



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

DEC - 9 2013

THE INSPECTOR GENERAL

MEMORANDUM

SUBJECT: Evaluation of Region 6's Proposed Management Decision to
OIG Report No. 13-4-0296, Labor-Charging Practices at the
New Mexico Environment Department, June 17, 2013

FROM: Arthur A. Elkins Jr.
Inspector General

A handwritten signature in blue ink, appearing to read "Arthur A. Elkins Jr.", written over the printed name and title.

TO: Samuel Coleman, P.E.
Deputy Regional Administrator

Thank you for your November 22, 2013, response to the findings and recommendations addressing the subject report. In our report, we made the following recommendations to Region 6:

- 1) Disallow and recover unsupported labor costs of \$298,159 from the Air Quality Bureau (AQB) and \$2,974,318 from the Drinking Water Bureau (DWB), unless the New Mexico Environment Department (NMED) can provide support that complies with 2 CFR Part 225, Appendix B, Section 8.h.
- 2) Ensure that NMED does not claim unsupported costs of \$486,305 for the period October 1, 2011, to April 13, 2012, for grant F00620311, unless NMED can provide support that complies with 2 CFR Part 225, Appendix B, Section 8.h.
- 3) Identify and recover any unsupported costs from AQB-administered grants and DWB-administered grants, which are not covered in our cost-impact determination.
- 4) Ensure that labor-charging practices at any of the nine NMED bureaus that have EPA grants comply with federal requirements.
- 5) Disallow and recover unsupported Surface Water Quality Bureau labor costs of \$2,733,798 claimed under grant number C999610112, unless NMED can provide support that complies with federal requirements.

Region 6 generally agreed with our findings and recommendations and has taken corrective actions to address them.

We have accepted the region's response and milestone dates for corrective actions. The region's response for recommendation 4 is complete. Accordingly, we are closing the recommendation in the Office of Inspector General's (OIG's) assignment tracking system. However, in accordance with EPA Manual 2750, corrective actions must be tracked in the agency's audit tracking system until all actions are completed.

For the remaining four recommendations, the region continues to obtain labor supporting documentation from NMED. The region will determine an amount to be disallowed and recovered upon completion of the labor documentation review process in December 31, 2014. These recommendations will remain open in the OIG's assignment tracking system pending receipt of the region's results on the labor documentation review.

If you or your staff have any questions regarding this memorandum, please contact Richard Eyermann, Acting Assistant Inspector General for the Office of Audit, at (202) 566-0565 or eyermann.richard@epa.gov; or Robert Adachi, Product Line Director, at (415) 947-4537 or adachi.robert@epa.gov.

cc: Agency Follow-up Official (the CFO)
Agency Follow-up Coordinator
Audit Follow-up Coordinator, Region 6
Comptroller, Region 6
Grants Management Officer, Region 6