



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

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Manchester Band of Pomo Indians Needs to Improve Its Financial Management System and Demonstrate Completion of Grant Work

Report No. 16-P-0320

September 21, 2016



Report Contributors:

Angela Bennett
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Abbreviations

CFR	Code of Federal Regulations
CW 106	Clean Water Act Section 106
EPA	U.S. Environmental Protection Agency
FFR	Federal Financial Report
FY	Fiscal Year
GAP	General Assistance Program
OIG	Office of the Inspector General

Cover photos: *Left:* A typical dump site usually found in remote forested areas within reservation boundaries. (EPA OIG photo)
Right: Water quality sampling. (EPA photo)

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At a Glance

Why We Did This Audit

The U.S. Environmental Protection Agency (EPA) Region 9 requested assistance from the Office of Inspector General (OIG) to address concerns related to two questionable cash draws made under grants awarded to the Manchester Band of Pomo Indians in California. Region 9 was also concerned that grant objectives were not being met. The OIG conducted this audit to address the region's concerns and to determine whether the costs claimed under the grants were reasonable, allowable, allocable and properly supported, in accordance with federal regulations and the grant terms and conditions.

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Manchester Band of Pomo Indians Needs to Improve Its Financial Management System and Demonstrate Completion of Grant Work

What We Found

The Manchester Band of Pomo Indians' financial management system did not meet certain federal standards under the Code of Federal Regulations (CFR) in 40 CFR § 31.20 (now in 2 CFR § 200.302). Manchester did not have adequate controls to make sure costs claimed were allowable under federal cost principles, allocable to EPA grants, and adequately supported. Also, Manchester's cash draw procedures did not comply with federal cash management requirements, including for the two cash draws questioned by EPA Region 9. As a result, we questioned \$350,721, or 93 percent, of the \$378,679 claimed.

The Manchester Band of Pomo Indians' inadequate financial management system, and shortfalls in completing grant tasks, resulted in all costs claimed being questioned.

Manchester also could not provide evidence of completion for a significant portion of tasks specified in its EPA grant work plans. Therefore, Manchester did not fully meet its grant objectives. As a result, we questioned all remaining costs, or \$27,959, claimed under the grants.

Recommendations

We recommend that the EPA Regional Administrator, Region 9, disallow all costs claimed, totaling \$378,679, and recover the federal share of \$372,716, unless the Manchester Band of Pomo Indians can support that the costs are allowable and the grant tasks are completed. In addition, we recommend that the region designate Manchester as a high-risk grantee, in accordance with federal regulations, and place appropriate special conditions upon any future awards until Manchester implements sufficient policies and procedures. We also recommend that the region implement special grant conditions for future awards that require completion of grant tasks before payments are made.

Documents summarizing the costs questioned and outlining our audit findings and recommendations were provided to Manchester and EPA Region 9 on June 3, 2016, and discussed with EPA officials on June 6, 2016. However, Manchester did not respond to EPA and OIG requests for discussion of the documents. Consequently the EPA supported the OIG's decision to issue the final report without Manchester's response.



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

THE INSPECTOR GENERAL

September 21, 2016

MEMORANDUM

SUBJECT: Manchester Band of Pomo Indians Needs to Improve Its Financial Management System and Demonstrate Completion of Grant Work
Report No. 16-P-0320

FROM: Arthur A. Elkins Jr. 

TO: Alexis Strauss, Acting Regional Administrator
Region 9

This is our final 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-FY14-0282. 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 9's Water Division and Land Division are the program offices responsible for the issues discussed in this report.

Action Required

In accordance with EPA Manual 2750, you are required to provide us your proposed management decision on the findings and recommendations contained in this report before you formally complete resolution with the grant recipient. Your proposed management decision is due in 120 days, or on January 19, 2017. You should include planned corrective actions and completion dates for all unresolved recommendations. To expedite the resolution process, please email an electronic version of your proposed management decision to trefry.john@epa.gov.

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.

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

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Chapter 1

Introduction

Purpose

The Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) conducted an audit of EPA grants GA-00T38701 and I-00T61912 awarded to the Manchester Band of Pomo Indians. Our objectives were to determine whether Manchester:

- Claimed grant costs that were reasonable, allowable, allocable and properly supported, in accordance with federal regulations and the terms and conditions of the grants.
- Met grant objectives under its two EPA grants.

Background

On April 1, 2014, EPA Region 9 requested assistance from the OIG due to concerns relating to two questionable cash draws made by Manchester in November 2013. Based on discussions with Region 9, the OIG initiated this assignment to determine whether:

- The two cash draws (\$25,000 under each grant) were supported.
- All other cash draws under Manchester's two active EPA grants were supported.
- Applicable cost sharing requirement amounts were supported.
- Timekeeping procedures and policies were in compliance with applicable federal laws, regulations and grant conditions.
- The accounting system was capable of adequate project costing.

Due to higher priority work, the OIG suspended the assignment on October 14, 2014. We re-opened the assignment on February 22, 2016. During a planning meeting with Region 9, we found that Manchester has since submitted final Federal Financial Reports (FFRs) for the EPA grants. Also, the EPA expressed concerns with whether Manchester had completed all required tasks under the grants. As a result, we revised the scope of the assignment to an audit of final costs claimed, including whether the grant objectives were met.

The Manchester Band of Pomo Indians of the Manchester-Point Arena Rancheria is a federally recognized Indian tribe located on the northern coast of California. Manchester has approximately 1,100 members. At the time of fieldwork, Manchester had two active EPA grants:

- Grant GA-00T38701 was awarded under the General Assistance Program (GAP). The objective of the grant was to expand Manchester’s environmental program through a variety of tribal environmental educational classes and workshops for proper disposal of hazardous household waste, recycling, and establishing a sustainable water asset protections system. The associated work plan identified tasks to carry out the grant objectives.
- Grant I-00T61912 was awarded under Clean Water Act Section 106 (CW 106) to provide funding to enhance Manchester’s water pollution control program by developing a Quality Assurance Project Plan and tribal Water Quality Standards, as well as performing education and outreach for tribal members. The associated work plan identified tasks to carry out the grant objectives.

As shown in Table 1, the total grant award amounts were \$477,105, with \$378,679 claimed per the final FFRs submitted on February 26, 2015.

Table 1: EPA grants awarded to Manchester

Grant number	Total project costs	Total EPA award amount	Recipient match	Performance period	Total claimed per final FFR
GA-00T38701	\$329,736	\$329,736	n/a	10/1/10 – 9/30/14	\$259,424
I-00T61912	147,369	140,000	5%	10/1/11 – 9/30/14	119,256
Total	\$477,105	\$469,736			\$378,679*

Source: OIG-generated table with data from EPA grant files and final FFRs.

* Mathematical discrepancy due to rounding.

Responsible Offices

EPA Region 9’s Water Division and Land Division are the offices responsible for the issues discussed in this report. The Water Division manages the Clean Water Act program, while the Land Division manages the Indian GAP program.

Scope and Methodology

We conducted this audit from February 22, 2016, to June 6, 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.

We performed the following steps to determine whether the costs claimed are reasonable, allowable, allocable and properly supported, in accordance with federal regulations and the terms and conditions of the grants:

- Reviewed Manchester's written policies and procedures, and conducted a walk-through of the accounting system to obtain an understanding of the relevant internal controls.
- Reconciled the final FFRs for the two EPA grants to the accounting system records provided by Manchester in support of costs claimed.
- Reviewed grant awards to identify cost sharing requirements, and examined supporting accounting data for compliance with requirements.
- Reviewed supporting documents to determine whether costs claimed are allowable, allocable and properly supported in accordance with federal cost principles and grant terms and conditions.
- Reviewed bank documents to confirm that costs claimed under the EPA grants cleared the bank, and that payees on cancelled checks match the electronic accounting data downloads provided by Manchester.
- Performed duplicate payment tests to identify any potential double charges.

To determine whether the grant objectives were met, we:

- Compared the year-end progress reports to annual work plans.
- Reviewed accomplishments and deliverables reported in progress reports to determine whether all tasks in the work plans were completed.
- Verified the progress report accomplishments to the supporting documentation provided.
- Interviewed Manchester's Chairman, Tribal Administrator and Treasurer to obtain clarifications on the status of work plan tasks.

Chapter 2

Financial Management System Did Not Meet Federal Standards

The Manchester Band of Pomo Indians’ financial management system did not meet certain federal standards under the Code of Federal Regulations (CFR) in 40 CFR § 31.20.¹ Manchester did not have adequate controls to make sure costs claimed were allowable under federal cost principles, allocable to EPA grants, or adequately supported. Cash draws were also not in compliance with federal cash management requirements. As a result, we questioned costs of \$350,721 claimed under the grants. The questioned amount includes ineligible costs of \$178,030 that were either unallowable under federal cost principles or not allocable to the EPA grants. We also questioned costs of \$172,691 that were not supported in accordance with federal requirements. Table 2 presents a summary of questioned costs by grant; a detailed breakdown is in Appendix A.

Table 2: Summary of questioned costs related to financial management deficiencies

	GA-00T38701 (GAP)	I-00T61912 (CW 106)	Total
Claimed	\$259,424	\$119,256	\$378,679*
Questioned			
Ineligible	116,829	61,201	178,030
Unsupported	118,254	54,438	172,691*
Total questioned	235,083	115,638*	350,721*
Federal Share Questioned**	\$235,083	\$109,856*	\$344,939*

Source: Auditee accounting records and final FFRs, and OIG audit results.

* Mathematical discrepancy due to rounding.

** Federal share is 100 percent of project costs for the GAP grant and 95 percent for the CW grant.

We concluded that these deficiencies occurred because Manchester did not have staff with sufficient knowledge of the federal requirements, or adequate policies and procedures. Due to staff turnover, key financial and grants management employees were no longer with Manchester, and current employees do not have knowledge of the accounting practices and procedures used during the grant periods. Since the financial and grants management employees responsible for the transactions under the EPA grants are no longer at Manchester, it is difficult to

¹ During the grant period October 1, 2010 to September 30, 2014, tribes were required by the EPA to maintain adequate financial management systems according to 40 CFR § 31.20. On December 26, 2014, 2 CFR Part 200, the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, became effective for all federal grants. The new relevant section—2 CFR § 200.302—is substantively similar to 40 CFR § 31.20. The noncompliance is the same under either regulation.

assess the employees' knowledge of the federal laws and regulations. However, the type of audit issues discussed in this report indicates a lack of basic knowledge about federal cost principles. Based on our review of the written policies and procedures and the limited source documentation provided for our audit, we concluded the lack of adequate written policies and procedures is also a cause for the financial management deficiencies noted.

Costs Not Allowable or Allocable Under Federal Cost Principles

Manchester claimed costs that were either not allowable or not allocable under federal cost principles. Standards for federal financial management systems under 40 CFR § 31.20 require the grantee to follow federal cost principles, agency program regulations, and the terms of the grant. Federal regulations at 2 CFR Part 225, Appendix A, Section C.1.d and e, also state that, in order for a cost to be allowable, it must:

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

As a result of the deficiencies noted, we questioned ineligible costs of \$178,030, which included unallowable per diem, executive travel and holiday bonuses; and improperly allocated labor, fringe benefit, and other direct costs.

Unallowable Per Diem and Executive Travel

Manchester claimed per diem for travel that totaled less than 12 hours. According to Federal Travel Regulations § 301-11.1(c), employees are entitled to per diem only for trips that are more than 12 consecutive hours. In addition, Manchester claimed travel expenses incurred by the Tribal Chairman. According to 2 CFR Part 225, Appendix B, Section 19.a.(1), salaries and expenses of the chief executive of a tribe are unallowable. Section 43.a. allows for an exception when prior approval is given by the awarding agency, but there was no evidence of the EPA's prior approval for the Tribal Chairman's travel.

Unallowable Holiday Bonuses

Manchester paid holiday bonuses to selected employees in 2012 and 2013. Bonuses are fringe benefits under the definition of 2 CFR Part 225, Appendix B, Section 8.d.(1), and are allowable to the extent that the benefits are reasonable and required by law, governmental unit-employee agreement, or an established policy

of the governmental unit. Based on our review, a holiday bonus was not required by law or employee agreement, and was not an established policy for the tribe.

Improperly Allocated Costs

Manchester claimed costs not allocable to the EPA grants. According to 2 CFR Part 225, Appendix A, Section C.1.b., in order for a cost to be allowable, it must be allocable to federal award(s). However, we found that Manchester's final FFRs for the EPA grants included costs that should not have been allocated to the EPA grants. Specifically:

- Manchester included labor, fringe benefit, and other direct costs related to non-EPA grants. These costs should have been charged to the U.S. Department of the Interior's Bureau of Indian Affairs, Indian Health Services, and Native American Housing Assistance and Self Determination Act projects costs.
- Manchester claimed travel and training costs for employees not performing work under the EPA grants.
- The CW106 final FFR included costs for drinking water activities, which are not part of the clean water grant scope of work.

Manchester also claimed indirect-type costs, such as single audit, office supply, computer repair and vehicle-related expenses, where benefit received is not readily identifiable to specific cost objectives or grant programs. These costs were charged to EPA grants without justification or a documented consistent allocation method. These issues occurred because Manchester did not have policies and procedures for charging expenditures as direct or indirect costs. Without a documented method of allocating indirect costs, there is no assurance that the costs are equitably allocated according to the relative benefits derived.

Costs Not Supported by Adequate Documentation

Manchester also could not provide adequate documentation to support a significant portion of the costs claimed. Specifically:

- Support for personnel costs did not meet federal requirements.
- Salary and fringe benefit adjustments for 2014 were not properly supported.
- Support for salaries and fringe benefits is not reliable.
- Support for other direct costs lacked the details needed to determine whether the costs are allowable and allocable to the grants.

As a result, we questioned \$172,691 of labor, fringe benefit, and other direct costs claimed as unsupported.

Support for Personnel Costs Did Not Meet Federal Requirements

Manchester's support for personnel-related costs (salaries, wages, fringe benefits and taxes) did not meet federal requirements. Manchester used Time Trax, a clock-in and clock-out system, as the sole support for timekeeping and payroll purposes. Employees did not track actual work performed or labor distribution to the various final cost objectives, and did not certify that they worked solely on a single cost objective. This practice did not meet the requirements of 2 CFR Part 225, Appendix B, Section 8.h.3 and 8.h.4, which states:

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5).

Two of the requirements under Section 8.h.(5)(a) and 8.h.(5)(d) are that personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, and must be signed by the employee.

According to the current Chairman (formerly Water Technician and Solid Waste Recycle Manager), the environmental directors at the time may have distributed time charges based on each employee's planned work schedules. For example, the Solid Waste Recycle Manager would do recycle work every Thursday; however, Manchester was unable to show the distribution for each employee or their work schedules. Even if the distribution was based on planned work schedules, it would not meet the federal requirements, as a planned work schedule is an estimate and not an after-the-fact distribution of the actual activities.

Manchester does not have procedures or guidance for timekeeping and payroll processing. For example, the policies and procedures did not mention the need for tracking actual work performed or labor distribution, and Manchester has not developed timesheets or other documents to comply with federal requirements.

Although the employees clock in and out using Time Trax, there was no policy about the employees' and supervisors' responsibilities in connection with payroll and timekeeping, aside from leave approval. The policies also did not address the general roles and responsibilities for timesheet preparation, input, approval and processing. As a result, the employees' only involvement in timekeeping was clocking in and out. There was no supervisor signature or approval. Also, adjustments made to the Time Trax records were not signed by the employees or their supervisors. There was no evidence of the employees or supervisors attesting to the accuracy of the labor activities charged to the grants.

Salary and Fringe Adjustments Not Properly Supported

The amounts claimed included 2014 salaries, fringe benefits and payroll taxes that had not been recorded in Manchester's accounting system (QuickBooks). Manchester added these costs to the final FFRs based on their payroll service's annual payroll records. Total annual salaries and benefits for the water technician and environmental director were allocated between the two EPA grants. However, Manchester was unable to explain the basis for the allocation, and the allocation percentage between salaries/wages and fringe benefits/taxes were inconsistent. In addition, the annual salaries and benefits were not supported by labor distribution of the actual work performed, as explained in the subsection above.

The allocation issue was due to the lack of staff with sufficient knowledge about federal requirements for FFR preparation. During our site visit, the Tribal Administrator said that they did not understand the line items in the final FFRs, and that the final FFRs were prepared with the help of EPA staff in the Las Vegas Finance Center. Manchester maintained binders with some supporting data, but they were unable to explain the data in the binders.

Support for Salaries and Fringes Is Not Reliable

Our review of the payroll documents for the pay period ended June 29, 2014, noted that the actual hours paid to the employees did not always match the Time Trax records. In all cases, the hours paid, as shown in the payroll service's payroll reports, exceeded the Time Trax amount. Hours were manually adjusted upward without the employee's or supervisor's signature, and some of the adjustments did not include an explanation or justification. The issues occurred because Manchester did not have policies regarding the employees' and supervisors' responsibilities in connection with payroll and timekeeping. As a result, Manchester's support for personnel charges is not reliable.

Other Direct Costs Not Properly Supported

A significant portion of the costs claimed were not properly supported with source documentation. Examples include:

- Total travel costs claimed without providing the breakout by cost type (per diem, lodging, mileage, etc.) need to determine the costs are allowable and reasonable.
- Lodging costs without hotel receipts, nightly rate, or properly identifying the employees to whom the costs are attributed.
- Gas payments that did not include information about the associated vehicle, driver or grant project.
- Vehicle license fees, insurance, and general repair and maintenance costs charged to the grants without evidence to show that the vehicles were dedicated to the grant projects.

Under 40 CFR § 31.20,² the grantee’s financial management system must provide records that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant outlays or expenditures.

Federal regulations at 2 CFR Part 225, Appendix A, Section C.1.j, also states that for a cost to be allowable, it must *be adequately documented*.

Manchester’s policies for travel only required prior written approval by the supervisors and the Business Committee. The policies did not provide guidance on what needs to be submitted for the prior approval. The policies also did not require travel authorization, receipts or travel voucher. All of Manchester’s travel approvals were in the form of a cash advance check request. Some of the requests were not prepared by the traveler and did not contain signatures of the travelers or their supervisors attesting to the purpose of the trip and the funds requested. Some of the check requests also did not explain the purpose or length of the trip. After the trips, the travelers did not submit a voucher or other documents to reconcile actual costs incurred to the travel advances. As a result, travel costs were often not properly supported.

Manchester did not have a policy that addressed the support for and charging of the vehicle-related expenses. As discussed in the section above, under the subsection “Improperly Allocated Costs,” Manchester did not have policies that addressed the charging of direct versus indirect costs. Such a policy would have addressed the charging of vehicle-related expenses.

Without the necessary supporting details to link the costs to the projects, there is no assurance that the costs claimed are allocable to or allowable under the grants.

² As discussed in footnote 1, the new regulation under—2 CFR § 200.302—is substantively similar to 40 CFR § 31.20.

Cash Draws Did Not Comply With Requirements

Manchester's cash draws did not comply with federal cash management requirements. According to 40 CFR § 31.20(b)(7),³ the grantee's financial management system must meet the cash management standards. The standards require the grantee to have procedures in place to minimize the time between the cash draws from the U.S. Treasury to the grantee. The grantee is required to make cash draws for its immediate cash needs (i.e., to make timely disbursements).

The employees who were responsible for cash draws under the EPA grants are no longer with Manchester. The current employees have no information or documentation to support cash draws made under the EPA grants, including the two \$25,000 questionable draws identified by EPA Region 9. According to Manchester's former Environmental Director, as well as Manchester's current Treasurer (who is responsible for cash draws for the U.S. Department of the Interior's Bureau of Indian Affairs grants—Manchester's only remaining federal funding source), cash draws were taken as soon as the federal funds became available, and were not based on actual expenditures incurred, historical data, or cash needed for immediate disbursements. This practice does not make sure drawdowns are made as close as possible to the time of disbursement.

To address EPA Region 9's initial concern regarding the two \$25,000 cash draws, we reviewed the bank statements and cancelled checks applicable to the EPA grants. Our review found no indication of fraudulent payments.

Conclusion

Manchester's financial management system was not adequate for ensuring that all claimed costs under its EPA grants were adequately supported by appropriate documentation, and that all costs claimed were allowable and allocable to EPA grants. An adequate system would include written policies and procedures implemented by personnel and staff to comply with federal laws and regulations. Overall, Manchester did not have the capability to manage federal grants, and its financial management system does not meet federal standards. As a result, Manchester should be designated as a "high-risk" grantee in accordance with 40 CFR § 31.12.⁴

³ As discussed in footnote 1, new regulations became effective on December 26, 2014. The new regulations under 2 CFR § 200.302(b)(6) and 200.305 have substantively similar requirements as 40 CFR § 31.20(b)(7).

⁴ The new regulations under 2 CFR § 200.205 and 200.207 are substantively similar to 40 CFR § 31.12. While the term "high risk" is not used under 2 CFR Part 200, both regulations consider the recipient's inability to meet management system standards a risk, and set forth similar special award conditions to be imposed.

Recommendations

We recommend that the EPA Regional Administrator, Region 9:

1. Disallow ineligible costs of \$178,030 claimed by the Manchester Band of Pomo Indians and recover the ineligible federal share of \$174,970.
2. Disallow unsupported costs of \$172,691 and recover the unsupported federal share of \$169,970, unless the Manchester Band of Pomo Indians provides supporting documentation that meets federal requirements.
3. Designate the Manchester Band of Pomo Indians as a high-risk grantee, in accordance with 40 CFR § 31.12, and place appropriate special conditions upon any future awards until Manchester implements policies and procedures to make sure:
 - a. Timekeeping support for labor charges meets federal requirements.
 - b. Travel is properly reviewed and approved, and sufficient documentation is maintained to support allowable travel expenses.
 - c. Direct versus indirect costs are properly identified and charged.
 - d. Tribal management and staff responsible for federal grant activities have adequate knowledge and skills to implement and monitor grant program activities, including application of federal laws, regulations and cost principles.

Status of Recommendations and Questioned Costs

Documents summarizing the costs questioned and outlining our findings and recommendations were provided to the Manchester Band of Pomo Indians and EPA Region 9 on June 3, 2016. A field exit conference was held with Region 9 on June 6, 2016, to discuss the documents. Manchester was unresponsive to our emails and phone calls and, thus, we were unable to arrange an exit conference with Manchester to discuss the documents. In addition, EPA Region 9 attempted to contact Manchester regarding its intent to meet with the OIG or to respond to the documents, but Manchester has not responded to the EPA. As a result, the EPA supported the OIG's decision to proceed with the issuance of the final report without a response from Manchester. Audit resolution will be in accordance with EPA Manual 2750, which requires further communication with Manchester by EPA Region 9.

Chapter 3

Grant Objectives Partially Met

The Manchester Band of Pomo Indians was unable to provide deliverables or demonstrate completion of tasks for a significant number of activities identified in its work plans for the two EPA grants. For the GAP grant, Region 9 has reviewed and accepted the deliverables for fiscal years (FYs) 2011 and 2012, but our review of the FYs 2013 and 2014 tasks for the GAP grant found no fully completed deliverables or tasks. For the FYs 2012 through 2014 tasks for the CW 106 grant, we found only one fully completed task. Therefore, Manchester did not fully meet its grant objectives. As a result, we questioned all remaining claimed costs under the EPA grants, totaling \$27,959, as unsupported. We believe the lack of training and staff are the main reasons for the deficiencies noted.

Shortfalls in Completion of Grant Tasks

Manchester was unable to provide evidence of work completed for 24 of the 29 tasks under the GAP grant, and for 38 of the 43 tasks under the CW 106 grant. In addition, five of the 29 tasks under the GAP grant, and four of the 43 tasks under the CW 106 grant, were only partially complete.

Based on our review of the progress reports submitted to Region 9 and the documentation provided for the cost review, the lack of sufficient staff was one of the reasons for Manchester's shortfalls on completing the grant tasks. According to the Chairman, for the CW 106 grant, Manchester was getting ready to purchase equipment for the water monitoring when the water technician left, and the position was never filled and Manchester did not have the staff to continue the work. Manchester's quarterly report also stated turnover of key staff in the tribal environmental office and fiscal department led to a delay in completion and submission of financial status reports.

It appears that Manchester's staff also did not have the training and programmatic knowledge to track and report deliverables. For example, the GAP FY 2014 final progress report was prepared by an outside consultant. According to the Tribal Administrator, Manchester is hoping to also get some assistance from the consultants on the FY 2013 progress report, which has not been submitted as of the date of our fieldwork completion. Region 9 also reported that someone from another tribe is considering providing assistance to Manchester on gathering and reporting the deliverables. The lack of programmatic knowledge was also evident in the fact that all of the water-related work conducted by Manchester pertained to drinking water activities even though the grant pertained to clean water; CW 106 grant funds should not be used for drinking water activities.

Manchester failed to complete most of its grant tasks; therefore, the majority of the grant funds should be returned to the EPA. Total costs claimed under the two grants is \$378,679. As discussed in Chapter 2, we questioned \$350,721 due to financial management deficiencies. We therefore question the remaining \$27,959 of grant funds claimed based on the number of tasks Manchester failed to complete, as shown in Table 3. Further, any costs Region 9 accepts related to the resolution of the Chapter 2 findings and recommendations would still remain questioned for the reasons discussed in this chapter.

Table 3: Summary of questioned costs related to incomplete tasks

Grant number	GA-00T38701 (GAP)	I-00T61912 (CW 106)	Total
Claimed	\$259,424	\$119,256	\$378,679*
Less: costs previously questioned in Chapter 2	(235,083)	(115,638) *	(350,721) *
Net costs questioned due to incomplete grant tasks	24,341	3,618	27,959*
Federal share questioned**	\$24,341	\$3,437	\$27,778

Source: Final FFRs submitted by Manchester and OIG calculations.

* Mathematical discrepancy due to rounding.

** Federal share is 100 percent of project costs for the GAP grant and 95 percent for the CW 106 grant.

Recommendations

We recommend that the EPA Regional Administrator, Region 9:

4. Disallow all remaining costs claimed, currently determined to be \$27,959, for grant tasks that remain incomplete under the two EPA grants for the Manchester Band of Pomo Indians, and recover the federal share of \$27,778, unless Manchester provides adequate documents to substantiate completion of grant tasks.
5. Implement special grant conditions for future awards to the Manchester Band of Pomo Indians requiring completion of grant tasks before grant payments are made.

Status of Recommendations and Questioned Costs

As discussed at the end of Chapter 2 of this report, the Manchester Band of Pomo Indians was unresponsive to our emails and phone calls to set up a meeting and to discuss the results of our report, and Manchester also did not respond to EPA Region 9's attempts to contact them. As a result, the EPA supported the OIG's decision to proceed with the issuance of the final report without a response from Manchester. Audit resolution will be in accordance with EPA Manual 2750, which requires further communication with Manchester by Region 9.

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	11	Disallow ineligible costs of \$178,030 claimed by the Manchester Band of Pomo Indians and recover the ineligible federal share of \$174,970.	U	Regional Administrator, Region 9		\$175
2	11	Disallow unsupported costs of \$172,691 and recover the unsupported federal share of \$169,970, unless the Manchester Band of Pomo Indians provides supporting documentation that meets federal requirements.	U	Regional Administrator, Region 9		\$170
3	11	Designate the Manchester Band of Pomo Indians as a high-risk grantee, in accordance with 40 CFR § 31.12, and place appropriate special conditions upon any future awards until Manchester implements policies and procedures to make sure: <ul style="list-style-type: none"> a. Timekeeping support for labor charges meets federal requirements. b. Travel is properly reviewed and approved, and sufficient documentation is maintained to support allowable travel expenses. c. Direct versus indirect costs are properly identified and charged. d. Tribal management and staff responsible for federal grant activities have adequate knowledge and skills to implement and monitor grant program activities, including application of federal laws, regulations and cost principles. 	U	Regional Administrator, Region 9		
4	13	Disallow all remaining costs claimed, currently determined to be \$27,959, for grant tasks that remain incomplete under the two EPA grants for the Manchester Band of Pomo Indians, and recover the federal share of \$27,778, unless Manchester provides adequate documents to substantiate completion of grant tasks.	U	Regional Administrator, Region 9		\$28
5	13	Implement special grant conditions for future awards to the Manchester Band of Pomo Indians requiring completion of grant tasks before grant payments are made.	U	Regional Administrator, Region 9		

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.

Summary of Costs Questioned by Grant and Cost Category

Cost Category	Amount Claimed			Ineligible Costs			Unsupported Costs		
	GAP	CW 106	Total	GAP	CW 106	Total	GAP	CW 106	Total
Labor/fringes/taxes - BIA	\$100,260	\$51,123	\$151,383	\$100,260	\$51,123	\$151,383	-	-	-
Labor/fringes/taxes – non-BIA		8,241	8,241	-	-	-	-	\$8,241	\$8,241
Holiday bonus	970		970	970	-	970	-	-	-
Other labor/fringes/taxes non-BIA	59,687		59,687	-	-	-	59,687	-	59,687
Sub-total	\$160,917	\$59,364	\$220,281	\$101,230	\$51,123	\$152,353	\$59,687	\$8,241	\$67,928
BIA-related ODCs	1,765	-	1,765	1,765	-	1,765	-	-	-
NAHASDA-related ODCs	1,702	-	1,702	1,702	-	1,702	-	-	-
Drinking water costs	-	2,323	2,323	-	2,323	2,323	-	-	-
Point Arena Gas	10,319	2,178	12,497	-	-	-	10,319	2,178	12,497
Disposal	4,592	-	4,592	-	-	-	-	-	-
Vehicle-related costs	8,968	-	8,968	-	-	-	8,968	-	8,968
Consultant costs	7,450	-	7,450	7,450	-	7,450	-	-	-
Ineligible per diem	792	132	924	792	132	924	-	-	-
Travel and training unauthorized	1,842	-	1,842	1,842	-	1,842	-	-	-
Other travel and training	22,147	6,680	28,827	1,395	2,400	3,794	4,065	1,732	5,797
Misc. ODC	4,545	445	4,990	16	210	226	1,607	158	1,765
"Void" misc. ODC transactions	778	-	778	638	-	638	-	-	-
Holiday bonus	-	350	350	-	350	350	-	-	-
Sub-total	\$64,900	\$12,107*	\$77,007*	\$15,599*	\$5,414*	\$21,014	\$24,960 *	\$4,068	\$29,028*
Labor/fringes/taxes added to FFR	33,607	37,982	71,589		-	-	33,607	37,982	71,589
ODCs added to FFR	-	2,370	2,370		-	-	-	2,370	2,370
ODCs added to FFR	-	7,431	7,431		4,663	4,663	-	1,777	1,777
Sub-total	\$33,607	\$47,783	\$81,390		\$4,663	\$4,663	\$33,607	\$42,129	\$75,736
Totals	\$259,424	\$119,254*¹	\$378,678	\$116,829*	\$61,201	\$178,030	\$118,254*	\$54,438	\$172,691
Total Federal Share²	\$259,424	\$113,291*	\$372,715*	\$116,829	\$58,141	\$174,970	\$118,254	\$51,716	\$169,970

Source: Auditee accounting records and final FFRs, and OIG audit results.

BIA: U.S. Department of the Interior's Bureau of Indian Affairs
 FFR: Federal Financial Report

NAHASDA: Native American Housing Assistance and Self Determination Act
 ODC: Other Direct Costs

¹ Actual amount per the FFR is \$119,256; variance of \$2 is immaterial.

² Federal share is 100 percent for the GAP grant and 95 percent for the CW 106 grant.

* Mathematical discrepancy due to rounding.

Distribution

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