



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



Examination of Costs Claimed Under Grant AB-83363501 Awarded to Lead Remediation Association of America

Report No. 13-P-0341

August 6, 2013



Scan this mobile
code to learn more
about the EPA OIG.

Report Contributors:

David Kim
Lela Wong

Abbreviations

CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
LRAA	Lead Remediation Association of America
OGD	Office of Grants and Debarment
OIG	Office of Inspector General
RRP	Renovation, Repair and Painting

Hotline

To report fraud, waste, or abuse, contact us through one of the following methods:

email: OIG_Hotline@epa.gov
phone: 1-888-546-8740
fax: 202-566-2599
online: <http://www.epa.gov/oig/hotline.htm>

write: EPA Inspector General Hotline
1200 Pennsylvania Avenue, NW
Mailcode 2431T
Washington, DC 20460



At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency, Office of Inspector General, conducted this examination to determine whether the costs claimed under grant AB-83363501 awarded to the Lead Remediation Association of America are reasonable, allowable and allocable in accordance with the applicable laws, regulations and grant terms and conditions. The OIG also sought to determine whether the objectives of the grant were met.

This report addresses the following EPA Goal and Cross-Cutting Strategy:

- *Ensuring the safety of chemicals and preventing pollution.*

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2013/20130806-13-P-0341.pdf

Examination of Costs Claimed Under Grant AB-83363501 Awarded to Lead Remediation Association of America

What We Found

We found that LRAA's financial management system did not meet the standards established under the Code of Federal Regulations at 40 CFR § 30.21. LRAA's accounting system data was not updated timely. LRAA also made cash draws and submitted its final federal financial report using the grant budget amounts rather than actual costs incurred. In addition, LRAA did not maintain source documentation to support the costs incurred or claimed.

Title 40 CFR § 30.21(b) requires the recipient's financial management systems to provide accurate, current and complete disclosure of the financial results and to include records that adequately identify the source and application of funds for federally sponsored activities. Title 2 CFR Part 230, Appendix A, Paragraphs A.2(a) and (g), also require costs to be allocable and adequately documented to be considered allowable under an award. LRAA did not meet these requirements.

We also found that LRAA did not meet the grant objectives as outlined in the approved work plan. The work plan requires LRAA to produce and distribute lead safety work practice DVDs, provide lead safety training and workshops, distribute brochures, and carry out other duties to promote lead safety practices in low-income communities. As of the date of our report, 2 years after the grant period end date of June 30, 2011, LRAA has not produced the required DVDs, provided evidence of brochure distribution, or completed the required training and workshops.

As a result of the issues noted above, we questioned the \$249,870 claimed and recommended recovery of the \$249,882 drawn under the grant.

Recommendations

We recommend that the director of the Office of Grants and Debarment question \$249,870 claimed and recover \$249,882 drawn under the grant. We also recommend that the director verify that LRAA has a financial management system that meets the federal standards established under 40 CFR § 30.21 prior to any future awards.

LRAA generally agreed that it did not have the documentation to meet the federal requirements. However, LRAA disagreed with our recommendation to question the \$249,870 claimed under the grant. LRAA stated that it is entitled to the claimed costs because it has done work under the grant and its general ledger showed incurred costs. Costs recorded in the general ledger without the supporting source documentation do not meet CFR requirements; therefore, we will continue to question the costs.



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

THE INSPECTOR GENERAL

August 6, 2013

MEMORANDUM

SUBJECT: Examination of Costs Claimed Under Grant AB-83363501 Awarded to Lead Remediation Association of America
Report No. 13-P-0341

FROM: Arthur A. Elkins Jr.

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

TO: Howard Corcoran, Director
Office of Grants and Debarment

This report contains time-critical findings that describe the problems the Office of Inspector General has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final position of the U.S. Environmental Protection Agency. In accordance with established audit-resolution procedures, EPA managers will make final determinations concerning matters in this report.

Action Required

In accordance with EPA Manual 2750, you are required to provide us your proposed management decision on the findings and recommendations contained in this report before you formally complete resolution with the recipient. Your proposed management decision is due in 120 days or on December 4, 2013. To expedite the resolution process, please email an electronic version of your proposed management decision to adachi.robert@epa.gov.

Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public. If your response contains such data, you should identify the data for redaction or removal. This report will be available at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact Richard Eyermann, acting assistant inspector general for the Office of Audit, at (202) 566-0565 or eyermann.richard@epa.gov; or Robert Adachi, product line director, at (415) 947-4537 or adachi.robert@epa.gov.

Table of Contents

Chapters

1	Independent Accountant’s Report	1
2	Introduction	3
	Purpose	3
	Background.....	3
3	Financial Management System Did Not Meet Federal Requirements	4
	Recommendations	9
	Recipient Comments.....	9
	OIG Response	10
4	LRAA Did Not Meet Grant Objectives	11
	LRAA Did Not Produce and Distribute DVDs	11
	LRAA Did Not Complete the Required Training	12
	LRAA Did Not Meet Other Objectives	12
	Conclusion	13
	Recommendation.....	13
	Recipient Comments.....	13
	OIG Response	13
5	Other Matter	14
	Status of Recommendations and Potential Monetary Benefits	15

Appendix

A	Distribution	16
----------	---------------------------	-----------

Chapter 1

Independent Accountant's Report

At the request of the U.S. Environmental Protection Agency, Office of Grants and Debarment, we have examined the costs claimed by Lead Remediation Association of America in its October 18, 2009, final federal financial report for grant number AB-83363501.

By signing the award documents and thus agreeing to the terms set out therein, LRAA has accepted responsibility for complying with the requirements of the Code of Federal Regulations under 2 CFR Part 230, 40 CFR Part 30, and the grant terms and conditions. Our responsibility is to express an opinion as to whether LRAA complied with the applicable requirements.

Our examination was conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. We examined, on a test basis, evidence supporting the amount claimed under the grant and performed other procedures we considered necessary under the circumstances. We believe our examination provides a reasonable basis for our opinion.

We conducted our fieldwork from March 12, 2013, through August 6, 2013. We performed the following steps to obtain an understanding of the project and LRAA's policies and procedures:

- Interviewed LRAA's executive director and program manager, as well as its outside certified public accountant.
- Reviewed written policies and procedures.
- Reviewed the grant application and approved work plan to identify grant objectives and expected deliverables.
- Reviewed all source documentation provided by LRAA to determine cost allowability and proper support for meeting grant objectives.

LRAA is responsible for establishing and maintaining effective internal control over compliance with the requirements of 40 CFR Part 30, 2 CFR Part 230, and the terms and conditions of the grant. In planning and performing our examination, we considered LRAA's internal control over compliance with the requirements listed above as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LRAA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. A significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects that entity's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework, such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the subject matter will not be prevented or detected.

Our examination disclosed a material weakness concerning LRAA's internal control over compliance with the requirements of 40 CFR Part 30, 2 CFR Part 230, and the terms and conditions of the grant. Our examination disclosed that LRAA's financial management system did not meet the federal standards established under 40 CFR § 30.21. We noted the following issues:

- Accounting system data was not updated timely.
- Costs charged to the grant were based on grant budget rather than actual costs incurred.
- LRAA did not maintain source documentation to support costs incurred or claimed.

Our examination also disclosed that LRAA also did not meet the objectives of the grant. As of the date of our report, 2 years after the grant period end date of June 30, 2011, LRAA has not produced the required DVDs, provided evidence of the required brochure distributions, or completed the training and workshops required under the grant.

As a result of the issues noted above, we questioned the \$249,870 claimed and recommended recovery of the \$249,882 drawn under the grant. In our opinion, because of the effect of the issues described above, the costs claimed in the final federal financial report for grant number AB-83363501 do not meet, in all material respects, the requirements of 40 CFR Part 30, 2 CFR Part 230, and the grant terms and conditions.



Robert K. Adachi
Director, Forensic Audits
August 6, 2013

Chapter 2

Introduction

Purpose

The U.S. Environmental Protection Agency, Office of Inspector General, conducted this examination to determine whether the costs claimed under EPA grant number AB-83363501 are reasonable, allowable and allocable in accordance with the applicable laws, regulations and grant terms and conditions. The OIG also sought to determine whether the objectives of the grant were met.

Background

We initiated this examination at the request of EPA Office of Grants and Debarment. During a desk review, OGD identified several areas of concern, including lack of internal controls, lack of adequate documentation and project results not being achieved. As a result, OGD requested the OIG to conduct a review of the grant.

The EPA awarded the grant to LRAA on September 5, 2007. The total amount of the grant is \$249,988 with no recipient match requirement. The purpose of the grant is to raise lead hazard awareness for children and families in low-income communities in the San Francisco Bay Area. The project and budget period was from September 1, 2007, to June 30, 2011. LRAA submitted its final federal financial report on October 18, 2009, claiming \$249,870 in federal expenditures.

Chapter 3

Financial Management System Did Not Meet Federal Requirements

Our examination disclosed that LRAA's financial management system did not meet the federal standards established under 40 CFR § 30.21. LRAA's accounting system data was not updated timely. LRAA submitted its final federal financial report on October 18, 2009. However, when we started fieldwork on March 12, 2013, LRAA's general ledger was not ready for review. In addition, LRAA made cash draws and submitted its final federal financial report using the grant budget amounts rather than actual costs incurred. LRAA did not maintain source documentation to support the costs incurred or claimed.

Title 40 CFR § 30.21(b) requires the recipient's financial management systems to provide accurate, current and complete disclosure of the financial results and to include records that adequately identify the source and application of funds for federally sponsored activities. Title 2 CFR Part 230, Appendix A, Paragraphs A.2(a) and (g), also require costs to be allocable and adequately documented to be considered allowable under an award. LRAA did not meet these requirements. As a result, we questioned \$227,702 of the \$249,870 claimed under the grant and recommend recovery of the \$227,714 drawn in excess of the allowable project costs. Details are summarized in table 1 below.

Table 1: Summary of questioned costs

Cost category	Amount claimed	Costs questioned		Note
		Ineligible	Unsupported	
Labor and fringe benefit	\$100,590	-	\$100,590	1
Contract	40,152	-	40,152	2
Equipment	52,520	\$1,219	29,133	3, 11
Stipend	26,700	-	26,700	4
Rental payment	8,500	-	8,500	5
Supplies	1,288	-	1,288	6,11
Travel	473	-	473	7
Meals and entertainment	173	173	-	8
Other	11,513	-	11,513	9, 11
Costs claimed in excess of costs reported in general ledger	7,961	-	7,961	
Total project costs	\$249,870	\$1,392	\$226,310	
Total costs questioned	227,702			
Allowable project costs	22,168			
Allowable federal share (100%)	22,168			
Cumulative cash draw	249,882			
Amount due EPA	\$227,714			

Sources: Amounts claimed are from LRAA's general ledger and final federal financial report submitted to the EPA under the grant. Costs questioned are based on OIG's analysis of the data.

Note 1: We questioned labor and fringe benefit costs of \$100,590 as unsupported because LRAA claimed these costs based on the grant budget rather than actual costs incurred. LRAA did not provide supporting timesheets or other payroll documentation to substantiate the costs claimed. This practice does not comply with the federal requirements under 2 CFR Part 230, Appendix B, Paragraph 8.m. The regulation states “[t]he distribution of salaries and wages to awards must be supported by personnel activity reports...” and “[these] reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.”

In response to our discussion draft documents, LRAA acknowledged that it did not have the documentation to meet federal requirements. LRAA stated that it will complete timekeeping procedures by July 15, 2013, to ensure compliance with federal requirements in the future. LRAA claimed to have a spreadsheet of actual hours worked under the grant. However, this spreadsheet was not mentioned during fieldwork, although the OIG specifically asked for supporting

documentation for actual hours worked. The spreadsheet was not provided to the OIG for review. As LRAA acknowledged, the spreadsheet also did not meet the federal requirements. We will continue to question the \$100,590 as unsupported.

Note 2: We questioned contract costs of \$40,152 as unsupported because LRAA did not provide any documentation to support that these costs were incurred for the grant purpose. The contract costs claimed under the grant consist of payments to companies owned by the executive director and the program manager. LRAA did not provide contracts, invoices or other documents to support the work performed in connection with these contract costs. According to 2 CFR Part 230, Appendix A, Paragraph A.2., to be allowable under a federal award, a cost must be allocable to the award and adequately documented. Paragraph A.4.a.(1) defines allocable costs as costs incurred specifically for the award.

LRAA acknowledged that it did not have the documentation to meet federal requirements. LRAA explained that these contract costs were based on the approved budget. However, the budget is an estimate and does not support actual costs incurred. Since LRAA is unable to support the \$40,152 claimed, we questioned the costs.

Note 3: We questioned equipment costs of \$1,219 as ineligible and \$29,133 as unsupported. The ineligible amount of \$1,219 represents a refund for cameras purchased under the grant. According to 2 CFR Part 230, Appendix A, Paragraph A.5.a, credits and refunds should be credited to the federal grant as a reduction to expense or cash refund. However, LRAA did not credit the refund amount to the grant. As result, LRAA overstated the amount claimed by \$1,219.

The unsupported amount of \$29,133 consists of \$23,372 for a DVD burner and \$5,761 for miscellaneous equipment items. The DVD burner is questioned because LRAA did not conduct cost or price analysis, as required under 40 CFR § 30.45. The regulation states that “[s]ome form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.” LRAA’s procurement policy also requires cost or price analysis for every procurement action above \$500 in value. LRAA only obtained one price quote for the DVD burner. There was no price comparison or other documentation to demonstrate that the price was fair and reasonable. As a result, we questioned \$23,372 as unsupported.

The remaining \$5,761 equipment costs are questioned as unsupported because LRAA did not provide documentation to support that these costs were incurred for grant purposes. According to 2 CFR Part 230, Appendix A, Paragraph A.2., to be allowable under a federal award, a cost must be allocable to the award and adequately documented. Paragraph A.4.a.(1) defines allocable costs as costs incurred specifically for the award. Since LRAA is unable to support the \$5,761 claimed, we questioned the costs.

Note 4: We questioned stipend costs of \$26,700 as unsupported because LRAA did not provide adequate documentation to support the cost claimed. According to 2 CFR Part 230, Appendix A, Paragraph A.2.(g), to be allowable under a federal award, a cost must be adequately documented. The stipends were paid to day laborers as incentives to attend training courses conducted under the grant. LRAA provided a few training sign-in sheets for review, but the sign-in sheets did not include the actual amounts paid, attendee signatures acknowledging receipt of the stipend amount, attendees' contact information, or any other evidence to substantiate payment and receipt of the stipends. According to LRAA, the training sessions were held at locations not conducive to documentation. Many of the attendees were also unwilling to provide their information, possibly due to questionable immigration status. Since LRAA is unable to support the \$26,700 claimed, we questioned the costs.

In response to our discussion draft documents, LRAA stated that it will institute procedures to ensure stipend costs are properly documented in the future.

Note 5: We questioned rental costs of \$8,500 as unsupported because LRAA charged arbitrary monthly rental fees to the grant, contrary to federal requirements. According to 2 CFR Part 230, Appendix B, Paragraph 43.c, rental agreements between the entity and its key employees are considered less-than-arms-length transactions. As such, the rental agreements LRAA has with its executive director and program manager are less-than-arms-length leases. In such transactions, the grantee is allowed rental costs up to the amount that would be allowed had the grantee owned the property. Paragraph 43.b of the regulation provided examples of allowable expenses for properties owned by the grantee. Examples include depreciation or use allowance, maintenance, taxes and insurance. LRAA charged a flat monthly fee of \$500 for each of the two rentals under the grant. The charges were not based on any of the costs allowed under the regulations. As a result, we questioned the \$8,500 claimed.

LRAA stated that it was unaware of the federal requirements related to allowable rental costs and that it would have been helpful to have some training on federal regulations from the EPA. However, when LRAA signed the award documents, LRAA has accepted responsibility for complying with the applicable federal requirements. It is LRAA's responsibility to ensure that staff and management have adequate knowledge of the federal requirements to ensure compliance.

- Note 6: We questioned supplies costs of \$1,288 as unsupported because LRAA did not provide documentation to support that these costs were incurred for grant purposes. According to 2 CFR Part 230, Appendix A, Paragraph A.2., to be allowable under a federal award, a cost must be allocable to the award and adequately documented. Paragraph A.4.a.(1) defines allocable costs as costs incurred specifically for the award. Since LRAA is unable to support the \$1,288 claimed, we questioned the costs.
- Note 7: We questioned travel costs of \$473 as unsupported because LRAA did not provide documentation to support that these costs were incurred for grant purposes. The \$473 included costs for car rental and gas. According to 2 CFR Part 230, Appendix A, Paragraph A.2., to be allowable under a federal award, a cost must be allocable to the award and adequately documented. Paragraph A.4.a.(1) defines allocable costs as costs incurred specifically for the award. Since LRAA is unable to support the \$473 claimed, we questioned the costs.
- Note 8: We questioned meal and entertainment costs of \$173 as ineligible costs because these costs are not allowable under 2 CFR Part 230, Appendix B, Paragraph 14. The regulation states that costs of entertainment, including meals, are unallowable. LRAA also could not provide documentation to support that the \$173 was incurred for grant purposes. According to 2 CFR Part 230, Appendix A, Paragraph A.2., to be allowable under a federal award, a cost must be allocable to the award and adequately documented. Paragraph A.4.a.(1) defines allocable costs as costs incurred specifically for the award.
- Note 9: We questioned other costs of \$11,513 as unsupported. The \$11,513 claimed include costs for conferences/conventions/meetings, software purchases, gas, telephone/telecommunications, printing and copying, postage/ mailing services, bank service charges, and accounts payable transactions. LRAA did not provide documentation to support that these costs were incurred for grant purposes. According to 2 CFR Part 230, Appendix A, Paragraph A.2., to be allowable under a federal award, a cost must be allocable to the award and adequately documented. Paragraph A.4.a.(1) defines allocable costs as costs incurred specifically

for the award. Since LRAA is unable to support the \$11,513 claimed, we questioned the costs.

Note 10: We questioned additional costs of \$7,961 as unsupported. The \$7,961 represents the amount claimed in the final federal financial report in excess of the amount recorded in LRAA's general ledger. The \$7,961 is questioned because LRAA did not provide supporting accounting data or source documentation for the amount. According to 2 CFR Part 230, Appendix A, Paragraph A.2.g., to be allowable under a federal award, a cost must be adequately documented. Since LRAA is unable to support the \$11,513 claimed, we questioned the costs.

Note 11: Our review of the bank statements revealed that LRAA received credit/refunds of \$2,765 under the grant. The \$2,765 included the \$1,219 refund for the camera purchase discussed under Note 3 above. The remaining amount consists of \$1,292 in check reversals, \$244 in office supplies return and \$10 in cash back award. According to 2 CFR Part 230, Appendix A, Paragraph A.5.a, credits and refunds should be credited to the federal grant as a reduction to expense or cash refund. LRAA did not credit the EPA for the refunds/credits. As a result, the amount claimed is overstated by \$2,765. These costs are already being questioned under Notes 1 to 10 above.

Recommendations

We recommend that the director, Office of Grants and Debarment:

1. Question the \$227,702 claimed under the grant and recover the \$227,714 drawn in excess of the allowable project costs.
2. Verify that LRAA has a financial management system that meets federal standards established under 40 CFR § 30.21 prior to any future awards.

Recipient Comments

The OIG conducted a field exit conference with LRAA and OGD on June 5, 2013, to discuss the preliminary audit results. We also provided OGD and LRAA with the discussion draft documents on June 4 and 5, 2013, respectively.

We met with LRAA on June 20, 2013, to obtain its verbal comments on the discussion draft. LRAA generally agreed that it did not have the documentation to meet the federal requirements. LRAA stated that the lack of documentation was mainly due to the fact that LRAA moved its office three times and that most of the transactions in question occurred more than 5 years ago. Furthermore, LRAA noted that the training sessions for day laborers were held in public parks, parking

lots and other places where the attendees naturally congregate, and not in a formal classroom. As such, the environment was not conducive to recordkeeping. LRAA also stated that it will update policies and procedures to ensure that federal recordkeeping requirements are met in the future.

LRAA disagreed with our recommendation to question the \$227,702 claimed under the grant. LRAA stated that it has done work under the grant and its general ledger showed over \$200,000 of costs incurred; therefore, LRAA is entitled to the payment.

OIG Response

We questioned the \$227,702 because LRAA was unable to provide documentation to support the costs claimed. Costs recorded in the general ledger without the supporting source documentation do not meet the federal requirements of 2 CFR Part 230, Appendix A, Paragraphs A.2 and A.4; therefore, we will continue to question the costs.

Chapter 4

LRAA Did Not Meet Grant Objectives

LRAA did not meet the grant objectives as outlined in the approved work plan. The work plan states that LRAA will produce and distribute lead safety work practice DVDs, provide lead safety work practice training and workshops, distribute brochures and carry out other administrative duties to promote lead safety in low-income communities. As of the date of our report, 2 years after the grant period end date of June 30, 2011, LRAA has not produced the required DVDs, provided evidence of the required brochure distributions, or completed the training and workshops required under the grant. Since LRAA did not complete the work under the grant, the EPA should question and recover the \$249,870 claimed under the grant. However, because \$227,702 of the \$249,870 claimed has already been questioned in chapter 3 of this report, we questioned the remaining \$22,168.

LRAA Did Not Produce and Distribute DVDs

The approved work plan requires LRAA to produce and distribute 3,750 lead safety work practice DVDs for various groups in English and Spanish as well as making the film available for download on the internet. The original project period was from September 1, 2007, to August 31, 2008, but it has been extended to June 30, 2011, through three no-cost time extension amendments.

As of the date of our report, 2 years after the grant period, LRAA has not produced the required DVDs. The executive director said that LRAA produced some films in 2007 and 2008 according to the approved work plan. However, when LRAA learned that the EPA's Renovation, Repair and Painting Program will issue new lead safety guidelines to be effective in 2010, LRAA decided to discontinue the filming because it would become obsolete within a year. Instead, LRAA focused on obtaining the material to produce films to reflect the new RRP guideline. According to the executive director, the filming from 2007 and 2008 is no longer available because the external hard drive containing the films crashed in 2010. LRAA filmed the videos based on the new RRP guidelines between mid-2011 and 2012. The videos were posted to YouTube for the EPA's review in January 2012. LRAA revised the videos based on the EPA's comments and provided them in DVD format to the EPA for further comments in December 2012. However, based on discussions with the EPA project officer in June 2013, the revised DVDs also do not meet the grant requirements.

According to the executive director, the changes in work plan and deliverables were communicated with the EPA project officer verbally. However, LRAA was

unable to provide documentation to support this claim. Title 40 CFR § 30.25(c)(1)(i) requires any changes in scope and objective of the project to be approved by the awarding officer, not the project officer.

LRAA Did Not Complete the Required Training

The approved work plan for the grant requires LRAA to provide a total of 30 8-hour lead safety work practice training to property owners, maintenance workers, contractors, day workers and those who hire them in order to increase their effectiveness in identifying and reducing the likelihood of incidences of elevated blood-lead levels in low-income communities. LRAA was also to implement and complete a total of 75 one-hour lead safety work practice workshops for do-it-yourselfers and contractors. The total expected training hours per the work plan is 315 hours. However, LRAA only provided 9 sign-in sheets for 4-hour lead safety awareness classes, totaling 36 hours of training.

LRAA Did Not Meet Other Objectives

The work plan requires LRAA to initially meet with the Association of Bay Area Governments, the Bay Area Real Estate Association and other community groups in order to create a project champion group and identify a listing of low-income communities within each county to be targeted for outreach and training. According to the approved work plan, LRAA was to conduct two strategic planning training meetings with the champion group to discuss the initiative in general and the group's roles, responsibilities and expectations. LRAA was also to hold a regional lead conference. LRAA did not provide evidence to demonstrate that these tasks were accomplished.

LRAA's executive director said he contacted the Association of Bay Area Governments. However, lead problem was not a high priority among the bay area governments at the time. The executive director also said he reached out to many lead professionals, such as the directors of lead programs at various cities in the bay area, with attempts to create a champion group for the cause. He said LRAA's efforts yielded no results due to economic downturn. However, LRAA was unable to provide any documentation to support these outreach efforts.

The work plan also states that LRAA will distribute at a minimum 7,500 brochures, fact sheets, flyers and other materials to homes and apartments in low-income communities, as well as in any natural gathering places within and without these communities where building construction workers congregate. According to LRAA, training materials downloaded from EPA's website were distributed in training class, not to the general public. However, LRAA was unable to provide evidence that the brochures were distributed, in class or to the general public.

Conclusion

Since LRAA did not complete the work under the grant, the EPA should question the entire amount of \$249,870 claimed under the grant. However, \$227,702 of the \$249,870 claimed has already been questioned in chapter 3 of this report. We questioned the remaining \$22,168 under this section.

Recommendation

We recommend that the director, Office of Grants and Debarment:

3. Question and recover the \$22,168 claimed under the grant. In the event recommendation 1 is not sustained, the director should question the entire amount of \$249,870 claimed and recover the \$249,882 drawn under the grant.

Recipient Comments

The OIG conducted a field exit conference with LRAA and OGD on June 5, 2013, to discuss the preliminary audit results. We also provided OGD and LRAA with the discussion draft documents on June 4 and 5, 2013, respectively.

We met with LRAA on June 20, 2013, to obtain its verbal comments on the discussion draft. LRAA reiterated that it had done filming in 2007 and 2008. LRAA stated that it had recently found a copy of an interview conducted with the deputy director of the San Francisco Public Health Department in 2008. LRAA also stated that producing and distributing DVDs are tied with the required training. According to LRAA, the plan was always to produce the DVDs once the EPA approved the films and distribute the DVDs in class.

LRAA plans to provide more training once the DVDs are approved by the EPA. However, LRAA will not be able to complete all training in the work plan due to financial constraints. LRAA stated that it originally applied for \$500,000 in federal funding for the project. However, since the EPA award was only about \$250,000, LRAA had to try to secure additional funding from other sources. However, due to general economic downturn, LRAA was unsuccessful.

OIG Response

LRAA has not provided documentation to support its claim that the original grant budget was \$500,000 rather than the award amount of \$249,988. Regardless of the financial circumstance, when LRAA signed the grant award documents, it agreed to complete the work within the award budget of \$249,988. Interviewing the deputy director of the San Francisco Public Health Department was not part of the work plan and does not support the grant objective. Since LRAA did not meet the grant objectives, we will continue to question the costs.

Chapter 5

Other Matter

During our fieldwork, it came to our attention that LRAA did not file the required tax returns and lost its nonprofit status as a result. We confirmed through the Internal Revenue Service that LRAA's nonprofit status was revoked on May 15, 2010. Therefore, LRAA will not be eligible to receive nonprofit assistance agreements in the future.

LRAA's executive director stated on June 25, 2013, that he has contacted the Internal Revenue Service about LRAA's nonprofit status. The executive director stated that LRAA is currently preparing the documents necessary to retroactively reinstate its nonprofit status.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (\$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	9	Question the \$227,702 claimed under the grant and recover the \$227,714 drawn in excess of the allowable project costs.	U	Director, Office of Grants and Debarment		\$228	
2	9	Verify that LRAA has a financial management system that meets federal standards established under 40 CFR § 30.21 prior to any future awards.	U	Director, Office of Grants and Debarment			
3	13	Question and recover the \$22,168 claimed under the grant. In the event recommendation 1 is not sustained, the director should question the entire amount of \$249,870 claimed and recover the \$249,882 drawn under the grant.	U	Director, Office of Grants and Debarment		\$22	

- 1 O = Recommendation is open with agreed-to corrective actions pending.
 C = Recommendation is closed with all agreed-to actions completed.
 U = Recommendation is unresolved with resolution efforts in progress.

Distribution

Assistant Administrator, Office of Administration and Resources Management
Director, Office of Grants and Debarment, Office of Administration and Resources Management
Director, Grants and Interagency Agreements Management Division,
 Office of Administration and Resources Management
Agency Follow-Up Official (the CFO)
Agency Follow-Up Coordinator
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for External Affairs and Environmental Education
Audit Follow-Up Coordinator, Office of Administration and Resources Management
Audit Follow-Up Coordinator, Office of Grants and Debarment,
 Office of Administration and Resources Management
Executive Director, Lead Remediation Association of America