



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

09-2-0011
October 20, 2008

At a Glance

Catalyst for Improving the Environment

Why We Did This Review

The U.S. Environmental Protection Agency (EPA) Office of Inspector General is reviewing Special Appropriation Act Project (SAAP) grants to identify issues warranting further analysis. We selected Washoe County Department of Water Resources (grantee) for one of these reviews.

Background

The grantee received two SAAP grants from EPA Region 9. Grant XP96909501 was to replace private water supply wells with community public water supply services. Grant XP97963701 was for a nitrate remediation pilot project. These grants provided the grantee with \$2,067,700 in Federal assistance.

**For further information,
contact our Office of
Congressional and Public
Liaison at (202) 566-2391.**

**To view the full report,
click on the following link:
www.epa.gov/oig/reports/2009/20081020-09-2-0011.pdf**

Costs Claimed under EPA Grants XP96909501 and XP97963701 Awarded to the Washoe County Department of Water Resources, Nevada

What We Found

The grantee did not meet financial management requirements specified by Federal policy and regulations. In particular, the grantee:

- Claimed indirect costs without approved rates or cost allocation plans;
- Charged estimated labor costs to the grants without adjusting to actual costs;
- Claimed fringe benefit costs that were not based on approved rates or a cost allocation plan;
- Procured sole source contracts without cost analysis;
- Claimed contract costs under one grant that were not allocable; and
- Claimed unallowable interest expenses.

Because of these issues, EPA will need to recover \$291,494 in questioned costs under the two grants. As of September 2008, Region 9 had recovered \$26,774 of the questioned costs from the grantee. The grantee also needs to strengthen its internal controls.

What We Recommend

We recommend that EPA Region 9's Regional Administrator:

1. Disallow and recover the remaining uncollected balance of the \$291,494 questioned if the grantee is unable to provide documentation that meets appropriate Federal financial management requirements.
2. Require the grantee to establish procedures to ensure that it: (a) charges labor and benefit costs to the Federal grants in accordance with Federal policy; (b) conducts procurement in accordance with Federal regulations; (c) properly identifies unallowable costs and excludes them from billings to the Federal Government; (d) limits cash draws for Federal grants to actual disbursements; and (e) pays contract costs charged to Federal grants in accordance with contract terms and conditions.