



Office of Inspector General
Special Report

Assistance Agreements

EPA's Lack of Oversight Contributed to Coordinating Committee for Automotive Repair's Grant Management Problems

Report No. 10960-2002-M-000031
August 22, 2002



**Inspector General Resource Centers
Conducting the Report:**

Central Audit and Evaluation Resource Center
Kansas City
Central Investigations Resource Center
Chicago

EPA Program Offices Involved:

Office of Enforcement and Compliance Assurance,
Office of Compliance

Office of Grants and Debarment,
Grants Administration Division

Report Contributors:

Stephanie Oglesby
Clay Brown

August 22, 2002

MEMORANDUM

SUBJECT: EPA's Lack of Oversight Contributed to Coordinating Committee
for Automotive Repair's Grant Management Problems
Report No. 10960-2002-M-000031

FROM: Bennie Salem
Divisional Inspector General

TO: Martha Monell, Director
Grants Administration Division

Michael M. Stahl, Director
Office of Compliance

This is our final report on the Environmental Protection Agency's (EPA) lack of oversight of the Coordinating Committee for Automotive Repair's (CCAR) cooperative agreements. The report includes recommendations to improve oversight of cooperative agreements issued to CCAR. You will need to provide additional information, including milestone dates, concerning on-site reviews and establishing indirect cost rates. This report is a supplementary report to a prior final financial report entitled, *EPA Cooperative Agreements Awarded to the Coordinating Committee for Automotive Repair*, which was issued May 29, 2002. This report includes an assessment of your comments and we have incorporated the written comments in Appendix I.

We identified the oversight issues during our review of CCAR's cooperative agreements. Wide-ranging problems with grant oversight had been identified in a series of other Office of Inspector General audit reports, which all showed the need for improved EPA management of assistance agreements. Those reports included the following:

Report	Report No.	Date
Procurements Made by Assistance Agreement Recipients Should be Competitive	2002-P-00009	March 28, 2002
Surveys, Studies, Investigations and Special Purpose Grants	2002-P-00005	March 21, 2002
EPA's Competitive Practices for Assistance Awards	2001-P-00008	May 21, 2001

CCAR, also referred to as CCAR-Greenlink, is one of 10 compliance assistance centers funded by EPA's Office of Enforcement and Compliance Assurance (OECA). CCAR provides compliance assistance information to the automotive industry via the Internet. CCAR first received funds from EPA in October 1995 and, as of June 30, 2001, had claimed \$2,026,837 in EPA funds. It was EPA's goal for the compliance assistance centers, including CCAR, to become self sufficient after a few years of operation, but CCAR had not done so by September 2001.

Our work at CCAR was not an examination in accordance with *Government Auditing Standards*; instead, we followed the Grants Proactive Vulnerability Assessment guide. We reviewed EPA project officer and grants specialist roles and responsibilities in providing oversight to CCAR. We followed the criteria in the Assistance Administration Manual, Project Officer Manual, and EPA Orders 5700.3 and 5700.4. Had we performed our work in accordance with *Government Auditing Standards*, other matters might have come to our attention and would have been reported to you.

EPA's Oversight of CCAR Was Limited

EPA's lack of oversight contributed to CCAR's grant management problems. The project officer and grants specialist did not provide the necessary oversight to ensure CCAR managed its cooperative agreements in accordance with federal regulations. In a separate report, we questioned all costs claimed under the cooperative agreements because CCAR did not account for funds in accordance with federal rules, regulations, and terms of the cooperative agreements. Adequate EPA oversight could have prevented reimbursing CCAR for ineligible and unsupported costs.

The project officer and grants specialist did not coordinate a monitoring plan to oversee CCAR's cooperative agreements, nor provide adequate oversight to ensure CCAR's cooperative agreements were managed in accordance with federal regulations. Neither followed recommended procedures in grant guidance. Additionally, the grants specialist was not responsive to repeated requests from the grantee for assistance in developing an indirect cost rate.

EPA should ensure grant recipients comply with all applicable statutes, regulations, policies, and requirements in agreements. According to an EPA document, *Managing Your Financial Assistance Agreement* (Project Officer Manual), dated February 2001, the project officer serves as EPA's technical manager and liaison with the grant recipient's project manager on all matters relating to project performance. The project officer provides programmatic oversight and technical assistance by conducting onsite reviews, as well as reviewing and approving progress reports, Financial Status Reports, and payment requests. The grants specialist, on the other hand, is a source of administrative oversight for all EPA assistance agreements, and serves as the liaison between the project officer, the grantee's project manager, and grantee administrative staff for administrative matters. The Project Officer Manual identifies some specific responsibilities of the project officer and grants specialist, as follows:

Project Officer

1. Review proposed budget against workplan to determine whether the budget is reasonable.
2. Ensure project staff support is adequate.
3. Review costs to determine whether they are eligible and reasonable.
4. Conduct site visits as necessary to evaluate programmatic capability.
5. Ensure the recipient complies with all programmatic terms and conditions in the award.

Grants Specialist

6. Ensure budget information is complete and costs consistent with federal principles and policies.
7. Review indirect cost rate and verify the grantee has a current, approved rate.
8. Review proposed salary ranges for reasonableness.
9. Review costs to determine whether they are allowable and allocable.

The project officer did not provide sufficient monitoring of CCAR’s management of the cooperative agreements. The project officer received progress reports and conducted regular teleconferences with the grant recipient, but primarily focused on the grantee’s performance progress; business and administrative aspects of CCAR were not addressed. As noted above, the project officer should review CCAR’s proposed budgets and costs to determine whether they are eligible and reasonable, but there was no evidence in the project officer’s files to indicate a cost reasonable analysis of proposed costs for the cooperative agreements and each amendment was conducted. According to the project officer, CCAR’s quarterly reports identified budgeted dollars versus actual dollars spent, and the project officer compared these numbers with the activities CCAR performed to ensure the costs appeared reasonable. However, there was no documentation in the project officer’s file supporting a cost reasonable analysis of costs incurred. Also, the budgeted dollars and actual expenditures identified on the quarterly reports were never verified for accuracy and eligibility.

The grants specialist also did not fulfill required duties as defined in the Project Officer Manual and Assistance Administration Manual. The grants specialist did not respond to repeated requests from CCAR or the project officer for assistance in developing an indirect cost rate, and we found no evidence that CCAR prepared or negotiated an indirect cost rate as required by the cooperative agreements. In addition, discussions with the grants specialist disclosed that the person was generally unaware of CCAR’s budget submissions and cost structure. The project officer was aware that CCAR never developed the indirect cost rate but still let the cooperative agreements continue. After repeated delays in assistance from the grants specialist, the project officer should have elevated CCAR’s request for technical assistance to upper management.

The project officer and grants specialist also did not coordinate a monitoring plan to oversee CCAR’s cooperative agreements. According to EPA Order 5700.3, “EPA Policy For Post-Award Management of Grants and Cooperative Agreements by Headquarters and Regional Offices,” effective June 1999, the project officer should communicate with the grants management office at least once a year during the life of a cooperative agreement to ensure proper monitoring. The record of communication should be documented in the project officer files. However, there was no such documentation in the project officer’s files.

Further, the project officer had not conducted an onsite review until August 2001, almost 6 years after the first award. It is important for onsite reviews of new recipients of EPA funding to be conducted early in the process, to detect problems as early as possible. In addition, when the review was conducted, it only looked at the programmatic areas of CCAR; the financial and administrative systems were not reviewed to ensure they were in compliance with federal regulations. Also, the grants specialist did not conduct an onsite evaluation, recommended in Interim EPA Order 5700.4 "Interim Guidance Compliance Assistance Initiative Policy," effective October 2000. The on-site evaluation would include a review of CCAR's entire operation, taking into account property management, procurement, financial systems, and general administration. This would have enabled testing for unallowable costs and the adequacy of the grantee's financial and administrative systems.

EPA's lack of oversight allowed CCAR to receive reimbursement for non-federal as well as federal activities that occurred at CCAR. As of June 30, 2001, CCAR's claims under the cooperative agreements totaled \$2,026,837. In another report, we questioned the entire amount because CCAR's financial management and time distribution systems did not meet the requirements of 40 Code of Federal Regulations 30.21. We questioned most costs because CCAR did not have written accounting procedures regarding the allocation of joint or common costs. The grants specialist has the responsibility to review costs to determine whether they are allowable and allocable. CCAR did not have adequate controls to prevent the submission and reimbursement of ineligible expenses. For example, CCAR claimed alcoholic beverages and trips for non-federal activities. In addition, available documentation was not always sufficient to determine whether costs were reasonable, allowable, and allocable in accordance with federal regulations.

Also, CCAR did not maintain adequate time records as required by Office of Management and Budget (OMB) Circular A-122. CCAR employees maintained weekly records of work activity, but did not usually identify the actual hours spent on the activities. These activity reports were not used to distribute labor costs claimed to the cooperative agreement. In addition, CCAR shifted a non-EPA obligation to the cooperative agreement, which is prohibited by OMB Circular A-122. Specifically, the Board of Directors reduced the number of required work hours for the Executive Director to liquidate non-EPA funds owed to the Director for a period when funds were not available, and since the costs for the Executive Director were more than approved by EPA this should have been noticed by the project officer. The project officer had salary information but never identified what portion of the Executive Director's salary EPA was paying. Also, in-house reviews of one cooperative agreement identified the disparity in the Executive Director's salary to other salaries, but nothing was changed.

According to EPA Order 5700.3, it is EPA's policy that project officers and grants specialists monitor cooperative agreements subsequent to the signature of the award. EPA particularly needs to provide such oversight to CCAR because CCAR continued to ineffectively manage its cooperative agreements and claimed excessive and ineligible costs. Adequate oversight could prevent EPA from reimbursing CCAR for future ineligible and unsupported costs.

Recommendations

We recommend that the Directors of the Grants Administration Division and Office of Compliance:

1. Ensure EPA staff comply with established procedures and controls for the oversight and management of grants and cooperative agreements.
2. Promote onsite reviews of assistance agreement recipients, especially early in the project period.

Agency Response and OIG Comments

The Grants Administration Division (GAD) and OECA concurred with the recommendations. In order to provide adequate oversight and management of CCAR's cooperative agreement, GAD placed CCAR on a reimbursement payment method, and CCAR must submit all payment requests to the project officer for approval prior to receiving payment. The project officer will work with the grants specialist to ensure that the information is complete and determine whether proposed costs are reasonable, allowable, and allocable to the cooperative agreement. GAD provided the Office of Inspector General a copy of its memorandum to CCAR dated July 30, 2002.

GAD and OECA agreed to promote on-site reviews of assistance agreement recipients. OECA plans to follow up with its project officers to make sure they make an on-site visit to their grantees as necessary. GAD will also participate in these visits as often as possible.

GAD also acknowledged their lack of administrative oversight in assisting CCAR in developing an indirect cost rate proposal. Recognizing the need to improve oversight in the area of indirect cost rate negotiations, GAD is exploring establishing a partnership with the Office of Acquisition Management and contracting out the responsibility for indirect cost rate negotiation.

Even though GAD established and implemented policies that promote on-site reviews, it needs to ensure these policies are followed by the grants specialists and project officers. Our review identified non-compliance with these policies. The policies should help ensure coordination and identification of significant issues for the grants specialists and project officers. OECA's followup with its project officers should encourage onsite visits early in the oversight process to ensure grantees understand and are properly implementing grant requirements. OECA needs to clarify how it plans to follow up with all its project officers to ensure on-site visits are conducted and provide milestone dates for its accomplishments.

Although GAD mentioned partnering with the Office of Acquisition Management to contract out indirect cost rate negotiations, GAD needs to provide additional information on what it plans to do and include milestone dates.

Action Required

In accordance with EPA Order 2750, you, as the action official, should provide this office a written response within 90 days of the final report date. We have designated the Director of Grants Administration Division as the action official responsible for consolidating your response. For corrective actions planned but not completed by the response date, reference to specific milestone dates will assist us in deciding whether to close this report.

If you have any questions, please contact Stephanie Oglesby at (913) 551-7008 or Michael Rickey at (312) 886-3037.

Agency Response



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

JUL 17 2002

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: EPA's Lack of Oversight Contributed to Coordinating Committee for Automotive Repair's Grant Management Problems
Assignment No. 2001-00260

FROM: Marty Monell, Director
Grants Administration Division

TO: Bennie Salem
Divisional Inspector General

This memorandum is in response to the Office of Inspector General's (OIG) draft audit report (Draft Report), *EPA's Lack of Oversight Contributed to Coordinating Committee for Automotive Repair's Grant Management Problems.* In coordination with the Office of Enforcement and Compliance Assurance (OECA), the Grants Administration Division (GAD) is providing the following comments to the recommendations outlined in the Draft Report.

OIG Recommendation No. 1: Ensure EPA staff comply with established procedures and controls for the oversight and management of grants and cooperative agreements.

GAD RESPONSE: We concur with this recommendation. Both the project officer and the grants specialist have designated roles and responsibilities in the post-award oversight of grants and cooperative agreements. Key to this oversight is timely and effective communication between the recipient, project officer and grants specialist. In response to another OIG report on CCAR, the following corrective actions will be implemented under CCAR's next increment of assistance funding:

- 1) CCAR's current cooperative agreement will be placed on a reimbursement payment method, and CCAR must submit all future payment requests to the project officer for approval prior to receiving payment. Each payment request must include a list of expenditures incurred along with a detailed justification for costs. The project officer, in carrying out this responsibility, will work with the grants specialist to ensure that the information is complete and determine whether proposed costs are reasonable, allowable, and allocable to the cooperative agreement.

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- 2) The project officer will be required to submit a monitoring report to the grants specialist on an annual basis (or more should issues be encountered), to ensure CCAR's cooperative agreement is managed in accordance with Federal regulations.

GAD acknowledges our lack of administrative oversight in assisting CCAR in developing an indirect cost rate proposal. Recognizing the need to improve our oversight in the area of indirect cost rate negotiations, GAD is exploring establishing a partnership with the Office of Acquisition Management (OAM) and contracting out the responsibility for indirect cost rate negotiation.

OIG Recommendation No. 2: Promote on-site reviews of assistance agreement recipients, especially early in the project period.

GAD RESPONSE: We concur with this recommendation. OECA plans to follow-up with all its project officers to make sure they make an on-site visit to their grantees as necessary. Notwithstanding any budgetary/resource constraints, GAD will gladly participate in these visits as often as possible. Upon each site visit, the OECA project officer will consult with their Grants Specialist to ensure coordination and the prompt identification of issues.

On-site reviews, which is an essential part of the post-award oversight process, must be a collaborative effort between the project officer and the grants specialist. Since 1998, GAD has taken a more proactive approach to post-award oversight of grants and cooperative agreements by establishing and implementing policies which we believe already promote on-site reviews.

- On May 4, 1998, as a result of 1996 Congressional hearings and OIG audits, OGD implemented the, "*Policy, Procedures and Guidelines for the Post-Award Management of Grants and Cooperative Agreements By Grants Management Offices*", (GPI 98-6). This OGD internal policy guidance established requirements for post-award monitoring of assistance agreements by Grants Management Offices (GMOs), including monitoring activities required for all assistance agreements and providing guidance on monitoring techniques and criteria for identifying recipients needing monitoring.
- On April 5, 1999, EPA Order 5700.3, "*EPA Policy for Post Award Management of Grants and Cooperative Agreements by Headquarters and Regional Offices*", was established. This EPA policy was the companion to the OGD internal guidance policy mentioned above, and went a step further by ensuring EPA Headquarters and Regional program offices, GMOs, and Financial Management Offices worked together to manage EPA's assistance agreements by establishing requirements for post-award monitoring of assistance agreements.

- Lastly, on June 7, 2000, Interim EPA Order 5700.4, "*Interim Grantee Compliance Assistance Initiative Policy*" was established. This EPA Order will modify EPA Order 5700.3, "*EPA Policy for Post-Award Management and Grants and Cooperative Agreements by Headquarters and Regional Offices*", and the Office of Grants and Debarment (OGD) policy GPI 98-6, "*Post-Award Management of Assistance Agreements, to:*
 - 1) place Headquarters and Regional Program Offices, and Grants Management Offices on the same two-year cycle to develop and submit Post-Award Monitoring Plans to GAD for review, and
 - 2) require Headquarters, Regional Program Offices, and Grants Management Offices to include evaluative on-site visits and/or off-site evaluations within their Post-Award Monitoring Plans.

We thank you for the opportunity to comment on the Draft Report. Please contact Valorie Swan-Townsend, of my staff, at (202) 564-5373 if you have any questions.

Attachment:

OECA's Comments on the IG's Draft Audit Report (Response dated 7/16/02)

cc: John Nolan, Audit Liaison, Grants Administration Division
Everett Bishop, Project Officer, Compliance Assessment and Media Programs Division
Greg Marion, Audit Liaison, Office of Enforcement and Compliance Assurance
Joyce Blake, Grants Specialist



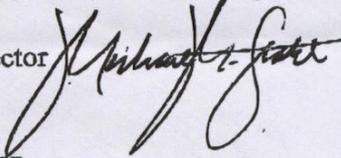
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUL 16 2002

OFFICE OF
ENFORCEMENT AND
COMPLIANCE ASSURANCE

MEMORANDUM

SUBJECT: Comments on the Inspector General's Report Regarding Agency Oversight of the Coordinating Committee for Automotive Repair-Assignment No. 2001-00260

FROM: Michael M. Stahl, Director
Office of Compliance 

TO: Martha Monell, Director
Grants Administration Division
Office of Grants and Debarment

In the May 30, 2002 memorandum from Mr. Bennie Salem, your office was identified as the lead to respond to the Inspector General's draft report regarding the Agency's oversight of EPA's cooperative agreement with the Coordinating Committee for Automotive Repair. The Office of Compliance has reviewed the Inspector General's findings and recommendations and given due consideration to the actions necessary to address the issues raised. I would like to provide comments on the draft report.

Ensure Staff Comply with Established Procedures and Controls for Oversight and Management of Grants and Cooperative Agreements

While the Project Officer provided support regarding the programmatic issues regarding this cooperative agreement, I concur that additional oversight should have been provided by the Project Officer to adequately review the financial status reports and payment requests. In addition, the Project Officer did not provide timely information to the Grants Specialist regarding proper monitoring of the cooperative agreement.

The Agency is completing a response to the Coordinating Committee for Automotive Repair identifying the issues and necessary remediation of those issues identified by the Inspector General. As part of the Agency's response, the Coordinating Committee for Automotive Repair must submit all payment requests for the cooperative agreement to the Project Officer for approval prior to receiving payment. Each payment request must include a list of expenditures incurred along with a detailed justification for costs. In carrying out these responsibilities, the Project Officer will look to the Grants Administration Division for expertise and guidance when issues may arise.

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The Project Officer will be required to submit a monitoring report to the Grants Specialist on an annual basis, or more should issues be encountered. Copies of these reports will be given to the Office of Compliance management.

Promote On-Site Review of Assistance Agreement Recipients, Especially Early in the Project Period.

The Office of Compliance is following up with all its Project Officers to make sure they make an on-site visit to their grantees as necessary. We would encourage the participation of GAD in these visits as often as possible. Upon each site visit, the Project Officer will consult with their Grants Specialist to ensure coordination and the prompt identification of issues.

I appreciate the opportunity to provide comments on this draft report. It is important that our staff understand and implement proper oversight and management controls of the Agency's grantees. If you have any questions about my comments, please call me at (202) 564-2280 or Michael Alushin at (202) 564-7137.

cc: Michael Alushin
Phyllis Flaherty
Greg Marion
Everett Bishop

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