



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



Spending Taxpayer Dollars

Oregon Health Authority's Prior Labor-Charging Practices Under EPA Grants Did Not Meet Requirements

Report No. 16-P-0313

September 12, 2016



Report Contributors:

Angela Bennett
Darren Schorer

Abbreviations

| | |
|-------|--------------------------------------|
| CFR | Code of Federal Regulations |
| DWSRF | Drinking Water State Revolving Fund |
| EPA | U.S. Environmental Protection Agency |
| OIG | Office of Inspector General |
| PHD | Public Health Division |
| PWSS | Public Water Supply Supervision |

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At a Glance

Why We Did This Audit

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), conducted this audit to determine whether labor-charging practices at the Oregon Health Authority's Public Health Division (PHD) comply with federal requirements. The OIG also sought to determine the effect of any noncompliance on amounts PHD claimed under EPA grant awards.

The Oregon Health Authority has received EPA funding in such areas as the Drinking Water State Revolving Fund, Public Water System Supervision and Lead-Based Paint.

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

- *Protecting America's waters.*
- *Ensuring the safety of chemicals and preventing pollution.*
- *Working toward a sustainable future.*

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Oregon Health Authority's Prior Labor-Charging Practices Under EPA Grants Did Not Meet Requirements

What We Found

The Oregon Health Authority's PHD did not always comply with federal labor-charging requirements. Prior to May 2014, PHD charged labor, fringe benefits and indirect costs to its Drinking Water State Revolving Fund, Public Water System Supervision and Lead-Based Paint grants based on budget allocations rather than actual activities performed. Also, employee certifications for those charging solely to one grant were not sufficient.

PHD's practice prior to May 2014 of charging labor hours based on budget allocations rather than actual activities, as well as insufficient employee certifications, resulted in more than \$12 million in unsupported costs.

The Code of Federal Regulations (CFR), in 2 CFR Part 225, requires that where employees work on multiple activities or cost objectives, labor charges must be based on the after-the-fact distribution of an employee's actual activity. Labor charges should also be supported by employee-signed personnel activity reports or the equivalent. A periodic certification of time charges is also required for those employees working solely on one grant. Oregon's statewide online system allows employees to override the assigned codes and enter hours based on actual activity. However, despite state guidance, prior to May 2014, PHD employees did not use the override function. PHD staff and employees said they were unaware of the override function.

In response to an EPA administrative review, PHD updated its employee time reporting guidance, and starting in May 2014, PHD employees began properly reporting costs. However, we still question as unsupported the \$12,136,214 in labor, fringe benefits and related indirect costs claimed by PHD on EPA grants prior to May 2014.

Recommendations and Recipient's Response to Draft Report

We recommend that the Regional Administrator, Region 10, disallow and recover \$12,136,214 of unsupported labor and related fringe benefits and indirect costs claimed prior to May 2014, unless Oregon PHD can provide support for the labor charges. The region should also identify and recover any unsupported costs prior to May 2014 from any other PHD-administered EPA grants not covered by this audit. PHD concurred with the findings, but did not agree with the recommendation to disallow the labor costs, noting it provided a comparative analysis of payroll charges to support its position, plus it is now in full compliance with grant requirements. We acknowledge that PHD's labor-charging practices are currently in compliance with requirements, but the analysis provided does not support that labor costs prior to May 2014 meet federal requirements. Region 10 did not respond to the draft report and understands it has the opportunity to respond to the final report. The recommendations remain unresolved.



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

THE INSPECTOR GENERAL

September 12, 2016

MEMORANDUM

SUBJECT: Oregon Health Authority's Prior Labor-Charging Practices Under
EPA Grants Did Not Meet Requirements
Report No. 16-P-0313

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: Dennis McLerran, Regional Administrator
Region 10

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA-FY15-0118. 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. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

EPA Region 10's Office of Water and Watersheds administers and manages project grants to the states, including the Drinking Water State Revolving Fund and the Public Water Supply Supervision programs. Region 10's Office of Compliance and Enforcement administers and manages the Lead-Based Paint program.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 120 days, or on January 10, 2017. You should include planned corrective actions and completion dates for all unresolved recommendations. Your response will be posted 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.

We will post this report to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), conducted this audit to determine whether labor-charging practices at the Oregon Health Authority's Public Health Division (PHD) comply with federal requirements. The OIG also sought to determine the effect of noncompliance on amounts PHD claimed under EPA grant awards.

Background

On July 1, 2011, the Oregon Legislature split the state's old Department of Human Services into two agencies: the Department of Human Services and the Oregon Health Authority. The PHD is one of several divisions within the Oregon Health Authority. PHD's mission is to promote health and prevent the leading causes of death, disease and injury in Oregon. PHD programs funded by the EPA include drinking water, operator certification, lead-based paint, beach monitoring, and radon awareness. As of October 19, 2015, PHD had approximately \$32 million in active EPA grants. PHD had closed another \$85.7 million in grants over the last 3 years

In April 2013, staff in EPA Region 10's Grants Administration Unit performed a review of EPA Grant No. PB96054202 (lead program) awarded to PHD. The review focused on programmatic and technical aspects of the grant, as well as the level of full-time equivalents and payroll charges. This review, focusing on the 6-month period ending March 31, 2013, disclosed that the payroll documentation system did not meet the requirements of the Code of Federal Regulations (CFR) in 2 CFR Part 225. Specifically, the payroll documentation did not provide a distribution of salaries or wages supported by personnel activity reports or equivalent documentation. As a result, Region 10 questioned labor costs charged under the grant. Based on discussions with Region 10 staff, the questioned cost issue remains unresolved.

In response to the EPA administrative review, PHD updated its employee time reporting guidance. The PHD also revised time and activity reports used for supervisory review of employee time charges. The changes became effective for the pay period beginning May 2014.

We initiated this audit to evaluate PHD's compliance with federal requirements on all of its EPA grant programs, and its updated guidance and labor-charging practices.

Responsible Offices

EPA Region 10's Office of Water and Watersheds administers and manages project grants to the states, including the Drinking Water State Revolving Fund (DWSRF) and the Public Water Supply Supervision (PWSS) programs. Region 10's Office of Compliance and Enforcement administers and manages the Lead-Based Paint program.

Scope and Methodology

We conducted this performance audit from October 19, 2015, to May 18, 2016, in accordance with generally accepted government auditing standards. 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We used information in the EPA's Integrated Grants Management System to identify the grants with the most labor and fringe benefits. Our analysis included both open and closed grants. We searched the system for grants and cooperative agreements awarded to the PHD that were open from October 19, 2012 to October 19, 2015. The audit universe cut-off date was established to ensure that all grants selected for review were within the 3-year record-retention period required by 40 CFR § 31.42(b). We identified 21 grants within the applicable period.

We reviewed the grant budgets to determine the amount of labor and fringe benefits the EPA is responsible for funding (EPA share) by program. We totaled the EPA share for all programs and determined the percentage of the total EPA share by program. We focused our audit on the three programs with the highest percentage of the total EPA share—DWSRF, PWSS and Lead-Based Paint. Table 1 shows all EPA-funded programs, the total award amount, the EPA's share of labor and fringe benefits, and the percentage of the total EPA share by program.

Table 1: EPA share of labor and fringe benefits by program

| Program | Total | EPA's share | EPA's percent of total EPA share |
|------------------------|---------------------|---------------------|----------------------------------|
| DWSRF | \$11,880,041 | \$8,629,247 | 56.17% |
| PWSS | 4,725,017 | 3,400,058 | 22.13% |
| Lead-Based Paint | 2,236,747 | 2,236,747 | 14.56% |
| Operator certification | 430,488 | 430,488 | 2.80% |
| Indoor Radon | 598,588 | 299,294 | 1.95% |
| Beach Monitoring | 270,480 | 270,480 | 1.76% |
| DWSRF – ARRA* | 96,299 | 96,299 | 0.63% |
| Totals | \$20,237,660 | \$15,362,613 | |

Source: OIG-generated table using data from the EPA's Integrated Grants Management System.

*ARRA: American Recovery and Reinvestment Act

Within the three programs, there were 14 open grants from October 19, 2012, to October 19, 2015. The 14 grants represent approximately 93 percent of the EPA's share of labor and fringe benefits budgeted for the grants in our universe. Appendix A of this report contains a summary of the 14 grants. Nine of the 14 grants were subsequently closed after October 19, 2012.

To address PHD's labor-charging practices, we:

- Discussed labor-charging practices and policies with PHD management.
- Selected a judgmental sample of payroll transactions from each of the grant programs for testing; the sample included transactions before and after the change in payroll practices in May 2014.
- Interviewed selected employees to determine current labor-charging practices.

To determine the effect of noncompliance, we identified 11 grants with costs claimed prior to May 2014. For those grants, we obtained accounting records and reconciled the recorded amounts to the Standard Form 425, *Federal Financial Report*, and the EPA's Compass Data Warehouse records, as appropriate. We identified labor and related fringe benefits and indirect costs claimed prior to May 2014.

Chapter 2

Labor-Charging Practices Did Not Comply With Federal Requirements

PHD did not comply with federal requirements for charging labor and related fringe benefits and indirect costs prior to May 2014. PHD charged the costs based on budget allocations rather than actual activities performed. Also, employee certifications for those employees working solely on one grant are not sufficient. Title 2, CFR Part 225, Appendix B, provides pertinent guidance as follows:

- Section 8.h.(4) requires that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel or equivalent documentation that meet the standards in Section 8.h.(5).
- Section 8.h.(5)(a) states the documentation must reflect an after-the-fact distribution of the actual activity of each employee, and (5)(d) states the documentation must be signed by the employee.
- Section 8.h.(3) requires a periodic certification of time charges for employees who work solely on a single federal award or cost objective.

Based on these requirements, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards. In response to an EPA administrative review, PHD updated its employee time reporting guidance, and starting in May 2014 PHD employees began properly reporting costs. However, we still question as unsupported the \$12,136,214 in labor, fringe benefits and related indirect costs claimed by PHD on EPA grants prior to May 2014.

Labor Charges Based on Budget Estimates

Prior to May 2014, PHD distributed labor charges based on budget estimates entered into the statewide online time charging system. While the statewide online time charging system allowed employees to input actual time, management was unaware of this capability. We identified 11 of the 14 grants reviewed with labor charges prior to May 2014. Table 2 summarizes these costs.

Table 2: Unsupported amounts by grant and cost category

| Program/grant number | Direct labor | Fringe benefits | Indirect costs | Total |
|-----------------------------|---------------------|------------------------|-----------------------|---------------------|
| Lead-Based Paint | | | | |
| PB96054201 | \$827,046 | \$374,406 | \$142,973 | \$1,344,425 |
| PB96054202 | 204,953 | 114,322 | 44,347 | 363,622 |
| PWSS | | | | |
| F00031212 | 523,184 | 293,219 | 97,152 | 913,555 |
| F00031213 | 508,454 | 294,065 | 88,357 | 890,877 |
| F00031214 | 381,776 | 209,935 | 89,940 | 681,652 |
| DWSRF | | | | |
| FS98009008 | 894,400 | 415,976 | 69,188 | 1,379,564 |
| FS98009009 | 1,168,452 | 571,861 | 194,045 | 1,934,358 |
| FS98009010 | 1,388,169 | 712,251 | 197,439 | 2,297,859 |
| FS98009011 | 605,065 | 328,021 | 110,851 | 1,043,937 |
| FS98009012 | 618,006 | 328,202 | 107,111 | 1,053,319 |
| FS98009013 | 154,533 | 78,513 | | 233,046 |
| Grand Total | \$7,274,038 | \$3,720,771 | \$1,141,403 | \$12,136,214 |

Source: OIG-generated table from PHD accounting records.

Payroll System and Time Charging

PHD uses a statewide online system to capture time charges and assigns employees a minimum of one labor cost code, based on budgeted estimates. Multiple labor codes may also be entered based on an employee's duties. The system allows employees the capability to override the assigned codes to enter hours based on actual activity. However, prior to May 2014, employees did not use the override function. As a result, labor and related fringe benefits and indirect costs were charged based on budgeted percentages rather than actual activity. Although the policy prior to May 2014 required the reporting of actual activity, managers interviewed stated that they were unaware the system allowed for the override of assigned codes. Interviews with selected staff confirmed that employees did not override the assigned codes prior to May 2014.

Employees certified their time by signing a paper timesheet both before and after May 2014. However, the timesheet only records regular or leave hours, and does not record hours by grant or cost objective. Changes to policies and procedures, effective May 2014, require employees to track and input time on a daily basis using the statewide online system. Based on these changes, each employee is assigned a labor cost code based on the employee's funding source or grant. Employees are required to override the assigned code and enter hours worked based on actual activity. The system now provides a Timesheet Audit and Control Report that documents employee hours by grant. The report documents the employee's assigned codes and override activity. Supervisors review the Timesheet Audit and Control Report and lock the employee's time. Once locked, the employee is unable to make changes.

Our testing showed that, since May 2014, there is evidence supporting that labor hour charges are based on actual activity. Review of the Timesheet Audit and Control Report indicated that employees used the override codes. Also, selected employees confirmed in interviews that they now track their time based on actual activity and override assigned codes as necessary. However, if an employee does not log onto the system daily, their time will be charged to their primary assigned code, and must be updated with actuals prior to submission.

Employee Certification

We identified some employees who charged 100 percent of their time to one grant. Title 2 CFR Part 225, Section 8.h.(3), requires periodic certification of labor charges for employees charging to a single federal award or cost objective. The certification should state that the employees worked solely on that program for the period covered by the certification. Prior to July 2013, PHD required employees who work on federal awards to certify their labor charges. Since July 2013, PHD has not required employees to sign certifications. With employees charging and attesting to actual activities, periodic certifications are no longer needed. Our review of a sample of certifications showed that the certifications are not sufficient to meet the 2 CFR Part 225 requirements. Therefore, we are unable to accept the certifications as support for the costs claimed prior to May 2014. We base our conclusion on the following:

- Employees who charged to federal grants signed certifications regardless of whether they worked multiple charge codes or just one charge code.
- Time charges for all employees (whether charging 100 percent to a single federal grant or not) were based on budget estimates.

Recommendations

We recommend that the Regional Administrator, Region 10:

1. Disallow and recover \$12,136,214 of unsupported labor and related fringe benefits and indirect costs claimed prior to May 2014 under the Drinking Water State Revolving Fund, Public Water Supply Supervision and Lead-Based Paint programs, unless the Oregon Health Authority's Public Health Division can provide support for the labor charges that complies with 2 Code of Federal Regulations Part 225.
2. Identify and recover any unsupported costs claimed prior to May 2014 under any other Oregon Health Authority Public Health Division-administered EPA grants not covered by this audit, or the cost-impact determination.

Auditee Response

The Oregon Health Authority's PHD stated that the draft report was factual, and it concurred with the findings. However, PHD did not agree with the recommendation to disallow the labor costs for the programs reviewed. In support of its response, PHD provided a comparison of payroll expenses for the 2-year period prior to implementing its current process to the 1-year period after implementation. PHD stated that the analysis shows limited differences in payroll expenses before and after implementation of its current process, which includes the override of codes to reflect actual charges.

Under the drinking water programs, staff that are assigned to drinking water work funded by EPA grants are housed in a single organizational unit. PHD stated that drinking water programs have received generally stable federal funding and staffing over recent years. PHD states that, given the centralized organization of drinking water staff and the stability of funding and staffing, the analysis demonstrates that payroll expenses are not materially different before and after the work charge code override implementation.

PHD stated that the Lead-Based Paint program's funding and expenditures are more variable. Staff-work assignments fluctuate as needed to meet specific grant deliverables in any given year. Vacancies also contributed to the payroll variation.

Overall, PHD believes it expends funds for purposes outlined in EPA-approved work plans, and that its work performance has been verified by periodic reviews by EPA Region 10. PHD also stated that it has brought labor charging into full compliance with EPA grant requirements. For these reasons, PHD believes disallowing and recovery of expended funds by the EPA is not warranted.

EPA Comments

EPA Region 10 stated it would not respond to the draft report and understands it will have the opportunity to respond to the final report.

OIG Comment on Auditee Response

We acknowledge that the funding for the drinking water programs has been stable. We also acknowledge that PHD has brought its labor-charging practice into compliance with federal grant requirements. We reviewed PHD's analysis of payroll expenses and believe that PHD needs to provide additional documentation to support its conclusion that disallowing and recovery of expended funds is not warranted.

As discussed in Chapter 2 of this report, 2 CFR Part 225, Appendix B, Sections 8.h.(4), 8.h.(5)(a) and 8.h.(5)(d) provide specific requirements pertaining to labor charging. The fact that there are limited differences in payroll expenses before and

after implementation of override codes does not address the finding that PHD charged labor and related fringe benefits and indirect costs based on budget allocations rather than actual activities performed. The data provided by PHD only include EPA payroll expenses and do not provide other sources of funding available. The analysis should provide the distribution of employee hours worked for all available funding sources, including state matching funds. The analysis should demonstrate that distribution of hours to all activities or cost objectives prior to May 2014 is comparable to the distribution of hours from May 2014 forward. Thus, we consider Recommendation 1 to be unresolved.

PHD did not address Recommendation 2, concerning costs claimed prior to May 2014 under any other PHD-administered EPA grants not covered by this audit. Therefore, we also consider Recommendation 2 to be unresolved.

We held an exit conference with PHD and EPA Region 10 on August 22, 2016, to discuss the findings and recommendations.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

| Rec. No. | Page No. | Subject | Status ¹ | Action Official | Planned Completion Date | Potential Monetary Benefits (in \$000s) |
|----------|----------|--|---------------------|--------------------------------------|-------------------------|---|
| 1 | 6 | Disallow and recover \$12,136,214 of unsupported labor and related fringe benefits and indirect costs claimed prior to May 2014 under the Drinking Water State Revolving Fund, Public Water Supply Supervision and Lead-Based Paint programs, unless the Oregon Health Authority's Public Health Division can provide support for the labor charges that complies with 2 Code of Federal Regulations Part 225. | U | Regional Administrator, Region 10 | | \$12,136 |
| 2 | 6 | Identify and recover any unsupported costs claimed prior to May 2014 under any other Oregon Health Authority Public Health Division-administered EPA grants not covered by this audit, or the cost-impact determination. | U | Regional Administrator, Region 10 | | |

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.

Grants Selected for Review

| Grant number | Project start date | Project end date | Closed date | Total project costs | Award amount | Budgeted labor | Budgeted fringe benefits | Budgeted labor and fringe benefits | EPA's share of labor and fringe benefits |
|--------------|--------------------|------------------|-------------|----------------------|---------------------|---------------------|--------------------------|------------------------------------|--|
| F00031215 | 10/01/2014 | 09/30/2015 | Open | \$2,325,515 | \$1,624,000 | \$769,665 | \$426,394 | \$1,196,059 | \$835,256 |
| FS98009012 | 08/01/2012 | 07/31/2015 | Open | 14,265,412 | 9,863,460 | 1,155,545 | 640,173 | 1,795,718 | 1,241,604 |
| FS98009013 | 08/02/2013 | 07/31/2018 | Open | 10,947,300 | 8,421,000 | 624,614 | 346,037 | 970,651 | 746,655 |
| FS98009014 | 07/01/2014 | 06/30/2019 | Open | 16,331,900 | 12,563,000 | 1,638,491 | 875,942 | 2,514,433 | 1,934,179 |
| PB00J90401 | 10/01/2014 | 09/30/2015 | Open | 238,022 | 238,022 | 108,645 | 60,406 | 169,051 | 169,051 |
| | | Subtotal | | \$44,108,149 | \$32,709,482 | \$4,296,960 | \$2,348,952 | \$6,645,912 | \$4,926,745 |
| F00031212 | 10/01/2011 | 09/30/2012 | 01/07/2013 | \$2,233,332 | \$1,674,500 | \$754,072 | \$417,756 | \$1,171,828 | \$878,609 |
| F00031213 | 10/01/2012 | 09/30/2013 | 01/02/2014 | 2,233,332 | 1,582,000 | 754,072 | 417,756 | 1,171,828 | 830,074 |
| F00031214 | 10/01/2013 | 09/30/2014 | 01/07/2015 | 2,248,439 | 1,624,000 | 762,749 | 422,553 | 1,185,302 | 856,119 |
| FS98009008 | 01/01/2009 | 12/31/2013 | 03/25/2014 | 14,294,400 | 11,912,000 | 834,413 | 391,255 | 1,225,668 | 1,021,390 |
| FS98009009 | 09/01/2009 | 08/30/2013 | 12/23/2013 | 14,294,400 | 11,912,000 | 1,094,751 | 582,406 | 1,677,157 | 1,397,631 |
| FS98000010 | 07/01/2010 | 06/30/2014 | 02/03/2015 | 16,287,600 | 13,573,000 | 1,053,906 | 530,114 | 1,584,020 | 1,320,017 |
| FS98009011 | 11/01/2011 | 10/31/2014 | 02/25/2015 | 12,228,400 | 9,418,000 | 808,598 | 447,964 | 1,256,562 | 967,772 |
| PB96054201 | 10/01/2007 | 09/30/2012 | 01/13/2014 | 1,889,520 | 1,580,121 | 1,016,851 | 523,298 | 1,540,149 | 1,540,149 |
| PB96054202 | 10/01/2012 | 09/30/2012 | 01/21/2015 | 686,404 | 557,814 | 339,477 | 188,070 | 527,547 | 527,547 |
| | | Subtotal | | \$66,395,827 | \$53,833,435 | \$7,418,889 | \$3,921,172 | \$11,340,061 | \$9,339,308 |
| | | Total | | \$110,503,976 | \$86,542,917 | \$11,715,849 | \$6,270,124 | \$17,985,973 | \$14,266,053 |

Source: OIG-generated table from data obtained from the EPA's Integrated Grants Management System.

Oregon Health Authority PHD's Response to Draft Report

[Submitted by email July 6, 2016]

John M. Trefry
Director, Forensic Audits
Office of Inspector General
U.S. EPA
Washington D.C. 20460

Dear Mr. Trefry:

We received and reviewed the Draft Report, *Oregon Health Authority's Prior Labor Charging Practices Did Not Meet Requirements*. The draft report is factual, and we concur with the findings. While we do not concur with the recommendations to disallow the labor costs for the programs reviewed, we offer this response and supporting documentation.

Please find attached our analysis of payroll expenses for the two years prior to implementing work charge code overrides, compared to the one year period after implementing overrides. Payroll expenses are presented by EPA grant type for both the Lead Program and Drinking Water Services. Detailed documentation is attached supporting the payroll expenses cited. This analysis shows that there are limited differences in payroll expenses before and after implementation of labor charge overrides.

Oregon Health Authority (OHA) Public Health Division staff assigned to drinking water work funded by EPA grants is housed in a single organizational unit, Drinking Water Services (DWS), located within the Center for Health Protection. The only exception is several staff that conduct drinking water laboratory accreditation required under our primacy agreement with EPA, and these staff are located in the Public Health Laboratory within the Center for Health Practice. Drinking Water Services has generally stable federal funding and staffing over recent years, as well as generally stable work assignments outlined in detail in annual work plans that are approved by EPA Region X as part of the annual grant award process. In addition, EPA region project officers review DWS performance periodically for conformance to approved work plans. Given the centralized organization of drinking water staff and the stability of funding and work plan functions, the attached analysis demonstrates that payroll expenses are not materially different before and after work charge code override implementation. The limited variation that is evident year-to-year results from individual staff work assignments necessary to meet workloads during specific time periods, notably in the local assistance set asides for capacity development and protection implementation. In addition, staff were assigned more tasks in set aside work as we strove to expend legacy Unliquidated Obligations as requested by EPA.

The Lead-based Paint Program's funding and expenditures are more variable. Grant funding from the EPA has steadily decreased since 2012. Staff work assignments fluctuate as needed to meet specific grant deliverables in any given year, and vacancies also contributed to the payroll variation. A 2013 EPA audit of the Lead-based Paint Program found that OHA charged a very small amount of payroll to the grant for answering general phone calls about toxics. Due to the small amount involved, EPA declined reimbursement of those grant funds, and OHA assured that that this work is charged to other accounts.

In conclusion, we expend EPA grant funds for purposes outlined in EPA-approved work plans. Our work performance has been verified by periodic reviews by EPA Region X. We have brought labor charging into full compliance with EPA grant requirements. For these reasons, we believe disallowing and recovery of expended funds by EPA is therefore not warranted.

Sincerely,

Jere High

Distribution

Regional Administrator, Region 10
Agency Follow-Up Official (the CFO)
Agency Follow-Up Coordinator
Deputy Regional Administrator, Region 10
Director, Office of Water and Watersheds, Region 10
Director, Office of Compliance and Enforcement, Region 10
Director, Grants and Interagency Agreements Management Division, Office of Administration
and Resources Management
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Administrator, Center for Health Protection, Oregon Health Authority