



U.S. ENVIRONMENTAL PROTECTION AGENCY



OFFICE OF INSPECTOR GENERAL

Spending Taxpayer Dollars

EPA Region 9 Needs to Improve Oversight Over American Samoa Consolidated Cooperative Agreements

Report No. 16-P-0181

May 23, 2016



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Abbreviations

AS-EPA	American Samoa Environmental Protection Agency
ASPA	American Samoa Power Authority
CCA	Consolidated Cooperative Agreement
CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
FFR	Federal Financial Report
FY	Fiscal Year
IA	Interagency Agreement
OIG	Office of Inspector General

Cover: Map of American Samoa. (Central Intelligence Agency *World Factbook* image)

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At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA) has significantly increased its funding of environmental programs in American Samoa, from approximately \$798,000 in 2006 to \$8.4 million in 2013. We conducted this review to determine whether the EPA:

- Has controls and processes in place to ensure proper oversight of American Samoa assistance agreements.
- Is ensuring that the assistance agreements effectively and efficiently protect human health and the environment.

During the course of our audit, we decided to focus on consolidated cooperative agreements, as they involved the most funding.

This report addresses the following EPA goals or cross-agency strategies:

- *Protecting America's waters.*
- *Launching a new era of state, tribal, and local partnerships.*

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EPA Region 9 Needs to Improve Oversight Over American Samoa Consolidated Cooperative Agreements

What We Found

The internal controls of the American Samoa Environmental Protection Agency (AS-EPA) and American Samoa Power Authority (ASPA) over assistance agreements need improvement, as well as the EPA Region 9's oversight of American Samoa's consolidated cooperative agreements. We identified the following areas of concern:

- AS-EPA and ASPA consolidated cooperative agreements have inconsistent terms and conditions on agreement payment.
- AS-EPA and ASPA inconsistently reported in-kind and interagency agreement costs.
- Region 9 project files were not readily available to third parties.

EPA needs to enhance its internal controls over the more than \$68 million in consolidated cooperative agreement funds for American Samoa.

Recipients are required to comply with consolidated cooperative agreement terms and conditions, as well as the Code of Federal Regulations (CFR) in 2 CFR Part 225 and 40 CFR Part 31. The EPA and American Samoa agencies need to enhance their internal controls over the more than \$68 million in consolidated cooperative agreement funds for American Samoa.

Recommendations and Planned Agency Corrective Actions

We made various recommendations to EPA Region 9 regarding oversight and the need for other improvements, including:

- Using appropriate grant payment methods and level of Project Officer review.
- Improving in-kind and interagency agreement expenditure reporting.
- Improving maintenance of Region 9 project officer files.

Region 9 concurred with all of the recommendations and plans to complete the corrective actions by September 30, 2016.



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

THE INSPECTOR GENERAL

May 23, 2016

MEMORANDUM

SUBJECT: EPA Region 9 Needs to Improve Oversight Over
American Samoa Consolidated Cooperative Agreements
Report No. 16-P-0181

FROM: Arthur A. Elkins Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over the printed name.

TO: Alexis Strauss, Acting Regional Administrator
Region 9

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position.

The following Region 9 offices share responsibilities regarding American Samoa: the Pacific Islands Office; the Infrastructure Section within the Water Division; the Tribal and State Assistance Branch; the Grants Management Office; the Drinking Water Management Section; and the Enforcement Division.

Action Required

The agency provided corrective actions for addressing the recommendations, with milestone dates. Therefore, a response to the final report is not required. The OIG may make periodic inquiries on your progress in implementing these corrective actions. Please update the EPA's Management Audit Tracking System as you complete planned corrective actions. Should you choose to provide a final response, we will post your response on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal, along with corresponding justification.

This report will be available at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The Office of Inspector General (OIG) conducted an audit of the U.S. Environmental Protection Agency's (EPA's) assistance agreements with the Pacific Territory of American Samoa. Our objectives were to determine whether the EPA:

- Has controls and processes in place to ensure proper oversight of American Samoa assistance agreements.
- Is ensuring that the assistance agreements effectively and efficiently protect human health and the environment.

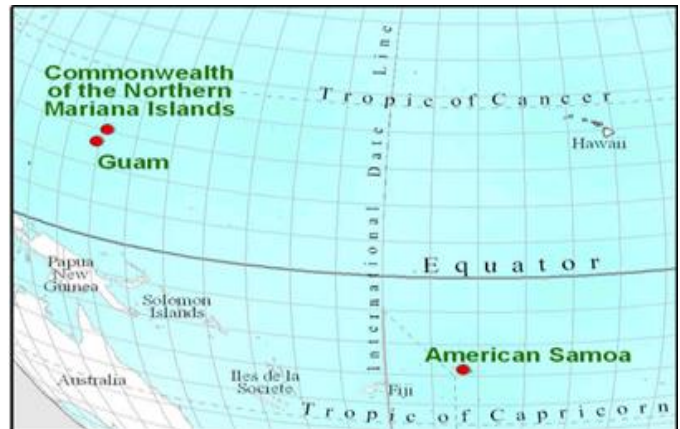
Background

Major environmental laws allow the EPA to authorize state, tribal and local governments, and U.S. territories, to conduct permitting, inspection and enforcement activities. Authorized governments must have adequate personnel, funding and authority to carry out the program. The EPA may withdraw authorization if a government is not adequately carrying out the provisions of the law in administering or enforcing the program.

From fiscal years (FYs) 2006 through 2014, Region 9 awarded the Pacific Territory of American Samoa \$68.5 million in consolidated cooperative agreement (CCA) amounts for accomplishing wide-ranging goals, such as planning and developing and continuing the implementation of environmental management and protection statutes, regulations and programs.

The Omnibus Territories Act of 1977, as amended, authorized federal agencies to extend to the governments of Guam, Commonwealth of the Northern Mariana Islands, and American Samoa and their agencies and instrumentalities the ability to consolidate grant funding.

Figure 1: Map showing Guam, Commonwealth of the Northern Mariana Islands and American Samoa



(EPA image)

American Samoa is an unincorporated and unorganized territory of the United States. American Samoa consists principally of five volcanic islands and two coral atolls, for a total area of 76 square miles. It is located approximately 2,300 miles southwest of Hawaii. The largest and most populated island is Tutuila, on which are located the territory's historic capital (Pago Pago), and the seat of the legislature, judiciary and office of the Governor. The population of the territory is approximately 65,000, of which about 97 percent live on the island of Tutuila.

The per capita income of American Samoa is only \$8,000, by far the lowest in the United States. American Samoa faces significant environmental and public health challenges, including:



The American Samoa Legislature building. (National Oceanic and Atmospheric Administration photo)

- Almost 10 percent of residents do not have adequate indoor plumbing (piped water, a toilet or both).
- Seventeen percent had tested positive for leptospirosis, a serious waterborne disease associated with improperly managed pig waste.
- Heavy metals and other toxics in the inner portion of Pago Pago Harbor make fish unsafe to eat.

Region 9 collectively refers to Guam, the Commonwealth of the Northern Mariana Islands and American Samoa as the "Pacific Territories." Region 9 awarded CCAs to address environmental challenges in American Samoa involving the Clean Water Act and Safe Drinking Water Act, cleanup of Brownfield sites, and management of pesticides.



The AS-EPA office building in Pago Pago. The U.S. EPA supported the construction of this green building. (AS-EPA photo)

American Samoa has two entities involved in implementing the CCA activities:

- **American Samoa Environmental Protection Agency (AS-EPA):** AS-EPA is the government entity responsible for implementing EPA's environmental programs. AS-EPA's mission statement is to provide regulatory services to promote clean air, safe and clean drinking water, and land free of pollutants; and to protect the environment and safeguard

the quality of natural resources. The AS-EPA is 100-percent funded by EPA Region 9 through EPA CCAs. The CCAs consist of funding for compliance with the Clean Water Act; Safe Drinking Water Act; Resource Conservation and Recovery Act; Clean Air Act; Federal Fungicide, Insecticide and Rodenticide Act; and Beach Grant Act. To be eligible to receive this funding, AS-EPA must meet specific environmental and technical mandates, as set forth in EPA law and regulations. AS-EPA programs and activities must include the planning, development, implementation and enforcement strategies, objectives and goals to accomplish this mission.

- American Samoa Power Authority (ASPA):** ASPA is a development-oriented public utility providing electricity, water, wastewater and solid waste service to over 60,000 residents of American Samoa. ASPA installs, operates and maintains American Samoa’s public utility infrastructure. ASPA is an agency of the American Samoa government. ASPA is directed by a five-member board of directors and administered by a chief executive officer. Board members are nominated by the territory’s governor and confirmed by the legislature.



Tuna fishing boats in port in Pago Pago. (National Oceanic and Atmospheric Administration photo)

Region 9 awarded CCAs to address environmental challenges in American Samoa involving the Clean Water Act and the Safe Drinking Water Act. Starting in 2010, funding levels for American Samoa have increased, compared to prior years and currently average over \$9 million per year. Funding was increased to address long-standing infrastructure and environmental needs. From FYs 2006 to 2014, Region 9 awarded approximately \$68 million in environmental protection and construction funds to American Samoa, as shown in Table 1.

Table 1: EPA CAAs to American Samoa

Recipient	Agreement	Project period	Award amount
AS-EPA	M00914009	10/01/2008 – 03/31/20143	(Note 1) \$ 11,401,332
AS-EPA	M00914014	10/01/2013 – 09/30/2018	4,299,112
ASPA	M96975301	08/01/2006 – 12/31/2014	45,343,495
ASPA	M96975315	10/01/2014 – 09/30/2019	7,493,000
Total			\$68,536,939
Note 1: Total CCA was \$11,466,332 less closeout deobligation of \$65,000 = \$11,401,332			

Source: CCAs to American Samoa.

Responsible Offices

The following EPA Region 9 offices share American Samoa responsibilities:

- **Pacific Islands Office:** The Pacific Islands Office manages domestic programs and grants in the Pacific Territories. CCAs fund the implementation of American Samoa environmental protection programs. Region 9 reported that in addition to managing grant assistance programs, the Pacific Islands Office also coordinates with other offices in the region and nationally on regulatory and enforcement matters in the Pacific territories.
- **Infrastructure Section:** Within Region 9's Water Division, the Tribal and State Assistance Branch has managed and supervised the EPA's grants to the Pacific Territory public utilities since 2013. The section has expertise in managing drinking and clean water grants.

The Region 9 Grants Management Office, the Drinking Water Management Section, and the Enforcement Division also share responsibilities regarding America Samoa.

Scope and Methodology

We conducted this audit from April 16, 2014, to March 11, 2016, in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To answer our objectives, we reviewed relevant laws, regulations and policy orders, including:

- Omnibus Territories Act of 1977.
- The Code of Federal Regulations (CFR) in Title 2 CFR Part 225 (formerly Office of Management and Budget Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*.
- Title 40 CFR Part 31, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*.
- Region 9's Quality Management Plan.
- EPA's Assistance Agreement Almanac.
- EPA's Records Management Policy (CIO 2155.3).

We also reviewed the active and recently closed Region 9 CCAs awarded to AS-EPA and ASPA for the periods 2006 through 2019, as well as one project officer's end-of-year report from 2012. We interviewed managers and staff in Region 9's Pacific Islands Office and its Water Division. We also interviewed federal personnel outside the EPA involved in the Pacific Territory.

We reviewed Federal Managers' Financial Integrity Act Annual Assurance Letters from 2012 through 2014 for Region 9 to determine whether those letters identified any weaknesses related to American Samoa. The letters did not identify any weaknesses.

Prior Audit Coverage on Pacific Territories

On May 9, 2016, the OIG issued Report No. [16-P-0166](#), *EPA Region 9 Needs to Improve Oversight Over Guam's Consolidated Cooperative Agreements*. We made 18 recommendations to Region 9 regarding oversight and the need for other improvements. Region 9 concurred with all of the recommendations and plans to complete a majority of the corrective actions by September 30, 2016.

Chapter 2

AS-EPA and ASPA CCAs Have Inconsistent Terms and Conditions on Agreement Payment

The CCAs to AS-EPA and ASPA have inconsistent terms and conditions on agreement payment requirements for the recipient to follow. Region 9 may require the reimbursement method for CCA payments as a special award condition, according to 40 CFR § 31.21(d). Region 9 included some reimbursement terms in the agreements by placing an extra measure of control over recipient funds by requiring the recipient to submit draw requests to the EPA project officer for review and approval prior to payment. However, this extra measure of control was never completely implemented. Consequently, there was confusion among AS-EPA, ASPA and Region 9 staff about how agreement payments were to be made, and whether the reimbursement method of payment was required.

Federal Requirements for Various Grant Payment Methods

Advance Method

The EPA's Assistance Agreement Almanac defines an advance as a payment to a recipient upon its request before outlays are made by the recipient. Title 40 CFR § 31.21 (c) and (d) stipulate that grant recipients and subgrantees should be paid in advance, provided they maintain the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of funds and distribution by the grant recipient or subgrantee. Section 5 of EPA's General Terms and Conditions Applicable to EPA Assistance Agreement recipients as of January 13, 2014, stipulates that the recipient agrees to draw cash only as needed for its disbursement. Failure on the part of the recipient to comply with this condition may cause the undisbursed portions of the assistance agreement to be revoked or financing method changed to a reimbursable basis. Section 5 applies to three of the four CCAs reviewed, and there was no similar condition prior to 2014.

Reimbursement Method

The reimbursement payment method is often associated with the high-risk designation, but this is not always the case. According to Section 4.5.2 of the EPA's Assistance Agreement Almanac, there are instances where it may be in the agency's interest to place a recipient under the reimbursement payment method. Under 40 CFR § 31.21(d), the Award Official can require a recipient to be paid on a reimbursement basis if the recipient does not have adequate procedures in place to minimize the time elapsing between the transfer of funds from the EPA to the recipient and disbursement by the recipient to pay for costs. This would require placing a grant condition to that effect on the award. For some grant programs,

such as construction awards, it is common to place recipients under the reimbursement method. Under the reimbursement method, the federal agency may require the grantee to submit supporting documentation for requests for reimbursement to the project officer for review and approval prior to payment.

Special Award Conditions in the EPA Consolidated Agreements

Federal regulations at 40 CFR §31.12 permit additional requirements (special award conditions) in awards if an applicant or recipient has a history of poor performance, is not financially stable, has a management system that does not meet the standards prescribed in Part 31, has not conformed to the terms and conditions of a previous award, or is not otherwise responsible. One of the special award conditions may include payment on a reimbursement basis. Section 4.5.1 of the EPA's Assistance Agreement Almanac stipulates that special award conditions may include requiring the EPA's prior approval for costs and activities that would not otherwise require such approval or converting a recipient to a reimbursement payment method from an advance payment method, or using reimbursement payment at the outset.

High-Risk Designation

The EPA Assistance Agreement Almanac Section 4.5.1 stipulates that recipients can be designated as high risk when administrative, programmatic capability or performance issues are not significant enough to warrant an enforcement action, but the EPA's financial and programmatic interests must still be protected. A high-risk designation increases EPA oversight of a recipient for identified areas of financial or programmatic weakness or risk. If a recipient is designated high risk and the reimbursement payment method is imposed, formal implementation would be required with the Las Vegas Finance Center.

Inconsistent Terms and Conditions on Agreement Payment Requirements

There were inconsistent administrative and programmatic payment requirements in the agreements awarded to AS-EPA and ASPA. Per 40 CFR § 31.3:

Administrative requirements mean those matters common to grants in general, such as financial management, kinds and frequency of reports, and retention of records. These are distinguished from programmatic requirements, which concern matters that can be treated only on a program-by-program or grant-by-grant basis, such as kinds of activities that can be supported by grants under a particular program.

Administrative and programmatic conditions in the agreements were inconsistent. Although administrative conditions in all four agreements provide for advance payment, programmatic conditions contained some form of reimbursement requirements, as noted in Table 2.

Table 2: Payment methods and approval for American Samoa agreements

Recipient	Agreement	Agreement administrative condition payment method	Programmatic conditions – approval requirements	Actual payment method used by recipient
AS-EPA	M00914009	Advance	Prior approval by the project officer is required for certain categories of travel and contracts	Advance
AS-EPA	M00914014	Advance	Prior approval by the project officer is required for certain categories of travel and contracts	Advance
ASPA	M96975301	Advance	Project officer approval of project cost reimbursement request and supporting documentation	Advance
ASPA	M96975315	Advance	Project officer approval of project cost reimbursement request and supporting documentation	Advance

Source: CCAs, interviews/correspondence with AS-EPA and ASPA staff, and OIG analysis.

CCA M00914009 for approximately \$11.4 million, and CCA M00914014 for approximately \$4.3 million—both awarded to AS-EPA—contain programmatic conditions requiring EPA project officer approval of certain categories of travel, and prior review and approval of contracts greater than \$10,000. However, despite the majority of the CCA funding being for personnel costs, the programmatic conditions in the agreements limit the EPA project officer to review and approval to non-payroll items such as off-island travel costs and contracts (reimbursement terms). For both agreements, there is no requirement for the EPA project officer to review and approve personnel costs prior to payment. AS-EPA’s actual draw practice uses the advance method for all costs, where they incur the cost, request funds from Region 9, and upon receipt pay the bill.

CCA M96975301 for approximately \$45.3 million, and CCA M96975315 for approximately \$7.5 million—both awarded to ASPA—both contain the following requirement: For projects described in the work plan, the recipient shall submit reimbursement requests/payment requests for approval to the EPA project officer. The reimbursement request/payment request must be supported with sufficient documentation to support costs being requested for each respective project. However, the CCAs did not include terms for prior approval by the project officer for ASPA payroll costs. ASPA’s actual draw practice is the advance method, where they incur the cost, request funds from Region 9, and upon receipt pay the bill.

Confusion Regarding Payment Method Required

There was confusion among AS-EPA, ASPA and EPA Region 9 about the CCA payment requirements. The confusion arose due to conflicting language in the CCAs regarding the payment method required. All four awards contained administrative conditions providing for the advance payment method, yet two awards contained programmatic conditions requiring project officer review and approval of payment requests, which is a reimbursement payment requirement.

AS-EPA staff stated that their payment requests for all costs use the advance payment method. ASPA staff stated that they use the reimbursement payment method, where they pay for costs first and then request reimbursement from the EPA. However, actual practice was found to be the advance method, in which they accumulate costs, request funds from Region 9, and then pay the bill. The project officers for both the AS-EPA and ASPA CCAs stated that these recipients are on the reimbursement payment method.

Programmatic conditions in the CCAs require project officer review and/or approval of specific categories of cost, and approval of the reimbursement requests/payment requests. The project officer for ASPA conducts a detailed review of documentation supporting the reimbursement requests before approving payment. All of the CCAs awarded to American Samoa are designated as “advance” payment method, not the reimbursement payment method.

Recommendation

We recommend that the Regional Administrator, Region 9:

1. Review the CCAs to AS-EPA and ASPA to determine the appropriate method of payment, and update the CCAs accordingly.

Agency Response and OIG Evaluation

Region 9 concurred with Recommendation 1, and stated that:

... to ensure adequate internal control and oversight [Region 9] has determined the appropriate method of payment for the American Samoa Power Authority (ASPA) and the American Samoa Environmental Protection Agency (AS-EPA) will continue to be the advance method with special award conditions. The Infrastructure Section and the Pacific Islands Office will work with the Grants Management Office to ensure implementation of this recommendation with the award of the current year’s Consolidated Cooperative Agreement (CCAs)... As recommended by the OIG, the Region will draft a note to the CCA files summarizing the

method and ensure the grantee's CFO [Chief Financial Officer] is properly instructed of the method and processing.

Region 9 provided a planned completion date of September 30, 2016. The OIG concurs with the agency's proposed actions, and, when implemented, the corrective actions will satisfy the intent of Recommendation 1. This recommendation will remain open pending completion of the proposed corrective actions.

Region 9's complete response to the discussion draft is in Appendix A.

Chapter 3

AS-EPA and ASPA Inconsistent in Reporting In-Kind and Interagency Agreement Costs

Our review identified inconsistencies in reporting on in-kind and interagency agreement (IA) costs by AS-EPA and ASPA in the Federal Financial Reports (FFRs). Federal regulations and the Region 9 CCAs require accurate reporting of outlays in FFRs. However, Region 9 did not provide adequate instructions to recipients on reporting requirements for in-kind and IA costs. Specifically, Region 9 did not provide recipients with procedures on how to obtain EPA-expended in-kind and IA cost data from the Cincinnati Finance Center. Over \$500,000 of in-kind and IA costs may have been misreported by AS-EPA and ASPA.

Definition of In-Kind and IA Costs

The EPA’s Assistance Agreement Almanac Glossary defines “in-kind assistance” as the services or products of an EPA contractor or another federal agency under an IA that the agency provides to a recipient as a form of financial assistance, as provided for in the Federal Grant and Cooperative Agreement Act and EPA Order 5700.1. The estimated cost for the in-kind assistance is included in the EPA-approved budget for the agreement with the recipient.

The EPA’s Assistance Agreement Almanac Glossary defines “interagency agreement” as a written agreement between federal agencies under which goods and services are provided in exchange for funds or in which federal agencies are authorized by statute to cooperate on a joint project that may involve providing funds for an assistance agreement.

Federal Regulations and Region 9 CCAs Require Accurate Reporting

Title 40 CFR §31.41(b)(1) to (b)(3) require grantees to submit FFRs for both construction and non-construction awards-at least annually. It directs each grant recipient to report program outlays and program income. Title 40 CFR § 31.3 defines outlays as including the value of in-kind contributions. In addition, each CCA includes an administrative condition for submission of interim financial reports that require a certification stating:

by signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties.

Inconsistencies in Reporting In-Kind and IA Costs

We identified inconsistencies in reporting in-kind and IA costs by AS-EPA and ASPA on the FFRs. Specifically:

- For AS-EPA CCA M00914009, actual amounts were reported for inter-personnel agreement and inter-agency agreement costs, but it reported a budgeted amount for the EPA in-kind contract.
- For AS-EPA CCA M00914014, budgeted figures appeared to be reported for IA costs.
- ASPA did not report in-kind or IA amounts in the FFRs for either CCA M96975301 or CCA M96975315.

All four of the CCAs awarded to AS-EPA and ASPA included provisions for EPA to expend a portion of the agreement award amount for in-kind and IA assistance totaling over \$1.6 million. These funds are expended by Region 9 out of the recipient's CCA funding for contract services, on-site technical assistance through inter-personnel agreements, and EPA IAs. The recipient has no control or authority over the use of these funds, nor access to the amount of in-kind and IA costs expended.

Region 9 Did Not Provide Adequate Direction to Grant Recipients on Reporting Requirements

The CCAs did not provide adequate direction to recipients on reporting requirements for in-kind and IA costs. All four of the CCAs reviewed include in-kind funding, as shown in Table 3. However, there are no administrative conditions in any of the CCAs with instructions for the recipient on how these costs are to be accounted for in the FFRs. Region 9 has not provided the actual in-kind and IA amounts expended to AS-EPA and ASPA for reporting in the FFRs. The Cincinnati Finance Center has procedures established for recipients to obtain data for use in reporting in-kind data on their FFRs, but Region 9 has not notified recipients of this procedure.

Table 3: American Samoa CCA in-kind costs

Recipient	CCA	Total CCA amount	In-kind		IA technical assistance	Total in-kind/IA agency agreement	Recipient's FFR reporting method
			EPA contractor	Inter-personnel agreement			
AS-EPA	M00914009	\$11,401,332 Note 1	\$65,000	\$650,000	\$400,000 Note 2	Note 2 Note 3	No interim FFRs were submitted. In the final FFR, actual costs were reported for inter-personnel agreement and IA amounts, and a budgeted amount was reported for the EPA in-kind contract.
AS-EPA	M00914014	\$4,299,112	-	-	\$75,000 Note 2	\$75,000 Note 2	Budgeted figures reported
ASPA	M96975301	\$45,343,495	-	\$450,000	-	\$450,000	No in-kind or IA costs are reported
ASPA	M96975315	\$7,493,000	-	-	\$40,000 Note 2	\$40,000 Note 2	No Inter-agency technical assistance costs are reported.
Total		\$68,536,939	\$65,000	\$1,100,000	\$515,000	\$565,000	

Note 1: Total CCA was \$11,466,332 less closeout deobligation of \$65,000 = \$11,401,332.

Note 2: The CCAs do not include IA costs as in-kind costs.

Note 3: Because there were no interim FFRs submitted, we could not determine the adequacy of the recipient's interim FFR reporting.

Source: EPA CCAs and FFRs prepared by AS-EPA and ASPA .The CCA figures represent budgeted amounts awarded to the recipient.

Categories of in-kind costs were not always treated consistently in the CCAs. CCA M00914009 awarded to AS-EPA includes funding for contractor assistance, inter-personnel agreement, and IA funding, yet only the contractor and inter-personnel agreements are categorized as in-kind costs. Meanwhile, CCA M00914014 awarded to AS-EPA includes funding for IAs but it does not categorize these funds as in-kind costs. CCA M96975301 awarded to ASPA includes an inter-personnel agreement categorized as in-kind funding. However, CCA M96975315 awarded to ASPA includes IA funding that is not categorized as in-kind funding.

Over \$500,000 of In-Kind and IA Costs May Have Been Misreported

Region 9 did not provide adequate direction to recipients on reporting requirements for in-kind and IA costs. As a result, over \$500,000 in Region 9 in-kind and IA costs may have been misreported by AS-EPA and ASPA. AS-EPA and ASPA cannot make accurate and informed certification on the FFRs on how all of their CCA funds were expended without expended amounts for in-kind assistance. Region 9 has placed AS-EPA and ASPA in a position where they are responsible for tracking all expenditures on their CCAs but do not always have information on how their CCA funds were expended by Region 9 for in-kind and IA assistance.

Recommendations

We recommend that the Regional Administrator, Region 9:

2. Provide AS-EPA and ASPA with guidance and instruction on how to obtain expended in-kind and IA cost data from the Cincinnati Finance Center, and report actual in-kind and IA costs on the FFR.
3. Verify consistent treatment of in-kind and IA funding in the Region 9 CCAs.

Agency Response and OIG Evaluation

Region 9 concurred with Recommendations 2 and 3.

For Recommendation 2, Region 9 stated:

[Region 9] Grants Management Office will work with the project officers for these CCAs in the Infrastructure Section and the Pacific Islands Office to ensure ASPA and AS-EPA are provided guidance and instruction on obtaining and recording actual expended in-kind and IA cost data. This effort will be completed in conjunction with the award of the FY 16 CCAs....

Region 9 provided a planned completion date of September 30, 2016. The OIG concurs with the agency's proposed actions, and, when implemented, the corrective actions will satisfy the intent of Recommendation 2. This recommendation will remain open pending completion of the proposed corrective action.

For Recommendation 3, Region 9 stated:

[Region 9] Grants Management Office, Infrastructure Section, and Pacific Islands Office will ensure and verify consistent treatment of in-kind and IA funding in the CCAs beginning with this year's FY 16 awards....

Region 9 provided a planned completion date of September 30, 2016. The OIG concurs with the agency's proposed actions, and, when implemented, the corrective actions will satisfy the intent of Recommendation 3. This recommendation will remain open pending completion of the proposed corrective action.

Region 9's complete response to the discussion draft is in Appendix A.

Chapter 4

Region 9 Project Files Were Not Readily Accessible to Third Parties

Region 9 CCA project files were not readily accessible to others (third parties). EPA's Records Management Policy CIO 2155.3 requires EPA offices to maintain electronic records in an approved electronic records management system that allows access by staff to access the information for appropriate business reasons. The project officers did not follow EPA records management policies, and there is no assurance that relevant documents and other information are properly stored and easily accessible. We were only able to obtain information piecemeal, making it difficult to determine the adequacy of project officer performance. As a result, it was difficult to assure that Region 9 was effectively monitoring the \$68 million awarded in CCAs to American Samoa.

Requirements for Project Officer Files

Records Management Policy CIO 2155.3 states that each office within the EPA is required to establish and maintain a records management program with the following minimum requirements:

- Create, receive and maintain records providing adequate and proper documentation and evidence of the EPA's activities.
- Manage records in any format.
- Maintain electronic records in an approved electronic records system.
- Ensure non-electronic records are managed appropriately in paper-based official recordkeeping systems that facilitate preservation, retrieval, use and disposition if they are not appropriate for scanning (or digitization).
- Maintain records so they can be accessed by staff who need to know information for appropriate business reasons.

Section 1.3 of the EPA's Assistance Agreement Almanac states that project officers must keep files for each of their executed grants. The files should include both official records and non-official copies of specified administrative records, such as the grant award document and amendments. Some administrative and programmatic records—such as applications, emails, electronic correspondence, funding recommendations, awards, administrative and programmatic monitoring reports, FFRs, and vouchers—are maintained in electronic systems like the Integrated Grants Management System and Compass. These systems do not currently meet the requirements for an electronic recordkeeping system, so any

records must be printed out and captured in a paper recordkeeping system or an approved electronic system.

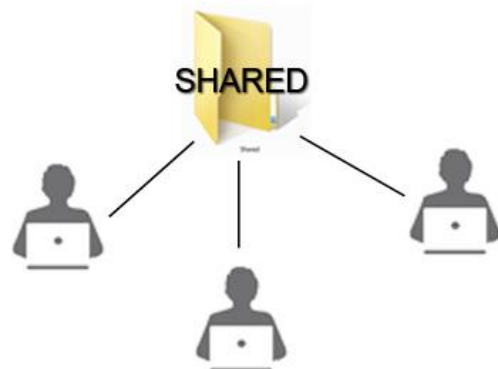
The EPA's Records Management Manual, February 2007, states that an office may choose to maintain specific types of records in a central location while maintaining other types of records at individual work stations. Records maintained at individual work stations should be required to be identified in the recordkeeping system so that everyone in the office can locate the records. Computer drives, backup tapes, and software applications such as Lotus Notes are not recognized recordkeeping systems. However, in the absence of an electronic recordkeeping system, offices may establish network directories using the agencywide file structure to facilitate access and retrieval of the electronic copy, while maintaining the record copy in a paper recordkeeping system.

Region 9 Project Files Were Not Readily Accessible

The project officer files were maintained on their computer desktops and were not readily accessible by others. As a result, Region 9 staff did not comply with records management policies.

During the course of the audit, the OIG requested the CCA project officer files. Official hardcopy project officer files are no longer maintained. Instead, the project officers store data electronically in multiple ways. At this time, there is no central database for project officer files that would provide access for an independent third-party review. The Region 9 project officers readily provided data to the OIG upon request. However, the issue remains that project files were not readily available for third-party review.

AS-EPA project files are mostly electronic and maintained on the project officer's computer hard disk, not a share drive. The project officer stated that it would be a good idea to have the documents on a share drive so that project officers could have model documents and share methods and procedures. He was also concerned that documents could be lost when staff retire or transfer.



Graphic illustrating the shared drive concept the project officer referred to. (EPA OIG image)

ASPA project files are not in an official electronic consolidated grant project file. The material are scattered, with correspondence located in the project officer's email and other documents in multiple electronic folders on the project officer's hard drive. The project officer said he had a folder for each drinking water and waste water project, and plans to move material to the share drive in the future. The project officer was not aware of an electronic records system requirement.

While the Region 9 project officers have been using the electronic format, they have not ensured that relevant documents and other information are stored in an organized and reviewable location that is easily accessible.

Limited Access to Files Makes It Difficult to Assess Project Officer Performance

The OIG obtained only limited access to the project files for AS-EPA and ASPA. The project officer files were not readily available for OIG review. We were only able to obtain information piecemeal, making it difficult to determine the adequacy of project officer performance. As a result, it was difficult to assure that Region 9 was effectively monitoring the \$68 million awarded in CCAs.

Recommendations

We recommend that the Regional Administrator, Region 9:

4. Require Region 9 project officers to implement EPA Records Management Manual policies concerning electronic project officer files.
5. Plan and implement a common filing repository for territory agreement information to allow accessibility for third-party review.

Agency Response and OIG Evaluation

Region 9 concurred with Recommendations 4 and 5, and stated:

EPA [Region 9] program offices have begun exploring a Sharepoint or similar tool where all award-related documents can be stored and easily shared among the various offices involved. In addition to the Sharepoint site, a standard operating procedure meeting EPA records management protocols will be developed ... to ensure consistent records management procedures across the 11+ programs involved in the consolidated cooperative agreements, to be coordinated by the project officers.

Region 9 also stated:

Additionally, in August 2015, EPA's national Grants Management Council agreed to develop a timetable with milestones and to identify and allocate resources for adopting electronic records management for all 10 EPA Regional Offices. As a result, the Office of Grants and Debarment, in collaboration with Office of Environmental Information (OEI), formed a national work group to identify and evaluate options from a 'One EPA' perspective for

an agencywide electronic grants records system. This system would include all aspects of the grant file (programmatic, administrative and financial).

Region 9 provided a planned completion date of September 30, 2016, for both recommendations. The OIG concurs with the agency's proposed actions, and, when implemented, the corrective actions will satisfy the intent of Recommendations 4 and 5. These recommendations will remain open pending completion of the proposed corrective action.

Region 9's complete response to the discussion draft is in Appendix A.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	9	Review the CCAs to AS-EPA and ASPA to determine the appropriate method of payment, and update the CCAs accordingly.	O	Regional Administrator, Region 9	9/30/16		
2	14	Provide AS-EPA and ASPA with guidance and instruction on how to obtain expended in-kind and IA cost data from the Cincinnati Finance Center, and report actual in-kind and IA costs on the FFR.	O	Regional Administrator, Region 9	9/30/16		
3	14	Verify consistent treatment of in-kind and IA funding in the Region 9 CCAs.	O	Regional Administrator, Region 9	9/30/16		
4	17	Require Region 9 project officers to implement EPA Records Management Manual policies concerning electronic project officer files.	O	Regional Administrator, Region 9	9/30/16		
5	17	Plan and implement a common filing repository for territory agreement information to allow accessibility for third-party review.	O	Regional Administrator, Region 9	9/30/16		

¹ O = Recommendation is open with agreed-to corrective actions pending.

C = Recommendation is closed with all agreed-to actions completed.

U = Recommendation is unresolved with resolution efforts in progress.

Agency Response to Discussion Draft Report




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

MAR 24 2016

MEMORANDUM

SUBJECT: EPA Region 9 Written Response to the Findings and Recommendations of Discussion Document: EPA Region 9 Needs to Improve Oversight over American Samoa's Consolidated Cooperative Agreements
Project No. OA-FY14-0035

FROM: Serena A. McIlwain 
Assistant Regional Administrator, Region 9

TO: Kevin Christensen
Assistant Inspector General for Audit
Office of Inspector General

EPA Region 9 has reviewed the subject discussion document. We appreciate the opportunity to provide comments on the report and we look forward to our continuing collaboration with the OIG to enhance EPA management of the Pacific Island Territories environmental and construction grant programs.

In summary, EPA Region 9 concurs with each of the OIG's recommendations in the discussion draft report and has begun to implement many of them.

Our comments on the recommendations and findings are attached.

If you have any questions regarding this response, please contact Mike Montgomery, Assistant Director, Water Division, at (415) 947-3537 and regarding the audit, please contact Magdalen Mak, Audit Follow-up Coordinator, EMD-4-1 at (415) 972-3773.

Attachment

cc: Michael D. Davis, Director, OIG
Heather Layne, Project Manager, OIG
Jennifer Hutkoff, Auditor, OIG
Jan Lister, Auditor, OIG

EPA Region 9's Comments on the OIG's Discussion Document:
EPA Region 9 Needs to Improve Oversight Over American Samoa's Consolidated Cooperative
Agreements

OIG Recommendations

1. *Review the CCA's to AS-EPA and ASPA, determine the appropriate method of payment, and update the CCAs accordingly.*

Responsible: Grants Management Office (EMD) + Infrastructure Section (WTR) + Pacific Islands Office (LND)

Concurrence: EPA Region 9 concurs with the recommendation and, to ensure adequate internal control and oversight, has determined the appropriate method of payment for American Samoa Power Authority (ASPA) and American Samoa Environmental Protection Agency (AS-EPA) will continue to be the advance method with special award conditions.

Status: The Infrastructure Section and Pacific Islands Office will work with the Grants Management Office to ensure implementation of this recommendation with the award of the current year's Consolidated Cooperative Agreements (CCAs) by 09/30/2016. As recommended by the OIG, the Region will draft a note to the CCA files summarizing the method and ensure the grantee's CFO is properly instructed of the method and processing.

2. *Provide AS-EPA and ASPA guidance and instruction on how to obtain expended in-kind and IA cost data from the Cincinnati Finance Center and report actual in-kind and IA costs on the FFR.*

Responsible: Grants Management Office (EMD) + Infrastructure Section (WTR) + Pacific Islands Office (LND)

Concurrence: EPA Region 9 concurs with this recommendation.

Status: Grants Management Office will work with the project officers for these CCAs in the Infrastructure Section and Pacific Islands Office to ensure ASPA and AS-EPA are provided guidance and instruction on obtaining and recording actual expended in-kind and IA cost data. This effort will be completed in conjunction with the award of the FY 16 CCAs by 09/30/2016.

3. *Verify consistent treatment of in-kind and IA funding in the CCAs.*

Responsible: Grants Management Office (EMD) + Infrastructure Section (WTR) + Pacific Islands Office (LND)

Concurrence: EPA Region 9 concurs with this recommendation.

Status: Grants Management Office, Infrastructure Section, and Pacific Islands Office will ensure and verify consistent treatment of in-kind and IA funding in the CCAs beginning with this year's FY16 awards by 09/30/2016.

4. Require Region 9 project officers to implement the EPA's Records Management Manual policies concerning electronic project officer files.

Responsible: Pacific Islands Office (LND) + Infrastructure Section (WTR)

Concurrence: EPA Region 9 concurs with this recommendation.

Status: EPA program offices have begun exploring a Sharepoint or similar tool where all award-related documents can be stored and easily shared among the various offices involved. In addition to the Sharepoint site, a standard operating procedure meeting EPA records management protocols will be developed by 09/30/2016 to ensure consistent records management procedures across the 11+ programs involved in the consolidated cooperative agreements, to be coordinated by the project officers.

Additionally, in August 2015, EPA's national Grants Management Council agreed to develop a timetable with milestones and to identify and allocate resources for adopting electronic records management for all 10 EPA Regional Offices. As a result, the Office of Grants and Debarment, in collaboration with Office of Environmental Information (OEI), formed a national work group to identify and evaluate options from a "One EPA" perspective for an agency-wide electronic grants records system. This system would include all aspects of the grant file (programmatic, administrative and financial). Action on this topic is expected by 09/30/2016.

5. Plan and implement a common filing repository for territory agreement information to allow accessibility for third-party review.

Responsible: Pacific Islands Office (LND) + Infrastructure Section (WTR)

Concurrence: EPA Region 9 concurs with the recommendation.

Status: See response to item 4, above.

Distribution

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