CAU Response

Our position was revised. CAU submitted rosters for the \$59,647 with their response to the draft audit report but we could not verify the accuracy of the rosters. Nonetheless, we continued to question the \$59,647 as ineligible for the reasons stated in Note 10(A)(1).

NOTE 11: OTHER DIRECT COSTS.

A. Outside Scope Of CA.

We questioned \$90,221 of other direct costs as ineligible because the costs were outside the scope of the CA. The questioned amounts were:

(1) \$42,000 of rent for two mobile office buildings. However, there was no evidence (e.g. lease agreement) that CAU rented the buildings. In fact, CAU purchased the buildings for \$65,738 from Space Master Buildings and charged the costs to a non-sponsored project account. In January 1993 CAU transferred \$42,000 of the purchase costs to CEPER and the remaining amount to another project. The transfer was made per a December 1992 memorandum written by the VP/R&SP. The memorandum by the VP/R&SP authorized a lump sum charge of \$42,000 of rent to CEPER. The purchase was not included in the 1991 CEPER workplan and this purchase was not approved by EPA as required in OMB Circular A-21.

Additionally, CAU did not provide the documentation (check no. 39576) supporting the payment to Space Master Buildings which was eventually reclassified as rent charges to CEPER. The Fiscal Year 1993 Single Audit Report identified this same cost (\$42,000) as unsupported.

CAU Response

CAU indicated the purchases of the two mobile laboratories were made subsequent to the memo written by the VP/R&SP. The trailers were rented since 1985 and were used for other projects. Upon being vacated, research staff under CEPER moved in. Upon discovery that the CEPER project had not paid the appropriate rent, the VP/R&SP agreed the CEPER project should be charged.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion about the timing of the memo and the purchase of the laboratories directly contradicts documentation collected during the audit. Also, CAU's assertion concerning the length of time the trailers were used by CEPER personnel and the allocation of \$2,000 of rental costs for 21 months was unsubstantiated by CAU records collected during the audit.

(2) \$37,500 for rent of a building for a Space Training Program from February 1992 to June 1992. That program was not included in the 1991 CEPER workplan and was not Superfund-related. Also, the lease agreement contained an option to purchase under which the rental payments would be deducted from the purchase price of property. The building now houses CAU's Office of International Training and Development. The VP/R&SP authorized the monthly payments and charged the rent to CEPER.

CAU Response

CAU indicated it has not conducted a Space Training Program. The rent for the office space was to house the CEPER program since the Research Building was not completed. Later, the CEPER program exchanged offices by housing the Office of International Training in the rented space and the CEPER project offices consolidated into two trailers.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion about the purpose of the building rental directly contradicts and was unsubstantiated by CAU's records collected during the audit. In Chapter 2, we reported there were no CEPER administrative offices established nor a Center Director appointed. As a result, this raises the issue of what individuals comprised the CEPER program office.

(3) \$6,769 for books including "*Making Paper War Planes*", "*AIDS*", "*New Theories of Diet and Nutrition*", "*Search for Extraterrestrial Life*", and "*Good Sports*." The books were not included in the 1991 CEPER workplan and were not Superfund-related. The VP/R&SP requested the purchases and approved the payments.

CAU Response

CAU indicated the books were allowable as they were purchased under the CEPER pre-college environmental science program. The books were requested by the teachers in the program.

OIG Evaluation of CAU Response

Our position remains unchanged. Other CAU comments indicated that CAU does not have environmental science majors.

(4) \$3,083 to produce a video - "*Racing to Save the Planet.*"

The questioned amount was part of a total cost of \$13,142 that was originally charged (December 1992) by the VP/R&SP to an Army funded project - "*Create Program Materials Encouraging Students to Study Environmental Engineering and Sciences and Documents.*" The VP/R&SP later transferred the questioned amount from the Army project to CEPER in June 1993.

CAU Response

CAU indicated the video was developed for the pre-college outreach program supported by the CEPER project. It was appropriate for the CEPER project to provide partial support. CAU requested funding from the U.S. Army to partially support this development; however, CAU indicated the Army project did not support pre-college activity but rather supported the services for the script writing and shooting of the video.

OIG Evaluation of CAU Response

Our position remains unchanged. Based on CAU's records, the cost transfer was arbitrarily charged to the CEPER program without proper justification.

(5) \$714 for printing visitor information brochures and maps for guests of the "*Forum on Undergraduate Research Experiences of Minority Science, Mathematics, and Engineering Students and a Workshop on Graduate School Opportunities*" hosted by CAU in October 1992. Costs associated with this forum were questioned as outside the scope of the CA in Note 6(A)(1).

CAU Response

CAU indicated this cost related to the Forum for Undergraduate Students held October 1992.

OIG Evaluation of CAU Response

Our position remains unchanged. We questioned all costs associated with the Forum because the costs were outside the scope of the Agreement.

(6) \$155 of maintenance fees associated with a bus questioned as outside the scope of the CA under Note 8(B)(1).

B. Inadequate Records.

We questioned \$17,375 of other direct costs as unsupported because CAU did not have adequate records to support the costs. EPA regulations (40 CFR 30.510) required CAU to maintain records to support all project costs. The questioned amounts were:

(1) \$16,247 for the purchase of 1,000 canvas bags, printing 1,000 camera-ready abstract booklets, 1,000 program booklets and 1,000 dinner programs. CAU had no records for the costs. The VP/R&SP charged the costs to CEPER.

(2) \$1,128 of unidentified printing costs.

CAU Response

CAU indicated that this cost was related to the Forum held in October 1992.

OIG Evaluation of CAU Response

Our position remains unchanged. We questioned all costs associated with the Forum because the costs were outside the scope of the CA. CAU did not provide supporting documentation for the \$1,128 of charges.

NOTE 12: INDIRECT COSTS.

We questioned \$95,520 of indirect costs as ineligible because CAU applied their indirect rate to an incorrect base. CAU included stipend costs in the base but should not have according to CAU's indirect cost rate agreement applicable to the CA. CAU claimed a portion (31.572 percent) of its approved indirect rate (55.0 percent) as Federal share and claimed the remaining portion (23.428 percent) as cost matching. CAU applied the reduced rate (31.572 percent) to a base (\$1,688,380) which included salaries and wages (\$1,385,834) and stipends (\$302,546). We recalculated the indirect costs using the same rate but without including the stipends in the base. The questioned amount was calculated as follows:

Indirect Costs Claimed (31.572% x \$1,688,380) \$533,055

Less: Indirect Costs Per Audit (31.572% x \$1,385,834) 437,535

Costs Questioned \$ 95,520

CAU Response

CAU indicated it pays wages to students who work on sponsored projects in stipends, with the appropriate tax-withholding.

OIG Evaluation of CAU Response

Our position remains unchanged. CAU's assertion that stipends were wages was unsubstantiated by CAU records and information collected during the audit.

NOTE 13: RECIPIENT SHARE.

The claimed recipient share of \$564,603 consisted of \$395,554 for waived indirect costs and \$169,049 for assistance from the Georgia Research Alliance (GRA). The waived indirect costs resulted from CAU only applying a portion (31.572 percent) of its approved indirect cost rate (55 percent) and claimed the unapplied portion (23.428 percent) as recipient share.

A. Waived Indirect Costs.

We questioned \$70,881 of cost matching as ineligible because CAU applied their indirect rate to an incorrect base as explained in Note 12. The questioned amount was calculated as follows:

Indirect Costs Claimed (23.428% x \$1,688,380) \$395,554

Less: Indirect Costs Per Audit (23.428% x \$1,385,834) 324,673

Costs Questioned \$ 70,881

B. Assistance From GRA.

We questioned \$169,049 of cost matching as ineligible because the assistance from GRA represented in-kind contributions that were in noncompliance with EPA regulations. The GRA assistance consisted of funding for equipment purchases. The GRA funds awarded to CAU actually went to Georgia State University (GSU) who purchased the equipment desired by CAU and then provided the equipment to CAU. Since CAU received equipment and not cash and the actual equipment purchases were made by GSU and not CAU, the equipment represented non-cash matching known as in-kind contributions. EPA regulations (40 CFR 30.307) required the in-kind contributions to be: (1) negotiated before and specified in your assistance agreement; (2) verifiable from your records; (3) used exclusively for a single project; and (4) properly allocable to and allowable under the project. However, CAU's in-kind contributions were not specified in the CA and were not verifiable from CAU's records. Also, the GRA assistance was not identified as matching funds in the budget in the 1991 CEPER workplan and CAU did not identify the equipment costs as in-kind contributions on their FSR. During the audit, the VP/R&SP indicated that four pieces (totaling \$293,000) of GRA-funded equipment were CEPER-related. The equipment, amount, and related projects cited by the VP/R&SP were:

<u>Equipment</u>	<u>Amount</u>	<u>Project</u>
CAU Microchemical Lab	\$75,000	Center for Molecular Medicine
Infrared Spectrometer	\$18,000	Non-Chlorine Bleaching of Kraft Pulp
Near Infrared Immunochemistry: FT-IR/FT Raman Spectrometer	\$150,000	Pharmaceutical Applications
Workstation for NWR	\$50,000	Core Facility: 600 Mhz NMR Spectrometry

Per GRA's records, CAU did not receive final notification of the awarded funds for the four equipment purchases until March 1994 which was after the cutoff date for the FSR. During our audit, we could only verify the purchase of one item - the Raman Spectrometer - for \$16,936 in July 1994 which was after the cutoff date for the FSR. Also, the project titles cited by the VP/R&SP did not correspond with any of the CEPER Projects.

CAU Response

- 1) CAU indicated that the characterization of the Georgia Research Alliance (GRA) matching as in-kind is a technical legal problem associated with the receipt of State of Georgia funding by private institutions.
- 2) CAU provided the acquisition cost of the equipment procured through Georgia State University (GSU). The funding was awarded to GSU during the budget period under review.
- 3) The microchemical lab (\$75,000) was to support CEPER projects assigned to a Principal Investigator who has been working on the CEPER biochemical project.
- 4) The Infrared Spectrometer (\$18,000) was used for Superfund research and education.
- 5) For the 600 MHz NMR Workstation (\$50,000), CAU indicated it is related to Superfund research. The Infrared Immunochemistry FT-IR/FT Raman Spectrometer (\$150,000) was used for research on health effects of environmental pollutants.

OIG Evaluation of CAU Response

Our position remains unchanged.

- 1) In the 1991 and 1993 CEPER workplans, CAU proposed that a portion of their indirect cost rate would be waived and not claimed by CAU to meet the cost matching requirement. The related budgets did not mention CAU's intention to utilize in-kind contributions as cost matching.
- 2) CAU's assertions about the acquisition cost and timing of the GRA awards directly contradicts GRA records and was unsubstantiated by CAU's records.
- 3,4,5) CAU's assertion that the GRA equipment was related to CEPER projects was unsubstantiated by CAU's records and other information collected during the audit. CAU did not identify the CEPER research projects that the equipment related to.

Also, an Annual Report (for FY 1994) submitted to GRA by the Principal Investigator (PI), who took receipt of the (\$18,000) equipment, identified current support from other sponsors/agencies for which he was either PI or Co-PI on the related research projects. They were as follows:

<u>Project</u>	<u>Funding Source</u>
Acyclic Ene Eyn-Allenenes as DNA Cleaning Agents	National Institute of Health - MBRS
Bleaching of Kraft Pulp with Hot Oxygenaturn	Forest Products Laboratories
Transfer Agents	
High Performance Polymer and Ceramics Research Center (HiPPAC)	National Aeronautics and Space Administration
Investigation of Sensors, Energetics, and Aerosols	U.S. Army
Cumulenals as DNA Cleaning Agents	CAU

The PI's list does not identify a research project under the CEPER program.

ABBREVIATIONS

AID Agency for International Development

BTI Basic Technologies International

CAU Clark Atlanta University

CDC Center for Disease Control

CERCLA Comprehensive Environmental Response, Compensation

and Liability Act

CEPER Center for Environmental Policy, Education, and

Research

CFR Code of Federal Regulations

DOC Department of Commerce

DOD Department of Defense

DOE Department of Energy

DOI Department of Interior

EPA Environmental Protection Agency

FSR Financial Status Report

FY Fiscal Year

GAD Grants Administration Division

GRA Georgia Research Alliance

GSU Georgia State University

HBCU/MI Historically Black Colleges and Universities/

Minority Institutions Consortium

HHS Department of Health and Human Services

HiPPAC High Performance Polymers and Ceramics Research

Center

IAG Interagency Agreement

IPA Intergovernmental Personnel Act

MARC/MBRS Minority Access to Research Careers/Minority

Biomedical Research Program

MEBEX Minority Environmental Business Exchange

MICOM Military Command

NASA National Aeronautics and Space Administration

NIEHS National Institute of Environmental Health

Sciences

NIH National Institute of Health

NOAA National Oceanographic and Atmospheric

Administration

NSF National Science Foundation

OMB Office of Management and Budget

ONR Office of Naval Research

ORD Office of Research and Development

PAF Personnel Action Form, CAU

PRISM-D Program for Research Integration and Support for

Matriculation to the Doctorate

QA Quality Assurance

RCMI Research Centers and Minority Institutions (CAU

Faculty Development Grants Program)

RCRA Resource Conservation and Recovery Act

RTP Research Triangle Park

SARA Superfund Amendment and Reauthorization Act

SEEC Surfacing/Finding Environmental Equity Concerns

TVA Tennessee Valley Authority

USDA United States Department of Agriculture

USIA United States Information Agency

DEFINITIONS OF SELECTED FINANCIAL TERMS

The following definitions should assist the reader to understand the financial portions of this report.

Costs Claimed

Costs identified by CAU as allowable under the CA for the period October 1, 1991 to September 30, 1993 on a FSR submitted to EPA. Allowable costs must be eligible, reasonable, necessary, and allocable to the project, permitted by the appropriate Federal cost principles, and approved by EPA in the assistance agreement.

Costs Questioned

Costs questioned by OIG because they were:

- a. Ineligible - claimed contrary to a provision of law, regulation, contract, grant, cooperative agreement, or document governing the expenditure of funds.
- b. Unsupported - claimed without support by adequate documentation and/or not approvals by responsible officials.

Matching Costs

Project costs not borne by the Federal government. Matching cost may consist of cash or in-kind contributions.

LIST OF PROJECTS SPONSORED BY OTHER AGENCIES
FOR VP/R&SP AND CEPER PIs
REPORT DISTRIBUTION

Clark Atlanta University

President, Clark Atlanta University

EPA Office of Administration and Resources Management

Comptroller (3301)

Director, Office of Grants & Debarment (3901F)

Director, Grants Administration Division, Office of Grants & Debarment (3903F)

Agency Followup Official (3304)

Attn: Assistant Administrator for Administration and

Resources Management

Agency Followup Coordinator (3304)

Attn: Director, Resource Management Division

EPA Office of Research and Development

Deputy Assistant Administrator for Management (8101)

Director, Office of Research Program Management (8102)

Director, National Center for Environmental Research & Quality Assurance (8701)

EPA Office of the Administrator

Associate Administrator for Congressional and Legislative Affairs

Director, Congressional Liaison Division (1302)

Associate Administrator for Communications, Education, and Public Affairs (1701)

EPA Office of General Counsel

General Counsel (2310)

Associate General Counsel, Grants and Intergovernmental Division (2378)

Associate General Counsel, Inspector General Division (2388R)

EPA Office of Inspector General

Inspector General (2410)

Assistant Inspector General for Audit (2421)

Deputy Assistant Inspector General for Acquisition & Assistance Audits (2423)

Chief, Resources Management Unit, Policy & Resources Management Staff, Office of Audit (2421)

Special Agent-In-Charge, Atlanta Field Office, Office of Investigations

External

Liaison, General Accounting Office (3304)

Footnote

1 Funds passed through EPA to CAU for work on a hazardous waste inventory for Marine bases.

2 Federal agency acronyms are defined in Appendix 1 of this report.

3 CAU made a blanket statement in their response that all administrative deliverables except the Advisory Board were implemented. CAU did not provide any evidence to support this claim.

4 CAU made a blanket statement in their response that all administrative deliverables except the Advisory Board were implemented. CAU did not provide any evidence to support this claim.

5 The large quantity of computers and office machines purchased raised questions about the propriety of the purchases. As of March 1995, CAU's equipment list showed over 360 computer-related equipment purchases, including 244 computers and numerous purchases of copiers and facsimile machines.

6 The audit was assisted by an OIG engineering technical review of the CEPER projects as described in the 1991 and 1993 Workplan. This review assisted us in determining which projects had little or no relationship with the Agreement's statutory scope.