U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Financial Management

Costs of $1.2 Million for Brownfields Cooperative Agreement to Pioneer Valley Planning Commission in Massachusetts Questioned

Report No. 15-4-0072 **February 2, 2015**

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Report Contributors:

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Abbreviations

Agreement	Cooperative Agreement BF97119201
CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
PVPC	Pioneer Valley Planning Commission
RLF	Revolving Loan Fund

Cover photos: *From left to right:* The partially occupied City of Springfield Asylum Project and the South Main Street School Brownfields Revolving Loan Fund site, Town of Monson, Massachusetts. (EPA OIG photos)

U.S. Environmental Protection Agency
Office of Inspector General

15-4-0072
February 2, 2015

At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), conducted this examination to determine whether the costs claimed under a Brownfields Revolving Loan Fund Cooperative Agreement BF97119201 (the agreement), awarded to the Pioneer Valley Planning Commission (PVPC), are reasonable, allowable and allocable in accordance with the applicable laws, regulations and agreement conditions. The OIG also sought to determine whether the objectives of the award were met.

PVPC is the regional planning body for the Pioneer Valley Region, which encompasses 43 cities and towns in the Hampden and Hampshire county areas of Massachusetts.

This report addresses the following EPA goal or cross-agency strategy:

- *Cleaning up communities and advancing sustainable development.*

Send all inquiries to our public affairs office at (202) 566 2391 or visit www.epa.gov/oig.

The full report is at: www.epa.gov/oig/reports/2015/20150202-15-4-0072.pdf

Costs of $1.2 Million for Brownfields Cooperative Agreement to Pioneer Valley Planning Commission in Massachusetts Questioned

What We Found

We found all of the $1,261,665 drawn by PVPC to be questionable, and PVPC has already agreed to repay $94,891 of that amount.

PVPC did not follow federal requirements when administering the agreement. Also, PVPC's accounting system cannot provide an accurate, current and complete disclosure of the financial results. Of the $1,261,665 in funds drawn, PVPC acknowledged that $94,891 involved duplicate invoices, unverified costs, costs associated with another federal assistance agreement, and ineligible indirect costs, and agreed to repay $94,891. We consider the remaining $1,166,774 to also be questionable due to the other accounting deficiencies. PVPC's accounting reports for the agreement do not reconcile, PVPC did not implement a corrective action from a previous Single Audit report, and PVPC is applying the wrong administrative requirements in its internal policies and procedures because those procedures apply to non-profit organizations and not governmental units such as PVPC.

PVPC achieved the intent of the agreement in that four brownfields were remediated. Two of the four sites were also reused, while the other two sites remained vacant due to market conditions and other factors.

Recommendations and Planned Corrective Actions

We recommend that the Regional Administrator, EPA Region 1:

- Place PVPC on a reimbursement basis for all EPA grants and agreements.
- Issue a stop work order for this agreement until PVPC is able to provide accurate information on costs incurred for the agreement.
- Require PVPC to transfer $19,277 program income back to the Revolving Loan Fund.
- Verify that PVPC has a financial management system that meets federal standards prior to any future awards.
- Question and recover $1,261,665 of federal funds drawn at the time we began our review.

EPA Region 1 agreed to all recommendations and provided corrective actions and completion dates that meet the intent of the recommendations. Further, PVPC has already agreed to repay $94,891 in questioned costs and transfer $19,277 back to the Revolving Loan Fund.

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

THE INSPECTOR GENERAL

February 2, 2015

MEMORANDUM

SUBJECT: Costs of $1.2 Million for Brownfields Cooperative Agreement to Pioneer Valley Planning Commission in Massachusetts Questioned
Report No. 15-4-0072

FROM: Arthur A. Elkins Jr.

TO: Curt Spalding, Regional Administrator
Region 1

This is our report on the subject examination conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. EPA managers, in accordance with established audit resolution procedures, will make final determinations on matters in this report.

The purpose of our examination was to determine whether the amounts drawn by the Pioneer Valley Planning Commission under Cooperative Agreement BF97119201 were reasonable, allowable and allocable in accordance with federal requirements and terms and conditions for Brownfields Assessment and Cleanup Cooperative Agreements and whether the results of the agreement were achieved.

Action Required

In responding to the draft report, Region 1 provided a corrective action plan, with milestone dates, for addressing the recommendations. However, since the report requires resolution of more than $250,000 in questioned costs, EPA Manual 2750 requires Region 1 to submit a proposed management decision within 120 days. To expedite the resolution process, please email an electronic version of your proposed management decision to kasper.janet@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.

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Appendices

Chapter 1
Introduction

Purpose

The purpose of this examination was to determine whether the Pioneer Valley Planning Commission (PVPC, or the recipient):

- Reported costs that are reasonable, allowable and allocable in accordance with the applicable laws, regulations, and terms and conditions of Cooperative Agreement BF97119201 (the agreement).

- Achieved the intended results of the agreement.

Background

The Small Business Liability Relief and Brownfields Revitalization Act[1] authorized grants to eligible entities to capitalize a Revolving Loan Fund (RLF) that provides loans and grants for the remediation of brownfield sites.[2] Through these awards, the U.S. Environmental Protection Agency (EPA) seeks to strengthen the marketplace and encourage stakeholders to leverage the resources needed to clean up and redevelop brownfields.

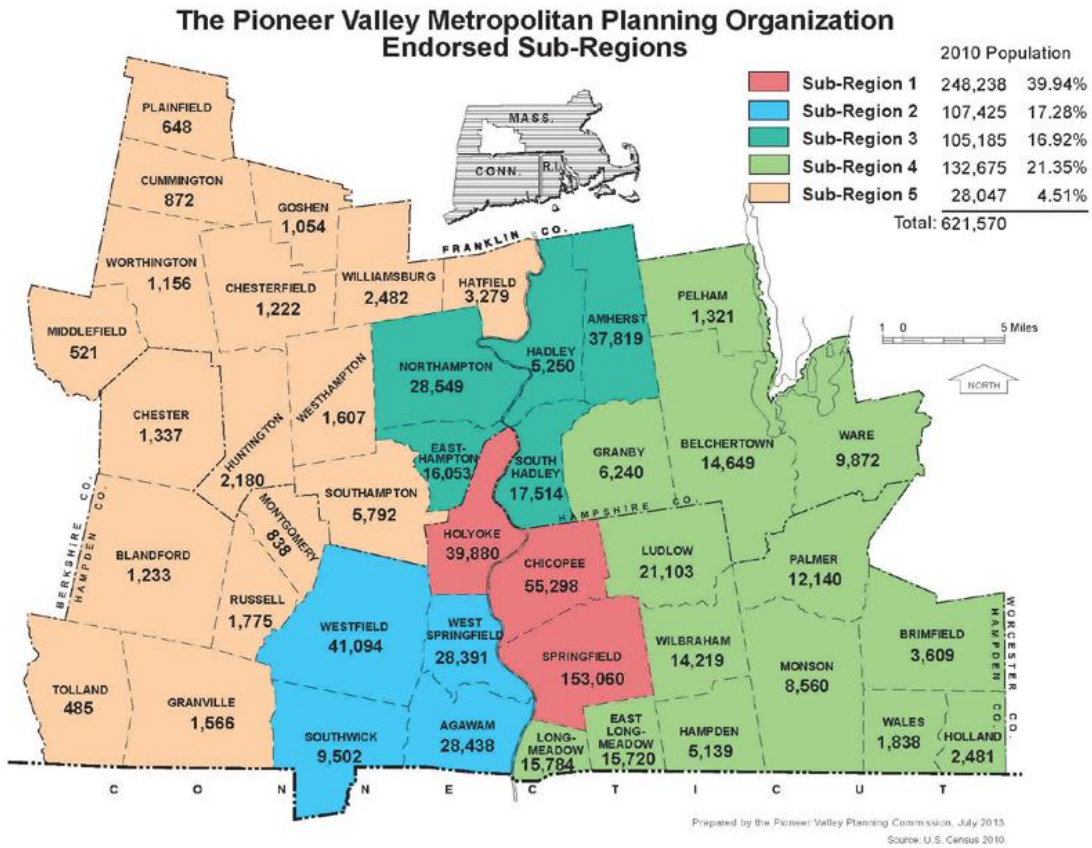
According to the Small Business Liability Relief and Brownfields Revitalization Act: "The term brownfield site means real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant."

When loans are repaid, the loan amount is returned into the fund and re-lent to other borrowers, providing an ongoing source of capital within a community.

Since 1962, PVPC has been the designated regional planning body for the Pioneer Valley region, which encompasses 43 cities and towns in the Hampden and Hampshire County areas in Massachusetts, as shown in Figure 1.

[1] Public Law 107-118.
[2] The Small Business Liability Relief and Brownfields Revitalization Act amended Sections 101 and 104 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

Figure 1: Map of PVPC's designated planning area



Source: PVPC.

According to its Schedule of Expenditures of Federal Awards identified in the Single Audit for the period ending June 30, 2012, PVPC administered numerous awards from several federal agencies. The EPA Region 1 awarded PVPC the agreement on April 17, 2008, with a total approved project cost of $1,621,244. As of March 12, 2014, PVPC had drawn $1,261,665 of those funds.

The purpose of the assistance agreement was to provide funding to PVPC to develop a RLF and clean up brownfield sites in Springfield, Chicopee, Holyoke, and Westfield, Massachusetts. Under the agreement, the EPA is to contribute 80 percent of all approved budget costs incurred, up to and not exceeding total federal funding of $1,351,037, while PVPC is to pay a cost share of at least 20 percent of total federal funds awarded.

Prior Audit Reports

Table 1 identifies the three Single Audits we reviewed pursuant to our audit objectives.

Table 1: Prior audit reports reviewed by auditors

Date of Single Audit report	Significant findings
March 15, 2011	• Improve controls over journal entries. • Improve general grant management and accounting. • Request reimbursement in accordance with grant provisions and maintain support for expenses reported.
July 12, 2012	• Improve indirect cost rate management and accounting. • Improve controls over journal entries. • Improve general grant management and accounting. • Maintain support for expenses reported – Brownfields Revolving Loan Program.
March 11, 2013	None. The audit report stated that findings from the previous year were satisfactorily resolved. However, there were no disbursements from the Brownfields Revolving Loan Fund during the audit period.

Source: OIG analysis of Single Audits.

Chapter 2
Independent Accountant's Report

As part of our oversight of assistance agreement awards made by the EPA, the EPA's Office of Inspector General (OIG) examined the costs claimed under Cooperative Agreement BF-97119201 awarded to PVPC. The OIG conducted the examination to determine whether the costs claimed under the agreement were reasonable, allowable and allocable in accordance with the Code of Federal Regulations (CFR) under 40 CFR Part 31, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*; 2 CFR Part 225, *Cost Principles for State, Local, and Indian Tribal Governments*; and the terms and conditions of the agreement. We examined costs claimed by the recipient of $1,261,665 covering the period from April 17, 2008, to March 12, 2014. We also reviewed PVPC's accomplishment of the agreement's objectives.

In accepting the award, PVPC is responsible for complying with the requirements listed above. Our responsibility is to express an opinion on PVPC's compliance and costs claimed based on our examination.

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 agreement and performed other procedures we considered necessary under the circumstances. We believe our examination provides a reasonable basis for our opinion.

We conducted our examination from March 12 to September 23, 2014. We performed the following steps:

- Reviewed and analyzed EPA project files, grant files and data systems.
- Interviewed the recipient to obtain an understanding of the recipient's internal controls, accounting system and project management.
- Interviewed the EPA's Office of Brownfields and Land Revitalization, and EPA Region 1's grants and project managers for the agreement, to obtain an understanding of the recipient's history.
- Reviewed Single Audit information from 2010 to 2012 for unresolved audit findings.
- Verified deposits of EPA payments to the recipient's bank statements.

- Reviewed costs claimed by the recipient to obtain reasonable assurance that the costs complied with the applicable federal laws and regulations and the terms and conditions of the agreement.

- Determined whether the recipient met its cost share match.

- Conducted project site visits to determine whether the work specified in the agreement was accomplished.

PVPC is responsible for establishing and maintaining effective internal control over compliance with the requirements of 40 CFR Part 31, 2 CFR Part 225, and the terms and conditions of the agreement. We considered PVPC's internal controls over compliance with the requirements listed above as a basis for designing our examination procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Our consideration of internal controls would not necessarily disclose all internal control matters that might be material weaknesses.

Our examination disclosed the following significant deficiencies in internal controls over compliance with the requirements of 40 CFR Part 31, 2 CFR Part 225, and the terms and conditions of the agreement:

- Unallowable costs were charged to the agreement.

- Errors, such as drawing funds for the same invoice multiple times, were not identified and corrected by PVPC.

- PVPC's accounting records cannot provide reliable information on the financial results of the agreement.

As a result, we questioned total costs claimed under the agreement as of March 12, 2014, of $1,261,665, and recommend that the EPA recover that amount.

In our opinion, the costs claimed do not meet, in all material respects, the requirements of 40 CFR Part 31, 2 CFR Part 225, and the terms and conditions of the agreement for the project period ending December 31, 2014.

Janet Kasper
Director for Contracts and Assistance Agreement Audits
September 23, 2014

Chapter 3
PVPC Did Not Comply With Federal Requirements

PVPC did not adhere to federal requirements when administering the agreement. PVPC charged costs to the agreement that were unallowable, were incurred for another EPA award, and were prohibited by the agreement's terms and conditions. PVPC's accounting system cannot produce accurate reports on the costs incurred under the agreement. PVPC did not maintain required documentation, and referred to the wrong administrative requirements in its internal procedures. Federal regulations require costs charged to federal awards to be reasonable, allowable and allocable; and require accurate and complete disclosure of the financial results of financially assisted activities. Due to the numerous errors we identified and our inability to reconcile PVPC's accounting reports, we are questioning the $1,261,665 claimed under the agreement at the time of our review. PVPC has agreed to repay $94,891 of that amount.

PVPC Requested Reimbursement for Unallowable Costs

PVPC requested reimbursement for the same invoices as part of two separate draw requests. The total value of the duplicate invoices was $71,709, as shown in Table 2. *Cost Principles for State, Local, and Indian Tribal Governments* - 2 CFR Part 225 - establishes principles and standards for determining costs for federal awards. Appendix A to Part 225 at Section C(1) sets out the factors affecting the allowability of costs.

Table 2: Summary of duplicate draws

Draw dates		Amount of draw duplicated
2/17/2010	1/26/2010	$65,360
10/6/2010	9/20/2010	6,349
Total		**$71,709**

Source: OIG analysis of PVPC data.

PVPC requested reimbursement for two invoices that were not allocable to the agreement. The invoices were for services rendered by PVPC on behalf of the town of Monson for a contract signed in November 2005, pursuant to EPA assistance agreement BF97131101. The value of those two invoices was $6,053 as shown in Table 3. *Cost Principles for State, Local, and Indian Tribal Governments* - 2 CFR Part 225 - establishes principles and standards for determining costs for federal awards. Appendix A to Part 225 at Section C(3) defines allocable costs. Per that section, costs incurred by PVPC for services performed pursuant to another federal assistance agreements are not allocable to the agreement.

Table 3: Invoices incurred for services rendered for EPA award BF97131101

Draw date	Amount of invoice
9/22/2009	$5,783
9/20/2010	270
Total	**$6,053**

Source: OIG analysis of PVPC data.

PVPC requested and received reimbursement for indirect costs for at least 18 of the 32 draws of federal funds we examined. The value of ineligible indirect costs was $19,589. Both the approved budget and the terms and conditions of the agreement prohibit indirect costs. PVPC self-identified that it was not in full compliance with the charging of ineligible indirect costs. PVPC stopped requesting reimbursement for indirect costs once it realized this violated the agreement's terms and conditions. According to our analysis, the last draw for which PVPC requested reimbursement for indirect costs occurred in September 2010.

PVPC also transferred $19,277 of program income from the RLF to its general checking account for unidentified and unspecified administrative expenses. The agreement's terms and conditions do not allow program income to be used for administrative expenses. PVPC self-identified that it was not in full compliance with the charging of program income. PVPC stopped transferring program income once it realized this violated the agreement's terms and conditions. The last transfer of program income occurred in February 2011. In responding to the draft report, PVPC stated it would return the program income to the RLF.

PVPC's Financial System Does Not Provide Accurate Disclosure of Financial Results

PVPC's accounting system cannot provide an accurate, current and complete disclosure of the financial results of the agreement. We asked PVPC to provide a transaction report identifying all revenues and expenditures for the agreement. PVPC provided two reports: (1) Revenue and Expenses Report by Project; and (2) Project/Element Charge Listing. In comparing these two reports, we noted differences between the reports for several line items. For example:

- PVPC recorded 89 percent of the RLF expenses to the "revolving loans" account. The amount of this account varied by $154,321 between the two reports. PVPC did not include details on how the funds were used in its accounting system. Detailed information on how the funds were used was contained in a separate manual ledger. As a result, PVPC's accounting system cannot be relied upon to produce accurate financial reports.

- The loan repayments/recapture account had a $203,798 difference between the reports. PVPC's accountant stated that loan repayments may not have been recorded. As a result, it is unclear whether all loan repayments were returned to the RLF as required by the terms and conditions of the agreement.

We noted other accounts with differences between the two accounting reports, as shown in Table 4. The differences indicate that PVPC's accounting system cannot be relied upon to provide information on the cost incurred for RLF projects.

Table 4: PVPC accounting report variances

	Revenue & expenditure report by project	Project/element charge listing report	Variance
Interest Income	$58,402	$31,701	$26,701
Travel-Gas/Mileage/Parking	846	804	42
Conferences	3,194	2,655	539
Subcontractors	15,054	2,726	12,328
Due to Other PVPC Grant	22,310	0	22,310

Source: OIG Analysis of PVPC data.

Standards for financial management systems - 40 CFR 31.20(b)(1) and (b)(2) - require recipients to have a financial management system that provides for accurate, current and complete disclosure of the financial results of financially assisted activities; and requires recipients to maintain records which adequately identify the source and application of funds. Based on the variances between the two reports, PVPC's accounting system cannot provide an accurate, current and complete disclosure of the financial results of the agreement. Because PVPC has not reconciled the brownfields accounts, PVPC cannot provide accurate information on the costs incurred under the agreement. Therefore, we are questioning the $1,261,665 drawn as of March 12, 2014.

The Single Audit report for the period ending June 30, 2010, reported significant deficiencies in internal control over major programs. Specifically, the report stated that PVPC did not retain any documentation to support either the amounts claimed for reimbursement or the amounts reported on the quarterly progress reports filed with the EPA for salaries and indirect costs. In its corrective action plan, PVPC stated that it would be "reconciling all support documentation for the Brownfields RLF Program...." This corrective action was never implemented. Office of Management and Budget Circular A-133, Subpart C §300(f), states that auditees shall follow up and take corrective action on audit findings.

PVPC Policy Refers to the Wrong Administrative Requirements

PVPC is applying the wrong administrative requirements as it refers to *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations* throughout its Financial Control Policy and Procedures. These requirements are not applicable to governmental units such as PVPC. Title 2 CFR Part 225, Appendix A, Section B.16 defines a local government as a "county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments (whether or not incorporated as a nonprofit corporation under state law), any other regional or interstate government entity, or any agency or instrumentality of a local government." PVPC's Operations Manual states that PVPC is a public sector agency, and PVPC's Executive Director told auditors that PVPC is a governmental unit, not a non-profit. As a result of our review, PVPC modified its Financial Control Policy and Procedures, although these have not yet been adopted by PVPC's Executive Committee.

Recommendations

We recommend that the Regional Administrator, EPA Region 1:

1. Place PVPC on a reimbursement basis for all EPA grants and agreements.

2. Issue a stop work order for this agreement until PVPC is able to provide accurate information on costs incurred for the agreement.

3. Require PVPC to transfer $19,277 of program income back to the RLF.

4. Verify that PVPC has a financial management system that meets federal standards established under 40 CFR § 31 prior to any future awards.

5. Question and recover the $1,261,665 of federal funds drawn as of March 12, 2014.

EPA and Recipient Comments and OIG Evaluation

PVPC and EPA Region 1 both provided written responses to the draft report (Appendices A and B, respectively). We held an exit conference with EPA Region 1 and PVPC to discuss the draft report comments and their impact on our final report. PVPC generally agreed with our findings regarding the unallowable costs that it claimed, but disagreed that its financial system did not provide accurate disclosure of financial results. EPA Region 1 provided comments and a corrective action plan. Where we agreed with the comments, we made changes to the report. Their responses are summarized below, as well as our evaluation of their responses.

In response to Recommendation 1, EPA Region 1 placed PVPC on a reimbursement basis for its grants starting September 18, 2014. EPA Region 1's actions addressed the recommendation.

For Recommendation 2, the OIG proposed issuing a stop work order for the brownfields revolving loan agreement. The project period ended on December 31, 2014. Rather than issuing a stop work order, Region 1 staff stated that they did not renew the agreement. EPA Region 1's action will addresses the intent of the recommendation.

In regard to Recommendation 3, PVPC agreed that the program income needs to be moved back into the RLF and proposed to Region 1 that it would repay the funds by the 2nd quarter of FY 2015. Region 1 will confirm the amount is accurate. PVPC and Region 1's action, when implemented, will address the recommendation.

In regard to Recommendation 4, PVPC stated in its response that the accounting system allows PVPC to track all contracts—including federal awards—separately and independently. While the system may allow PVPC to track the costs associated with the award, the reports from PVPC's accounting system that it provided during the review were not accurate or complete. For example, the accounting system did not include detailed information on how funds were used. Also, the accountant was not sure whether all loan repayments had been recorded in the system.

The records PVPC provided in response to the audit report did not match up with the data in EPA's accounting system. In response to the draft report, PVPC provided a spreadsheet—not from its Grants Management System accounting system—showing total funds drawn of $1,257,551.54. The EPA accounting system records show PVPC received $1,261,665.44 of funds paid to PVPC under the agreement. PVPC did not explain the difference in the response to the draft report.

During the audit, PVPC could not provide accurate information on the financial results of the agreement. In responding to the draft report, PVPC provided a spreadsheet from outside its accounting system that it says represents the total funds drawn but does not reconcile to EPA accounting system records. In responding to the draft report, PVPC has not provided the information necessary to show that its financial management system meets the federal standards under 40 CFR Part 31.

In responding to Recommendation 4, Region 1 stated that it will meet with PVPC and verify that it has a financial system that meets federal standards. PVPC proposed to EPA Region 1 a completion date of the 4th quarter of FY 2015. Region 1's planned action, when implemented, will address the recommendation.

In responding to Recommendation 5, PVPC agreed that it was responsible for repaying to the EPA $94,890.63. Details are in Table 5.

Table 5: Amounts PCPC agreed to repay

Item	Amount
Duplicate invoices	$71,709.00
Unverified costs (identified by PVPC in response to draft report)	539.72
Cost associated with another federal assistance agreement	6,053.00
Ineligible indirect costs	16,588.91
Total to be repaid	**$94,890.63**

Source: PVPC

Because PVPC cannot provide accurate information on the costs incurred under the agreement, the remaining $1,166,774 remains questioned. The OIG continues to recommend that these funds be recovered. In responding to the draft report, EPA Region 1 stated that it will meet with PVPC to review the supporting documentation for the eligible agreement expenses. PVPC proposed to Region 1 a completion date of the 4th quarter of FY 2015. The region's proposed action, when implemented, will address the recommendation. Since more than $250,000 in costs were questioned, EPA Region 1 will need to provide the OIG with a proposed management decision on the questioned costs before issuing the final decision to PVPC.

Chapter 4
Properties Have Been Remediated and Some Reused

PVPC achieved the intended results of the agreement, as four properties were remediated. Two of the four properties were also reused, which the Small Business Liability Relief and Brownfields Revitalization Act is designed to promote. The Act authorized grants to eligible entities to capitalize an RLF to provide financial assistance for the remediation and revitalization of brownfield sites. Original plans for redevelopment of the other two properties have not been achieved due to market conditions and other factors.

Act Designed to Promote Cleanup and Reuse of Brownfields

The Act promotes the cleanup and reuse of brownfields by establishing a program to provide grants to eligible entities to be used for capitalization of an RLF for brownfields remediation. RLF recipients provide loans and grants to carry out remediation activities at brownfield sites. The EPA's Brownfields program is designed to empower states, communities and other stakeholders in economic redevelopment to work together in a timely manner to prevent, assess, safely clean up, and sustainably reuse brownfields. Through these grants, the EPA seeks to strengthen the marketplace and encourage stakeholders to leverage the resources needed to clean up and redevelop brownfields.

Remediation Costs of $1.3 Million Incurred, and Two of Four Properties Reused

The agreement provided funding to PVPC to develop a revolving loan fund and to clean up brownfield sites. PVPC achieved the intended results of the agreement, as its RLF was used to remediate the following four Massachusetts properties:

1. Town of Ware.
2. Town of Monson.
3. Springfield Redevelopment Authority Chapman Valve.
4. City of Springfield Asylum Project.

In addition, two of the four properties have been reused. Original plans for the Town of Monson, Springfield Redevelopment Authority Chapman Valve, and City of Springfield Asylum Project called for the space to be used as housing, a light-industrial park with pad-ready sites, and office space for the Springfield Parking Authority, respectively. Two of the projects (Town of Monson and Springfield Redevelopment Authority Chapman Valve) are now remediated vacant lots available for reuse. The City of Springfield Asylum Project in downtown Springfield is partially occupied. The Town of Ware project completed the removal of contaminated soils from a former landfill and farm equipment facility, and is now reused as a fire station.

Top row, from left: The Town of Ware project that is now a fire station and the Town of Monson vacant lot*. Bottom row, from left*: The Springfield Redevelopment Authority Chapman Valve vacant lot and the partially occupied City of Springfield Asylum Project.

Table 6: Remediation cost of properties paid for by the agreement

Recipient	RLF cost	Loan amount	Subgrant amount
Town of Ware	$50,000	$40,000	$10,000
Town of Monson	205,276	123,166	82,110
Springfield Redevelopment Authority Chapman Valve	740,781	444,468	296,313
City of Springfield Asylum Project	345,550	207,330	138,220
Total	**$1,341,607**	**$814,964**	**$526,643**

Source: PVPC data.

Market Conditions and Other Factors Prevented Reuse of Two Sites

The original redevelopment plans for two projects have not been achieved for the following reasons:

- Original plans for the Town of Monson project called for the building to be rehabilitated for use as housing, but the collapse of the housing market and structural deterioration of the building forced the town to raze the building.

- Redevelopment plans for the Springfield Redevelopment Authority Chapman Valve project were put on hold indefinitely due to unexpected levels of contamination at a key adjacent property.

Status of Recommendations and Potential Monetary Benefits

		RECOMMENDATIONS				POTENTIAL MONETARY BENEFITS (in $000s)	
Rec. No.	**Page No.**	**Subject**	**Status**[1]	**Action Official**	**Planned Completion Date**	**Claimed Amount**	**Agreed-To Amount**
1	9	Place PVPC on a reimbursement basis for all EPA grants and agreements.	C	Regional Administrator, EPA Region 1	9/18/14		
2	9	Issue a stop work order for this agreement until PVPC is able to provide accurate information on costs incurred for the agreement.	C	Regional Administrator, EPA Region 1	12/30/14		
3	9	Require PVPC to transfer $19,277 of program income back to the RLF.	O	Regional Administrator, EPA Region 1	3/31/15	$19.2	$19.2
4	9	Verify that PVPC has a financial management system that meets federal standards established under 40 CFR § 31 prior to any future awards.	O	Regional Administrator, EPA Region 1	9/30/15		
5	9	Question and recover the $1,261,665 of federal funds drawn as of March 12, 2014.	U	Regional Administrator, EPA Region 1		$1,261.7	$94.9

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

Appendix A

PVPC Response to Draft Report

Pioneer Valley Planning Commission
Response to U.S. Environmental Protection Agency
Office of Inspector General Report on Examination of Costs
Cooperative Agreement BF97119201

Project No. OA-FY14-0170 ***November 7, 2014***

Fire Department Headquarters, Ware, Massachusetts (formerly Ware Farm Equipment)

1600 Main International Biergarten, Springfield, Massachusetts (formerly the Asylum Club)

Pioneer Valley Planning Commission
Response to U.S. Environmental Protection Agency
Office of Inspector General Report on Examination of Costs
Cooperative Agreement BF97119201

Project No. OA-FY14-0170 ***November 7, 2014***

In calendar year 2014, the U.S. Environmental Protection Agency (EPA), Office of the Inspector General (OIG) conducted an examination of costs for Cooperative Agreement BF97119201 (Agreement) awarded to the Pioneer Valley Planning Commission (PVPC). During the course of the EPA OIG's site visits and subsequent verbal and electronic communication, the PVPC provided exhaustive records, information and explanations concerning the OIG's requests.

As part of this examination, the EPA OIG made the following findings:

- Federal Requirements were not followed when administering the Agreement.
- PVPC's accounting system cannot provide an accurate, current, and complete disclosure of accounting results.
- Reimbursement was requested for ineligible indirect costs.
- Program income was used for administrative expenses.
- Duplicate invoices (drawdowns) were submitted by the PVPC.
- PVPC's accounting reports do not reconcile.
- Davis-Bacon Act documentation not maintained.
- Corrective action from previous audit report not implemented.
- The wrong administrative requirements in PVPC's internal policies and procedures are referenced.
- Although the PVPC met the intent of the Agreement concerning remediation, not all sites were developed and reused.

This formal response provides further detail on the PVPC's efforts to clarify statements made by the EPA OIG. As there is overlap in some of the issues raised and subsequent explanation, the PVPC is categorizing its response according to general comments, financial issues, accounting software, administrative issues and project concerns.

General Comments

The PVPC feels that the title of the EPA OIG's report is very misleading and derogatory and is not an accurate portrayal of the review by the OIG. Furthermore the inference that the remediated sites were not re-used should be removed. The perception shown is inaccurate, misleading and doesn't focus on the accomplishments of the PVPC, which could not have been accomplished if funds were misused. The OIG report cover and general statement that $1.2 million in grant costs are "questioned" is inaccurate as the PVPC has provided documentation for its expenses and has tracked over $1.257 million in draws. The PVPC feels that its costs were reasonable, allocable, and allowable but for those limited exceptions detailed later in this response. Based on the information provided to the OIG, the PVPC feels that this report does not reflect accurately the results of the audit. The OIG failed to acknowledge the support documentation provided or the corrective actions taken to address any issues. Furthermore, the PVPC is confident that it has a strong financial accounting system in place. The PVPC looks forward to continuing to be able to do good work in the future. The OIG's report, as written, unfairly impedes that ability, despite the fact that we've undeniably made a concerted, good faith effort to address and correct all known deficiencies in a satisfactory manner..

Financial Issues

- Federal requirements were not followed when administering the Agreement.
- Reimbursement was requested for ineligible indirect costs.
- Program income was used for administrative expenses.
- Duplicate invoices were submitted by the PVPC.
- PVPC's accounting reports do not reconcile.

1. Federal requirements, ineligible indirect costs, program income. Although the PVPC did follow federal requirements pursuant to the administration and implementation of the Agreement, it recognizes that it unknowingly did not fully adhere to all requirements pertaining to administrative indirect costs and the use of program income for administrative costs at the time that those costs were incurred. Previous PVPC assigned Brownfields staff, through discussions with EPA, interpreted the use of a flat rate inclusive of total cost as compliance with the administrative cost prohibition. In addition, program staff at the time were not fully cognizant of the change in regulations pertaining to the use of program income for administrative expenses until significant charges had been made.

PVPC self-identified that it was not in full compliance with the charging of ineligible indirect and use of program income and the practice immediately stopped. Further, the PVPC engaged the services of a contractor to audit it's records to determine the outstanding amount due back to the EPA. As a draft audit was not complete until July 2013, the PVPC opted to wait until the OIG's examination was complete so as to comply with the amount to be transferred back into the appropriate accounts. This was fully disclosed to the EPA OIG at the time of the examination, including estimated monetary amounts expected to be transferred.

The PVPC generally concurs with the $22,237 of indirect costs identified by the OIG as drawn during the period of 5/31/08 through 8/31/10. (*Note: The OIG rounded the indirect rate to the nearest whole number. The actual indirect as fully calculated is $22,458.43*) However, the fringe portion of this amount is an eligible expense under EPA's Regulations. Pursuant to OMB Circular A-87 and PVPC's approved terms and conditions, "fringe" is an allowable expense under the terms of the agreement and is outlined in the PVPC approved work plan and budget. PVPC's indirect rate is established annually through its independent audit with the actual fringe benefit rate and indirect cost rate within the approved indirect cost pool being set by a U.S. EPA Rate Negotiator in its Financial Analysis and Oversight Service Center. See Attachment A.

The actual ineligible indirect costs totals $16,588.91, as shown below. This is based on the $22,458.43 of indirect less the $5,869.52 of eligible fringe.

Draw Period	Direct Labor Amount	Indirect Rate	Indirect ($)	Eligible Fringe* (%)	Eligible Fringe ($)
5/31/08-6/30/08	$735.95	110.8%	$815.43	34.86	$256.55
7/1/08-6/30/09	$8,524.95	110.8%	$9,445.64	33.66	$2,869.49
7/1/09-6/30/10	$10,185.61	118.3%	$12,049.58	26.61	$2,710.39
7/1/10-6/30/11	$124.92	118.3%	$147.78	26.49	$33.09
Total	$19,571.43	NA	$22,458.43	NA	$5,869.52

* See Attachment A for OMB Circular A-87 Cognizant Agency Negotiation Agreements.

OIG Response 1.
We agree with PVPC that fringe benefits are an eligible expense. After our exit conference, PVPC provided support for the $19,571.43 in direct labor identified in the table above, and we were able to verify the calculation of eligible fringe benefit. We agree with PVPC's calculation of ineligible indirect costs of $16,588.91.

In addition, the PVPC has calculated the transferred program income amount for the period of 7/2008 through 2/2011 to be $24,704.41 and not the lesser $19,277 as identified by the OIG.

Complete records of these draws, transfers and expenses are on file and available for review at the PVPC. The following table details the transferred administrative program income payments that PVPC between July 2008 and February 2011.

Date	Check #	Principal	Interest	Bank Interest	Disbursement
07/08/08	1010	$2,152.19	$3,200.00	$75.23	$5,427.42
02/26/09	1013	$1,774.77	$1,685.73	$85.49	$3,545.99
02/07/09	1016	$2,195.24	$2,769.56	$33.24	$4,998.04
02/12/10	1021	$1,810.59	$1,327.51	$66.81	$3,204.91
07/08/10	1026	$2,239.14	$2,330.51	$57.07	$4,626.72
02/28/11	1042	$1,847.14	$962.05	$92.14	$2,901.33
				Total	**$24,704.41**

OIG Response 2.
The difference between the OIG-calculated amount of transferred program income ($19,277) and the amount reported by PVPC ($24,704.41) is $5,427.41—or the amount equal to the draw on July 8, 2008 (rounded). The difference was discussed at the exit conference and PVPC agreed that the amount was associated with another EPA cooperative agreement. PVPC agreed with the OIG original calculation of $19,277 of program income.

Finally, the PVPC also recognizes that it incorrectly drew funds for administrative activities for another EPA funded activity. These monies totaled $6,053.

PVPC Corrective Action: The PVPC is well aware that it must transfer monies back into the program income account and that it is required to absorb the cost of the identified ineligible indirect. The PVPC has repeatedly communicated to EPA officials that it has always fully intended to do so once the amount due was clearly and concisely identified. The PVPC will transfer all ineligible indirect and program income, plus all applicable interest back into the appropriate accounts. This will result in $16,588.91 being paid back to the grant and $24,704.41 being transferred from the PVPC general operating account to the RLF program income account.

In addition, the PVPC will reimburse the grant $6,053 for the EPA administrative funds used on a related, but separately funded contract.

2. Duplicate invoices (drawdowns) were submitted by the PVPC. Upon compiling a spreadsheet for the EPA OIG's office showing a detailed listing of drawdowns and associated expenses for the PVPC RLF Program, it was determined that 2 duplicate draws occurred in the winter and fall of 2010 totaling $71,709. These funds were deposited in the PVPC general fund and not expensed to the RLF Program.

The PVPC hired a new Accounting Manager in February 2009 due to retirement of the previous accounting manager. After an acceptable first year of performance, the actions and abilities of the Accounting Manager deteriorated due to a combination of not fully understanding governmental finances, inability to learn the agency's financial software program and steadily deteriorating health. Actions in 2010 including failure to keep proper back-up records, failure to enter regular journal entries, missed deadlines and other serious concerns led to a very poor annual evaluation with clear benchmarks for improvement, changes in internal procedures for monitoring, an Action Plan for Employment ("last chance agreement") and eventually, formal termination in December 2011, effective in January 2012. The behavior of the Accounting Manager which resulted in such poor performance and inappropriate actions such as the EPA duplicate draws were directly related to his severely deteriorating health, and at that time, no accounting staff assistance. In mid-to-late 2011, temporary accounting assistance was put in place as well as procedures to monitor overall accounting activity. These are reflected in the FY10 and FY11 PVPC Audit Management Responses (see elsewhere in this response). The health of the Accounting Manger had declined to such a degree where he was relieved of many of his duties prior to his termination or had most of his work reviewed by management. Unfortunately he died shortly after being notified of his termination but while officially still in the employ of the PVPC.

PVPC Corrective Action: With the hiring of a new Accountant in late January 2012, the formal establishment of an Accounting Assistant position, the implementation of a number of financial checks and balances including oversight by the Deputy Director of Operations of all financial activity, the PVPC has the protocols in place to prevent similar duplication activity from occurring. The PVPC fully recognizes the draw error, is in agreement that this amount totals approximately $71,709, and will transfer these funds from the PVPC general operating account back into the RLF Grant.

3. PVPC Accounting Records Do Not Reconcile. Independently and as accurately maintained, the PVPC accounting records do reconcile. The circumstance concerning the PVPC RLF account was impacted by actions as described above concerning the PVPC's previous Accounting Manager. In addition, the poor decision to combine the old RLF account, PI account and new RLF account over multiple fiscal years and varying indirect rates resulted in the inability to use the PVPC's main financial software program to solely identify the sources and uses. However, as expenditures were paid out of and tracked in a separately maintained account within the Agency's Community Development Section, the drawdowns and expenditures can and have been tracked. Using the latter, according to PVPC records, the total amount of funds drawn from 6/30/08 through 3/12/14 totals $1,257,551.54, which varies by $4,113.90 from the $1,261,665.44 noted by the EPA OIG. This difference directly related to the circumstances described in #2 above. The $1,257,551.54 amount documented by the PVPC includes the duplicate draws ($71,709) detailed in #2 above and $539.72 in unverifiable direct costs. This totals $76,362.62 in documented costs that the PVPC is responsible for paying back to the grant. Records of these draws and expenditures are on file and available for review at the PVPC. A spreadsheet summary is provided as Attachment B.[3]

PVPC Corrective Action: The PVPC recognizes the cost discrepancy and will transfer these funds plus all applicable interest back into the RLF Grant. This totals $76,362.62 which includes the duplicate draws and unverified costs.

OIG Response 3

The records PVPC provided in response to the audit report did not match up with the data in EPA's accounting system. In response to the draft report, PVPC provided a spreadsheet, not from its accounting system, showing total funds drawn of $1,257,551.54. EPA accounting system records show PVPC received $1,261,665.44 of funds paid to PVPC under the cooperative agreement.

[3] Attachment B not include in OIG final report because it was not readable.

Accounting Software

- PVPC's accounting system cannot provide an accurate, current, and complete disclosure of accounting results.

1. PVPC Accounting System. The EPA OIG has claimed that the PVPC accounting system cannot provide accurate, current, and complete disclosures and therefore cannot be relied upon to produce accurate financial reports. As noted above in Financial Issues, very unique circumstances including human error, human health and poor record-keeping led to the inability to provide specifically what the OIG wanted using solely the PVPC financial software program. This is the extreme exception and not the norm. The extraction of information for comparison purposes shown as Table 4 in the EPA OIG report is not clear to the PVPC. It is not known what the intent of shown values, the period of performance nor the accuracy of the comparison. Without more specificity, the PVPC cannot comment on the purpose of the Table 4 presentation. Apart from the circumstances described above, once a contract or agreement is entered into the financial software system, it clearly tracks all expenditures and revenues. Further it can provide detailed vendor payment history by month as well as timesheet charges and reimbursements. This accounting system allows PVPC to track all contracts, including all federal awards, separately and independently.

The PVPC has engaged the use of this software program due to the program's ability to handle multiple contracts and budgets. The current Accountant, unlike the previous Accounting Managers, has purchased additional modules for the software, which even further enhances the PVPC's financial tracking and reporting abilities.

PVPC's GMS Accounting Software is designed to handle activity accounting. It is specifically designed to account, report, and monitor budgets for multiple grants, contracts and activities. It is an integrated accounting system that performs all accounting activities such as; General Ledger, Cash Receipts, General Journal, Budget Preparation, Cost Allocation, Accounts Receivable & Payable, Payroll, Timesheet Accounting, Financial Reporting, & Security. It is capable of cost allocation for common costs, general and administrative costs, indirect costs, fringe benefits, leave costs, and various specialized cost pools. It complies with all state and federal requirements, audit standards, and reporting required for the Board of Directors and management team, and GASB 34 (the Governmental Accounting Standard Board requirement as state and local government follow). The GMS Accounting Software program is used by hundreds of comparable agencies to the PVPC which exist across the country, many of whom are EPA recipients. This includes four regional planning agencies in Massachusetts who receive a variety of state and federal funding similar to that of the PVPC.

As previously noted, every contract/project is assigned a project code and a revenue and expenses budget is entered into GMS. Staff time is charged to the project code and entered into Payroll. All direct expenses are entered into Expense reimbursements (travel/mileage) and Accounts Payable. These amounts are tracked and reported on Timesheet Charges by Activity and Project Expense/Element Charge Listing reports. These amounts follow through onto the Revenue/Expense Report which represents the total summary of the project. The Revenue/Expenses reports identifies total revenue received, total salaries, indirect cost, and all direct expenses. It shows the original budget and the total amount spent in each budget category and what is unspent. All activity is reflected on this report. Sample GMS financial software reports are provided in Attachment C.

PVPC Corrective Action: No further action required.

OIG Response 4

During the audit, PVPC could not provide accurate information on the financial results of the agreement. In responding to the draft report, PVPC provided a spreadsheet from outside its accounting system that it says represents the total funds drawn but does not reconcile to EPA accounting system records. In responding to the draft report, PVPC has not provided the information necessary to show that its financial management system meets the federal standards under 40 CFR Part 31.

Administrative Issues

- The wrong administrative requirements in PVPC's internal policies and procedures are referenced.
- Corrective action from previous audit report not implemented.

1. PVPC Internal Policies and Procedures. As a result of recommendations from PVPC's auditor, the PVPC revised its Operations Manual as it pertained to certain financial controls and operations. These documents and revisions were sent to U.S. EPA Region I for review and comment. Working directly and cooperatively with Region I in July/August 2013, the PVPC incorporated very specific language pertaining to federal compliance including accounting guidance, cost allocation, and charging of costs to federal awards. A clear miscommunication between PVPC and EPA Region I resulted in the use of CFR references as it pertains to Non-Profit Organizations as opposed to State and Local Governments. The PVPC is recognized as a form of local government as a "political subdivision of the Commonwealth of Massachusetts" and has always operated in that manner including financial compliance.

PVPC Corrective Action: *The PVPC has reviewed the 9-page Section III Financial Control Policies and Procedures of its Operations Manual and has corrected the twelve incorrectly cited OMB Circular and CFR references within Section. These will be formally adopted at an upcoming PVPC Executive Committee meeting. See Attachment D for modified policies.*

2. Corrective Action From Previous Audit Report Not Implemented. The EPA OIG Reports states the following:

"The Single Audit Report for the period ending June 30, 2010 reported significant deficiencies in internal control over major programs. In its corrective action plan, the PVPC stated that it would be reconciling all support documentation for the Brownfields RLF Program. This corrective action was never implemented".

This corrective action, was, in fact, implemented. Due to the issues detailed in Financial Issues above, the ability to initiate the corrective action was significantly delayed. PVPC Single Audits prior to FY2010 were exceptional with no findings or significant deficiencies. PVPC's FY13 Single Audit, that being the first audit under the PVPC Accountant hired in January 2012, also resulted in no findings or significant deficiencies with only minor recommendations (ie enhance inventory records, change passwords more often, obtain additional software licenses, etc.). The PVPC Single Audits for FY2010, 2011, and 2012 were subject to the financial actions of the previous PVPC Accounting Manager who was put on notice and ultimately terminated due to poor job performance including adherence to PVPC financial policy as it related to record-keeping, attention to details, retention of records, etc. as well as inadequate annual audit preparation. As a result of the latter, the PVPC's Single audits were substantially delayed each fiscal year such that by the time a fiscal year audit was completed, the entirety of the subsequent fiscal year had already passed, rendering it impossible to correct the prior year identified issues in that subsequent fiscal year. This was further complicated by the circumstances previously described concerning the PVPC's previous Accounting Manager due to health-related performance issues as much of the corrective actions required was the responsibility of the Accounting Manager. See timeline for audits below.

- Single Audit FY10 (7/1/09 - 6/30/10) - completed late Spring 2011 (90% of FY11 passed)
- Single Audit FY11 (7/1/10 - 6/30/11) - completed late June 2012 (100% of FY12 passed)

The PVPC's FY10 management response to the Single Audit was made after the entirety of FY11 had passed. Thus, although the response and intent was to correct the identified issues for FY11, it was not feasible to do so. These issues carried over to FY11 and were further complicated by the health and performance issues of the previous Accounting Manager.

The PVPC has, in fact, put into place numerous changes as a result of the FY10 and FY11 Single Audit concerns and these changes have been discussed and shared with the EPA Region I office prior to the EPA OIG site visit(s). This includes:

- Hiring of a new Accountant w/public sector and financial software experience.
- Hiring a 30-hr per week Accounting Assistant.
- Adopting new Financial Control Policies and Procedures.
- Adopting new checks and balances for oversight, disbursement of checks, and related financial activity which involves direct interaction and approval from the Deputy Director of Operations.
- Hiring a contractor to review all Brownfields Programs to identify any discrepancies, required adjustments, and reconciliations.

The above actions were all developed and implemented prior to the EPA OIG site visit(s). As noted previously, the contractor report concerning this audit was in draft form on mid 2013 and not completed until early 2014. As a result, the PVPC opted to wait until the OIG's examination was complete so as to confer with any amounts that may have been required to be transferred back into the appropriate accounts. This was fully disclosed to the EPA OIG at the time of the examination, including estimated monetary amounts expected to be transferred.

PVPC Corrective Action: The PVPC has fully addressed all issues which were identified in its FY10 and FY11 Single Audits.

OIG Response 5

We disagree that the corrective action was implemented at the time of our review. The fiscal year 2010 Single Audit's corrective action plan stated, "The Commission will also back-up all payment reimbursement and quarterly reports to EPA with proper support documentation reflecting all allowable costs." Instead, vendor invoices and timesheets were maintained in different locations and invoices did not reconcile to individual payment requests.

Project Concerns

- Davis-Bacon Act documentation not maintained.

- Although the PVPC met the intent of the Agreement concerning remediation, not all sites were developed and reused.

1. Davis-Bacon Compliance. The EPA OIG states in its report that the PVPC bid not obtain payroll documentation for demolitions services provided by a subcontractor for the Town of Monson, South Main Street Project as "sampled by an invoice from the subcontractor". The PVPC has a designated "payroll compliance officer" who works with project staff to review certified payrolls and identify any issues that need to be resolved. Payroll compliance records are maintained in separate lose-leaf notebooks for each project and includes the state and federal wage rates (as applicable), wage interviews, certified payrolls, correspondence, and a summary sheet of actions. The South Main Street Project Bid Document contained the applicable federal wage rates. A notebook was maintained for this project throughout its entirety including the submitted certified payrolls. The payroll compliance notebook was in off-site storage at the time of the EPA OIG site visit and therefore not available for its review. The OIG requested payroll information from staff who was not in the employ of the PVPC when the Monson South Main Street Project took place and therefore that staff person was not aware that these records were transferred to off-site storage. The OIG made no requests for such records to PVPC management staff or other project staff who were present when the Monson project occurred. Based upon a review of the five contractors/subcontractors involved in this project, it appears that all were paid according to federal wage requirements. Complete records are on file and available for review at the PVPC. A sample payroll and compliance review is provided as Attachment E.

PVPC Corrective Action: No further action required.

OIG Response 6

We reviewed the documentation provided to us in PVPC's response, and conclude that it shows compliance with the Davis-Bacon Act. We therefore removed this finding from the report.

2. Site Developement and Reuse. The EPA OIG states in its report that although the intended results of the Agreement were met as four properties were remediated, three of these have not been reused. PVPC's Agreement with the EPA does not mandate it as the responsibly party to insure actual site redevelopment. The four properties listed by the OIG include those in the Town of Ware, Town of Monson, and two in the City of Springfield. The actual status of these sites is as follows:

Ware - The Ware site was remediated and now serves as the site for town's new fire station. (See cover photo).

Monson - Due to the rapidly deteriorating condition of the building originally slated for asbestos and related clean-up, the original plan to rehabilitate the existing structure was deemed infeasible. As a result, the building was abated, and a portion of the site contained through asphalt encapsulation. A RAO-P closure was filed under the MA DEP Clean-up Program. Due to the site's proximity to an abutting stream and small size of the remaining developable land, redevelopment options are extremely limited. The Town of Monson's efforts to market this property were sidetracked in June 2011 due to the occurrence of a tornado through its downtown which severely impacted or destroyed numerous businesses and private homes. The town's municipal office building was also severely affected and deemed unsafe with a new facility currently being built. At the present time, the site is being used by the town for temporary storage. When the town has fully recovered from the effects of the tornado and when the market conditions improve, the PVPC stands ready to assist the Town in accordance with the requests of its chief elected officials to advance the redevelopment of this property.

Springfield (Asylum property) - The Asylum property has been fully remediated and redeveloped. The building on the site was fully rehabilitated with most of the first floor serving as a restaurant/banquet facility operated in partnership with one of the city's most popular restaurants. Since its conversion, this site has hosted regular and numerous downtown events. A smaller portion of the 1st floor remains unoccupied with the intended reuse being a smaller food establishment. There remains limited development options on the partial and very small second floor. The property owner is considering housing as a possible option for that space. The remaining portion of the site is a fully paved parking lot for the building users and occupants and adjacent restaurant. This parking lot is also available to serve as space for a farmer's market during the late spring - early fall months. (See cover photo).

Springfield (Chapman Valve) - This site contains multiple parcels of which only one was assisted using EPA RLF funds. Collectively these parcels were to serve as the basis for a larger urban redevelopment plan. Based on recent discussions with a developer interested in installing solar panels throughout the former Chapman property , the City of Springfield is currently finalizing an RFP for sale and redevelopment of this site. But for the use of EPA RLF monies, this redevelopment RFP for reuse of this site would not be moving forward.

PVPC Corrective Action: No further action required.

PVPC Comment on EPA OIG Report Recommendations and Potential Monetary Benefits

Rec. No.	Page No.	Subject	Claimed Amount	Comment
1	7	Place PVPC on a reimbursement basis for all EPA grants.	NA	The PVPC has contacted EPA Region I and is submitting all pay requisitions to Region I for advance approval. Once approval is obtained, a draw can be made, funds received and payment made in the exact amount authorized.
2	7	Issue a stop work order for this CA until PVPC reconciles its accounting records and is able to provide accurate information on costs incurred for the grant.	NA	The PVPC has active loans and sub grants in process as discussed with Region I. The PVPC has documentation for costs incurred with exception to that detailed in PVPC's response to the OIG.
3	7	Require PVPC to transfer program income back to the RLF.	$19,000	PVPC concurs to transfer the agreed amount of program income back to the RLF account.
4	7	Verify that PVPC has a financial management system that meets federal standards established under 40 CFR s31 prior to any future awards.	NA	PVPC's financial management system complies with all state and federal requirements. This accounting system allows PVPC to track all contracts, including all federal awards, separately and independently.
5	7	Question and recover the $1,261,665 of federal funds drawn at the time we began our review.	$1.261 million	PVPC recognizes that there is a total of $76,362.62 in unverifiable costs (duplicate draws, incorrect charge); $6,053 in charges to a separate contract; and $16,588.91 of ineligible indirect expense that will be paid back to the RLF grant.

Closing

The Pioneer Valley Planning Commission takes its role as a public agency working with local, state and federal governments very seriously and strives to insure that public funds are spent properly and in a manner which truly serves the best interests of the public. Although we clearly recognize that to some degree, much in part due to reasons not readily controllable, we did not fully achieve that with our Agreement with the U.S. EPA. We have identified those practices and areas needing modifications and have put all the necessary protocols in place to address identified issues and to insure that replication does not occur.

I sincerely trust that this response comprehensively and satisfactorily addresses the issues outlined in the EPA OIG's report. If you have further questions, please do not hesitate to contact me. Thank you for your ongoing guidance and support.

Sincerely,

Timothy W. Brennan, Executive Director

Attachments

Attachment A: OMB Circular A-87 Cognizant Agency Negotiation Agreements

Attachment B: Spreadsheet Summary of PVPC Drawdowns and Associated Expenses[4]

Attachment C: Sample GMS Financial Software Reports

Attachment D: PVPC Financial Control Policies and Procedures (as modified)

Attachment E: Sample Payroll Compliance Review and Monitoring[5]

[4] Not included in OIG final report because the information was not readable.

[5] Not included in OIG final report because it included confidential business information.

Attachment A: OMB Circular A-87 Cognizant Agency Negotiation Agreements

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

OMB CIRCULAR A-87 COGNIZANT AGENCY NEGOTIATION AGREEMENT

Pioneer Valley Planning Commission
Springfield, MA

Date: July 11, 2014

Filing Ref: August 25, 2011

The indirect cost rates contained herein are for use on grants and contracts with the Federal Government to which Office of Management and Budget Circular A-87 applies, subject to the limitations contained in the Circular and in Section II, A below.

SECTION I: RATES

Type	Effective Period From	Effective Period To	Rate	Base
Fixed:				
Fringe Benefits	7/1/2013	6/30/2014	37.72%	(a)
Indirect Costs	7/1/2013	6/30/2014	81.10%	(a)
Fringe Benefits	7/1/2014	6/30/2015	42.83%	(a)
Indirect Costs	7/1/2014	6/30/2015	75.77%	(a)

Basis for Application
(a) Direct salaries and wages.

Treatment of Fringe Benefits: Fringe benefits applicable to direct salaries and wages are included in the fringe benefit rate cited above.

SECTION II: GENERAL

A. LIMITATIONS: The rates in this Agreement are subject to any statutory and administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the department/agency or allocated to the department/agency by an approved cost allocation plan were included in the indirect cost pool as finally accepted; such costs are legal obligations of the department/agency and are allowable under governing cost principles; (2) The same costs that have been treated as indirect costs have not been claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the department/agency which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. CHANGES. The fixed rate contained in this agreement is based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in the organizational structure or changes in the method of accounting for costs which affect the amount of reimbursement resulting from use of the rate in this agreement, require the prior approval of the authorized representative of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowances.

C. THE FIXED RATE contained in this agreement is based on an estimate of the cost which will be incurred during the period for which the rate applies. When the actual costs for such a period have been determined, an adjustment will be made in the negotiation following such determination to compensate for the difference between the cost used to establish the fixed rate and that which would have been used were the actual costs known at the time.

D. NOTIFICATION TO FEDERAL AGENCIES: Copies of this document may be provided to other Federal agencies as a means of notifying them of the agreement contained herein.

E. SPECIAL REMARKS: none.

ACCEPTANCE

By the State Agency:

Timothy W. Brennan
(Signature)

Timothy W. Brennan
(Name)

Executive Director
(Title)

Pioneer Valley Planning Commission
(Agency)

7-15-2014
(Date)

By the Federal Agency:

Jacqueline Smith
(Signature)

Jacqueline Smith, Rate Negotiator
Financial Analysis and
Oversight Service Center
U.S. Environmental
Protection Agency
July 11, 2014

Negotiated by: Jacqueline Smith
Telephone: (202) 564-5055

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

OMB CIRCULAR A-87 COGNIZANT AGENCY
NEGOTIATION AGREEMENT

Pioneer Valley Planning
Commission
Springfield, MA

Date: August 25, 2011

Filing Ref: December 21, 2010

The indirect cost rates contained herein are for use on grants and contracts with the Federal Government to which Office of Management and Budget Circular A-87 applies, subject to the limitations contained in the Circular and in Section II, A below.

SECTION I: RATES

Type	Effective Period From	To	Rate	Base
Fixed:				
Fringe Benefits	7/1/2011	6/30/2012	27.20%	(a)
Indirect Costs	7/1/2011	6/30/2012	90.85%	(a)
Fringe Benefits	7/1/2012	6/30/2013	27.13%	(a)
Indirect Costs	7/1/2012	6/30/2013	90.92%	(a)

Basis for Application
(a) Direct salaries and wages.

Treatment of Fringe Benefits: Fringe benefits applicable to direct salaries and wages are included in the fringe benefit rate cited above.

SECTION II: GENERAL

A. LIMITATIONS: The rates in this Agreement are subject to any statutory and administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the department/agency or allocated to the department/agency by an approved cost allocation plan were included in the indirect cost pool as finally accepted; such costs are legal obligations of the department/agency and are allowable under governing cost principles; (2) The same costs that have been treated as indirect costs have not been claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the department/agency which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such

Pioneer Valley Planning
Commission
Springfield, MA

situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. CHANGES. The fixed rate contained in this agreement is based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in the organizational structure or changes in the method of accounting for costs which affect the amount of reimbursement resulting from use of the rate in this agreement, require the prior approval of the authorized representative of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowances.

C. THE FIXED RATE contained in this agreement is based on an estimate of the cost which will be incurred during the period for which the rate applies. When the actual costs for such a period have been determined, an adjustment will be made in the negotiation following such determination to compensate for the difference between the cost used to establish the fixed rate and that which would have been used were the actual costs known at the time.

D. NOTIFICATION TO FEDERAL AGENCIES: Copies of this document may be provided to other Federal agencies as a means of notifying them of the agreement contained herein.

E. SPECIAL REMARKS: none.

ACCEPTANCE

By the State Agency:

Timothy W. Brennan
(Signature)

Timothy W. Brennan
(Name)

Executive Director
(Title)

Pioneer Valley Planning Commission
(Agency)

9-22-11
(Date)

By the Federal Agency:

Jacqueline Smith
(Signature)

Jacqueline Smith, Rate Negotiator
Financial Analysis and
Oversight Service Center
U.S. Environmental
Protection Agency
August 25, 2011

Negotiated by: Jacqueline Smith
Telephone: (202) 564-5055

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

OMB CIRCULAR A-87 COGNIZANT AGENCY
NEGOTIATION AGREEMENT

Pioneer Valley Planning Commission
West Springfield, MA

Date: December 21, 2010
Filing Ref: March 5, 2009

The indirect cost rates contained herein are for use on grants and contracts with the Federal Government to which Office of Management and Budget Circular A-87 applies, subject to the limitations contained in the Circular and in Section II, A below.

SECTION I: RATES

Type	Effective Period From	Effective Period To	Rate	Base
Fixed:				
Fringe Benefits	7/1/2009	6/30/2010	26.61%	(a)
Indirect Costs	7/1/2009	6/30/2010	91.42%	(a)
Fringe Benefits	7/1/2010	6/30/2011	26.49%	(a)
Indirect Costs	7/1/2010	6/30/2011	91.54%	(a)

Basis for Application
(a) Direct salaries and wages.

Treatment of Fringe Benefits: Fringe benefits applicable to direct salaries and wages are included in the fringe benefit rate cited above.

SECTION II: GENERAL

A. LIMITATIONS: The rates in this Agreement are subject to any statutory and administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the department/agency or allocated to the department/agency by an approved cost allocation plan were included in the indirect cost pool as finally accepted; such costs are legal obligations of the department/agency and are allowable under governing cost principles; (2) The same costs that have been treated as indirect costs have not been claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the department/agency which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such

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situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. CHANGES. The fixed rate contained in this agreement is based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in the organizational structure or changes in the method of accounting for costs which affect the amount of reimbursement resulting from use of the rate in this agreement, require the prior approval of the authorized representative of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowances.

C. THE FIXED RATE contained in this agreement is based on an estimate of the cost which will be incurred during the period for which the rate applies. When the actual costs for such a period have been determined, an adjustment will be made in the negotiation following such determination to compensate for the difference between the cost used to establish the fixed rate and that which would have been used were the actual costs known at the time.

D. NOTIFICATION TO FEDERAL AGENCIES: Copies of this document may be provided to other Federal agencies as a means of notifying them of the agreement contained herein.

E. SPECIAL REMARKS: none.

ACCEPTANCE

By the State Agency:

Timothy W. Brennan
(Signature)

Timothy W. Brennan
(Name)

Executive Director
(Title)

Pioneer Valley Planning Commission
(Agency)

12-30-10
(Date)

By the Federal Agency:

Jacqueline Smith
(Signature)

Jacqueline Smith, Rate Negotiator
Financial Analysis and
Oversight Service Center
U.S. Environmental
Protection Agency
December 22, 2010

Negotiated by: Jacqueline Smith
Telephone: (202) 564-5055

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

OMB CIRCULAR A-87 COGNIZANT AGENCY

NEGOTIATION AGREEMENT

Pioneer Valley Planning
Commission
West Springfield, MA

Date: March 5, 2009

Filing Ref: May 23, 2008

The indirect cost rates contained herein are for use on grants and contracts with the Federal Government to which Office of Management and Budget Circular A-87 applies, subject to the limitations contained in the Circular and in Section II, A below.

SECTION I: RATES

Type	Effective Period From	Effective Period To	Rate	Base
Fixed:				
Fringe Benefits	7/1/2008	6/30/2009	33.66%	(a)
Indirect Costs	7/1/2008	6/30/2009	77.12%	(a)

Basis for Application
(a) Direct salaries and wages.

Treatment of Fringe Benefits: Fringe benefits applicable to direct salaries and wages are included in the fringe benefit rate cited above.

SECTION II: GENERAL

A. LIMITATIONS: The rates in this Agreement are subject to any statutory and administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the department/agency or allocated to the department/agency by an approved cost allocation plan were included in the indirect cost pool as finally accepted; such costs are legal obligations of the department/agency and are allowable under governing cost principles; (2) The same costs that have been treated as indirect costs have not been claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the department/agency which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. CHANGES. The fixed rate contained in this agreement is based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in the organizational structure or changes in the method of accounting for costs which affect the amount of reimbursement resulting from use of the rate in this agreement, require the prior approval of the authorized representative of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowances.

C. THE FIXED RATE contained in this agreement is based on an estimate of the cost which will be incurred during the period for which the rate applies. When the actual costs for such a period have been determined, an adjustment will be made in the negotiation following such determination to compensate for the difference between the cost used to establish the fixed rate and that which would have been used were the actual costs known at the time.

D. NOTIFICATION TO FEDERAL AGENCIES: Copies of this document may be provided to other Federal agencies as a means of notifying them of the agreement contained herein.

E. SPECIAL REMARKS: none.

ACCEPTANCE

By the State Agency:

Timothy W. Brennan
(Signature)

Timothy W. Brennan
(Name)

Executive Director
(Title)

Pioneer Valley Planning Commission
(Agency)

3-16-09
(Date)

By the Federal Agency:

Jacqueline Smith
(Signature)

Jacqueline Smith, Rate Negotiator
Financial Analysis and
Oversight Service Center
U.S. Environmental
Protection Agency
March 5, 2009

Negotiated by: Jacqueline Smith
Telephone: (202) 564-5055

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

OMB CIRCULAR A-87 COGNIZANT AGENCY
NEGOTIATION AGREEMENT

Pioneer Valley Planning Commission
West Springfield, MA

Date: May 23, 2008

The indirect cost rates contained herein are for use on grants and contracts with the Federal Government to which Office of Management and Budget Circular A-87 applies, subject to the limitations contained in the Circular and in Section II, A below.

SECTION I: RATES

Type	Effective Period From	Effective Period To	Rate	Base
Fixed:				
Fringe Benefits	7/1/2007	6/30/2008	34.86%	(a)
Indirect Costs	7/1/2007	6/30/2008	75.98%	(a)

Basis for Application
(a) Direct salaries and wages.

Treatment of Fringe Benefits: Fringe benefits applicable to direct salaries and wages are included in the fringe benefit rate cited above.

SECTION II: GENERAL

A. LIMITATIONS: The rates in this Agreement are subject to any statutory and administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the department/agency or allocated to the department/agency by an approved cost allocation plan were included in the indirect cost pool as finally accepted; such costs are legal obligations of the department/agency and are allowable under governing cost principles; (2) The same costs that have been treated as indirect costs have not been claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the department/agency which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

B. CHANGES. The fixed rate contained in this agreement is based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in the organizational structure or changes in the method of accounting for costs which affect the amount of reimbursement resulting from use of the rate in this agreement, require the prior approval of the authorized representative of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowances.

C. THE FIXED RATE contained in this agreement is based on an estimate of the cost which will be incurred during the period for which the rate applies. When the actual costs for such a period have been determined, an adjustment will be made in the negotiation following such determination to compensate for the difference between the cost used to establish the fixed rate and that which would have been used were the actual costs known at the time.

D. NOTIFICATION TO FEDERAL AGENCIES: Copies of this document may be provided to other Federal agencies as a means of notifying them of the agreement contained herein.

E. SPECIAL REMARKS: The grantee is required to submit a final rate proposal for FY 2007 based on actual costs.

ACCEPTANCE

By the State Agency:

Timothy W. Brennan
(Signature)

Timothy W. Brennan
(Name)

Executive Director
(Title)

Pioneer Valley Planning Commission
(Agency)

6-2-08
(Date)

By the Federal Agency:

Jacqueline Smith
(Signature)

Jacqueline Smith, Rate Negotiator
Financial Analysis and
Oversight Service Center
U.S. Environmental
Protection Agency
May 23, 2008

Negotiated by: Jacqueline Smith
Telephone: (202) 564-5055

Attachment C: Sample GMS Financial Software Reports

Revenue and Expenditure Report by Element

Run Date: 11/05/2014
Run Time: 3:11:52 pm
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Pioneer Valley Planning Commission

Period 07/01/14 to 09/30/14

34202 Easthampton FY13 HR **Project Period** 10/15/2013 to 12/31/2014

Element Code & Description	Budget	Prior Year	Current	YTD	Proj Tot	Un/Ovr	% Bud
342020 Easthampton FY13 HR							
Expenses							
50000 Salaries	7,940.00	2,566.23	455.90	1,204.85	3,771.08 ①	4,168.92	47.49%
52600 Supplies	25.00	0.00	0.00	0.00	0.00	25.00	0.00%
52900 Postage/Delivery Servic	0.00	306.19	0.00	52.56	358.75	-358.75	0.00%
53500 Printing/Copying	525.00	0.00	0.00	0.00	0.00	525.00	0.00%
56000 Travel-Gas/Mileage /Par	50.00	19.85	0.00	0.00 ②	19.85	30.15	39.70%
56500 Advertising	25.00	0.00	0.00	0.00	0.00	25.00	0.00%
57700 Consultants & Subcontra	12,000.00	3,193.19	1,307.64	2,672.64	5,865.83	6,134.17	48.88%
59700 Indirect Costs	9,435.00	3,048.79	556.88	1,212.57	4,261.36	5,173.64	45.17%
Expenses	30,000.00	9,134.25	2,320.42	5,142.62	14,276.87	15,723.13	47.59%
Balance:	-30,000.00	-9,134.25	-2,320.42	-5,142.62	-14,276.87		
Project Revenues:	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
Project Expense:	30,000.00	9,134.25	2,320.42	5,142.62	14,276.87	15,723.13	47.59%
Project Balance:	-30,000.00	-9,134.25	-2,320.42	-5,142.62	-14,276.87		
Report Total:			-2,320.42	-5,142.62			

① TIES IN WITH YTD TIMESHEET CHARGES BY ACTIVITY

② TIES IN WITH PROJECT/ELEMENT CHARGE LISTING

Revenue and Expenditure Report by Element

Pioneer Valley Planning Commission

Run Date: 11/05/2014
Run Time: 3:11:52 pm
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Period 07/01/14 to 09/30/14

34202 Easthampton FY13 HR **Project Period** 10/15/2013 to 12/31/2014

Element Code & Description	Budget	Prior Year	Current	YTD	Proj Tot	Un/Ovr	% Bud
342020 Easthampton FY13 HR							
Expenses							
50000 Salaries	7,940.00	2,566.23	455.90	1,204.85	3,771.08 (1)	4,168.92	47.49%
52600 Supplies	25.00	0.00	0.00	0.00	0.00	25.00	0.00%
52900 Postage/Delivery Servic	0.00	306.19	0.00	52.56	358.75	-358.75	0.00%
53500 Printing/Copying	525.00	0.00	0.00	0.00	0.00	525.00	0.00%
56000 Travel-Gas/Mileage /Par	50.00	19.85	0.00	0.00	(2) 19.85	30.15	39.70%
56500 Advertising	25.00	0.00	0.00	0.00	0.00	25.00	0.00%
57700 Consultants & Subcontra	12,000.00	3,193.19	1,307.64	2,672.64	5,865.83	6,134.17	48.88%
59700 Indirect Costs	9,435.00	3,048.79	556.88	1,212.57	4,261.36	5,173.64	45.17%
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Balance:	-30,000.00	-9,134.25	-2,320.42	-5,142.62	-14,276.87		
Project Revenues:	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
Project Expense:	30,000.00	9,134.25	2,320.42	5,142.62	14,276.87	15,723.13	47.59%
Project Balance:	-30,000.00	-9,134.25	-2,320.42	-5,142.62	-14,276.87		
Report Total:			-2,320.42	-5,142.62			

(1) TIES IN WITH YTD TIMESHEET CHARGES BY ACTIVITY

(2) TIES IN WITH PROJECT/ELEMENT CHARGE LISTING

Revenue and Expenditure Report by Element

Pioneer Valley Planning Commission

Run Date: 11/05/2014
Run Time: 3:11:52 pm
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Period 07/01/14 to 09/30/14

34202 Easthampton FY13 HR **Project Period** 10/15/2013 to 12/31/2014

Element Code & Description	Budget	Prior Year	Current	YTD	Proj Tot	Un/Ovr	% Bud
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52600 Supplies	25.00	0.00	0.00	0.00	0.00	25.00	0.00%
52900 Postage/Delivery Servic	0.00	306.19	0.00	52.56	358.75	-358.75	0.00%
53500 Printing/Copying	525.00	0.00	0.00	0.00	0.00	525.00	0.00%
56000 Travel-Gas/Mileage /Par	50.00	19.85	0.00	0.00 ②	19.85	30.15	39.70%
56500 Advertising	25.00	0.00	0.00	0.00	0.00	25.00	0.00%
57700 Consultants & Subcontra	12,000.00	3,193.19	1,307.64	2,672.64	5,865.83	6,134.17	48.88%
59700 Indirect Costs	9,435.00	3,048.79	556.88	1,212.57	4,261.36	5,173.64	45.17%
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Balance:	-30,000.00	-9,134.25	-2,320.42	-5,142.62	-14,276.87		
Project Revenues:	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
Project Expense:	30,000.00	9,134.25	2,320.42	5,142.62	14,276.87	15,723.13	47.59%
Project Balance:	-30,000.00	-9,134.25	-2,320.42	-5,142.62	-14,276.87		
Report Total:			-2,320.42	-5,142.62			

① TIES IN WITH YTD TIMESHEET CHARGES BY ACTIVITY

② TIES IN WITH PROJECT(S)/ELEMENT CHARGE LISTING

Attachment D: PVPC Financial Control Policies and Procedures (as modified)

S. III. PVPC FINANCIAL CONTROL POLICIES AND PROCEDURES

GENERAL

1. The Executive Director formulates financial policies, delegates administration of the financial policies and daily oversight to the Deputy Director for Operations, and reviews operations and activities.

2. Financial duties and responsibilities are separated so that no one employee has sole control over cash receipts; disbursements; payroll; reconciliation of bank accounts; etc.

3. The Financial Section consists of the Accountant, Accounting Assistant and Payroll Coordinator as overseen by the Deputy Director and who report to the Executive Director.

4. Contracts in the amount of $5,000 or more require approval from the PVPC Executive Committee authorizing the Executive Director to negotiate and execute.

Project Oversight

1. Project staff shall meet with the PVPC Accountant and/or reconcile financial records on a quarterly basis, or more if required, to insure that financial records correspond between project records and the Accountant's financial records.

2. Financial notebooks shall be created by project managers for all major contracts and/or multi-year contracts and contracts and will contain contracts, amendments, extensions, budget information, work plans and scope, subcontracts, and all other relevant information that can assist with project oversight and budget management. The Accountant will keep his/her own project folder on the same.

3. Contracts involving cash matches and/or restrictions on eligible expenses shall require separate documentation by project staff including relevant support documentation, as appropriate and/or required. The Accountant makes any necessary journal entries to a project in the financial software system and maintains evidence of Executive Committee approval and vote of a cash match.

4. Monthly reviews of the Revenue and Expenditure Reports of all open PVPC project contracts will be conducted by the Accountant and Deputy Director for Operations to identify any potential concerns, unusual spending trends, cost overruns or required reallocations.

Cash Receipts

1. The Agency Receptionist/Administrative Assistant opens all checks received in the mail and records on a log sheet all relevant check information including payment from, amount, date, check number and to whom the check goes. All checks are immediately brought to the Accountant or if a program check, to the respective Financial Coordinator.

2. All receipts will be deposited intact. No disbursements will be made from cash or check receipts prior to deposit.

3. The Accountant or Accounting Assistant will record each cash payment received. Checks and cash shall be locked in a secure location until taken to the bank.

4. Checks are scanned upon receipt and deposited electronically. Paper checks are held in a secure location for 60-90 days and then shredded.

5. Both the Executive Director and Deputy Director receive a copy of account history (deposits, checks issued, payments made) for review.

Cash/Check Disbursements

1. All satisfactory invoices/check requests will be approved (indicated by initialing/signature) by the appropriate Project or Section Manager, with an appropriate project number.

Only original invoices should be submitted for payment. Sales tax will be deducted from the amount to be reimbursed. No reimbursement for alcohol or tobacco is allowed. Proper procurement procedures must be followed in order for a check or reimbursement to be issued. See Section V.

2. All approved invoices will be forwarded to the Deputy Director who will review all invoices for mathematical accuracy, validity, conformity to the budget and compliance with contract requirements.

3. Approved invoices will be assigned a General Ledger (GL) code by the Accounting Assistant as reviewed and approved or modified by the Deputy Director.

4. Upon completion of Steps 1-3 above, final approval of the Executive Director is required for all invoices.

5. Approved invoices will be entered into the PVPC financial software program in Accounts Payable.

6. All entered outstanding invoices will appear on an Accounts Payable listing. Check disbursement and actual release of payment is determined by the Deputy Director.

7. The Accountant will prepare checks on a bi-weekly basis or as otherwise required and issue payment as authorized.

8. After the checks are printed, individual voucher labels listing the vendor name, voucher #, amount of check, invoice # and check date are also printed and are affixed on the corresponding A/P invoice and filed.

9. Authorized check signers include the PVPC Executive Director, Executive Committee Chair, Executive Committee Vice-Chair, Executive Committee Treasurer, and Executive Committee Assistant Treasurer.

10. Checks in the amount of $5,000 or more require a two-party signature.

11. In no event will:

a) invoices be paid unless approved by an authorized signer.

b) blank checks (checks without a date or payee designated) be signed in advance.

c) checks be made out to "cash" or "bearer," etc.

d) checks be prepared on verbal authorization, unless approved by the Executive Director.

12. Blank checks are locked in a fireproof cabinet in the Accountant's office.

13. Subsequent check #'s are always verified by confirming with the check register book.

Bank Reconciliations

1. The Accounting Assistant will reconcile the bank statements monthly.

2. The PVPC Executive Committee will receive statements of checks issued on a regular basis.

3. The Deputy Director shall verify the reconciliation of the bank accounts on at least a quarterly basis.

4. On all checks outstanding over 120 days, the Accountant will take appropriate action.

Petty Cash

1. Petty Cash is maintained and tracked by the Administrative Support Section and reconciled regularly by the Accounting Assistant. Petty Cash Requests and Petty Cash Reimbursement Forms must be used to receive funds in advance or for reimbursement of a purchase made. These forms require Section Manager authorization, a project code designation and a strict accounting of the funds used/requested. See Section IV – Miscellaneous Practices and Guidelines.

Accounts Receivables

1. The Accountant prepares invoices monthly, quarterly or as deemed necessary.

2. Invoice amounts are reconciled with the financial software program's Revenue and Expenditure Reports.

3. Generated invoices are issued to the respective client with copies given to the appropriate PVPC Project Manager and the Accounting Assistant. Upon receipt, the Accounting Assistant enters the invoice information into Accounts Receivable module of the financial software program.

Files

1. Financial records are maintained in the PVPC Accountant's office for 2 years upon project close-out and thereafter placed in off-site storage. Stored files shall be maintained for a period of seven (7) years from the date of Program Close-out, or if such records become the subject of audit findings, they shall be retained until such findings have been resolved, whichever is later.

FEDERAL COMPLIANCE

Accounting Guidance

The following are procedural and compliance guidelines to be followed by the PVPC financial and accounting personnel in the administration on federal funds:

- Identify source and application of funds
- Maintain controls and accountability of funds and property
- Compare outlays with budgeted amounts
- Minimize time between receiving fed funds and issuing payments
- Adhere to procedures to insure reasonableness, allocability and allowability of costs
- Insure that records are supported by source documents
- Do not exceed SES4 level for payment of consultants for EPA grants
- Cash advances should be limited to amount needed (31.21)
- Payments should be made within 5 business days of grant draws - 31 CFR 205 (Dept of Treasury applies)
- Must be able to account for the receipt, obligation and expenditure of funds
- Maintain advances in interest bearing accounts
- Cost sharing shall be verifiable (40 CFR 31.24)
- Volunteer services can be used (at their regular rate or comparable rate in grantees organization) along with fringes, no indirect costs though
- Volunteer services shall be documented in same manner as grantees employees
- Program income should be added to project funds, used to finance the non Fed share or deducted from the total project cost (40 CFR 31.25)
- Budgets developed in accordance with 40 CFR 31.20

- Grantees are required to report budget deviations. Grantees to get prior approval for certain conditions
- Annual A133 audits must be done when receiving >$500,000 of Fed funds (40 CFR 31.26)
- Grant participation for individual consultant charges follows MGL C30B
- Record retention per 40 CFR 31.42. At a minimum, keep documents for 3 years after final pay.
- Federally funded equipment with a useful life of more than one year and with an acquisition cost of $5,000 or more per unit will be identified in the PVPC's Inventory Log.
- A physical inventory of PVPC equipment with a remaining useful life value (excluding furnishings) shall be conducted on a biennial basis.

Cost Allocation

<u>Direct Costs</u>
Costs that can be identified specifically with a particular funding source or grant are directly charged.

Shared costs are prorated individually as direct costs to each award, contract, or funding activity using a base appropriate to the cost being prorated. A spreadsheet is developed that lists the basis and calculates a fair distribution of shared cost.

Examples of types of shared costs are:

- general administration expenses of the organization, such as salaries and expenses of executive officers, personnel administration, and accounting;
- costs of operating and maintaining facilities (for buildings shared by more than one program or by administrative staff and program staff), such as utilities, janitorial; and
- costs of shared program staff and equipment.

<u>Program Costs</u>
Program costs include, but are not limited to:

(1) Personnel and non-personnel costs directly related to the provision of program services, training, and transportation for staff, parents and volunteers.

(2) Costs of functions directly associated with the delivery of program services through the direction, coordination or implementation of a specific program area.

(3) Costs of the salaries of program specialists and managers, program staff, janitorial and transportation staff involved in program efforts, and the costs associated with parent involvement and volunteers.

(4) Expenses related to program staff functions, such as the allowable costs of fringe benefits, travel, per diem and transportation, training, food, center/classroom supplies and equipment, parent activities funds, insurance, and the occupation, operation and maintenance of program component space, including utilities.

Dual benefit costs

Some costs benefit the programs as well as the development and administrative functions within the Pioneer Valley Planning Commission. In such cases:

(1) The Pioneer Valley Planning Commission must identify and allocate appropriately the portion of the costs that are for development and administration.

(2) Dual benefit costs include, but are not limited to, salaries, benefits and other costs (such as travel, per diem, and training costs) of staff that perform both program and development and administrative functions. The Pioneer Valley Planning Commission must determine and allocate appropriately the part of these costs dedicated to development, program and administration.

(3) Space costs and costs related to space, such as utilities, are frequently multiple benefit costs***.*** The Pioneer Valley Planning Commission must determine and allocate appropriately the percentage of space dedicated to development and administration and program.

Charging of Costs to Federal Awards

Overview

It is the policy of the Pioneer Valley Planning Commission that only costs that are reasonable, allowable and allocable to a Federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

Segregating Unallowable From Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of OMB Circular A-87, "Cost Principles for State and Local Governments", particularly:
    a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.

b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.

3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-87.

4. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

Criteria for Allowability

It is the policy of the Pioneer Valley Planning Commission that all costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be "reasonable" for the performance of the award, considering the following factors:

   a. Whether the cost is of a type that is generally considered as being necessary for the operation of the organization or the performance of the award;

   b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;

   c. Whether the individuals concerned acted with prudence in the circumstances;

   d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.

2. The cost must be "allocable" to an award by meeting one of the following criteria:

   a. The cost is incurred specifically for a Federal award;

   b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or

   c. The cost is necessary to the overall operation of the Organization, but, where a direct relationship to any particular program or group of programs cannot be demonstrated.

3. The cost must conform to any limitations or exclusions of OMB Circular A-87 or the Federal award itself.

4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the Organization.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
8. The cost must be adequately documented.

Cost Sharing and Matching

It is the policy of the Pioneer Valley Planning Commission to value contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

The Pioneer Valley Planning Commission shall claim contributions as meeting a cost sharing or matching requirement of a Federal award only if all of the following criteria are met:

1. They are verifiable from records.
2. They are not included as contributions for any other federally assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under OMB Circular A-87.
5. They are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal-awarding agency.
7. They conform to all provisions of OMB Circular A-102.
8. In the case of donated space, the space is subject to an independent appraisal or market survey to establish its value.

Contributed services used for cost sharing or matching purposes shall be valued at rates consistent with those rates paid for similar work in the Commission (match up experience and skill level), including an estimate of reasonable fringe benefits. In cases in which the required skills are not found in the Commission, rates used shall be consistent with those paid for similar work in the labor market in which competes.

It is the policy of the Pioneer Valley Planning Commission to require volunteers, when necessary, to document and account for their contributed time.

Appendix B

Region 1 Response to Draft Report

FROM: Michael Kenyon, EPA Region 1, Assistant Regional Administrator

TO: Arthur A. Elkins, Jr. Inspector General

DATE: November 7, 2014

OIG Project Number: OA-FY14-0171

SUBJECT: ***Pioneer Valley Planning Commission Needs to Improve Its Compliance with Federal Requirements, as $1.2 Million in Grant Costs Are Questioned***

Below please find Region 1's comments concerning the above referenced IG draft report.

General Comments:
The AFC coordinated with the Program Office and the Grants Management Office to gather the Agency's comments regarding the Inspector General's draft report for the review of Pioneer Valley Planning Commission (PVPC. The Region has worked with this Cooperative Agreement recipient (CAR) for a long time and does feel that this CAR has made significant accomplishments in reducing human health risks in New England with the work they have supported and completed.

Specific Comments on Draft Report Sections:

- **Title Page:**
  - ✓ **R1 Comment:** There should be consistency with the titles used on IG reports. The majority of other Audits/Reviews conducted by the IG for reviewing Assistance Agreements are titled ***"Examination of costs claimed under EPA Grants …".*** The IG should consider changing the title to be consistent with other Attestation reviews conducted for grantees to "Examination of costs claimed under EPA Brownfields Grant 97119201".

- **At a Glance -What We Found**
  - ✓ **Brownfields Program Comment:** The last sentence in this section states that the goal of the EPA's Brownfields program is not achieved when remediated sites are not redeveloped and reused. The Regional Brownfields program does not agree with this statement made by the IG because the grantee achieved the goals of the Brownfields program by getting contaminated land ready for reuse. This is explained further in the comments to Chapter 4 below.

- **Chapter 3- PVPC did not comply with Federal requirements**
  - ✓ **PVPC Requested Reimbursement for Unallowable Costs- R1 Comment:** The Draft IG report does not identify that PVPC had identified some of the unallowable costs prior to the commencement of this review and had indicated to the Region that PVPC had hired a financial consultant to reconcile and balance the EPA RLF financial through 6/30/2012. PVPC had also indicated that a final report with recommendations of actions would be forthcoming prior to the IG's review.

  - ✓ **PVPC did not maintain required documentation:** The Draft IG report states that PVPC did not obtain payroll documents showing contractor's compliance with the Davis-Bacon Act for demolition services provided by a subcontractor for the Town of Monson, South Main Street School project.

    Brownfields Program comment: Region 1 received the following comment form the National Brownfields program [*1], which the Regional Brownfields program also supports:

    > "EPA is aware of the challenges of adhering to Davis-Bacon wage rate requirements. This often comes up as an issue among our RLF grantee community, so we have covered Davis Bacon compliance requirements on two webinars in the past year in an effort to address these concerns and bring about a more consistent approach to complying with Davis Bacon. Additionally, this topic has been discussed in sessions with RLF grantees at the past several Brownfields Training Conferences, as well as a Davis-Bacon one-pager that was developed in 2009 to assist RLF grantees."

- **4- Properties have been remediated, but not reused**
  - ✓ **Goal of the Brownfields Program is to cleanup and reuse: Brownfields Program comment:** Region 1 received the following comment form the National Brownfields Program [*2], which the Regional Brownfields program also supports:

    > "There is an entire chapter (p9) dedicated to the statement first seen in the summary that "the goal of the EPA's Brownfields program is not achieved when remediated sites are not redeveloped and reused." The Brownfields Program does not set a goal to reuse sites – we say our goal is to empower communities with tools and information to reuse sites. The comment implies that we have control over what the market wants to do with a brownfield site when we do not. The RLF funds cleanups, not redevelopments, and the Pioneer Valley Planning Commission RLF funded four cleanups, so from the

> program's perspective the grantee achieved the goals of our program by getting contaminated land ready for reuse."

(Footnotes*1 and *2 – Both of these comments were submitted by Megan Quinn the National Brownfields RLF Coordinator.)

- **Status of Recommendation and Potential Monetary Benefits**
  The Agency is submitting Attachment A, the high-level intended corrective actions and estimated completion dates, for review and concurrence by the IG.

Please contact Valerie Marshall, the Region 1 Audit Follow-up Coordinator, of my staff at 617-918-1674, if you have any questions concerning this memorandum.

cc: Janet Kasper, US EPA Office of Inspector General
Mary Anne Strasser, US EPA Office of Inspector General
Mega Quinn, US EPA National Brownfields RLF Coordinator
Frank Gardner. US EPA Region 1 Brownfields Program
Cheryl Scott, US EPA Region 1 Grants Management Officer

ATTACHMENT A

No.	Recommendation	Status	Comments	Planned Completion Date	Claimed Amount	Agreed to Amount
1	Place PVPC on a reimbursement basis for all EPA grants.	C	All active EPA Assistance Agreements (4) are now on reimbursement.	September 18, 2014.		
2	Issue a stop work order for this CA until PVPC reconciles its accounting records and is able to provide accurate information on costs incurred for the grant.	O	The CAR has agreed that it will work with Region 1 to provide the necessary support documentation to reconcile PVPC's accounting records for this grant award.	The CAR has proposed a completion date for 3rd quarter FY2015.		
3	Require PVPC to transfer program income back to the RLF.	O	The CAR has proposed that the agreed amount for program income to be repaid should be $24,704.41. Once the Region has reviewed the necessary back up documentation, it will determine if this amount is accurate.	The CAR has proposed to repay the amount agreed to by the 2nd quarter FY2015.	$19,000	
4	Verify that PVPC has a financial management system that meets federal standards established under 40 CFR § 31 prior to any future awards.	U	The Region will need to meet with the CAR and verify that PVPC has a financial system that meets federal standards.	The CAR has proposed a completion date for 4th quarter FY2015.		
5	Question and recover the $1,261,665 of federal funds drawn at the time we began our review.	U	The Region will need to meet with the CAR to review the support documentation and identify what costs the CAR is able to reconcile and verify as eligible grant expenses under this grant award.	The CAR has proposed a completion date for 4th quarter FY2015.	$1,261,665	

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

Regional Administrator, Region 1
Agency Follow-Up Official (the CFO)
Agency Follow-Up Coordinator
Deputy Regional Administrator, Region 1
Director, Grants and Interagency Agreements Management Division,
Office of Administration and Resources Management
Audit Follow-Up Coordinator, Region 1
Public Affairs Officer, Region 1
Executive Director, Pioneer Valley Planning Commission