



Office of Inspector General
Report of Audit

**EPA Assistance Agreements Awarded to
The National University Continuing
Education Association, Inc. (NUCEA)**

E3CEL6-03-0139-7100297

September 24, 1997

**Inspector General Division
Conducting the Audit:**

**Mid-Atlantic Division
Philadelphia, PA**

Program Offices Involved:

**Office of Pollution Prevention and
Toxics, National Program Chemical
Division**

Grants Administration Division



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September 24, 1997

MEMORANDUM

SUBJECT: Report on Audit of Assistance Agreements
Awarded to National University Continuing Education
Association, Inc. (NUCEA)
Report Number: E3CEL6-03-0139-7100297

Carl A. Jannetti

FROM: Carl A. Jannetti
Divisional Inspector General for Audit

TO: Gary M. Katz, Director
Grants Administration Division

Attached is our report on *Audit of Assistance Agreements Awarded to NUCEA*. The purpose of the audit was to determine whether: 1) cooperative agreements number CX-819144 and CX-821851, awarded to NUCEA, achieved their objectives, 2) incurred costs were allowable and allocable, and 3) EPA adequately monitored the cooperative agreements awarded to NUCEA. This report contains important findings and recommendations.

This report contains findings that describe problems the Office of the Inspector General (OIG) has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG. Final determinations on matters in this report will be made by EPA managers in accordance with established EPA audit resolution procedures. Accordingly, the findings contained in this report do not represent the final EPA position, and are not binding upon EPA in any enforcement proceedings brought by EPA or the U.S. Department of Justice.

This report makes several recommendations to the Director of the Grants Administration Division, and also includes two recommendations to the Director of the National Program Chemical Division. Because the majority of the recommendations in this report are addressed to you, we have designated you as the primary action official. As such, you should take the lead in coordinating the Agency's response.

ACTION REQUIRED

In accordance with EPA Order 2750, you as the action official are required to provide this office a written response to this report within 90 days. Your response should address all recommendations, and include milestone dates for corrective actions planned, but not completed.

We have no objection to the release of this report to the public. Should you have any questions about this report, please contact me or Magdalene M. Cunningham at 215-566-5800.

Attachment

EXECUTIVE SUMMARY

Purpose

The purpose of our audit was to determine whether:

- Cooperative agreements awarded to the National University Continuing Education Association, Inc. (NUCEA) achieved their objectives.
- Incurred costs were allowable and allocable according to Federal regulations.
- EPA adequately monitored the cooperative agreements awarded to NUCEA.

Results-in-Brief

1. Individuals Trained Unnecessarily

The overall purpose of the cooperative agreements awarded to NUCEA was to provide training for individuals engaged in lead detection and abatement activities. Of the 6,134 people EPA paid to train, 1,248 or 20 percent were not in occupational fields related to lead detection and abatement.

2. EPA Provided Needless Fee Waivers

EPA paid the Centers, fee waivers totaling \$237,000, without receiving a benefit in return. Fee waivers of \$250 were paid for each state and local government attendee. The purpose of the fee waivers was to encourage state and local government employees participation in the training. However, EPA had already paid the Centers the full cost of training each attendee, including state and local government personnel. As a result, paying fee waivers to the Centers was unnecessary and unwarranted.

3. Sustainability of Centers Delayed

The six Centers established and funded under the NUCEA cooperative agreements were to be self-sustaining by May 1993, but did not achieve "sustainability" until 1997. EPA continued to award funds to NUCEA and the Centers during fiscal years 1993, 1994, 1995, and 1996 without determining if the Centers had achieved "sustainability" or required the additional Federal

funding. As a result, EPA awarded Federal funds totaling \$5.1 million to achieve a goal it may have already reached.

4. Oversight Needs Improvement

The project officers in the National Program Chemical Division of the Office of Pollution Prevention and Toxics did not adequately monitor the two agreements awarded to NUCEA.

5. Questioned Costs

We reviewed \$1,684,698 of the \$3,393,264 Federal share claimed by NUCEA. We questioned \$733,878 as ineligible and \$218,382 as unsupported. Costs were questioned because NUCEA did not prepare an indirect cost rate proposal as required by OMB Circular A-122 and because NUCEA provided needless fee waivers as discussed above. In addition, we questioned costs invoiced by a subrecipient, the University of Maryland. The University's invoices did not agree with its general ledger, the University did not subtract program income from costs incurred, and the University could not adequately support their in-kind contributions.

Recommendations

We recommend the Director of the National Program Chemical Division ensure that costs are only incurred as needed to achieve the objectives of assistance agreements. This would prevent funds from being expended to 1) train individuals unnecessarily, 2) provide needless fee waivers, and 3) support centers that are already self-sustaining.

We also recommend that the Director of the Grants Administration Division recover the amounts due EPA identified on the exhibits.

Agency Response

The Director of the National Program Chemical Division agrees to ensure that costs are only incurred as needed to achieve the objectives of assistance agreements. However, the Director does not agree that individuals were trained unnecessarily, that the fee waivers were needless, or that the funding to the centers should have been discontinued sooner.

The Grants Administration Division and the National Program Chemical Division (formally the Chemical Management Division)

are working with representatives of NUCEA to obtain any available documentation which will enable them to determine the final allowability of costs. During resolution of the final audit, they will reduce the allowable cost of the projects if costs are determined unallowable and recover any related overpayments.

OIG Evaluation

Our position on the findings remains unchanged. However, we concur with the joint effort of the Grants Administration Division and the National Program Chemical Division to resolve the questioned costs identified in the report.

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CHAPTER 1

INTRODUCTION

Purpose

The purpose of our audit was to determine whether:

- Cooperative agreements awarded to the National University Continuing Education Association, Inc. (NUCEA) achieved their objectives.
- Incurred costs were allowable and allocable according to Federal regulations.
- EPA adequately monitored the cooperative agreements awarded to NUCEA.

Background

EPA wanted to offer two training courses throughout the country. One of the courses was for lead inspectors and the other for supervisors and contractors performing lead abatement. Through these training courses, EPA wanted to maximize accessibility and public awareness of lead-based paint abatement.

In July 1991, NUCEA submitted a proposal to EPA to manage and coordinate the establishment and operation of a Regional Lead Training Center program. The Centers served as the primary mechanism for delivering EPA's training courses across the country. EPA selected NUCEA based on their capacity to efficiently develop and manage complex national continuing education and training programs.

NUCEA is a 75 year-old nonprofit organization with a membership of over 100 universities having vast experience in establishing national training programs. In 1989, NUCEA merged with the Association of Colleges and Universities in Environmental Training and Education in order to add an environmental health and safety component to the organization. NUCEA's members with lead related expertise prior to the award of the cooperative

agreements included the University of Cincinnati, Georgia Technical Institute, and Tufts University. EPA worked with these three educational institutions on previous lead related projects.

On September 12, 1991, EPA awarded \$1,334,255 to NUCEA under cooperative agreement number CX-819144. Amendments to this cooperative agreement brought the total award amount to \$2,348,611. The objective of this agreement was to provide the primary mechanism for delivering the EPA model training courses to lead abatement professionals across the country. According to EPA's decision memorandum dated August 2, 1991, funding for this project was appropriated by Congress for grants to be awarded to universities for education and training programs for workers involved in lead-based paint abatement.

On September 29, 1993, EPA awarded cooperative agreement number CX-821851 to NUCEA for \$1,194,342. Amendments to this cooperative agreement increased the total award amount to \$1,970,862. This agreement provided for the coordination and evaluation of Centers to facilitate lead abatement training opportunities across the country. According to the EPA project officer (PO), this second cooperative agreement was intended to be an extension of the first agreement. The objective was to extend the project period and provide additional funds for the operation of the Centers.

In coordination with EPA, NUCEA established an advisory panel to select the educational institutions that would comprise the Regional Lead Training Center program. They chose the following six educational institutions: University of Maryland, University of Massachusetts, University of Cincinnati, University of California, University of Kansas, and the Georgia Technical Institute. NUCEA was responsible for working closely with these institutions to establish Centers at each institution, coordinate their training activities, and ensure the continued existence of the Centers beyond the period of EPA funding. Shown below are the Federal share of costs claimed by NUCEA and the six Centers from September 1991 through December 1994.

NUCEA	\$484,736
University of Maryland	464,732
University of Massachusetts	564,730
University of Cincinnati	440,125
University of California	491,398
University of Kansas	426,543
Georgia Technical Institute	<u>521,000</u>
Total Federal Share Claimed	<u>\$3,393,264</u>

Prior Audit Coverage

In September 1995, the EPA Office of Inspector General (OIG) issued the Final Report of Audit on EPA's Controls Over Assistance Agreements, report number E1FMF4-03-0141-5100513. The audit found weaknesses in EPA's controls for awarding, monitoring, and closing out agreements. One of the cooperative agreements reviewed during that audit was CX-819144, which is discussed in this report.

Scope and Methodology

We performed this audit according to *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States as they apply to financial and performance audits. Our review included tests of records and other auditing procedures we considered necessary.

Our audit survey began on March 18, 1996, and ended on June 28, 1996. As a result of the survey, we initiated an in-depth audit that was performed from July 1, 1996 through September 25, 1996 and from January 27, 1997 through March 25, 1997.

Our audit encompassed the project period of both cooperative agreements. Cooperative agreement number CX-819144 covered the period September 12, 1991 to September 30, 1993. The original project period for cooperative agreement number CX-821851 was from October 1, 1993 to December 31, 1996.

However, EPA discontinued providing funds to NUCEA two years earlier and a final project report was submitted on December 31, 1994. As of our review, neither cooperative agreement had been closed by EPA.

Our audit was conducted at EPA, NUCEA, the University of Maryland and the University of Massachusetts. Our audit at EPA included reviewing the grant specialists' and POs' files and evaluating the Agency's monitoring of the two cooperative agreements. Also, we conducted several interviews with the POs and grants specialists to discuss issues regarding program development, administration, and close-out procedures. Our audit included determining the allowability and allocability of NUCEA's incurred costs by examining and testing numerous accounting documents. We also evaluated NUCEA's management of grant funds and its monitoring of the six Centers. Finally, we audited the costs incurred by the University of Maryland and the University of Massachusetts.

As part of our audit, we examined and tested various accounting records, reports, correspondence, and original supporting documents. We evaluated EPA's, NUCEA's, and the Universities' compliance with the: Code of Federal Regulations, OMB Circulars, EPA policies, and the EPA Assistance Administration Manual, as they related to our audit objectives.

We sampled costs incurred by NUCEA and the two Universities under each of the following cost categories: personnel, fringe benefits, travel, equipment, supplies, contractual, and other direct costs. In addition, we evaluated the appropriateness of the indirect costs, in-kind contributions, and program income. We determined if the costs were adequately supported and represented eligible and reasonable expenses.

We reviewed NUCEA's and the Universities' Single Audit Reports for the fiscal years ending June 30, 1993, 1994, and 1995. These reports included assessments of the internal control systems and were prepared to fulfill the requirements of the Single Audit Act and OMB Circulars A-110 and A-133. For the most part, we relied on the internal control assessments in these Single Audit Reports. However, we did perform limited testing of NUCEA's and the

Universities' internal controls as they related to the costs incurred under the cooperative agreements. We did not evaluate the internal controls associated with the input and processing of accounting information into automated records, although we used information contained in these automated accounting systems.

We discussed the results of our audit with representatives from the following entities that were responsible for managing the cooperative agreements and the Centers:

- EPA Grants Administration Division,
- EPA National Program Chemical Division,
- NUCEA,
- University of Maryland Financial Services Department,
- University of Maryland Environmental Health Education Center,
- University of Massachusetts Controller's Office, and
- University of Massachusetts Division of Continuing Education.

We issued a draft report on May 15, 1997. NUCEA submitted their response to us and EPA on July 17, 1997. EPA provided us their response on August 5, 1997. After evaluating the responses and reviewing additional documentation provided by NUCEA, we have modified our report as appropriate. We conducted an exit conference with NUCEA's accountant on September 9, 1997 and EPA personnel on September 11, 1997.

EPA's response is summarized after each issue in Chapter 2 and after the recommendations in Chapters 2, 3, 4 and 5. The responses from NUCEA, the University of Maryland and the University of Massachusetts are summarized at the end of Chapters 3, 4 and 5, respectively. Following each summary, we provided our evaluation of the response. In addition, we included complete copies of the responses as appendixes to the report. However, due to the volume, we have not included the additional documentation attached to the responses.

To assist in obtaining a proper understanding of the report, we have defined the following key terms:

COSTS CLAIMED: Costs identified by NUCEA as eligible for Federal participation.

ACCEPTED COSTS: Costs accepted by the OIG as eligible for Federal participation.

COSTS QUESTIONED: Costs that are questioned by the OIG because they are:

- a) **INELIGIBLE** — Incurred and claimed contrary to a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds.
- b) **UNSUPPORTED** — Not supported by adequate documentation and/or has not been approved by responsible program officials.

EPA PAYMENTS TO DATE: This amount includes funds disbursed by EPA to NUCEA. These funds encompassed both reimbursements for costs incurred and advance payments.

BALANCE DUE EPA: This amount should not be construed as being the final determination of questioned costs. The amount may vary depending upon EPA resolution.

CHAPTER 2

IMPROVEMENTS NEEDED IN TRAINING PROCEDURES

1. Individuals Trained Unnecessarily

More than 1,200 of the 6,100 people EPA paid to train were not in occupational fields related to lead detection and abatement. Moreover, neither EPA nor NUCEA had information about the occupation of an additional 800 attendees. This occurred because neither EPA, NUCEA nor the Centers ensured attendees were in occupational fields relevant to the training. As a result, EPA funds were unnecessarily expended on individuals that did not need or use the training.

According to EPA's decision memorandum dated August 2, 1991, the cooperative agreement awarded to NUCEA was for education and training programs for workers involved in lead-based paint abatement. The overall purpose of the cooperative agreements awarded to NUCEA was to provide this training.

NUCEA's final project report to EPA, dated December 31, 1994, included statistics on the occupations of individuals that attended the Lead Inspector, and Lead Abatement for Supervisors and Contractors courses. These statistics show that NUCEA and the Centers provided training to a substantial number of people that were not involved with lead abatement. In its final report, NUCEA grouped lead-related occupations into the following nine categories: Public Housing Authority, Carpenter/Remodeler, Government Official, Industrial Hygienist, Building Contractor, Environmental Consultant, Facilities Manager, Building Inspector and Public Health Official. According to NUCEA's statistics on the Lead Inspector course, 543 or 17 percent of the 3,196 participants responded that their occupation was something other than one of the nine lead-related fields. An additional 320 or 10 percent did not respond. The statistics on the Lead Abatement for Supervisors and Contractors course showed that 705 or 24 percent of the 2,938 participants had occupations in other than lead-related fields. An additional 499 or 17 percent did not respond.

We also conducted a survey of training participants to determine if they thought the course was beneficial and applicable to their occupations. We contacted 53 of approximately 6,100 individuals who received training between 1992 and 1994. Twelve or 23 percent of the participants contacted did not find the training beneficial. One participant stated that she volunteered for the training, however, the information was not needed for her job. A second participant stated that the information may be helpful in the future, however, he did not currently deal with lead. A third participant stated he took the training for personal interest.

As prescribed by the cooperative agreements, EPA awarded funds totaling \$6.1 million to NUCEA and the Centers to train individuals engaged in lead detection and abatement. However, we believe these funds were not utilized as originally intended by the Agency to accomplish the objective stated in their decision memorandum.

Agency Response

We disagree with the report's conclusion that individuals were trained unnecessarily. EPA's policy in awarding these cooperative agreements was to encourage entry into the lead-based paint profession. We did not require students taking training to be in similar occupational fields. To have done this would have defeated one of the primary purposes of the Training Centers – to encourage entry of individuals into the new field.

The statements from the three individuals interviewed of the 6,100 trained, do not lead to the report's conclusion that individuals were trained unnecessarily.

There is no relation between the 1992 Appropriation Act and the NUCEA cooperative agreements. The cooperative agreements were awarded under the statutory authority of the Toxic Substances Control Act, Section 10.

OIG Evaluation

Our position on this issue remains unchanged. In our opinion, to effectively achieve the objective of increasing the number of professionals in the field of lead-based paint abatement, the training applicants should have been pre-screened to ensure the individuals EPA was paying to train would potentially use the training in a future job related to lead paint abatement.

The three statements from individuals that attended the training were included as examples. We spoke to a total of 53 individuals that attended the training and 12 did not find the training useful. In our opinion, the results of the 53 interviews and NUCEA's final report support our position that individuals were trained unnecessarily.

We concur with the Agency's statement regarding the Toxic Substances Control Act and have removed all references to the 1992 Appropriations Act from our report for clarity.

2. EPA Provided Needless Fee Waivers

EPA paid the Centers fee waivers, totaling \$237,000 under CX-821851, without receiving a benefit in return. Fee waivers of \$250 were paid for each state and local government attendee. The purpose of the fee waivers was to encourage state and local government employees participation in the training. However, EPA had already paid the Centers the full cost of training each attendee, including state and local government personnel. As a result, paying fee waivers to the Centers was unnecessary and unwarranted.

The fee waivers were inappropriate because they were paid in addition to the reimbursement of costs. For example, the Georgia Technical Research Institute received \$241,000 under cooperative agreement CX-821851 as reimbursement for costs incurred. This amount included all costs for providing the training and maintaining the Center, such as salaries, fringe benefits, travel, equipment, consultants, materials, supplies, contractual and indirect costs. In addition to the reimbursement for costs, the Center received \$250 for each state and local government employee that attended their training, totaling \$51,500. This \$51,500 was paid, although the Center did not incur additional training costs for state and local government attendees.

Under cooperative agreement CX-821851, EPA budgeted \$375,000 for fee waivers. Of this budgeted amount, EPA paid each Center the following:

University of Maryland	\$32,750
University of Massachusetts	33,750
University of Cincinnati	75,500
University of California	31,250
University of Kansas	12,250
Georgia Tech Research	<u>51,500</u>
Total	<u>\$237,000</u>

EPA's guidelines for the cooperative agreement required NUCEA to develop criteria and a plan for allocating the \$375,000 among the six Centers. The Centers were required to develop and implement a plan for determining which state and local governments would receive the fee waivers. However, the plans were not developed and implemented by NUCEA or the Centers. Instead, NUCEA paid the Centers \$250 for each state or local government employee trained.

According to EPA, the fee waivers were provided because they believed the courses would expedite state and local government employees awareness of Federal requirements for lead paint abatement, and encourage states to develop their own statutes and programs. In our opinion, if EPA wanted state and local government personnel trained, they should have required, as a condition of the cooperative agreement, a goal that a certain number or percentage of the individuals trained be state or local government personnel. Since EPA was already reimbursing the Centers for their costs, EPA should not have provided these additional funds, totaling \$237,000.

NUCEA Response

The fee waivers were a tuition assistance program that was implemented in response to the Agency's guidelines for cooperative agreement CX-821851. The Agency's letter of June 15, 1993 specifically stated that \$375,000 must be set aside for this program. The Agency's guidelines call for the development of criteria and a plan for the program. The plan that was developed

for the allocation of funds provided that they would be allocated to each of the centers on a **need** basis.

The report states that EPA should not have provided the funding of the fee waiver program because the centers were already being reimbursed for their costs. The costs for which the centers were being reimbursed, were those associated with the establishment and maintenance of the centers. The costs for the courses should have been entirely supported by the tuition charges for them. The fee waivers were to serve as a method of tuition reduction to allow local and state government officials to attend a course that they may not otherwise be able to attend.

**Universities
Response**

The University of Maryland and the University of Massachusetts believe the fee waivers were received in accordance with their agreement with NUCEA and therefore the costs should not be questioned.

Agency Response

We disagree with the report's conclusion that EPA provided needless fee waivers to the institutions providing the training under the NUCEA cooperative agreement. In addition, there is a conflict between the first and last paragraphs under this section in the draft report regarding EPA's policy for providing fee waivers. The purpose of the fee waivers was to encourage state and local government employees participation in the training, to expedite their awareness of Federal requirements for lead paint abatement, and, most important, to encourage states to develop their own statutes and programs (not procedures).

We believe it would be inappropriate for EPA, as a condition of the cooperative agreement, to require that a certain number or percentage of the individuals trained be state and local government personnel. We are not in a position to force state or local government employees to attend training.

The fee waivers were built into the budget of the cooperative agreement. Subsequently, the recipients should have used all funding provided to support the training centers. The fact that the Centers did not collect tuition from state and local government officials which were granted fee waivers does not necessarily mean that the waivers were funds in excess of the costs of

program operations. The number of state and governmental employees trained makes clear that our approach was a success.

OIG Evaluation

We disagree that it would be inappropriate to require a certain number or percentage of the individuals trained to be state and local government personnel because it would force state or local government employees to attend training. The Agency could have included in the cooperative agreement a special condition that specified as a goal, a number or percentage of government personnel to be trained. This would not have forced any state or local government personnel to attend, but would have encouraged the Centers to recruit the government personnel. We also do not believe this method would have denied training to others because, as your response substantiates, the Centers were under-utilized and could have conducted additional courses to fulfill the demand.

We have noted the comments that the recipients should have used all funding to support the training centers. However, we wish to reemphasize what was included in our finding, "EPA had already paid the Centers the full cost of training each attendee, including state and local government personnel." The cost to train these people was already claimed by the Centers and paid for by EPA under the cooperative agreement. The Centers invoiced NUCEA for the costs incurred, usually on a monthly or quarterly basis. These invoices identified the amounts incurred, during the month or quarter, for each cost category, such as salaries, fringe benefits, travel, supplies, etc. The Centers sent separate invoices for the fee waivers which were, in effect, duplicative claims.

We concur with the Agency's statement that the purpose of the fee waivers was to encourage the development of state programs, not procedures. Also we concur with the Agency's statement regarding the confusion between the two different references to the Agency's purpose for providing fee waivers. We have revised our report accordingly.

3. Sustainability of Centers Delayed

EPA initially planned to provide NUCEA and the six Centers a total of approximately \$1 million during fiscal years 1991 and

1992, and for the Centers to be self-sustaining by May 1993. However, EPA continued providing funds to the Centers during fiscal year 1993, and the three succeeding fiscal years, without determining if the Centers required the additional funding. As a result, EPA spent an additional \$5.1 million to achieve a goal it may have already reached.

Although the Centers received \$250 fee waivers from EPA for each state and local government attendee, as well as tuition revenue of as much as \$625 per person from all other trainees, the Centers were not considered by EPA to have achieved "sustainability" until 1997. This was the first year that EPA did not provide funding to the Centers. In the interim, between fiscal years 1993 and 1997, EPA did not determine whether the fee waiver and tuition revenue was sufficient to cover the costs of the courses, thereby making the Centers self-sustaining.

The comparison of the courses scheduled in 1997, to those completed in prior years, indicated that the Centers could have functioned sooner without EPA funding. For example, the University of Maryland received tuition revenue of \$147,261 from 21 courses in 1993. This represents an average of \$7,000 per course. In the first three months of 1997, the University of Maryland gave five courses with an additional 12 planned, for a total of 17 courses in 1997. Since the Centers are providing fewer courses in 1997 without EPA funding, than in 1993 when they received EPA funding, we believe the Centers could have been considered self-sustaining before fiscal year 1997.

Agency Response

We disagree with the reports conclusion that EPA should have terminated funding sooner. The report is correct in indicating that in 1991 when EPA initially awarded the cooperative agreement our intent was that EPA would provide funding for only a few years. However, with the October 1992 enactment of Title X-The Residential Lead-Based Paint Hazard Reduction Act, the time frame under which the Centers could become self-sustaining was extended. This extension was given because Title X placed new mandates on EPA which included promulgating regulations to establish a Federal Lead Program to accredit training providers, certify lead-based paint professionals, and establish work standards. The regulations establishing the accreditation and

certification requirements were not promulgated until August 1996. Without these regulations in place, the demand for lead-based paint professionals was inadequate to assure the Centers could be self-sufficient. As a result, EPA's policy decision was to continue to fund the Centers to ensure that a work force of trained individuals would be available to meet consumer demand when it developed after the regulations were in place.

As stated in the report, the centers are now self-sustaining. Therefore the title of this section should be changed from "Centers Not Self Sustaining" to "Centers Became Self Sustaining After Originally Planned."

OIG Evaluation

Our position on this issue remains unchanged, however, we have revised the title for this section of the report.

Although we agree that Title X placed more mandates on EPA and that the new regulations could increase demand for trained lead-based paint abatement professionals, we do not agree that the delayed regulations alone were sufficient reason to continue to provide funding to the Centers that were supposed to be self-sustaining by May 1993. In our report, we provided the example that the University of Maryland provided more courses in 1993 than in 1997 which was after the regulations were promulgated. In our opinion, this supports our position that if the lower demand in 1997 is enough to support the Centers, then the Centers may have been self-sustaining prior to 1997. We maintain our position that EPA should have determined if the Centers required continued funding before awarding an additional \$5.1 million.

4. Oversight Needs Improvement

Oversight of assistance agreements needs improvement. The Project Officers (PO) from the National Program Chemical Division of the Office of Pollution Prevention and Toxics did not adequately monitor the two agreements awarded to NUCEA. This condition is a systemic problem with the Agency that was the subject of OIG audit reports issued over the past several years. It is imperative that EPA provide adequate monitoring over assistance agreements to ensure Federal funds are managed properly.

According to Chapter 44 of the *EPA Assistance Administration Manual*, project officer's responsibilities include:

- Having a thorough knowledge of the terms and conditions of the project,
- Insisting on high quality and timely progress reports,
- Obtaining and reviewing financial status reports (FSR) to ensure the proper use of the funds,
- Notifying the grant specialist that the final project report was completed, and
- Certifying completion of the project and assisting in the close-out process.

We found several weaknesses in the PO's oversight of the NUCEA cooperative agreements as identified below.

- Our initial discussions with the PO in April 1996 revealed that she did not know some of the basic facts concerning the assistance agreements. For example, she believed only one cooperative agreement was awarded to NUCEA and that the agreement was closed.

This same PO attended the Agency's revised PO training course in January 1997. However, an interview in March 1997 revealed that the PO was still unaware that her responsibilities included preparing close-out memorandums, obtaining and reviewing final FSRs, and obtaining a final project report for each cooperative agreement.

- Discussions with NUCEA revealed that a total of eight different POs were assigned to the two assistance agreements. We believe this is an excessive number of individuals because the two agreements lasted only about three years, October 1991 through December 1994.
- The PO did not require NUCEA to prepare a final project report for CX-819144 that was due on December 31, 1993. The PO required only one report encompassing both agreements. This report was submitted on December 31, 1994, the end of the project period for CX-821851.

- Cooperative agreement CX-819144 was still open three years after the project period and CX-821851 remained open two years after the project period. This occurred because the PO did not request the final FSR from NUCEA or prepare a close-out memorandum for the grant specialist. In accordance with 40 CFR 30.505, a final FSR was due by December 31, 1993 for the first agreement and by March 31, 1995 for the second cooperative agreement. As of March 1997, the PO had not received the final FSRs or initiated close-out of the cooperative agreements.

On a positive note, we found that the PO took appropriate action after determining that NUCEA's progress reports were inadequate. NUCEA did not prepare quarterly progress reports as required by the cooperative agreement special conditions. Instead, NUCEA forwarded progress reports it received from the six Centers. The PO contacted NUCEA regarding the inadequate reports, sent a letter identifying the need to correct the reports, and performed a site visit to discuss the inadequate reports.

Previous OIG reports provided recommendations to improve the Agency's oversight of assistance agreements. In addition, the Agency included this issue as a material weakness in its 1996 *Integrity Act Report To The President And Congress*. The projected completion date of planned corrective actions for this weakness is 1998. Therefore, no recommendations related to "Oversight Needs Improvement" are being made at this time.

Agency Response

The portions of *Chapter 44, EPA Assistance Administration Manual*, related to project officer responsibilities were superseded in 1995 with a manual entitled *Managing Your Financial Assistance Agreement: Project Officer Responsibilities*.

The number of project officers assigned to the NUCEA cooperative agreement was a result of several factors. The Office of Pollution Prevention and Toxics underwent a reorganization in 1992 resulting in significant staffing shifts. As a result, the individuals previously dealing with the cooperative agreements were not placed in the organization that became responsible for the Lead Program. Further there was high staff turnover during this period.

The assignment of new project officers was largely because project officers had transferred to different jobs or left the Agency. There is no solution to that problem.

OIG Evaluation

Our position on this issue remains unchanged. Although the criteria related to project officers' responsibilities was superseded, the *Assistance Administration Manual* was the applicable criteria during the period of the NUCEA cooperative agreements. In addition, the new criteria includes similar wording regarding the project officers' responsibilities.

Although there is no solution to the need of assigning numerous project officers to an agreement, it is important to ensure an orderly transition is made when POs change so that requirements are monitored and missing items are obtained.

RECOMMENDATIONS

We recommend the Director of the National Program Chemical Division ensure that costs are only incurred as needed to achieve the objectives of assistance agreements. This would prevent funds from being expended to 1) train individuals unnecessarily, 2) provide needless fee waivers, and 3) support centers that are already self-sustaining.

Agency Response

The Director of the National Program Chemical Division agrees to ensure that costs are only incurred as needed to achieve the objectives of assistance agreements. However, the Director does not agree that individuals were trained unnecessarily, that the fee waivers were needless, or that the funding to the centers should have been discontinued sooner.

Grants Administration Division and National Program Chemical Division are working with representatives of NUCEA to obtain any available documentation for costs which will enable them to determine the final allowability of costs. During resolution of the final audit, they will reduce the allowable cost of the projects if costs are determined unallowable and recover any related overpayments.

Ensuring that claimed costs were actually incurred is something that can only be verified by an audit of the recipient's accounting

records for a particular grant. The role of the program office for this grant is to ensure the reasonableness of costs claimed for reimbursement by a grantee. An underlying assumption is that grantees are operating in good faith and that they are truthfully and accurately reporting claimed costs. We are not in a position to question this good faith reporting, nor should we. Ascertaining the veracity of claimed costs is thus beyond the scope of responsibility for a program office and is a function of government auditors.

OIG Evaluation

We concur with the planned efforts of the Grants Administration Division and the National Program Chemical Division to resolve the questioned costs identified in Chapters 3, 4 and 5 of this report. However, we do not concur with the Agency's statement that determining the veracity of claimed costs is beyond the scope of responsibility for a program office. According to the *Assistance Administration Manual*, project officers' responsibilities include: 1) reviewing financial status reports to ensure the proper use of funds and 2) having a thorough knowledge of the terms and conditions of the project. The terms of an assistance agreement include the budget and the applicable federal regulations and cost principles. Since the Office of Inspector General can only audit a small number of assistance agreements, it is essential that project officers and grant specialists also ensure that costs claimed on their assistance agreements are allowable.

CHAPTER 3 COSTS CLAIMED BY NUCEA

ALLOWABILITY ANALYSIS OF COSTS CLAIMED BY
THE NATIONAL UNIVERSITY CONTINUING EDUCATION ASSOCIATION, INC.
FOR THE PERIOD SEPTEMBER 12, 1991 THROUGH DECEMBER 31, 1994
UNDER EPA COOPERATIVE AGREEMENTS CX-819144 AND CX-821851

AUDITORS' OPINION

<u>AGREEMENT</u>	<u>COSTS</u>					
	<u>CLAIMED</u>	<u>ACCEPTED</u>	<u>UNAUDITED</u>	<u>INELIGIBLE</u>	<u>UNSUPPORTED</u>	
CX 819144-01	\$1,996,179	\$589,218	\$987,104	\$183,357	\$236,500	Exhibit 3-1
CX 821851-01	<u>1,708,997</u>	<u>464,946</u>	<u>721,462</u>	<u>355,836</u>	<u>166,753</u>	Exhibit 3-2
Total	<u>\$3,705,176</u>	<u>\$1,054,164</u>	<u>\$1,708,566</u>	<u>\$539,193</u>	<u>\$403,253</u>	
Federal Share Claimed:		\$3,393,264				
Less Federal Share Questioned:						
Ineligible Costs	\$733,878					
Unsupported Costs	<u>218,382</u>	<u>952,260</u>				
Total Allowable Federal Share		\$2,441,004				
Total EPA Payments To Date		<u>3,393,264</u>				
Total Balance Due EPA		<u>\$952,260</u>				

EXHIBIT 3-1
ALLOWABILITY ANALYSIS OF COSTS CLAIMED BY
THE NATIONAL UNIVERSITY CONTINUING EDUCATION ASSOCIATION, INC.
FOR THE PERIOD SEPTEMBER 12, 1991 THROUGH SEPTEMBER 30, 1993
UNDER EPA COOPERATIVE AGREEMENT CX-819144

AUDITORS' OPINION

<u>CATEGORY</u>	<u>COSTS</u>				<u>NOTES</u>
	<u>CLAIMED</u>	<u>ACCEPTED</u>	<u>INELIGIBLE</u>	<u>UNSUPPORTED</u>	
Direct Labor	\$104,222	\$104,222			1
Fringe Benefits	27,963	27,963			1
Travel	3,831	3,831			
Equipment	8,333	8,333			
Supplies	18,004	18,004			
Contractual	12,767	12,767			
Other Direct Costs	19,275	19,275			
Indirect Costs	36,697		\$36,697		2
In-Kind Contr. Direct	27,520	27,520			3
In-Kind Contr. Indirect	5,229	5,229			4
Univ. of Maryland	389,660	6,500	146,660	\$236,500	Exhibit 4-1
Univ. of Massachusetts	355,574	355,574			Exhibit 5-1
Other Centers (unaudited)	<u>987,104</u>				5
Total	<u>\$1,996,179</u>	<u>\$589,218</u>	<u>\$183,357</u>	<u>\$236,500</u>	
Federal Share Claimed:		\$1,798,178			
Less Federal Share Questioned:					
Ineligible Costs *	\$287,304				
Unsupported Costs**	<u>116,428</u>	<u>403,732</u>			
Allowable Federal Share		\$1,394,446			
EPA Payments To Date		<u>1,798,178</u>			
Balance Due EPA		<u>\$403,732</u>			

*Includes NUCEA's indirect and the University of Maryland's ineligible costs and program income as shown in Exhibit 4-1.

**Includes the University of Maryland's unsupported costs as shown in Exhibit 4-1.

**Salaries and
Fringe Benefits**

Note 1 All salaries and fringe benefits were previously questioned as unsupported because NUCEA employees did not prepare time distribution sheets as required by OMB Circular A-122. However, based upon the alternative records which NUCEA attached to their response, we have accepted these costs.

Indirect Costs

Note 2 NUCEA claimed indirect costs at the rate of 19 percent, but did not prepare an indirect cost rate proposal. In accordance with the requirements of the cooperative agreements, OMB Circular A-122, EPA's Indirect Cost and Special Rate Policy, and EPA's Guide for Preparing Indirect Cost Rate Proposals, a grantee may only claim indirect costs if they have prepared an indirect cost rate proposal. Therefore, we questioned as ineligible all indirect costs claimed, totaling \$36,697.

All indirect costs were also previously questioned as unsupported because NUCEA could not provide supporting documentation for actual indirect costs incurred. In response to our draft report, NUCEA submitted documentation to support the incurred costs. This documentation shows rates of 42.84 percent and 51.14 percent for their fiscal years ending June 30, 1992 and 1993, respectively. Those rates are significantly higher than the 19 percent allowed in the cooperative agreement. We have accepted the documentation as supporting the claimed costs but only to the extent of the approved rate of 19 percent. However, the indirect costs remain ineligible for the reason stated in the previous paragraph.

Ineligible Amount \$36,697

In-Kind Contribution

Note 3 We previously questioned \$15,781, of the \$27,520 claimed, as ineligible because NUCEA claimed total costs instead of only the Federal share as required by 40 CFR Part 30.307. However, NUCEA submitted additional documentation in support of their in-kind contributions. We have reviewed this documentation and accepted the costs.

Note 4 We previously questioned the additional \$5,229 of indirect in-kind contributions claimed for the reasons identified under Notes 2 and 3 above. Based on the additional

documentation provided by NUCEA, we have accepted these costs.

Other Centers

Note 5 Our audit included costs claimed by NUCEA, the University of Maryland, and the University of Massachusetts. We did not review the \$987,104 of costs claimed by the remaining four Centers: University of Cincinnati, University of California, University of Kansas and the Georgia Technical Institute. Therefore, we have not provided an opinion on these costs.

EXHIBIT 3-2
ALLOWABILITY ANALYSIS OF COSTS CLAIMED BY
THE NATIONAL UNIVERSITY CONTINUING EDUCATION ASSOCIATION, INC.
FOR THE PERIOD OCTOBER 1, 1993 THROUGH DECEMBER 31, 1994
UNDER EPA COOPERATIVE AGREEMENT CX-821851

AUDITORS' OPINION

<u>CATEGORY</u>	<u>COSTS</u>				<u>NOTES</u>
	<u>CLAIMED</u>	<u>ACCEPTED</u>	<u>INELIGIBLE</u>	<u>UNSUPPORTED</u>	
Direct Labor	\$36,921	\$36,921			1
Fringe Benefits	10,542	10,542			1
Travel	2,070	2,070			
Equipment	16	16			
Supplies	30,196	30,196			
Contractual	114,194	114,194			
Other Direct Costs	10,909	10,909			
Indirect Costs	48,796		\$48,796		2
In-Kind Contr.	22,828	22,828			3
Univ. of Maryland	274,733	5,190	102,790	\$166,753	Exhibit 4-2
Univ. of Massachusetts	265,830	232,080	33,750		Exhibit 5-2
Fee Waivers - Other Centers	170,500		170,500		4
Other Centers (unaudited)	<u>721,462</u>				5
Total	<u>\$1,708,997</u>	<u>\$464,946</u>	<u>\$355,836</u>	<u>\$166,753</u>	
Federal Share Claimed:		\$1,595,086			
Less Federal Share Questioned:					
Ineligible Costs *	\$446,574				
Unsupported Costs**	<u>101,954</u>	<u>548,528</u>			
Allowable Federal Share		\$1,046,558			
EPA Payments To Date		<u>1,595,086</u>			
Balance Due EPA		<u>\$548,528</u>			

*Includes NUCEA's indirect and the University of Maryland's ineligible costs and program income as shown in Exhibit 4-2. This amount also includes ineligible fee waivers paid to the University of Massachusetts and all other centers.

**Includes the University of Maryland's unsupported costs as shown in Exhibit 4-2.

**Salaries and
Fringe Benefits**

Note 1 All salaries and fringe benefits were previously questioned as unsupported because NUCEA employees did not prepare time distribution sheets as required by OMB Circular A-122. However, based upon the alternative records which NUCEA attached to their response, we have accepted these costs.

Indirect Costs

Note 2 NUCEA claimed indirect costs at the rate of 24 percent, but did not prepare an indirect cost rate proposal. In accordance with the requirements of the cooperative agreements, OMB Circular A-122, EPA's Indirect Cost and Special Rate Policy, and EPA's Guide for Preparing Indirect Cost Rate Proposals, a grantee may only claim indirect costs if they have prepared an indirect cost rate proposal. Therefore, we questioned as ineligible all indirect costs claimed totaling \$48,796.

All indirect costs were also previously questioned as unsupported because NUCEA could not provide supporting documentation for actual indirect costs incurred. In response to our draft report, NUCEA submitted documentation to support the incurred costs. This documentation shows rates of 55.50 percent and 42.07 percent for their fiscal years ending March 31, 1994 and 1995, respectively. Those rates are significantly higher than the 24 percent allowed in the cooperative agreement. We have accepted the documentation as supporting the claimed costs but only to the extent of the approved rate of 24 percent. However, the indirect costs remain ineligible for the reason stated in the previous paragraph.

Ineligible Amount \$48,796

In-Kind Contribution

Note 3 We previously questioned \$22,828 as ineligible because NUCEA claimed total costs instead of only the Federal share as required by 40 CFR Part 30.307. However, NUCEA submitted additional documentation in support of their in-kind contributions. We have reviewed this documentation and accepted the costs.

Fee Waivers

Note 4 We questioned as ineligible, all fee waivers paid to the Centers, totaling \$237,000. Of this amount, \$32,750 was paid to the University of Maryland, \$33,750 was paid to the University of Massachusetts, and the balance of \$170,500 was paid to the

remaining four Centers. Chapter 2 of this report provides the details concerning the ineligibility of these payments.

Ineligible Amount \$170,500

Other Centers	<p>Note 5 Our audit included costs claimed by NUCEA, the University of Maryland, and the University of Massachusetts. We did not review the \$721,462 of costs claimed by the remaining four Centers: University of Cincinnati, University of California, University of Kansas, and the Georgia Technical Institute. Therefore, we have not provided an opinion on these costs.</p>
RECOMMENDATIONS	<p>We recommend that the Director of the Grants Administration Division:</p> <ol style="list-style-type: none">1) Recover the amounts due EPA identified on Exhibit 3-1 and Exhibit 3-2, and2) Review the costs invoiced to NUCEA by the remaining four centers for issues similar to those found at the University of Maryland and recover the questioned costs identified.
NUCEA Response	<p>We have submitted 1) an indirect rate summary for the periods covered by the assistance agreements, 2) signed affidavits from each of the individuals involved with the cooperative agreements attesting to their level of participation, and 3) a schedule of directors' time supporting the in-kind contributions.</p>
Agency Response	<p>Grants Administration Division and National Program Chemical Division are working with representatives of NUCEA to obtain any available documentation which will enable us to determine the final allowability of costs. During resolution of the final audit, we will reduce the allowable cost of the projects if costs are determined unallowable and recover any related overpayments.</p>
OIG Evaluation	<p>We concur with the Agency's response and planned corrective action for resolving the remaining ineligible and unsupported costs.</p>

CHAPTER 4

UNIVERSITY OF MARYLAND COSTS

EXHIBIT 4-1 ALLOWABILITY ANALYSIS OF COSTS INVOICED BY THE UNIVERSITY OF MARYLAND FOR THE PERIOD SEPTEMBER 12, 1991 THROUGH SEPTEMBER 30, 1993 UNDER EPA COOPERATIVE AGREEMENT CX-819144

AUDITORS' OPINION

CATEGORY	COSTS				NOTES
	CLAIMED (Note 1)	ACCEPTED	INELIGIBLE	UNSUPPORTED	
Federal Share-Direct	\$240,724	\$6,500	\$117,796	\$116,428	2,3,4
Federal Share-Indirect	19,258		19,258		5
In-Kind Contribution-Direct	120,072			120,072	6
In-Kind Contribution-Indirect	<u>9,606</u>		<u>9,606</u>		7
Total	<u>\$389,660</u>	<u>\$6,500</u>	<u>\$146,660</u>	<u>\$236,500</u>	
Program Income	<u>\$0</u>	<u>\$0</u>	<u>\$143,738</u>	<u>\$0</u>	8
Federal Share Invoiced:		\$259,982			
Less Federal Share Questioned:					
Ineligible Costs	\$137,054				
Unsupported Costs	116,428				
Program income *	<u>113,553</u>	<u>367,035</u>			
Allowable Federal Share		(\$107,053)			
EPA Payments To Date		<u>259,982</u>			
Balance Due EPA		<u>\$367,035</u>			

*Federal share of program income is 79% of \$143,738.

Cost Categories

Note 1 The Center submitted invoices to NUCEA who then claimed the amount of these invoices and received reimbursement from EPA. However, the Center's invoices did not agree with their general ledger. Moreover, to remain within the grant budget, the Center made adjustments on invoices that resulted in negative amounts claimed for some cost categories. As a result, we could not consider the amounts that the Center invoiced under each cost category. Instead, we attempted to trace the four total amounts on the Center's invoices to supporting documentation. The invoices showed total amounts for Federal Share - Direct and Indirect, as well as In-kind Contributions Direct and Indirect. The cost categories on the Center's invoices included: Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, and Other Direct Costs. Based on our limited review of the four amounts, we identified the following issues.

Salaries and Fringe Benefits

Note 2 The Federal Share - Direct of \$240,724 shown on the Center's invoices included \$136,011 of salaries and related fringe benefits. Of this amount, we identified that at least \$88,948 was for the salary of the Center's Director. We determined this amount was inappropriately charged to the EPA cooperative agreements as a direct cost. In accordance with the cost principles in OMB Circular A-21, costs incurred for common or joint objectives, and which cannot be readily identified with a particular project or activity, should be allocated indirectly. The University could not provide documentation to show the amount of the Director's time spent on various projects. However, University personnel acknowledged that the Director may not have devoted 100 percent of her time to the cooperative agreements. As a result, we questioned her salary and fringe benefits as ineligible.

Ineligible Amount \$88,948

The remaining \$47,063 of direct salaries and associated fringe benefits (\$136,011-\$88,948) could not be audited because the University's invoices did not agree with the general ledger. Therefore, we questioned these remaining amounts as unsupported until the University provides a reconciliation of the general ledger to the salary and fringe amounts identified on each invoice.

Unsupported Amount \$47,063

Contractual

Note 3 The Federal Share - Direct also included \$83,042 of contractual charges for entertainment, consultant services, housekeeping, staff development, and office equipment. We questioned the \$83,042 as both ineligible and unsupported as shown below.

As part of our review of contractual expenses, we reviewed invoices from caterers. Discussions with University personnel revealed that breakfasts and lunches were provided to individuals attending the courses. OMB Circular A-21 identifies meals as ineligible entertainment costs. Therefore, we questioned as ineligible, all invoices for food that were charged as Federal Share - Direct, totaling \$8,509.

Ineligible Amount \$8,509

We could not identify the total amount expended for consultants, however, we reviewed the charges by two consultants. In accordance with 40 CFR Part 33.280, EPA participation in consultant charges is limited to the maximum daily rate for a GS-18. One consultant did not exceed the \$434 daily allowable limit. However, the University paid the second consultant \$1,000 per day which exceeded the daily allowable limit by \$566. The amount claimed for the consultant was \$8,801 and we questioned the \$4,986 excess that resulted because the consultant billed above the allowable daily rate. According to University personnel, this consultant's fee included the rental of a large piece of equipment. We requested the University to provide documentation to support this claim since the consultant's invoices only mentioned the instructor's daily rate. However, the University has not provided this documentation. As a result, we questioned a total of \$4,986 as ineligible.

Ineligible Amount \$4,986

The University charged \$9,960 as direct expenses for items such as housekeeping/cleaning services, locks, and office equipment. All these items were for common use and should have been charged indirectly to the cooperative agreements in accordance

with OMB Circular A-21. Therefore, we questioned \$9,960 as ineligible.

Ineligible Amount \$9,960

The remaining \$59,587 of contractual costs were not audited because the University's invoices did not trace to the general ledger. Therefore, we questioned the remaining amount as unsupported until the University provides a reconciliation of the general ledger to the contractual amount identified on each invoice.

Unsupported Amount \$59,587

**Equipment and
Other Direct Costs**

Note 4 The Federal Share - Direct also included \$8,853 for equipment and \$6,318 for other direct costs. The University charged \$5,393 of this \$15,171 as direct expenses for items such as rent, staff development, and office equipment. All these items were for common use and should have been included in the indirect cost pool, and charged indirectly to the cooperative agreements in accordance with OMB Circular A-21. Therefore, we questioned \$5,393 as ineligible.

Ineligible Amount \$5,393

The remaining equipment and other direct costs totaling \$9,778 (\$15,171 - \$5,393) were not audited because the University's invoices did not trace to the general ledger. Therefore, we questioned this amount as unsupported until the University provides a reconciliation of the general ledger to the contractual amount identified on each invoice.

Unsupported Amount \$9,778

Indirect Costs

Note 5 We questioned indirect costs, totaling \$19,258 as both ineligible and unsupported.

This amount was considered ineligible because the Center did not prepare an indirect cost rate proposal for the eight percent rate it applied to all invoices submitted for payment. In accordance with the requirements of OMB Circular A-21, EPA's Indirect Cost and Special Rate Policy, and EPA's Guide for Preparing Indirect Cost Rate Proposals, the Center may only claim indirect costs if they have prepared an indirect cost rate proposal. During our audit, we noted that the University had an indirect rate agreement with

the U.S. Department of Health and Human Services (HHS) which was applicable to Federal assistance agreements during the period we reviewed. The predetermined rate was 33.1 percent for Off-Campus Instruction. Although the Center's applied rate was lower than the rate agreement with HHS, an indirect cost rate proposal should have been prepared for the eight percent rate. Without a proposal, we were unable to determine if costs were appropriately allocated.

These costs were also considered unsupported because the Center could not provide documentation to support the actual indirect costs incurred. Without supporting documentation, such as time sheets, invoices for supplies and equipment, and travel vouchers, we were unable to determine if the Center incurred these indirect expenses.

Ineligible Amount \$19,258

**In-Kind
Contribution**

Note 6 The Center claimed in-kind contributions totaling \$120,072. We questioned as unsupported all of the in-kind contributions claimed for the reasons discussed below.

- The in-kind expenses were not included in the University's general ledger accounting system. 40 CFR 30.510 requires a recipient to maintain a financial management system that consistently applies accepted accounting principles and practices including an accurate, current, and complete accounting of all financial transactions for the project.
- The Center could not provide documentation such as, time sheets, invoices for equipment and supplies, as well as travel vouchers and consulting agreements to support these expenses.

Unsupported Amount \$120,072

Indirect In-Kind

Note 7 We questioned all indirect in-kind contributions claimed for the reasons identified under Notes 5 and 6 above.

Ineligible Amount \$9,606

Program Income

Note 8 We determined the University received approximately \$143,738 of program income from individuals that attended the

EPA sponsored training courses. However, the University did not deduct this income from total project costs. In accordance with 40 CFR 30.525; program income must be used to fund additional eligible project activities by subtracting income from total project costs before determining the Federal share claimed for reimbursement.

Ineligible Amount \$143,738

University Response The University's response to these notes is shown after the next exhibit.

EXHIBIT 4-2
ALLOWABILITY ANALYSIS OF COSTS INVOICED BY
THE UNIVERSITY OF MARYLAND
FOR THE PERIOD OCTOBER 1, 1993 THROUGH DECEMBER 31, 1994
UNDER EPA COOPERATIVE AGREEMENT CX-821851

AUDITORS' OPINION

<u>CATEGORY</u>	<u>COSTS</u>				<u>NOTES</u>
	<u>CLAIMED</u> (Note 1)	<u>ACCEPTED</u>	<u>INELIGIBLE</u>	<u>UNSUPPORTED</u>	
Federal Share-Direct	\$192,009	\$5,190	\$84,865	\$101,954	2,3,4,5
Federal Share-Indirect	12,741		12,741		6
In-Kind Contribution-Direct	64,799			64,799	7
In-Kind Contribution-Indirect	<u>5,184</u>		<u>5,184</u>		8
Total	<u>\$274,733</u>	<u>\$5,190</u>	<u>\$102,790</u>	<u>\$166,753</u>	
Program Income	<u>\$0</u>	<u>\$0</u>	<u>\$105,409</u>	<u>\$0</u>	9
Federal Share Invoiced:		\$204,750			
Less Federal Share Questioned:					
Ineligible Costs	\$97,606				
Unsupported Costs	101,954				
Program income *	<u>95,922</u>	<u>295,482</u>			
Allowable Federal Share		(\$90,732)			
EPA Payments To Date		<u>204,750</u>			
Balance Due EPA		<u>\$295,482</u>			

*Federal share of program income is 91% of \$105,409.

Cost Categories

Note 1 The Center submitted invoices to NUCEA who then claimed the amount of these invoices and received reimbursement from EPA. However, the Center's invoices did not agree with their general ledger. Moreover, to remain within the grant budget, the Center made adjustments on invoices that resulted in negative amounts claimed for some cost categories. As a result, we could not consider the amounts that the Center invoiced under each cost category. Instead, we attempted to trace the four total amounts on the Center's invoices to supporting documentation. The invoices showed total amounts for Federal Share - Direct and Indirect, as well as In-kind Contributions Direct and Indirect. The cost categories on the Center's invoices included: Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, and Other Direct Costs. Based on our limited review of the four amounts, we identified the following issues.

Salaries and Fringe Benefits

Note 2 The Federal Share - Direct of \$192,009 shown on the Center's invoices included \$129,089 of salaries and related fringe benefits.

From the Federal Share - Direct amount, we identified that at least \$41,625 was for the salary of the Center's Director. We determined this amount was inappropriately charged to the EPA cooperative agreements as a direct cost. In accordance with the cost principles in OMB Circular A-21, costs incurred for common or joint objectives, and which cannot be readily identified with a particular project or activity, should be allocated indirectly. The University could not provide documentation to show the amount of the Director's time spent on various projects. However, University personnel acknowledged that the Director may not have devoted 100 percent of her time to the cooperative agreements. As a result, we questioned her salary and fringe benefits as ineligible.

Ineligible Amount \$41,625

The last two invoices submitted by the University to NUCEA under CX-821851 included the month of June 1994. Specifically, one invoice covered the period April 1, 1994 through June 30, 1994. The next invoice covered the period June 1, 1994 through September 30, 1994. Because the general ledger and invoices did not agree, we could not determine how much of the second

invoice was applicable to June. Therefore, we questioned as unsupported the salary and fringe amounts included on the second invoice, totaling \$25,402. The invoice also identified indirect costs totaling \$1,606 which we questioned as ineligible under Note 6 below.

Unsupported Amount \$25,402

The remaining \$62,062 of direct salaries and associated fringe benefits (\$129,089-\$41,625-\$25,402) could not be audited because the University's invoices did not agree with the general ledger. Therefore, we questioned these remaining amounts as unsupported until the University provides a reconciliation of the general ledger to the salary and fringe amounts identified on each invoice.

Unsupported Amount \$62,062

Contractual

Note 3 The Federal Share - Direct also included \$24,416 of contractual charges for entertainment, telephone expenses, and office equipment. We questioned the \$24,416 as both ineligible and unsupported as shown below.

As part of our review of contractual expenses, we reviewed invoices from caterers. Discussions with University personnel revealed that breakfasts and lunches were provided to individuals attending the courses. OMB Circular A-21 identifies meals as ineligible entertainment costs. Therefore, we questioned as ineligible, invoices for food that were charged as Federal Share - Direct, totaling \$822.

Ineligible Amount \$822

The University charged \$9,104 as direct expenses for items such as telephone expenses and office equipment. All these items were for common use and should have been included in the indirect cost pool, and charged indirectly to the cooperative agreements. Therefore, we questioned \$9,104 as ineligible.

Ineligible Amount \$9,104

The remaining \$14,490 of contractual costs could not be audited because the University's invoices did not agree with the general ledger. Therefore, we questioned the remaining amount as

unsupported until the University provides a reconciliation of the general ledger to the contractual amount identified on each invoice.

Unsupported Amount \$14,490

Equipment

Note 4 We reviewed five invoices for equipment purchases totaling \$3,756. Most of the electronic items appeared appropriate. However, a stereo, totaling \$564, was purchased and charged to the EPA cooperative agreement. University personnel stated that the stereo was not being used by the Center. Therefore, we questioned \$564 as ineligible.

Ineligible Amount \$564

Fee Waivers

Note 5 We questioned \$32,750 as ineligible fee waivers received by the University. This issue was discussed in Chapter 2.

Ineligible Amount \$32,750

Indirect Costs

Note 6 We questioned indirect costs totaling \$12,741 as both ineligible and unsupported. This amount was considered ineligible because the Center did not prepare an indirect cost rate proposal for the eight percent rate it applied to all invoices submitted for payment. These costs were also considered unsupported because the Center could not provide documentation to support the actual indirect costs incurred. See Exhibit 4-1, Note 5 for additional information.

Ineligible Amount \$12,741

**In-Kind
Contribution**

Note 7 The Center claimed in-kind contributions totaling \$64,799. We questioned as unsupported all of the in-kind contributions claimed for the reasons discussed below.

- The in-kind expenses were not included in the University's general ledger accounting system. 40 CFR 30.510 requires a recipient to maintain a financial management system that consistently applies accepted accounting principles and practices, including an accurate, current, and complete accounting of all financial transactions for the project.

- The Center could not provide documentation such as, time sheets, invoices for equipment, and supplies, as well as travel vouchers and consulting agreements to support these expenses.

Unsupported Amount \$64,799

Indirect In-Kind

Note 8 We questioned all indirect in-kind contributions claimed for the reasons identified under Notes 6 and 7 above.

Ineligible Amount \$5,184

Program Income

Note 9 We determined the University received approximately \$105,409 of program income from individuals that attended the EPA sponsored training courses. However, the University did not deduct this income from total project costs. In accordance with 40 CFR 30.525, program income must be used to fund additional eligible project activities by subtracting this program income from total project costs before determining the Federal share claimed for reimbursement.

Ineligible Amount \$105,409

RECOMMENDATIONS

We recommend the Director of Grants Administration Division:

- 1) Require the University to reconcile invoiced amounts to its general ledger. This reconciliation then must be used to complete the verification of costs by comparing the general ledger amounts to canceled checks.
- 2) Recover from NUCEA the amounts due EPA as identified on Exhibits 4-1 and 4-2.

University Response to Exhibit 4-1 and Exhibit 4-2

The University disagreed with each note identified in Chapter 4 of the report. They claimed to have adequate support for some costs and to be in the process of reconciling their records in order to provide additional documentation.

Agency Response

Grants Administration Division and National Program Chemical Division are working with representatives of NUCEA to obtain any available documentation which will enable them to determine the final allowability of costs. During resolution of the final audit,

they will reduce the allowable cost of the projects if costs are determined unallowable and recover any related overpayments.

OIG Evaluation

We concur with the Agency's response and planned corrective action. When the Grants Administration Division receives supporting documentation from the University, we are willing to assist them in their review of this information.

CHAPTER 5

UNIVERSITY OF MASSACHUSETTS COSTS

EXHIBIT 5-1 ALLOWABILITY ANALYSIS OF COSTS INVOICED BY THE UNIVERSITY OF MASSACHUSETTS FOR THE PERIOD SEPTEMBER 12, 1991 THROUGH SEPTEMBER 30, 1993 UNDER EPA COOPERATIVE AGREEMENT CX-819144

AUDITORS' OPINION

CATEGORY	COSTS			
	CLAIMED	ACCEPTED	INELIGIBLE	UNSUPPORTED
Direct Labor	\$103,498	\$103,498	\$ 0	\$ 0
Fringe Benefits	22,510	22,510		
Travel	3,621	3,621		
Equipment	5,524	5,524		
Supplies	11,673	11,673		
Contractual	69,723	69,723		
Other Direct Costs	52,208	52,208		
Indirect Costs	51,243	51,243		
In-Kind Contribution	<u>35,574</u>	<u>35,574</u>		
Total	<u>\$355,574</u>	<u>\$355,574</u>	<u>\$0</u>	<u>\$0</u>
Program Income	<u>\$0</u>	<u>\$115,220</u>	<u>\$0</u>	<u>\$0</u>
Federal Share Invoiced:		\$320,000		
Less Federal Share Questioned:				
Ineligible Costs	\$0			
Unsupported Costs	<u>0</u>	<u>0</u>		
Allowable Federal Share		\$320,000		
EPA Payments To Date		<u>320,000</u>		
Balance Due EPA		<u>\$0</u>		

EXHIBIT 5-2
ALLOWABILITY ANALYSIS OF COSTS INVOICED BY
THE UNIVERSITY OF MASSACHUSETTS
FOR THE PERIOD OCTOBER 1, 1993 THROUGH DECEMBER 31, 1994
UNDER EPA COOPERATIVE AGREEMENT CX-821851

AUDITORS' OPINION

<u>CATEGORY</u>	<u>COSTS</u>				<u>NOTE</u>
	<u>CLAIMED</u>	<u>ACCEPTED</u>	<u>INELIGIBLE</u>	<u>UNSUPPORTED</u>	
Direct Labor	\$89,524	\$89,524	\$ 0	\$ 0	
Fringe Benefits	36,315	36,315			
Travel	3,019	3,019			
Equipment	0	0			
Supplies	7,559	7,559			
Contractual	21,091	21,091			
Other Direct Costs	18,309	18,309			
Indirect Costs	35,163	35,163			
Fee Waivers	33,750	0	33,750		1
In-Kind Contribution	<u>21,100</u>	<u>21,100</u>			
Total	<u>\$265,830</u>	<u>\$232,080</u>	<u>\$33,750</u>	<u>\$0</u>	
Program Income	<u>\$0</u>	<u>\$134,120</u>	<u>\$0</u>	<u>\$0</u>	
Federal Share Invoiced:		\$244,730			
Less: Federal Share Questioned:					
Ineligible Costs	\$33,750				
Unsupported Costs	<u>0</u>	<u>33,750</u>			
Allowable Federal Share		\$210,980			
EPA Payments To Date		<u>244,730</u>			
Balance Due EPA		<u>\$33,750</u>			

Note 1 The University of Massachusetts was one of the six Centers receiving awards from NUCEA under cooperative agreements CX-819144 and CX-821851. NUCEA paid the University \$564,730. Of this amount, \$320,000 was reimbursement for costs incurred under cooperative agreement CX-819144, \$210,980 was reimbursement for costs incurred under CX-821851 and \$33,750 represented tuition fee waivers. We questioned the \$33,750 paid to the University for fee waivers. This issue was discussed in Chapter 2.

Ineligible Amount \$33,750

RECOMMENDATIONS

We recommend the Director of Grants Administration Division recover from NUCEA the fee waivers due EPA as identified on Exhibit 5-2.

University Response

At the completion of the Inspector General's audit on January 31, 1997, the auditor informed the University at the exit conference that there were no findings. The University was very surprised to receive the \$33,750 finding. We made a further review of our contractual agreement and determined that we have complied with all the billing instructions. The University feels the \$33,750 was received in accordance with the contractual agreement with NUCEA.

**Agency Response
and OIG Evaluation**

The Agency's response and our evaluation concerning the fee waivers is shown in Chapter 2. However, it should be noted that at the conclusion of our field work, we informed the University of our concerns regarding the fee waivers.

APPENDIX A — AGENCY'S RESPONSE



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

AUG - 5 1997

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: Comments on the Draft Report of Special Review on Assistance Agreements Awarded to the National University Continuing Education Association, Inc. (NUCEA), Report Number E3CEP6-03-0139

FROM: Gary M. Katz, Director
Grants Administration Division

TO: Carl A. Jannetti
Divisional Inspector General for Audit (3A100)

I am commenting on the draft special review report on the National University Continuing Education Association, Inc. (NUCEA), Audit Report Number E3CEP6-03-0139. This special review evaluated two cooperative agreements awarded to NUCEA to assist them in developing and implementing a program to train people in dealing with lead-based paint.

We generally agree with the report's recommendations on Page 12. Grants Administration Division and National Program Chemical Division (formerly the Chemical Management Division) staff are working with representatives of the recipient to obtain any available documentation for costs which will enable us to determine the final allowability of costs. During resolution of the final audit, we will reduce the allowable cost of the projects if costs are determined unallowable and recover any related overpayments.

We are, however, concerned with several sections of the report which we believe to be inaccurate. In particular:

- o As explained in the attached memorandum from the National Program Chemical Division, we disagree with the Draft Report conclusion that individuals were trained unnecessarily. When the initial cooperative agreement was awarded, the field of lead-based paint activities was an emerging field. Before enactment of Title X--The Residential Lead-Based Paint Hazard Reduction Act of 1992--in October of 1992, only a handful of states had lead programs requiring individuals

performing lead-based paint activities to be trained by accredited training providers to obtain state certification and there was no national market for lead-based paint professionals. Because EPA policy in awarding these cooperative agreements was to encourage entry into the lead-based paint profession, we did not require students taking training to be in similar occupational fields. To have done this would have defeated one of the primary purposes of the Lead Training Centers (RLTCs) developed under these cooperative agreements--to encourage entry of new individuals into the new field. The fact that some individuals do not ultimately enter a field in which they have training is expected in any educational field and does not translate to the draft report's conclusion that these individuals were trained unnecessarily. We recommend this conclusion of the draft report be deleted.

- o We also disagree with the Draft Report conclusion that EPA provided needless fee waivers to the institutions providing the training through the NUCEA cooperative agreements. The purpose of the fee waivers was to encourage state and local government employees' participation in the training, to expedite their awareness of Federal requirements for lead paint abatement, and, most important, to encourage states to develop their own statutes and programs (not procedures). We believe it would have been inappropriate for EPA, as a condition of the cooperative agreement, to require that a certain number or percentage of the individuals trained be state or local government personnel as suggested in the report. We are not in a position to force state or local governmental employees to attend training. Further, establishing a "percentage" as the report suggests could have had the adverse effect of "locking out" private industry from training based on an arbitrarily developed "quota system" for governmental employees. The number of state and government employees trained makes clear that our approach was a success. On the other hand, the waivers were built into the budgets of the cooperative agreements and all funding under the cooperative agreements was to be used to support the Lead-based paint training program. If the recipient's total costs, including the costs of the subrecipients, considering any program income, was less than the amount awarded by EPA plus the recipients cost share, we will take action to recover the overpayment.
- o We disagree with the Draft Report conclusion that EPA should have terminated funding for the RLTCs sooner. The Report is correct in indicating that in 1991 when EPA initially awarded the cooperative agreement our intent was that EPA would provide funding for only a few years. However, with the October 1992 enactment of Title X, the time frame under which the Centers could become self-sustaining was extended. The new law placed new mandates on EPA including several new regulatory activities. Under Sections 402 and 404 of Title X, EPA was directed to promulgate regulations to establish a Federal Lead Program to

accredit training providers, certify lead-based paint professionals, and establish work standards. It was Congress' vision that this program would be implemented through delegated state programs. The Toxic Substance Control Act rule making which had been underway, became a Title X rule-making. This delayed the establishment of accreditation and certification requirements. The rule was not promulgated until August 28, 1996, and does not require the certification of workers until August of 1999. This regulation was a major factor driving the demand for trained lead-based professionals (and therefore, the demand for training of lead-based paint professionals). In addition, Title X required the disclosure of lead hazards in real estate transactions. That rule was not promulgated until 1996 and did not become fully effective until December 1996. Without these regulations in place, the demand for lead-based paint professionals was inadequate to assure the RLTCs could be self sufficient. As a result, EPA's policy decision was to continue to fund the RLTCs to ensure that a workforce of trained individuals would be available to meet consumer demand when it developed. This was also Congress' intent since Congressional add-on funds were appropriated specifically for the RLTCs in FY92, and FY93 and FY94. Again, we do not agree the facts support the report's conclusion and recommend this discussion be deleted.

We have provided other specific comments on the report in the attached comments from the National Program Chemical Division. We have also attached comments and information prepared by representatives of NUCEA. If you have questions, please call Scott McMoran on (202) 564-5374.

ATTACHMENTS

ATTACHMENT

NATIONAL PROGRAM CHEMICAL DIVISION COMMENTS

General Background on Federal Lead Program

The IG Report focuses on EPA's Cooperative Agreement with the National University Continuing Education Association (NUCEA) which established the Regional Lead Training Centers (RLTCs). However, it must be recognized that the RLTCs are only one element of the broader national program for prevention of childhood lead poisoning. If the NUCEA cooperative agreement is viewed in that broader context--*OPPT policy decisions* which the Report disagrees with, will be put into a different perspective.

The National Lead Program to prevent childhood lead poisoning involves several federal agencies (EPA, HUD, CDC), as well as our state and local governmental partners and private industry. EPA/OPPT efforts to address childhood lead poisoning began in 1989 when initial technical efforts were undertaken jointly with HUD. Regulatory and non-regulatory activities to address childhood lead poisoning from lead-based paint were being addressed under the Toxic Substances Control Act statutory authority. In October of 1992, Title X--The Residential Lead-Based Paint Hazard Reduction Act of 1992-- was enacted which altered the course of, and significantly expanded, our lead-based paint activities.

Two of the initial goals in the program (both pre- and post-Title X) were 1) to establish a broader awareness of childhood lead poisoning, and 2) to develop a state/local governmental and private infrastructure, including a professional work force of lead risk assessors, inspectors, and abatement contractors, to respond to parents needs for information regarding their housing and action (abatement) to reduce risks. It was recognized that a number of implementation activities would need to be underway concurrently to attain these basic goals.

In order to develop, within the national infrastructure, private lead-based paint professionals--EPA recognized there needed to be both a demand for lead abatement professionals (abatement, risk assessment, and inspection) and a supply of trained individuals. A number of long-term activities were creating the demand for professionals---outreach/public education on the issue childhood lead poisoning; establishment of Federal/State Lead Programs mandating the certification of lead professionals performing lead-based paint activities; mandated information disclosure of known lead-based paint hazards at the time of real estate transactions (both rental and lease); and notification of potential lead-based paint hazards during renovation and remodeling activities. Some of these "demand-oriented" activities started in the late 80s/early 90's and most are still underway. As EPA pushed these "demand-oriented" activities, it was incumbent on us to ensure that there was a supply of lead-based professionals to assist the consumers to address their children's health concerns. It was for that reason that the RLTCs were initially established and continue to be a significant element of our overall national infrastructure.

Specific Comments on the May 15, 1997 Draft Report

BACKGROUND

Page 1. There is no relation between the Appropriations Act (Public Law 102-139) which was signed into law on October 28, 1991 and the NUCEA Cooperative Agreement which was awarded on September 12, 1991 (prior to enactment of the Appropriations Act); the cooperative agreement was awarded under the statutory authority of the Toxic Substances Control Act (TSCA), Section 10, as was the subsequent award.

INDIVIDUALS TRAINED UNNECESSARILY

OPPT disagrees with the Draft Report conclusion that "individuals were trained unnecessarily" for the following reasons.

Page 7. The Draft Report states that individuals were trained unnecessarily because "neither EPA, NUCEA nor the Centers ensured attendees were in occupational fields relevant to the training." The Draft Report cites NUCEA's final project report to EPA which (the Draft Report states) showed that the RLTCs "provided training to a substantial number of people that were not involved in lead abatement."

As indicated in the "General Background" section of this response, the field of lead-based paint activities is an emerging field (that was the case in 1991 with the initial awards and continues to be the case in 1997). Before enactment of Title X in October of 1992, there was only a handful of states which had State Lead Programs requiring that individuals performing lead-based paint activities be trained by accredited training providers and obtain state certification. There was not a national market for lead-based paint professionals.

Our policy was to encourage entry into the lead-based paint profession. There was no criteria that students for training at the RLTCs were already in similar occupational fields as a prerequisite for the courses. This would have defeated one of the primary purposes of the RLTCs---to encourage entry of new individuals into the new field. Our long term goal has been to ensure that highly trained professionals are available to perform lead-based paint services and become certified by the State and Federal Lead Programs when the certification requirements become effective.

Page 8. The auditor also interviewed students and summarized statements (of three students out of a total of 6100) in the Draft Report which states: "One participant stated that she volunteered for the training, however, the information was not needed for her job. A second participant stated that the information may be helpful in the future, however, he did not currently deal with lead. A third participant stated he took the training for personal interest."

The National Program Chemical Division believes that the fact that some individuals

trained do not ultimately enter a field in which they have training is to be expected in any educational field. Statements from these three individuals do not lead to the Draft Report conclusion that "individuals were trained unnecessarily."

We believe you should delete this section of the report.

Further, as noted earlier, these funds were not awarded under Public Law 102-139, but rather under TSCA Section 10.

EPA PROVIDED NEEDLESS FEE WAIVERS

The National Program Chemical Division disagrees with the Draft Report conclusion that "EPA provided needless fee waivers" for the following reasons.

Page 8. The Draft Report states that: "EPA believed the waivers would provide the Centers an added incentive to attract these types of people (*state and local government people, parenthesis added*) to the training. However, EPA had already paid the Centers the full cost of training each attendee, including state and local government personnel."

The waivers were built into the budget of the cooperative agreement; subsequently, the recipients should have used all funding provided under the cooperative agreement to support the RLTC program. The fact that the RLTCs did not collect tuition from state and local governmental officials which were granted the fee waivers does not necessarily mean that the waivers were funds in excess of the costs of program operations. It was always the expectation of EPA that the RLTCs would charge tuition to their students and that those funds would be used to supplement the Federal funds provided under the grant to support the program (i.e., the funds provided by EPA plus the tuition generated should not exceed the program operation costs minus the RLTC cost share---[EPA funds+tuition] ≤ [costs-cost share]).

As stated in our response to the Report's recommendation, if, after reviewing the recipient's actual costs and related income from fees, we determine that NUCEA's actual costs are less than the grant plus required cost share and income from fees, we will make appropriate recoveries.

Page 9. The draft Report statements in the 2nd paragraph of page 9 and the first Fee Waiver paragraph of page 8, regarding EPA's policy for providing fee waivers are in conflict. The fee waivers were not put into place for the benefit of the RLTCs in gaining more students, the waivers were put into place, as generally stated on page 9, to expedite state and local government's employees' awareness of Federal requirements for lead paint abatement and, most important, encourage states to develop their own statutes and programs (not procedures).

Page 9. Last Paragraph. We disagree with the IG's opinion that: "if EPA wanted state and local government personnel trained, they should have required, as a condition of the cooperative agreement, that a certain number or percentage of the individuals trained be state or local government personnel." EPA is not in a position to force any state or local governmental

employees to attend training at the RLTCs and would not want to establish a minimum number or percentage of state and local students. To establish a "percentage" could have the adverse effect of "locking out" private industry from training based on an arbitrarily developed "quota system" for governmental employees. We hoped instead that the opportunity to participate in the training at no cost would be an adequate incentive to bring state and local participants.

Based on the amount of fee waivers NUCEA paid to the various participating institutions (see page 9 of the draft report), it appears the EPA strategy of providing fee waivers for state and local governmental personnel was successful in encouraging their participation in the training. We recommend you change the thrust of this section to discuss only the cost issue as related to the fee waivers.

CENTERS NOT SELF-SUSTAINING

The National Program Chemical Division disagrees with the Draft Report conclusion that EPA should have terminated funding for the RLTCs much sooner for the following reasons.

Page 10. The Draft Report is correct in indicating that in 1991 when EPA initially awarded the cooperative agreement the intent was to only provide a few years of seed money to the RLTCs. This intent is stated in the recipient's July, 1991 grant application--"A primary goal of NUCEA's proposal is to ensure the continuation of these university-based Lead Training Centers beyond the grant period. Therefore a major consideration in selecting university centers will be their projected ability to continue delivering lead training instruction on a self-sustaining basis once the grant funding ceases." The application also implied that NUCEA's need for funding might end as soon as 1992 or 1993. However, with the October 1992 enactment of Title X and other events, the time frame under which The National Program Chemical Division believed that the RLTCs could become self-sustaining expanded.

The enactment of Title X placed a number of new mandates on EPA and the program took on a bigger role. Several new regulatory activities were required under Title X. Under Sections 402/404 of Title X, EPA was directed to promulgate regulations to establish a Federal Lead Program to accredit training providers, certify lead-based paint professionals, and establish work standards. It was Congress' vision that this program would be implemented through delegated state programs. Title X directed a program somewhat different from the earlier program envisioned under our TSCA authorities. The TSCA rulemaking which had been underway, became a Title X rulemaking. The changes in the rulemaking which were necessary when switching to a new statutory authority and a much broader lead-based paint program, delayed the time frame for establishing accreditation and certification requirements. The rule was not promulgated until August 28, 1996, and does not require the certification of workers until August of 1999. This regulation is one of the major factors driving the demand for trained lead-based professionals (and therefore, the demand for training of lead-based paint professionals seeking state or federal certification).

In addition, Title X mandated the promulgation of a rule requiring the disclosure of lead hazards in real estate transactions. That rule was not promulgated until 1996 and did not become

fully effective until December 1996. The Disclosure Rule was seen as yet another activity which would increase the demand for lead-based paint professionals (and thereby the demand for training), since new home buyers with information about lead-based paint hazards would be more likely to require the services of lead-based paint professionals (e.g., lead-based paint inspections prior to purchase of a home) than individuals who were unaware of potential lead hazards.

Because of the timing of these regulatory programs which were seen as two of the principal factors driving the demand for lead-based paint professionals and thereby, lead-based paint training, the OPPT policy decision was to continue to fund the RLTCs to ensure that training continued to be available across the nation and that a workforce of trained individuals would be available to meet consumer demand as it developed.

This was also Congress' intent since Congressional Add-on funds were allocated specifically for the RLTCs in FY92, and FY93 and FY94.

Page 10. The Draft Report states that "EPA did not determine whether the fee waiver and tuition revenue was sufficient to cover the cost of the course, thereby making the Centers self-sustaining." EPA grant programs rely on grantees to maintain accounting systems and records to support their costs. The program POs do not receive detailed financial statements from grant recipients---under normal operating circumstances they only receive quarterly progress reports. A separate financial analysis was not performed by the program office for each RLTC to determine if they could become self sustaining. However, if the institutions were fully reporting all program income (tuition), program costs, grantee cost share, and federal award---if the federal contribution combined with program income exceeded the program costs less the grantee cost share---the grantee is obligated to note that fact and return funds to the EPA. **The financial reporting system would automatically determine the point at which the grantees became self-sustaining.**

Page 10. The final sentence in the "Centers Not Self-Sustaining" section of the Draft Report is illogical. The Report states: "Since the Centers are providing fewer courses in 1997 without EPA funding, than in 1993 when they received EPA funding, we believe the Centers could have been considered self-sustaining before fiscal year 1997."

Following this construct one could come to the conclusion that if zero courses were offered in 1997 that would demonstrate that the Centers could have become self sustaining sooner. Instead, the audit should have evaluated whether adequate training is being provided based on the decreased number of courses offered after EPA assistance ended.

As stated in the report, the centers are now self sufficient as planned by EPA. At the very least, the title of the section should be changed to "Centers Became Self Sustaining After Originally Planned". At best, the section should be deleted because it is not supported by the facts.

OVERSIGHT NEEDS IMPROVEMENT

Page 11. The Draft Report references Chapter 44 of the EPA Assistance Administration Manual. The portions of that manual related to project officer responsibilities was superseded in 1995 with a manual entitled "Managing Your Financial Assistance Agreement: Project Officer Responsibilities." This manual was developed for GAD's Agency-wide training program, and is the handbook used to teach the classes that POs must take to meet new training and certification requirements established by OARM. Lin--We could probably provide a copy of the Assistance Administration Handbook, if requested, but for POs, the training manual is better.

Chapter 5 of this Manual outlines the roles and responsibilities of GAD and program staff in post-award grant management activities. This Chapter, at page 5.20, states that it is the role of the grants management office to "review financial status reports and resolve any discrepancies." The Project Officer, on the other hand, is the "focal point for resolution of programmatic issues identified in progress reports and other work products." The program office's principal role is as the technical overseers of the projects while OARM houses the Agency's business experts for management of extramural funding instruments.

Lin--I question the need to comment on this section. It is unlikely the auditors will make a significant change and it just sounds like we are saying its not our fault, its theirs.

Page 11. The Draft Report states that: "Discussions with NUCEA revealed that a total of eight different POs were assigned to the two assistance agreements. We believe this is an excessive number of individuals because the two agreements lasted only about three years, October 1991 through December 1994." The National Program Chemical Division agrees that there was a number of different POs over the course of the agreements. OPPT underwent a reorganization in September 1992 which resulted in significant staffing shifts, individuals previously dealing with the RLTC cooperative agreement were not placed in the organization which became responsible for the Lead Program. Further there was high staff turnover during this period. The assignment of new project officers was largely because previous POs had transferred to different jobs or left the agency. There is no solution to that problem.

RECOMMENDATIONS

Page 12. The Draft Report recommends that the Director of the Chemical Management Division ensure that costs claimed for reimbursements are only for incurred costs that are needed to achieve the objectives of assistance agreements. The National Program Chemical Division disagrees with that recommendation.

Ensuring that claimed costs were actually incurred is something that can only be verified by an audit of the recipient's accounting records for a particular grant. The role of the program office for this grant (or any other grant) is to ensure the "reasonableness" of costs claimed for reimbursement by a grantee. An underlying assumption is that grantees are operating in "good faith" and that they are truthfully and accurately reporting claimed costs. We are not in a position to question this "good faith" reporting, nor should we. Ascertaining the veracity of claimed costs is, thus, beyond the scope of responsibility for a program office and is a function of government auditors.

REQUEST FOR AUDIT

Regarding the University of Maryland, it should be noted that in July 1995 the program office met with representatives from the IG's office and requested that an audit be performed on the University of Maryland RLTC grant (communication between Linda Vlier Moos and Susan Thornberg, either the week of July 10 or July 17, 1995). The IG's Office declined to perform an audit.

RESPONSE TO RECOMMENDATIONS

Determining the necessity, allowability, and reasonableness of costs is a responsibility shared between The National Program Chemical Division and GAD staff. In resolving the final audit, we will work together with the recipient to assure all questioned costs are evaluated with the recipient and that only appropriate costs are allowed. If it is determined overpayments were made, we will take action to recover them.

HAJSER\SHARE\OGD\GAD\GOB-BAUDITS\NUCEA\NUCEAR\VI.WPD

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APPENDIX B — NUCEA'S RESPONSE

JOHN C. WALSH & CO., P. C.

CERTIFIED PUBLIC ACCOUNTANT

1101 FIFTEENTH STREET, N. W.

SUITE 207

WASHINGTON, D. C. 20005

(202) 833-9000

July 17, 1997

Carl Jannetti
Divisional Inspector General for Audit
Office of Inspector General
841 Chestnut Building
Philadelphia, Pa. 19107-4431

Re: CX-819144
CX-821851

Dear Mr. Jannetti:

This letter is in response to the draft report of the Special review on the EPA Assistance Agreements referenced above by the Inspector General.

Indirect Costs

We have submitted to the Inspector General's Office an indirect rate summary for the periods covered by the agreements and have enclosed a copy of the same for your records.

Salaries and Fringe Benefits

In connection with the disallowance of salaries and fringe benefits for NUCEA, we are submitting herewith signed affidavits from each of the individuals involved attesting to their level of participation. For the two employees who were charged 100 percent to the cooperative agreement, we are also submitting copies of their original letters of employment, advertisements for their positions and other employment information. The affidavit for John Hager stipulates how the chargeable portion of his time was spent in connection with the agreement.

In-Kind Contribution

The Inspector General report found the In-Kind contribution totaling \$43,858 as ineligible because NUCEA did not calculate this amount when requests for payment were submitted to the Las Vegas electronic payment center. The report states that NUCEA's accountant and Executive Director stated that they thought EPA would apply the appropriate percentage prior to reimbursing them for the Federal share. This statement was never made to the auditors and should not be contained in any subsequent reports.

Carl Jannetti, Divisional Inspector
Office of Inspector General
July 17, 1997

At the time of their original participation in the cooperative agreement, the submission for reimbursements contained their appropriate accounting for the in-kind cost contributions. A copy of the submission for the period October 15, 1991 to March 14, 1992 is included in this submission to further evidence this. NUCEA was informed at this time that they must begin participating in the electronic voucher payment system and that the only amount to be submitted through this system was the Federal share. We have included a copy of the ACH Payment Request form. There is no provision made for separating the Federal share and the in-kind contribution amount. NUCEA was at this same time submitting to the Washington office financial summary reports that contained an accounting of the in-kind costs on an on-going basis. Again, the submission of only the Federal share was based on information from the EPA electronic payment staff in Las Vegas.

NUCEA is submitting herewith a schedule of the in-kind contribution of time by the staff throughout the cooperative agreements. We have included a signed statement from the Executive Director of the Association attesting to the level of effort by each of the individuals involved in the in-kind contribution by the Association along with detailed time distribution worksheets.

Fee Waivers

The draft report refers to the fee waiver program that was conducted in connection with the subsequent cooperative agreement. This tuition assistance program was implemented in response to the Agency's guidelines for agreement CX-821851. The guidelines (copy attached) referred to the program and the Agency's letter of June 15, 1993 (copy attached) which specifically stated that \$375,000 must be set aside for the tuition assistance program.

The copy of the guidelines call for the development of criteria and plan for the tuition assistance program. The plan that was developed for the allocation of funds provided that they would be allocated to each of the centers on a need basis. In the RFP for the RLTCs, item 9 of the description of activities for the RLTC contained the criteria for the course waiver fund and item 8 of the guidelines for proposal development contained a description of the method of allocation of the funds. The centers submitted estimated numbers of participants in the fee waiver to insure that sufficient funding would be available to complete the tuition assistance programs.

The centers were required to submit separate applications for each state and local official who wanted to attend a course for prior approval by NUCEA/EPA. This was done so that the eligibility of each participant was cleared and that the intent of the fee waiver program would be accomplished.

The report further states that EPA should not have provided the funding of the fee waiver program because the centers were already being reimbursed for their costs. The costs that the centers were being reimbursed for were those associated with the establishment and maintaining of the Regional Lead Training Centers. The costs for the courses should have been entirely supported by the tuition charges for them. The Fee Waiver program was to serve as a method of tuition reduction to allow

Carl Jannetti, Divisional Inspector
Office of Inspector General
July 17, 1997

local and state government officials to attend a course that they may not otherwise be able to attend.

University of Massachusetts

We have attached the University's response concerning the Inspector General's findings. In summary, the University feels that the payment of the fee waivers was made in accordance with their subagreement with NUCEA which was also in accordance with NUCEA's agreement with EPA. Each of the subagreement participants in the program incurred costs in the performance of their contractual obligations regarding the fee waiver program and to ask them to now return the money would be in direct contradiction to the contract.

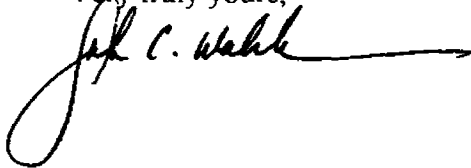
University of Maryland

We have attached the University's response concerning the Inspector General's findings. Again the University and NUCEA have the same feelings regarding the fee waiver program. In addition, the University has provided its response to the other questions regarding the Inspector General's finding.

We hope that this information will assist you in closing this review in a favorable manner.

If you have any questions or need any additional information, please feel free to contact us.

Very truly yours,

A handwritten signature in dark ink, appearing to read "J. C. Wahl", with a long horizontal flourish extending to the right.

cc: W. Scott McMoran, EPA
Kay Kohl, UCEA

APPENDIX C — UNIVERSITY OF MARYLAND'S RESPONSE



UNIVERSITY OF MARYLAND
AT BALTIMORE

FINANCIAL SERVICES

June 23, 1997

Mr. Jack Walsh
UCEA Auditor
1101 15th Street NW
Suite 207
Washington, DC 20005

Dear Mr. Walsh:

Enclosed are the University of Maryland at Baltimore's responses to your audit of the EPA's Cooperative Agreements CX 819144 and CX 821851.

If you have any questions, please feel free to contact me at (410) 706-7776.

Sincerely,

Marc E. Wasserman
Director of Financial Services

MEW:ad

Enclosure

CC: Ms. Marjorie Forster
Ms. Janet Simons
Mr. Larry Miller
Ms. Brenda Blake

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Baltimore, Maryland 21201-1041

Director
410 706 7776
410 706 7429 fax

Accounts Payable
410 706 2931
410 706 3429 fax

Payroll/Travel/Working Fund
410 706 6527
410 706 7429 fax

Quality Assurance
410 706 6554
410 706 7429 fax

Restricted Fund Accounting
410 706 6129
410 706 7429 fax

Student Accounting
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University of Maryland at Baltimore

Responses to the Inspector General's Audit

Cooperative Agreements CX 819144 and CX 821851

CX 819144

The University would like to clarify that our records indicate the contract expenditures began in May, 1992.

Note two - Audit Comment: The University could not provide documentation to show the amount of the Director's time spent on various projects. However, University personnel acknowledged that the Director may not have devoted 100 percent of her time to the cooperative agreements. As a result, we questioned her salary and fringe benefits as ineligible.

University Response: The University has a statement from the Department and effort reports that substantiate the Director devoted 100% of her time to the cooperative agreement

Note two - Audit Comment: The remaining \$47,063 of direct salaries and associated fringe benefits (\$136,011-\$88,948) could not be reviewed because the University's invoices did not agree with the general ledger. Therefore, we questioned these remaining amounts as unsupported until the University provides a reconciliation of the general ledger to the salary and fringe amounts identified on each invoice.

University Response: The University is in the process of reconciling the invoices to our general ledger. We have identified all but \$10,461 of the \$47,063 cited by the auditor.

Note three - Audit Comment: As part of our review of contractual expenses, we reviewed invoices from caterers. Discussions with University personnel revealed that breakfasts and lunches were provided to individuals attending the courses. OMB Circular A-21 identifies meals as ineligible entertainment costs. Therefore, we questioned as ineligible, all invoices for food that were charged as Federal Share - Direct, totaling \$8,509.

University Response: The total contractual services recorded on the ledger was \$132,372. The total amount billed to the Federal Share was \$83,042. The University did not bill for food. It was part of our in-kind contribution.

Note three - Audit Comment: We could not identify the total amount expended for consultants, however, we reviewed the charges by two consultants. In accordance with 40 CFR Part 33.280 FRA participation in consultant charges is limited to the maximum daily rate for a GS-18. One consultant did not exceed the \$434 daily allowable limit. However, the University paid the second consultant \$1,000 per day which exceeded the daily allowable limit by \$566. The amount claimed for the consultants was \$8,801 and we questioned the \$4,986 excess that resulted because the consultant billed above the allowable daily rate. According to University personnel, this consultant's fee included the rental of a large piece of equipment. We requested the University to provide documentation to support this claim since the consultant's invoices only mentioned the instructor's daily rate. However, the University has not provided this documentation. As a result, we questioned a total of \$4,986 as ineligible.

University Response: The company in question was Leadtec Services. They were not consultants, but subcontractors. Therefore, the rules concerning consultants do not apply in this case.

Note three - Audit Comment: The University charged \$9,960 as direct expenses for items such as housekeeping/cleaning services, locks, and office equipment. All these items were for common use and should have been charged indirectly to the cooperative agreements in accordance with OMB Circular A-21. Therefore, we questioned \$9,960 as ineligible.

University Response: The cooperative agreement is conducted off-campus. The indirect cost rate applied to off-campus agreements does not include indirect costs for plant operations expenses; it provides only for the recovery of administrative costs.

Accordingly, costs for housekeeping/cleaning services and locks cited in the audit report as ineligible are allowable for an agreement conducted off-campus; such costs are not recovered through the indirect cost rate applied to the agreement.

Note three - Audit Comment: The remaining \$59,587 of contractual costs were not reviewed because the University's invoices did not trace to the general ledger. Therefore, we questioned the remaining amount as unsupported until the University provides a reconciliation of the general ledger to the contractual amount identified on each invoice.

University Response: The Department has indicated that they have supporting documentation for the remaining \$59,587. We are in the process of verifying this amount.

Note four - Audit Comment: The Federal Share - Direct also included \$8,853 for equipment and \$6,318 for other direct costs. The University charged \$5,393 of this \$15,171 as direct expenses for items such as rent, staff development, and office equipment. All these items were for common use and should have been included in the indirect cost pool, and charged indirectly to the cooperative agreements in accordance with OMB Circular A-21. Therefore, we questioned \$5,393 as ineligible.

University Response: The cooperative agreement is conducted off-campus. All items cited in this comment are not recovered in the indirect cost rate applied to the agreement.

Note four - Audit Comment: The remaining equipment and other direct costs totaling \$9,778 (\$15,171 - \$5,398) were not reviewed because the University's invoices did not trace to the general ledger. Therefore, we questioned this amount as unsupported until the University provides a reconciliation of the general ledger to the contractual amount identified on each invoice.

University Response: The department has indicated that they have supporting documentation for the remaining \$9,778. We are in the process of verifying this amount.

Note five - Audit Comment: Although the Center's applied rate was lower than the rate agreement with HHS, an indirect cost rate proposal should have been prepared for the eight percent rate. Without a proposal, we were unable to determine if costs were appropriately allocated.

University Response: UMAB prepares an indirect cost proposal and submits it to our cognizant federal agency (Department of Health and Human Services). Negotiations are conducted with DHHS, resulting in a negotiated rate agreement, which provides the indirect cost rates that are to be applied for the period covered by the negotiated agreement.

The indirect cost rate agreement, based on the UMAB indirect cost proposal, is negotiated with our cognizant federal agency. As our cognizant federal agency, DHHS negotiates indirect cost rates for UMAB that apply to all agencies of the federal government.

Section III.D (Use by Other Federal Agencies) of the negotiated agreement dated January 28, 1997 (as well as all preceding agreements) states: "The rates in this Agreement were approved in accordance with the authority in Office of Management and Budget Circular A-21, and should be applied to grants, contracts and other agreements covered by this Circular."

Although the negotiated indirect cost rate for off-campus instruction for the audited fiscal period is 33.1%, the eight percent rate applied to the agreement is the maximum indirect cost rate allowed. No separate indirect cost proposal is required for the eight percent rate under the requirements of OMB A-21 and the negotiated agreement with our cognizant federal agency, which established the 33.1% rate.

No additional documentation is required for indirect costs charged to the agreement, beyond the documentation submitted with the indirect cost proposal, which provided the basis for the negotiation with our cognizant federal agency.

Note six - Audit Comment: The in-kind expenses were not included in the University's general ledger accounting system. 40CFR 30.510 requires a recipient to maintain a financial management system that consistently applies accepted accounting principles and practices including an accurate, current, and complete accounting of all financial transactions for the project.

University Response: The department has indicated that they have supporting documentation for the in-kind contribution. We are in process of verifying this amount.

Note seven - Audit Comment: We questioned all indirect in-kind contributions unclaimed for the reasons identified under Notes 5 and 6 above.

University Response: See response in Note 5.

Note eight - Audit Comment: We determined the University received approximately \$143,738 of program income from individuals that attended the EPA sponsored training courses. However, the University did not deduct this income from total project costs. In accordance with 40 CFR 30.525, program income must be used to fund additional eligible project activities by subtracting income from total project costs before determining the Federal share claimed for reimbursement.

University Response: The University is not clear how the auditor arrived at the amount of \$143,738. The University did spend all program income it received on project expenses.

CX 821851

Note two - Audit Comment: The University could not provide documentation to show the amount of the Director's time spent on various projects. However, University personnel acknowledged that the Director may not have devoted 100 percent of her time to the cooperative agreements. As a result, we questioned her salary and fringe benefits as ineligible.

University Response: The University has a statement from the Department and effort reports that substantiate the Director devoted 100% of her time to the cooperative agreement.

Note two - Audit Comment: The last two invoices submitted by the University to NUCEA under CX-821851 included the month of June 1994. Specifically, one invoice covered the period April 1, 1994 through June 30, 1994. The next invoice covered the period June 1, 1994 through September 30, 1994. Because the general ledger and invoices did not agree, we could not determine how much of the second invoice was applicable to June. Therefore, we questioned as unsupported the salary and fringe amounts included on the second invoice, totaling \$25,402. The invoice also identified indirect costs totaling \$1,606 which we questioned as ineligible under Note 6 below.

The remaining \$62,062 of direct salaries and associated fringe benefits (\$129,089-\$41,625-\$25,402) could not be reviewed because the University's invoices did not agree with the general ledger. Therefore, we questioned these remaining amounts as unsupported until the University provides a reconciliation of the general ledger to the salary and fringe amounts identified on each invoice.

University Response: The department has indicated that they have supporting documentation. We are in the process of verifying this.

Note three - Audit Comment: As part of our review of contractual expenses, we reviewed invoices from caterers. Discussions with University personnel revealed that breakfasts and lunches were provided to individuals attending the courses. OMB Circular A-21 identifies meals as ineligible entertainment costs. Therefore, we questioned as ineligible, invoices for food that were charged as Federal Share - Direct totaling \$822.

University Response: The University did not bill for food. It was part of our in-kind contribution.

Note three - Audit Comment: The University charged \$9,104 as direct expenses for items such as telephone expenses and office equipment. All these items were for common use and should have been included in the indirect cost pool, and charged indirectly to the cooperative agreements. Therefore, we questioned \$9,104 as ineligible.

University Response: These costs were not recovered through the indirect cost rate applied to the agreement.

Note three - Audit Comment: The remaining \$14,490 of contractual costs could not be reviewed because the University's invoices did not agree with the general ledger. Therefore, we questioned the remaining amount as unsupported until the University provides a reconciliation of the general ledger to the contractual amount identified on each invoice.

University Response: The department has indicated that they have supporting documentation. We are in the process of verifying this.

Note four - Audit Comment: We reviewed five invoices for equipment purchases totaling \$3,756. Most of the electronic items appeared appropriate. However, a stereo, totaling \$564, was purchased and charged to the EPA cooperative agreement. University personnel stated that the stereo was not being used by the Center. Therefore, we questioned \$564 as ineligible.

University Response: The stereo in question was part of the audio visual equipment purchased for the contract.

Note five - Audit Comment: We questioned \$32,750 as ineligible fee waivers received by the University. This issue was discussed in Chapter 2.

University Response: The University needs clarification on what is in Chapter 2 before we can respond.

Note six - Audit Comment: We questioned indirect costs totaling \$12,741 as both ineligible and unsupported. This amount was considered ineligible because the Center did not prepare an indirect cost rate proposal for the eight percent rate it applied to all invoices submitted for payment. These costs were also considered unsupported because the Center could not provide documentation to support the actual indirect costs incurred. See Exhibit 4-1, Note for additional information.

University Response: UMAB prepares an indirect cost proposal and submits it to our cognizant federal agency (Department of Health and Human Services). Negotiations are conducted with DHHS, resulting in a negotiated rate agreement, which provides the indirect cost rates that are to be applied for the period covered by the negotiated agreement.

The indirect cost rate agreement, based on the UMAB indirect cost proposal, is negotiated with our cognizant federal agency. As our cognizant federal agency, DHHS negotiates indirect cost rates for UMAB that apply to all agencies of the federal government.

Section III.D (Use by Other Federal Agencies) of the negotiated agreement dated January 28, 1997 (as well as all preceding agreements) states: "The rates in this Agreement were approved in accordance with the authority in Office of Management and Budget Circular A-21, and should be applied to grants, contracts and other agreements covered by this Circular."

Although the negotiated indirect cost rate for off-campus instruction for the audited fiscal period is 33.1%, the eight percent rate applied to the agreement is the maximum indirect cost rate allowed. No separate indirect cost proposal is required for the eight percent rate under the requirements of OMB A-21 and the negotiated agreement with our cognizant federal agency, which established the 33.1% rate.

No additional documentation is required for indirect costs charged to the agreement, beyond the documentation submitted with the indirect cost proposal, which provided the basis for the negotiation with our cognizant federal agency.

Note seven - Audit Comment: The Center claimed in-kind contributions totaling \$64,799. We questioned as unsupported all of the in-kind contributions claimed for the reasons discussed below.

- The in-kind expenses were not included in the University's general ledger accounting system. 40 CFR 30.510 requires a recipient to maintain a financial management system that consistently applies accepted accounting principles and practices, including an accurate, current, and complete accounting of all financial transactions for the project.
- The Center could not provide documentation such as time sheets, invoices for equipment, and supplies, as well as travel vouchers and consulting agreements to support these expenses.

University Response: The department has indicated that they have supporting documentation. We are in the process of verifying this.

Note eight - Audit Comment: We questioned all indirect in-kind contributions claimed for the reasons identified under Notes 6 and 7 above.

University Response: See response in Note 6.

Note nine - Audit Comment: We determined the University received approximately \$105,409 of program income from individuals that attended the EPA sponsored training courses. However, the University did not deduct this income from total project costs. In accordance with 40 CFR 30.525, program income must be used to fund additional eligible project activities by subtracting this program income from total project costs before determining the federal share claimed for reimbursement.

University Response: The University is not clear how the auditor arrived at the amount of \$105,409. The University did spend all program income it received on project expenses.

APPENDIX D — UNIVERSITY OF MASSACHUSETTS' RESPONSE



UNIVERSITY OF MASSACHUSETTS
AMHERST

Office of the Controller
Director of Finance

July 15, 1997

Goodell Building
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(413) 545-0806
FAX: (413) 545-6088

Kay J. Kohl, Executive Director
University Continuing Education Association
Suite 615
One Dupont Circle
Washington, DC 20036

Ref.: NUCEA Fee Waiver Program
Finding - EPA Inspector General Report

Dear Ms. Kohl:

At the completion of Inspector General's audit, on January 31, 1997, the auditor informed the University at the exit conference that there were no findings.

The University was very surprised to receive the \$33,750 finding. We made a further review of our contractual agreement and determined that we have complied with all the billing instructions. On August 4, 1994, the University received billing instructions from Mr. David Johnson, Program Manager, we complied with these instructions. We have enclosed appropriate documentation to support our position in this matter.

The University feels the \$ 33,750 was received in accordance with contractual agreement with NUCEA. If you require any additional information, please call me after you have reviewed this material (413) 545 - 0806. The University would like to bring closure to this issue.

Sincerely

Sam Killings
Assistant Controller
cc:

Kevin Aiken
Edward Calabrese
Lloyd Thomas
Charles Gilbert
Robert Harrison
John C. Walsh
Thomas Mathers
Mike Sullivan

APPENDIX E — REPORT DISTRIBUTION

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