



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



Protecting America's Waters

EPA Region 6 Mismanaged Coastal Wetlands Planning, Protection and Restoration Act Funds

Report No. 15-P-0003

October 9, 2014



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Report Contributors:

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Abbreviations

ADA	Antideficiency Act
ARA	Assistant Regional Administrator
CWPPRA	Coastal Wetlands Planning, Protection and Restoration Act
DOE	Department of Energy
EPA	U.S. Environmental Protection Agency
EPM	Environmental Programs and Management
FY	Fiscal Year
GAO	Government Accountability Office
LDNR	Louisiana Department of Natural Resources
MIPR	Military Interdepartmental Purchase Request
MOA	Memorandum of agreement
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
ORISE	Oak Ridge Institute for Science and Education
PPL	Priority Project List
RESTORE Act	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012
Task Force	Louisiana Coastal Wetlands Conservation and Restoration Task Force
EPA Directive	EPA Resource Management Directive System
USACE	U.S. Army Corps of Engineers
U.S.C.	U.S. Code
WQPD	Water Quality Protection Division

Cover photos: At the left is a Louisiana barrier island (source: <http://www.habitat.noaa.gov>). On the right is a dune restoration of Whiskey Island Back Barrier (EPA photo).

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At a Glance

Why We Did This Review

In January 2013, the U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), received a hotline complaint about the EPA's Region 6 Water Quality Protection Division (WQPD). The complainant alleged that the WQPD mismanaged Coastal Wetlands Planning, Protection and Restoration Act (CWPPRA) funds and EPA travel funds.

The purpose of this audit was to determine whether the WQPD used:

- CWPPRA funds in accordance with applicable federal laws, regulations and other agreements.
- Agency funds efficiently.

This report addresses the following EPA goals or cross-agency strategies:

- *Protecting America's waters.*
- *Embracing EPA as a high-performing organization.*

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The full report is at: www.epa.gov/oig/reports/2015/20141009-15-P-0003.pdf

EPA Region 6 Mismanaged Coastal Wetlands Planning, Protection and Restoration Act Funds

What We Found

From 2010 to 2013, Region 6 WQPD used CWPPRA funds for purposes that were not consistent with CWPPRA authority, appropriations law and principles, and interagency agreements. Further, WQPD management did not accurately record labor and contractor costs to the CWPPRA program. This occurred because Region 6 WQPD

did not have controls in place to ensure accountability and proper stewardship of CWPPRA resources. Federal laws and EPA policies require federal employees to ensure resources are used efficiently and effectively and that public funds are used for the purpose for which they were appropriated and authorized. The WQPD spent CWPPRA funds totaling \$780,793 on questioned costs, augmented the EPA's annual appropriations, and overstated CWPPRA program costs. This mismanagement of CWPPRA funds resulted in "purpose violations" of appropriations law, pursuant to 31 U.S. Code §1301(a), and put Region 6 at risk of committing Antideficiency Act violations. The effectiveness of the CWPPRA program in restoring and protecting coastal wetlands is impaired if WQPD management does not properly spend and account for CWPPRA resources.

The EPA's Region 6 WQPD mismanaged CWPPRA funds, resulting in \$780,793 of questioned costs and violations of appropriations law.

Recommendations and Planned Agency Corrective Actions

We recommend that Region 6 reimburse the U.S. Army Corps of Engineers for questioned costs totaling \$780,793, unless Region 6 WQPD management provides sufficient and appropriate documentation that demonstrates questioned costs paid with CWPPRA funds were incurred in accordance with laws, policies and interagency agreements. We also recommend that the Region 6 Assistant Regional Administrator work with the EPA's Chief Financial Officer to perform an internal review of the WQPD's CWPPRA spending for fiscal years 2008 and 2009, and for the period July 1, 2013, through September 30, 2014, to identify any additional improper spending that occurred. Further, we recommend that Region 6 identify and address any Antideficiency Act violations resulting from questioned costs identified in this report or found during the internal review. We also recommend that Region 6 establish control activities to ensure proper stewardship and accounting of CWPPRA resources. In addition, we recommend that Region 6 take administrative disciplinary actions against EPA employees responsible for appropriations law purpose violations. Finally, we recommend that WQPD managers and staff receive training on properly managing federal funds to prevent purpose violations.

Region 6 agreed with three of our recommendations and disagreed with the other three. This report contains unresolved and open recommendations, and pending corrective actions.



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

THE INSPECTOR GENERAL

October 9, 2014

MEMORANDUM

SUBJECT: EPA Region 6 Mismanaged Coastal Wetlands Planning, Protection
and Restoration Act Funds
Report No. 15-P-0003

FROM:

Arthur A. Elkins Jr.

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

TO:

Ron Curry, Regional Administrator
Region 6

This is our report on the subject audit 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. Final determinations on matters in this report will be made by EPA managers in accordance with established audit-resolution procedures.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 60 calendar days. You should include planned corrective actions and completion dates for the unresolved Recommendations 1, 3, 5 and 6. Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

The Region 6 Assistant Regional Administrator and the Office of the Chief Financial Officer should provide the OIG with sufficient and appropriate support for the questioned costs. The agency and the OIG should work together to reach resolution on corrective actions related to the questioned costs.

We will post this report to our website at <http://www.epa.gov/oig>.

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Chapter 1

Introduction

Purpose

In January 2013, the U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), received a hotline complaint about the EPA's Region 6 Water Quality Protection Division (WQPD). The complainant alleged that the WQPD mismanaged Coastal Wetlands Planning, Protection and Restoration Act (CWPPRA) funds and EPA travel funds. After preliminary fact-finding on the merits of the complaint, we found that there were indications that the WQPD mismanaged CWPPRA and agency funds, and we decided to conduct additional detailed audit work.

The purpose of this audit was to determine whether the WQPD used:

- CWPPRA funds in accordance with applicable federal laws, regulations and other agreements.
- Agency funds efficiently.

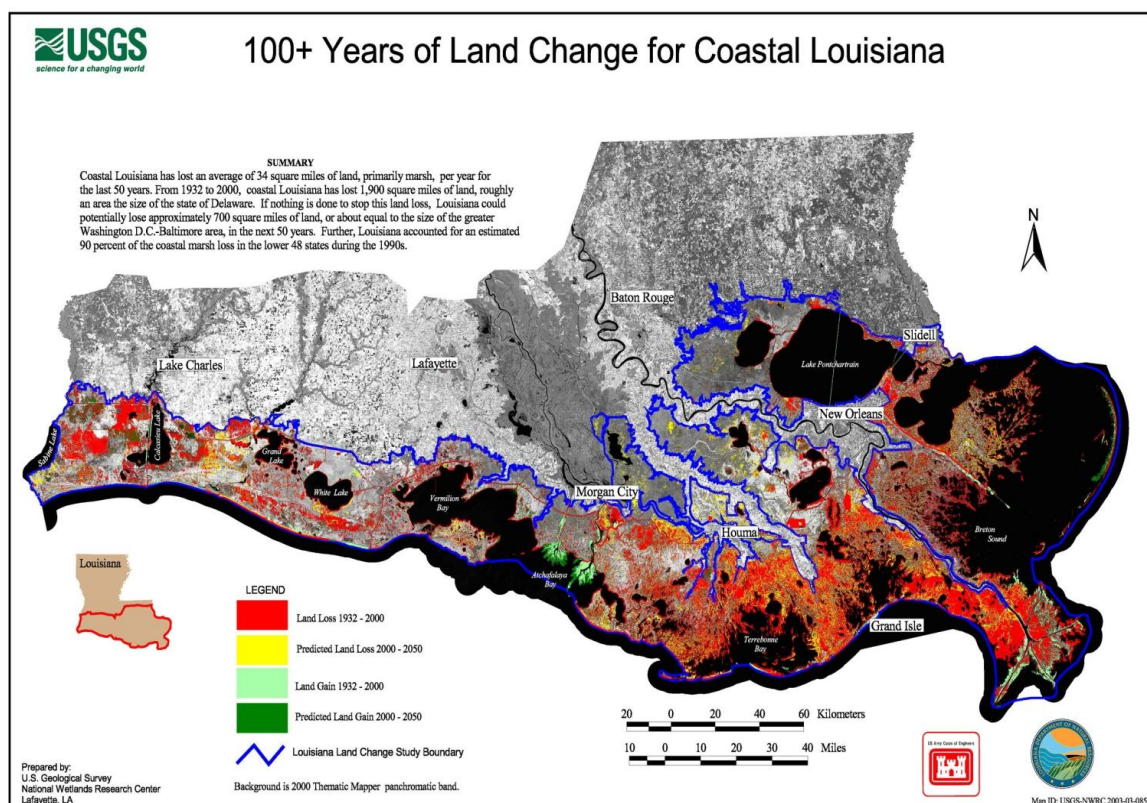
Background

Loss of Louisiana Wetlands

Louisiana wetlands are unique and vital ecological assets worth saving. According to the CWPPRA website, billions of dollars in seafood production, oil and gas revenue, and commercial shipping will be lost without Louisiana's coastal wetlands, which provide the basis and support for these industries. Louisiana has lost up to 40 square miles of marsh per year for several decades. The loss of this marsh accounts for 80 percent of the nation's annual coastal wetlands loss. This loss is at an average rate of one acre every 38 minutes. If the current rate of loss is not slowed by the year 2040, an additional 800,000 acres of wetlands will disappear, and the Louisiana shoreline will advance inland as much as 33 miles in some areas. See the map in Figure 1 for a depiction of actual land lost since 1932, as well as land predicted to be lost through 2050.¹

¹ Data obtained from the Louisiana Coast CWPPRA website at <http://lacoast.gov/new/About/Default.aspx>.

Figure 1: U.S. Geological Survey Map of Coastal Louisiana



Source: U.S. Geological Survey National Wetlands Research Center.

According to the U.S. Army Corps of Engineers (USACE), as of May 2013, 196 coastal restoration or protection projects have been authorized, benefiting over 113,000 acres in Louisiana. As a participating agency, the EPA has planned and managed 23 coastal wetlands projects (completed or active), which have benefited 13,323 net acres in Louisiana.²

Legislation

Congress enacted CWPPRA to identify, prepare and fund construction of coastal wetlands restoration projects in Louisiana. Congress passed the CWPPRA in 1990, and the law is authorized until 2019 (see Appendix B for excerpts of the act). Congress provided dedicated funding for the CWPPRA via the transfer of small engine fuel taxes from the Highway Trust Fund to the Sport Fish Restoration Account. The CWPPRA program provides targeted funds for planning and implementing projects that create, protect, restore and enhance wetlands along the Louisiana coast. Projects are for the long-term conservation of wetlands and to support fish and wildlife populations. Projects funded by CWPPRA are small-scale, cost-effective ways of creating, restoring, protecting and enhancing coastal wetlands. The program uses a wide variety of coastal restoration and protection methods. These methods include marsh creation and

² Data obtained from the CWPPRA website at www.lacoast.gov (as of September 2013).

nourishment, freshwater reintroduction, sediment diversion, foreshore protection, barrier island restoration, terracing, containment dikes, water flow management and invasive species removal.

The CWPPRA Task Force

The CWPPRA established the Louisiana Coastal Wetlands Conservation and Restoration Task Force (Task Force) to manage the CWPPRA program. The USACE chairs the Task Force and allocates funding to participating agencies for planning activities and projects. The USACE also tracks the status of funds for all CWPPRA projects. The Task Force is comprised of five federal agencies and one state agency:

- USACE (represents the U.S. Army)
- U.S. EPA
- U.S. Fish and Wildlife Service (U.S. Department of the Interior)
- National Oceanic and Atmospheric Administration (U.S. Department of Commerce)
- Natural Resources Conservation Service (U.S. Department of Agriculture)
- Governor's Office of Coastal Activities (state of Louisiana)

The EPA Administrator delegated responsibilities for Task Force membership to the Region 6 WQPD Director. Each year the Task Force—with the help of its supporting committees and workgroups—prepares, selects and approves a list of projects for funding. The Task Force provides this Priority Project List (PPL) to Congress as required by the CWPPRA. At right is the CWPPRA logo (source: <http://dnr.louisiana.gov>).



CWPPRA Funds

Annual CWPPRA funding for all participating agencies combined has ranged from \$30 to \$80 million. The act makes funds available for two main categories of activity:

(1) developing the annual PPL (referred to as planning), and (2) implementing restoration projects from the approved PPL. The Task Force approves an annual planning budget and allocates funds based on the approved budget to participating agencies.³ The annual planning budget must not exceed \$5 million and is categorized by planning tasks. Region 6 has received in excess of \$500,000 annually from 2010 through 2013 to fund its Task Force planning participation. Additionally, from 2010 through 2013, Region 6 managed Task Force-approved projects that ranged from about \$48,000 to \$23 million in total funding. During fiscal years (FYs) 2010 through 2013, Region 6 WQPD managed 14 active

³ The Task Force allocates CWPPRA funds that are equal to the amounts shown in the approved budgets.

CWPPRA projects with a cumulative value of about \$82 million, and also managed 4 years of allocated planning funds averaging about \$521,400 per year and totaling \$2,085,556.

The act is specific about the purpose of the CWPPRA funds. Funds are to be used to plan and implement projects approved by the Task Force. The Task Force allocates funds, based on the approved annual planning budgets, for activities *directly* related to developing the PPL.⁴ The planning budgets do not include funds for activities indirectly related to the CWPPRA, related to other water programs, or for general operations of member agencies.

General EPA operations are paid with Environmental Programs and Management (EPM) funds that come from annual congressional appropriations. The EPA operations include personnel labor, training, travel, communication systems, records management systems, and other general infrastructure or support. EPA managers have the discretion to reprogram or move EPM funds among other water programs. However, CWPPRA funds are specifically for purposes identified in the law and activities approved by the Task Force, regardless of whether there may be indirect ties to other Gulf of Mexico efforts.

Responsible Offices

The Region 6 WQPD has responsibility for water quality programs that protect and preserve the aquatic ecosystems and water resources of Arkansas, Louisiana, New Mexico, Oklahoma and Texas, as well as tribal lands located within the region. In addition to the CWPPRA program, WQPD also manages these water programs:

- Drinking water.
- Underground injection control.
- National Pollutant Discharge Elimination System permits and the Total Maximum Daily Load program.
- Surface water quality and water quality standards.
- Monitoring and assessment.
- Nonpoint source.
- Wetlands.
- Coastal and oceans.
- Effective grants management.
- U.S. Mexico Border.
- Climate change.
- Water and energy efficiency.
- Environmental justice.
- Public outreach.

⁴ See Appendix C.

The Ecosystems Protection Branch within WQPD manages regional water quality and the wetlands protection programs to meet national goals of preserving and protecting surface waters and their uses in inland, coastal and estuarine areas. There are four sections within this branch: the Marine and Coastal Section, the Wetlands Section, the Watershed Management Section, and the Water Quality Monitoring and Assessment Section.

The Marine and Coastal Section manages and conducts regional activities under the CWPPRA, as well as the National Estuary Program, the Gulf of Mexico Program, the Coastal Zone Management Act, and the Marine Protection and Research and Sanctuaries Act. This section provides regional expertise on a variety of coastal and marine issues and initiatives, including international, national, regional and local estuarine management programs. These issues and initiatives include, but are not limited to: evaluating marine impacts from liquefied natural gas facilities, and assessing hypoxia in the Gulf of Mexico; designating, managing and monitoring ocean disposal sites for dredged sediment; and coordinating beneficial use of sediments in coastal restoration efforts.

The Marine and Coastal section manages the technical aspects of the CWPPRA program, including support of Region 6 membership on the CWPPRA Task Force. The section also provides oversight of federal funds provided by the Task Force, and designs and implements Task Force-authorized restoration projects.

Federal Programs for the Gulf of Mexico

Although current CWPPRA funding levels do not support all of the necessary restoration required for a sustainable ecosystem, the CWPPRA continues to address immediate restoration needs while establishing a foundation of strong science, public participation, and agency cooperation that will continue to serve as the cornerstone of future programs. To address the projected land loss of coastal Louisiana, large-scale coastal restoration projects that focus on the restoration of ecosystems must be constructed. Such projects exceed the funding capacity and authorization of the CWPPRA program.

The Louisiana Coastal Area initiative, which began in 2001, received authorization in the 2007 Water Resources Development Act to begin to address the need to develop and fund large-scale coastal restoration projects. The EPA receives funds in the EPM annual appropriations, and from other laws, for work related to water programs other than the CWPPRA. Funding is received from other coastal restoration initiatives such as the National Estuary Program, the Gulf of Mexico Program, the Wetlands Protection Program, and other Gulf-related activities. Other laws that are a source of funds include the Clean Water Act and the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived

Economies of the Gulf Coast States Act of 2012 (RESTORE Act).⁵ Many of these programs and activities have similar goals and include the same participating federal, state or local agencies and personnel; and address the same geographic locations and impacted populations.

Scope and Methodology

We conducted our audit from March 2013 through July 2014 in accordance with generally accepted government auditing standards. Those standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

The time period covered by our audit was October 1, 2009, through June 30, 2013. We reviewed spending during this time period, including expenditures paid with CWPPRA planning funds, CWPPRA project funds and EPM funds. Our primary focus was on the use of CWPPRA planning funds, since that was the focus of the hotline complaint. We also focused on questionable transactions that our audit work revealed.

During our audit, we reviewed the CWPPRA legislation, federal appropriations laws, Task Force documents, EPA interagency agreements with the USACE and the Department of Energy (DOE), related EPA financial policies and procedures, and financial data in the EPA's financial system called Compass Financials. We interviewed WQPD managers and staff, as well as USACE officials from the New Orleans District office. We assessed WQPD controls over travel and CWPPRA spending and funds monitoring. We performed spending analyses on the WQPD's financial expenditures and data. We reviewed and compared budget data from the Task Force, WQPD's interagency agreements for CWPPRA and WQPD's EPM budgets.

Appendix A provides further details on our scope and methodology.

⁵ The RESTORE Act became law on July 6, 2012. The law creates an essential framework for managing and financing the Gulf Coast's recovery, and establishes a trust account for Gulf Coast restoration that will receive 80 percent of the funds from Clean Water Act penalties associated with the Deepwater Horizon Oil Spill. According to Region 6, to date neither the region nor the EPA has received any funds from the RESTORE Act.

Chapter 2

Region 6 Did Not Manage CWPPRA Funds in Accordance With CWPPRA Legislation and Other Agreements

Region 6 WQPD used CWPPRA funds for purposes that were not consistent with CWPPRA authority, appropriations law and principles, and interagency agreements. Further, WQPD management did not accurately record labor and contractor costs to the CWPPRA program. This occurred because Region 6 WQPD did not have controls in place to ensure accountability and proper stewardship of CWPPRA resources. Federal laws and EPA policies require federal employees to ensure resources are used efficiently and effectively and that public funds are used for the purpose for which they were appropriated and authorized. The WQPD spent CWPPRA funds totaling \$780,793 on questioned costs, augmented the EPA's annual appropriations, and overstated CWPPRA program costs. This mismanagement of CWPPRA funds resulted in "purpose violations" of appropriations law, pursuant to 31 U.S.C. §1301(a), and put Region 6 at risk of committing Antideficiency Act (ADA) violations.

CWPPRA Legislation Authorized Funds to Restore and Prevent the Loss of Coastal Wetlands in Louisiana

The CWPPRA established the Task Force to develop a comprehensive approach to create, restore, enhance or prevent the loss of coastal Louisiana wetlands. The EPA receives funds in accordance with CWPPRA Section 303(a), which requires the Task Force to identify and prepare a priority list of coastal wetlands restoration projects in Louisiana. According to CWPPRA Section 303(a), those projects must:

provide for the long-term conservation of such wetlands and dependent fish and wildlife populations in order of priority, based on the cost-effectiveness of such projects in creating, restoring, protecting, or enhancing coastal wetlands, taking into account the quality of such coastal wetlands....

The CWPPRA also requires the USACE to allocate funds among Task Force members based on the need for such funds and other factors that the Task Force deems appropriate to carry out the purpose of the act.

Section 302 of the CWPPRA states that a coastal wetlands restoration project is:

any technically feasible activity to create, restore, protect, or enhance coastal wetlands through sediment and freshwater diversion, water management, or other measures that the Task Force finds will significantly contribute to the long-term restoration or protection of the physical, chemical and biological integrity of coastal wetlands in the State of Louisiana...

The act specifically states that the primary purpose of a CWPPRA coastal wetlands restoration project shall not be to provide navigation, irrigation or flood-control benefits.

In 2000, the EPA signed a memorandum of agreement (MOA) with the USACE and the Louisiana Department of Natural Resources (LDNR). The MOA, which is still in effect, says the EPA is responsible for implementing a number of coastal wetlands restoration projects approved for funding by the Task Force. The MOA also states that within all projects sponsored by the EPA, it is the EPA's and LDNR's joint responsibility to administer short-term activities, such as engineering, design and construction; and long-term activities, such as monitoring, operation, maintenance, and the repair and rehabilitation of authorized project features.

To carry out long-term responsibilities, the MOA states that the EPA will request funding from the USACE and will certify invoices, as approved, for payment. The CWPPRA Task Force Project Standard Operating Procedures Manual, dated November 9, 2012, states that the EPA is responsible for ensuring that funds are spent in accordance with the CWPPRA. During the audit, we learned that the Task Force is currently updating the CWPPRA Task Force Project Standard Operating Procedures Manual to reinforce and clarify that the CWPPRA funds allocated to agencies should be used for the purposes included in CWPPRA Task Force-approved budgets.

Federal Appropriations Law, Appropriations Principles and EPA Policy Address the Purpose and Use of Funds

According to 31 U.S.C. §1301(a), appropriations "shall be applied only to the objects for which the appropriations were made except as otherwise provided by law." The use of funds for purposes other than those for which the funds are appropriated constitutes a purpose violation in accordance with 31 U.S.C. § 1301(a), unless the expenditure for a different purpose is otherwise authorized by law. The specificity of the CWPPRA's purpose means that using CWPPRA funds for EPA activities that are provided for with annual appropriations constitutes a purpose violation. A purpose violation does not necessarily constitute an ADA

violation, and each purpose violation must be scrutinized on a case-by-case basis.⁶ Costs that are not identified in a specific law such as the CWPPRA, but are necessary to implement agency programs, are to be incurred based on the “Necessary Expense Rule.” For expenditures to be justified as necessary, three tests must be met:

1. The expenditure must bear a logical relationship to the appropriation sought to be charged. In other words, the expenditure must make a direct contribution to carrying out either a specific appropriation or an authorized agency function for which more general appropriations are available.
2. The expenditure must not be prohibited by law.
3. The expenditure must not be otherwise provided for, that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.⁷

Additionally, in instances where more than one appropriation may be construed as available, the EPA is bound by what is referred to as the “pick and stick” rule. An agency may make an initial election as to which appropriation to use (the “pick”), but once the decision has been made the agency must “stick” to its choice. The agency cannot, because of insufficient funds or other reasons, change its election in a subsequent fiscal year and use another appropriation unless Congress is first informed of the agency’s planned change.⁸

According to 31 U.S.C. §1341(a)(1)(A), an ADA violation occurs when an officer or employee of the U.S. government makes or authorizes an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.

The EPA’s Resource Management Directive System (EPA Directive) 2520, *U.S. Administrative Control of Appropriated Funds*, dated February 4, 2008, states that violations of appropriations laws are serious matters that can undermine the EPA’s working relationship with Congress. Employees that violate 31 U.S.C. § 1301 may be subject to administrative discipline in accordance with EPA Directive 2520. A purpose violation has the potential to also constitute an ADA violation per 31 U.S.C. § 1341(a). In addition, according to EPA Directive 2520, an ADA violation also occurs if the funds that should

⁶ See 63 Comptroller General 422, 424 (1984), Office of Legal Counsel Memorandum Opinion for the General Counsel of the Environmental Protection Agency, dated April 2007. See generally *Principles of Federal Appropriations Law*, at 4-9.

⁷ 1 GAO, *Principles of Federal Appropriations Law*, 4-21 through 4-22 (3d ed. 2010).

⁸ The EPA’s *Administrative Control of Appropriated Funds*, Release 3.2, dated February 4, 2008. Also see 1 GAO, *Principles of Federal Appropriations Law*, 2-23 through 2-24 (3d ed. 2010).

have been charged when the event took place are not sufficient or are not available to enable the accounting error correction.

EPA Directive 2520 requires federal employees to ensure that federal programs operate, and that federal resources are used efficiently and effectively, to achieve desired objectives. The policy states that management has a fundamental responsibility to develop and maintain effective internal controls for the proper stewardship of federal resources. The policy also requires managers to operate programs and use resources consistent with agency missions; in compliance with laws and regulations; and with minimal potential for waste, fraud and mismanagement.

EPA Policy Governs the Appropriate Use and Effective Administration of Interagency Agreements

According to the EPA's *Interagency Agreement Policies, Procedures, and Guidance Manual*, issued in 2008, an interagency agreement is a written agreement between the EPA and another federal agency, state or local government, foreign government, foreign entity, or international organization that is authorized by statute and has a distinct scope of work with all activities serving defined objectives. An interagency agreement is a mechanism that the EPA uses to accomplish its mission more effectively and efficiently, or the agreement allows another agency or entity to benefit from the EPA's specialized resources or expertise. Interagency agreements between federal agencies are to help both agencies accomplish a shared objective and achieve efficiencies and economies while doing business together. Interagency agreements are governed by applicable statutory authorities, appropriations law principles, and guidance from the U.S. Office of Management and Budget and the U.S. Department of the Treasury.

The EPA's agreement with the USACE, in relation to the CWPPRA, is a "funds-in" or reimbursement agreement. The EPA's *Interagency Agreement Policies, Procedures, and Guidance Manual* states that if the EPA is reimbursed for its expenses in providing goods or services to another federal agency, then the EPA is the "performing" agency. The EPA may provide the other agency (ordering agency) the goods or services:

- Through EPA employees, using EPA equipment and supplies.
- Under an EPA-awarded procurement contract.
- Through award of a funds-out interagency agreement with a third party.
- Under a federal interagency agreement using a cooperation authority, by funding a grant or cooperative agreement.

The ordering agency remains accountable for these activities to Congress, state legislatures, or other governing bodies. Therefore, the EPA must be able to provide information to the other agency regarding the use of funds.

The EPA's total costs for performing a project under an interagency agreement include direct and indirect costs. The EPA's direct costs are directly attributable to the interagency agreement's scope of work. The EPA's indirect costs are not directly attributable to the EPA's effort on funds-in interagency agreements and must be charged to the other agency as provided in the EPA Directive 2540-13.P1, Chapter 13, *Agency Indirect Cost Allocation System*. Indirect costs include management and administrative support costs, headquarters allocation of facilities and personnel compensation support costs to regions and program offices, regional management and support costs, and program office support costs. The EPA's Office of the Chief Financial Officer (OCFO) calculates and disseminates indirect cost rates to charge to the work performed under interagency agreements, and these indirect cost rates must be included in the interagency agreements documentation to be able to recover such indirect costs.

Grants specialists and EPA project officers are responsible for the proper award and administration of interagency agreements, and must ensure that interagency agreements are not used to:

- Circumvent federal travel or personnel ceilings.
- Circumvent federal appropriations laws and principles.
- Support activities that are inconsistent with the purpose for which the funds were appropriated, unless such alternate use is specifically provided by statute.

Region 6 Used CWPPRA Funds for Other EPA Water Programs and General Management Expenses

Region 6 WQPD spent CWPPRA funds totaling \$780,793 for purposes that were not in accordance with CWPPRA authority, appropriations law and principles, and interagency agreements for CWPPRA work. The WQPD used CWPPRA funds for other water programs that have goals and objectives related to the Gulf of Mexico.

The WQPD management authorized the use of CWPPRA funds for contractors, travel, payroll and training; and for expenses related to other EPA water programs, such as the National Estuary Program, the Gulf of Mexico Program, the Wetlands Protection Program and other regulatory activities. In addition, the WQPD management used CWPPRA funds for EPA management needs and for indirect costs such as administrative and support expenses, equipment, staffing and supervisory training.

Region 6 was not authorized to charge indirect costs to the CWPPRA because indirect cost rates were not included in interagency agreement documents. Region 6 decision memorandums for FYs 2010 through 2013, which were used to justify the use of CWPPRA planning funds, did not include language indicating indirect costs were allowable. In fact, for FY 2012, Region 6 stated in its decision

memo: “Indirect costs do not apply for CWPPRA agreements.” Further, the Office of General Counsel advised Region 6 that it may be appropriate to charge indirect costs but only to project-related activities.

The Task Force allocated CWPPRA funds to Region 6 to plan coastal wetlands restoration projects that the Task Force had approved for funding. Region 6 received CWPPRA funds to perform authorized planning tasks, such as attending CWPPRA task force meetings, conducting wetland value assessments, conducting CWPPRA program outreach activities, and planning tasks for authorized CWPPRA priority project lists.⁹ However, the CWPPRA planning funds that the Task Force approved and allocated to Region 6 did not provide funds for equipment purchases or training expenses. A summary of the questioned costs associated with CWPPRA funds from FY 2010 through June 30, 2013, appear in Table 1.

Table 1: Overall summary of CWPPRA questioned costs

Spending purpose	Amount
Intern and an administrative support contractor	\$440,762
Equipment and infrastructure	145,398
Travel	87,109
Training	40,039
Labor costs and monetary awards	36,778
Outreach overspending (2010 through 2012)	30,707
	\$780,793

Source: OIG analysis.

Region 6 Used CWPPRA Planning Funds to Pay an Intern and an Administrative Support Contractor

Region 6 spent CWPPRA funds totaling \$440,762 to pay for the costs of an intern and an administrative support contractor. The costs for the intern were \$390,762 and the costs for the administrative support contractor were \$50,000.

Region 6 entered into an interagency agreement in February 2008 with the DOE’s Oak Ridge Institute for Science and Education (ORISE) to obtain specialized skills for research, project planning and management; and specialized skills for EPA programs. The WQPD obligated and spent a total of \$390,762¹⁰ of CWPPRA planning funds to fund the interagency agreement with ORISE. The WQPD’s management paid the intern’s stipend and related costs fully with CWPPRA funds. However, the intern also said he worked on other water programs besides the CWPPRA.

⁹ See Appendix C.

¹⁰ This amount represents the total amount of CWPPRA funds for the interagency agreement with the ORISE since February 2008. Although the scope of our audit was from FY 2010 through June 30, 2013, during the audit we identified improper spending related to the ORISE intern back to February 2008.

The WQPD should have distributed the intern's costs consistently with the work performed among the programs and projects. As of March 2014, the WQPD has acknowledged that a portion of these costs should have been charged to other water programs (e.g., ocean dumping). The WQPD's management and the Region 6 Comptroller, under the Assistant Regional Administrator (ARA), are coordinating with the EPA's OCFO to identify EPM funds that can be used to pay back the USACE for the charges.

During FYs 2012 and 2013, the WQPD used CWPPRA funds totaling \$50,000 to fund a cooperative agreement with the National Older Worker Career Center to hire a Senior Environmental Employee. This person's duties were to provide administrative support to the WQPD Marine and Coastal Section. The Task Force-approved annual funds allocated to the EPA for planning did not provide funds for indirect costs such as administrative staff expenses. Therefore, to fund this position with CWPPRA funds was not appropriate.

Equipment and General EPA Infrastructure Purchases

The Region 6 WQPD used CWPPRA planning funds totaling \$145,398 to purchase computer equipment, fund information technology services, and buy computer systems. According to the WQPD Marine and Coastal Section chief, Region 6 recorded and labeled the property as EPA property in its records. The Task Force did not authorize funds to purchase equipment and information technology infrastructure.

The EPA's interagency agreements for CWPPRA work did not include an allocation of funds to purchase equipment as required by EPA's *Interagency Agreement Policies, Procedures, and Guidance Manual*. The USACE officials said none of the other participating agencies of the Task Force have made a request to use CWPPRA planning funds to purchase equipment such as computers or computer systems. In addition, as previously stated, indirect costs do not apply to CWPPRA work. The costs the WQPD incurred for equipment and infrastructure did not make a direct contribution to carrying out the CWPPRA's purpose.

In FYs 2010 and 2011, the WQPD spent CWPPRA planning funds totaling \$120,000 for an interagency agreement with the U.S. Department of the Army to develop, test and implement Region 6's Enterprise Content Management System. The system is an electronic platform for managing the EPA's information resources, including records. Region 6's implementation of the system was impacted in FY 2009 because of periodic funding shortfalls, priority shifts in the EPA's Office of Environmental Information, and evolving system requirements. According to WQPD management, they justified the use of CWPPRA funds as an indirect cost because they used CWPPRA documents for a pilot project to develop and implement the regional electronic information management system. The system is currently being used across the entire region and the EPA. The Task Force did not approve the EPA to use CWPPRA funds for this EPA system.

In FY 2011, the WQPD used \$20,000 from the CWPPRA planning funds to fund Region 6 information technology services, including data processing, email, mobile devices, telephone services, and other computer systems. According to WQPD managers, the total cost was to fund the information technology service fee for five full-time-equivalent positions.

During 2010 and 2011, the WQPD used \$5,398 from CWPPRA planning funds to purchase computer equipment and related software. According to WQPD management, CWPPRA program managers authorized the purchase of computer equipment and infrastructure to facilitate online meetings and webinars with the Louisiana Coastal Protection and Restoration Authority. A summary of questioned costs associated with CWPPRA planning funds spent to purchase equipment and information technology infrastructure appears in Table 2.

Table 2: Questioned costs on equipment and infrastructure

Description	Amount
Region 6 Enterprise Content Management System—filing system for electronic records.	\$120,000
Region 6 information technology agreement for data processing services.	20,000
Computer equipment and related software.	5,398
Totals	\$145,398

Source: OIG analysis.

Travel

The Region 6 WQPD spent CWPPRA funds totaling \$87,109 for travel purposes that were not in accordance with CWPPRA authority, appropriations law and principles, and interagency agreements for CWPPRA work. The WQPD funded travel with CWPPRA funds to perform work related to other EPA water programs. Also, the WQPD spent CWPPRA funds to pay for travel to attend training and perform work related to general EPA administration. Further, the WQPD spent CWPPRA project funds and EPA funds to pay for travel to attend the Task Force meetings, which are to be funded with CWPPRA planning funds.

Travel to Perform Work Related to Other EPA Water Programs

The Region 6 WQPD spent CWPPRA funds totaling \$52,942 for travel to perform work related to other EPA water programs, or to perform other coastal restoration initiatives in the Gulf of Mexico that are authorized under other laws. Some of the other EPA water programs or coastal restoration initiatives have similar objectives as the CWPPRA program or may indirectly contribute to CWPPRA’s purpose, goals and objectives. However, the CWPPRA does not authorize the use of funds for such purposes. As stated in the CWPPRA legislation, the USACE shall allocate funds among task force members in accordance with the priorities set forth in the CWPPRA’s priority

projects list of Louisiana coastal wetlands projects. Likewise, it is the EPA’s responsibility to use the funds for the act’s intended purpose.¹¹

For example, the WQPD Director traveled to Austin, Texas, to give a presentation at a Deep Water Horizon Oil Spill workshop. The Director acknowledged during our audit that he should not have used CWPPRA funds to pay for that trip. In some instances, WQPD managers said that some trips served multiple purposes and explained that because a trip was planned for CWPPRA purposes the travel was conducted at no extra expense to the CWPPRA program. However, the cost of the travel should have been distributed among the program’s funds instead of paying the full cost of the travel with CWPPRA funds.

The EPA’s appropriations provide funds to perform work related to other EPA water programs and to other coastal restoration initiatives such as the National Estuary Program, the Gulf of Mexico Program, the Wetlands Protection Program and other regulatory activities. Further, other laws—such as the Clean Water Act, the RESTORE Act or the Water Resources Development Act—grant authority and provide funds for other programs and restoration initiatives along the gulf coast.¹² In contrast, during our discussions with USACE officials, they said the USACE would not authorize the use of CWPPRA funds to pay for other programs’ activities. For example, according to USACE officials, a USACE staff person attended the Barataria-Terrebonne National Estuary Program meetings in the past but, unlike WQPD, did not use CWPPRA funds to attend the meetings. A summary of questioned costs of CWPPRA funds that the WQPD spent on travel to accomplish work on other EPA water programs appears in Table 3.

Table 3: Questioned costs for travel for other EPA water programs

Travel purpose	Number of trips	Amount
Gulf of Mexico Alliance meetings	11	\$ 11,675
Gulf Coast Ecosystem Restoration Task Force meetings	13	10,161
Barataria-Terrebonne National Estuary Program meetings	11	9,374
Ocean Disposal Material Sites and beneficial uses	12	8,807
Other (Louisiana Comprehensive Plan and Urban Waters Coordination)	11	5,845
Regulatory Activities (e.g., the National Environmental Policy Act and the Clean Water Act, Section 402)	4	3,265
Hypoxia Task Force meetings	3	2,702
Deepwater Horizon Oil Spill (e.g., briefings and National Oceanic and Atmospheric Administration scoping meeting)	2	1,113
Totals	67	\$ 52,942

Source: OIG analysis.

¹¹ EPA Directive 2520, *Administrative Control of Appropriated Funds*, dated February 4, 2008.

¹² According to Region 6, to date neither the region nor EPA has received any funds from the RESTORE Act or the Water Resources Development Act.

Travel to Attend Training

The WQPD spent CWPPRA funds totaling \$21,551 to pay for travel to attend training in FYs 2011 and 2012. These training expenses were to maintain, upgrade or update employees' technical skills to operate EPA programs and to obtain or improve employees' skills to perform general management or staff duties required for their positions within EPA. The EPA's annual appropriations provide funds to train staff; however, neither the EPA's CWPPRA interagency agreements nor the Task Force provided funds for training.

For example, one WQPD staff member traveled to the Netherlands to attend a Dutch water management training conference. The staff member told us that the purpose for attending the Dutch water management training was to help him find more efficient and effective ways to implement coastal restoration projects and flood protection. While the employee obtained knowledge and skills useful to multiple EPA water programs regarding coastal restoration and flood protection, the training did not relate directly to CWPPRA planning or project implementation. In addition, the staff member was not an EPA representative on any of the Task Force committees, and he was not a CWPPRA project manager for the EPA.

Region 6 management provided the OIG with a copy of the employee's performance standards, which included metrics related to work in the CWPPRA program. However, the employee reported only 23 labor hours charged to the CWPPRA program during the period we audited (FY 2010 through June 30, 2013). Also, the employee did not report labor hours to the CWPPRA program while attending the Dutch water management conference.

A summary of the questioned costs of CWPPRA funds that the WQPD spent on travel to attend training appears in Table 4.

Table 4: Questioned costs for travel to attend training

Training type	Number of trips	Amount
Clean Water Act, Section 404	5	\$6,508
National Environmental Policy Act	5	4,382
Engineering dredging courses	5	4,571
Supervisory training	3	3,873
Dutch water management training	1	2,057
Diversion workshop	1	160
Totals	20	\$21,551

Source: OIG analysis.

Travel for General EPA Management Activities

Region 6 WQPD used CWPPRA planning funds to travel and perform general EPA managerial activities. Specifically, the WQPD spent CWPPRA funds totaling \$7,524 on activities to manage EPA programs and staff, including staff recruiting, briefings to headquarters officials, and other general staff management and administrative activities.

In FY 2010, two WQPD managers used CWPPRA funds to travel to Louisiana to recruit an intern from the DOE's ORISE program. Also in FY 2010, the WQPD's Director used CWPPRA funds to travel to Washington, D.C., to meet with OCFO and the Office of Water. WQPD's Director briefed OCFO and OW about Region 6 water programs, including the CWPPRA program, and the allocation of resources to WQPD. In FY 2011, two WQPD managers traveled to Louisiana to brief the EPA Administrator and other officials on EPA water programs as well as the EPA's role in coastal restoration in the Gulf of Mexico.

While WQPD managers presented information about the CWPPRA program, the purpose of the trip was not specifically related to the CWPPRA program, but instead about the EPA's overall work in the Gulf of Mexico and coastal restoration. Hence, the costs should have been distributed among the applicable programs. If WQPD management was unable to trace the costs to specific programs or projects, then, by definition, the costs should have been considered to be general WQPD administrative costs or indirect costs and EPM funds should have been used. See Table 5 for a summary.

Table 5: Questioned costs for travel for EPA's general administration

Travel purpose	Number of trips	Amount
General administrative purposes, including staff management and supervisory activities.	5	\$3,125
Briefings to the EPA Administrator about Louisiana coastal restoration efforts, including the EPA's water programs and projects in Louisiana.	2	2,316
Recruiting trip to Louisiana.	2	1,596
Meeting with OCFO and OW in Washington, D.C., to discuss resource and staffing issues.	1	487
Totals	10	\$7,524

Source: OIG analysis.

Travel to Attend CWPPRA Task Force Meetings Using CWPPRA Project Funds and EPA Funds

Region 6 WQPD spent CWPPRA project funds and EPA's EPM funds totaling \$5,470 for travel to attend Task Force meetings and other planning meetings. The CWPPRA planning budget allocated funds for Region 6 to

attend general Task Force meetings, such as financial status meetings, planning meetings and other related meetings concerned with the management of the CWPPRA program.¹³ The WQPD should have used CWPPRA planning funds to attend Task Force and CWPPRA planning meetings. The funds allocated for CWPPRA projects provide travel funds for specific project purposes, such as on-site inspections to monitor the status of a project being constructed. A summary of project-specific and EPM funds spent on travel to attend CWPPRA planning and Task Force meetings appears in Table 6.

Table 6: Questioned costs for travel for Task Force meetings paid with project funds and EPA funds

Meeting	CWPPRA project fund or EPA fund charged	Number of trips	Amount
General CWPPRA planning meetings	Bertrandville Siphon Project, Phase I	3	\$1,705
Other CWPPRA meetings with the USACE and the Task Force	Bohemia Mississippi River Reintroduction (\$964) and EPM funds (\$378)	¹⁴ 2	1,342
Financial Status of CWPPRA funds	Enhancement of Barrier Island Vegetative Demo	2	1,291
Task Force quarterly meeting	Venice Ponds Marsh Creation and Crevasses	1	788
General CWPPRA planning meetings	Phase II, Construction of the Whiskey Island Back Barrier Project	1	344
	Totals	9	\$5,470

Source: OIG analysis.

Region 6 Used CWPPRA Funds to Pay for Unauthorized Training

WQPD spent CWPPRA funds totaling \$40,039 (\$33,289 from planning and \$6,750 from project funds) for supervisory training and training related to work for other EPA water programs. The training expenses paid with CWPPRA funds were to maintain, upgrade or update technical skills to operate EPA’s programs or for general management. During FYs 2010 through 2013, the Task Force did not authorize a training allowance to Region 6.¹⁵ Therefore, WQPD did not have CWPPRA funds available for training purposes and should have paid for training with EPM funds. For example, WQPD used \$18,375 of CWPPRA funds in FY 2010 to send its new Marine and Coastal Section chief to a general supervisory training class presented by the Office of Personnel Management to learn how to be a supervisor. USACE officials told us that they would not be allowed to spend CWPPRA funds to pay for training and related expenses. Table 7 below summarizes the questioned costs of CWPPRA funds that WQPD spent on training.

¹³ See Appendix C.

¹⁴ One trip cost \$756 and was split-funded between the Bohemia Mississippi River Reintroduction Project and EPM funds (\$378 to each fund source). For the second trip, the cost was \$586 fully charged to the CWPPRA project.

¹⁵ See Appendix C.

Table 7: Questioned costs on training courses

Training Type	Number of courses	Amount
Supervisory	4	\$24,255
Dredging engineering courses	5	6,750
National Environmental Policy Act	4	4,700
Dutch water management training	1	2,750
Other	3	1,584
Totals	17	\$40,039

Source: OIG analysis.

Region 6 Did Not Record Labor Costs Consistently and Used CWPPRA Funds for Monetary Awards

The Region 6 WQPD staff and managers did not charge labor time and costs to the EPA's programs and projects consistently in accordance with the work performed. We found inconsistencies between when travel costs were charged to the CWPPRA program and the staff's time charges. In several instances, WQPD managers and staff traveled using CWPPRA funds to pay for travel expenses; however, they did not charge labor time to the CWPPRA program. Based on reports we reviewed for personnel and compensation expenses, Marine and Coastal section staff and management charged labor time and costs to the CWPPRA program without regard to the actual work conducted.

During FYs 2010 through 2013, a staff person from the WQPD Planning and Analysis Branch attended the State of the Coast Conference, the Restore America's Estuaries Conference, the American Shore and Beach Preservation Conference, and the Youth Summit Restoration Tree Planting in Louisiana. The WQPD paid the travel expenses using CWPPRA planning funds, but time was never charged to the CWPPRA program for the activities conducted during these trips.

The Associate Director of the WQPD's Ecosystems Protection Branch traveled to attend meetings and funded at least 17 of these trips with CWPPRA planning funds. However, the Associate Director did not charge time for these trips consistently to the fund accounts she charged for her travel expenses. In June 2012, for instance, the Associate Director traveled to attend the State of the Coast Conference and used CWPPRA planning funds to pay for travel expenses. However, the Associate Director charged time while attending the conference to a specific CWPPRA project. Likewise, in June 2012 the Associate Director attended a Deepwater Horizon Oil Spill meeting and used EPM funds to pay for travel expenses. However, the Associate Director charged her time while attending the meeting to a CWPPRA project. As a result, in FY 2012 the Associate Director charged about \$17,469 in questioned labor costs to Phase II of the Construction of the Whiskey Island Back Barrier Project and \$18,610 in questioned labor costs to Phase I of the Bertrandville Siphon Project.

Monetary Awards

The WQPD's management also authorized the use of CWPPRA planning funds to give monetary awards to two employees. These two employees, whose responsibilities were not within the CWPPRA program, were the only employees who received monetary awards from CWPPRA funds during the period we audited. The EPA personnel with responsibilities in the CWPPRA program, such as CWPPRA project managers, did not receive any monetary awards from CWPPRA funds during the period. Further, when we discussed these events with USACE officials, they stated that the Task Force never approved an allowance for monetary awards.

According to WQPD management, in FY 2010 a WQPD staff person assisted the Marine and Coastal section with graphic design support for posters to be used for a CWPPRA dedication ceremony. The WQPD program manager for the CWPPRA granted the employee an On-the-Spot Award of \$340 for her assistance. Further, this employee did not charge her time to the CWPPRA program while performing her graphic design support, which is not consistent with labor charging for accountability purposes.

In FY 2011, the WQPD managers for the CWPPRA granted a \$359 On-the-Spot Award to a headquarters program analyst in Washington, D.C., who helped Region 6 obtain National Environmental Policy Act contractor assistance. The National Environmental Policy Act requires federal agencies to integrate environmental values into their decision-making processes by considering the environmental impacts of proposed actions and reasonable alternatives to those actions. The WQPD's Marine and Coastal Section coordinates with other regional organizations to grant funds to and comply with National Environmental Policy Act requirements, which is a regulatory activity that is not authorized by the CWPPRA. The program analyst did not charge time to the CWPPRA program while providing support to Region 6.

Outreach Activities and Related Costs

The Task Force allocated outreach funds totaling \$6,600¹⁶ to Region 6 to conduct educational events about the CWPPRA program. These events included presenting information at conferences about the CWPPRA program, attending Task Force extracurricular activities, attending quarterly outreach committee meetings, and attending any other meetings that attract media attention to the CWPPRA program.

During FYs 2010 through 2012, the WQPD exceeded each year's allocation for CWPPRA outreach. In addition, in 2011 and 2012, the WQPD used CWPPRA project funds to travel for outreach work. As previously mentioned, CWPPRA project funds are to be used to design and construct specific, approved projects. Therefore, CWPPRA project budgets do not provide an allowance for outreach work.

¹⁶ See Appendix C.

Based on interviews with managers of the EPA’s CWPPRA program, the travel trips we identified served a CWPPRA outreach purpose to some extent. However, the information provided during conferences, symposiums, meetings or briefings was not specifically related to the CWPPRA program. Instead, the information provided was about ocean and coastal programs, which include the CWPPRA program. Therefore, the WQPD should have distributed the expenses evenly among the applicable funds instead of charging the full cost of outreach activities to the CWPPRA program.

In FY 2010, the WQPD exceeded its annual CWPPRA outreach funding by \$9,345. As summarized in Table 8 below, the WQPD spent \$9,859 for travel related to outreach work. Additionally, the WQPD spent another \$6,086 in conference fees and supplies to prepare posters for presentations. A summary of the WQPD’s 2010 outreach expenditures, including the calculation showing how much Region 6 overspent, is shown in Table 8.

Table 8: Fiscal year 2010 CWPPRA outreach overspending

Description	Number of trips	Amount
Travel		
Workshops, conferences, briefings and symposiums	10	\$6,056
State of the Coast Conference	5	3,803
Total outreach travel spending	15	\$9,859
Conference fees and supplies		
State of the Coast Conference fees		5,200
Supplies for poster preparation		886
Total CWPPRA outreach spending		\$15,945
EPA’s CWPPRA outreach funding		(6,600)
CWPPRA outreach overspending		\$9,345

Source: OIG analysis.

In FY 2011, the WQPD exceeded its annual CWPPRA outreach funding by \$13,808. The spending excess includes \$702 that WQPD management funded with CWPPRA project funds that were supposed to be spent on Phase II of the East Marsh Island project. The WQPD management authorized the travel for one staff member to attend the Restore America’s Estuaries Conference, which was funded with a combination of CWPPRA planning funds and CWPPRA project funds. The Task Force’s allocation for CWPPRA projects do not provide an allowance for outreach. In addition, USACE officials stated that some of its staff attended the Restore America’s Estuaries Conference, the State of the Coast Conference, and the Barataria-Terrebonne National Estuary Meetings but did not use CWPPRA funds because the purposes of these types of conferences and meetings fall under other legislation. A summary of the WQPD’s outreach expenditures for FY 2011, including the overspending calculation of the CWPPRA outreach budget, appears in Table 9.

Table 9: Fiscal year 2011 CWPPRA outreach overspending

Description	Number of trips	Amount
Restore America's Estuaries Conference	9	\$7,733
Wetlands Youth Summit	4	2,900
American Beach and Shore Preservation Association	2	1,714
Wastewater workshops	3	1,707
Other presentations or briefings	3	1,311
Total outreach travel spending	21	\$15,365
Conference fees and supplies		
Restore America's Estuaries Conference fees		4,475
Supplies for poster preparation		568
Total CWPPRA outreach spending		\$20,408
EPA's CWPPRA outreach allocation		(6,600)
CWPPRA outreach overspending		\$13,808

Source: OIG analysis.

In FY 2012, the WQPD exceeded its annual CWPPRA outreach funding by \$7,554. Similar to FY 2011, the spending excess includes \$4,524 that WQPD management funded with CWPPRA project funds. The WQPD's management authorized travel funded with CWPPRA project funds to attend the State of the Coast Conference, the Restore America's Conference and other trips related to outreach purposes. As we stated before, the budgets allocated to CWPPRA projects do not provide an allowance for outreach. A summary of the WQPD's outreach expenditures for FY 2012, including the overspending calculation of Region 6's CWPPRA outreach funds, appears in Table 10.

Table 10: Fiscal year 2012 CWPPRA outreach overspending

Description	Number of trips	Amount
State of the Coast Conference	5	\$5,303
Restore America's Estuaries Conference	2	2,630
Wetlands Youth Summit and Super Bowl Event	4	4,248
Other briefings, presentation and outreach meetings	1	973
Total outreach travel spending	12	\$ 13,154
Conference fees and supplies		
State of the Coast Conference fees		1,000
Total CWPPRA outreach spending		\$ 14,154
EPA's CWPPRA outreach allocation		(6,600)
CWPPRA outreach overspending		\$ 7,554

Source: OIG analysis.

Region 6 Lacks Controls to Ensure Accountability and Proper Stewardship of CWPPRA Resources

Federal employees are required to ensure that funds are used effectively and efficiently, and that funds are used for the purposes for which the funds were authorized. Therefore, the WQPD management should institute controls to ensure the proper stewardship of resources. While specific line-item budgets are not provided in the CWPPRA, the act is specific on its authority that the purpose of CWPPRA funds is to:

- Plan and implement coastal wetlands restoration projects approved for funding by the Task Force.
- Provide for the long-term conservation of wetlands and dependent fish and wildlife populations in order of priority, based on the cost-effectiveness of such projects in creating, restoring, protecting or enhancing coastal wetlands.

Despite the requirements above, the Region 6 WQPD did not have adequate controls in place to provide for proper accounting and management of CWPPRA funds. According to the EPA's CWPPRA project officer, the WQPD's CWPPRA program managers and project officer did not perform comparisons of actual spending of CWPPRA planning funds with the authorized planning budget. Further, they did not perform reconciliations to verify that WQPD used CWPPRA planning funds in accordance with agreements with Task Force-approved budgets. Likewise, the managers and the project officer did not perform verifications to identify financial errors or misstatements, such as expenses inaccurately charged to CWPPRA accounts.

For example, the WQPD CWPPRA project officer provided us with copies of the documents she used to monitor and track CWPPRA funds. However, these documents lacked sufficient details to identify misstatements, errors or inaccurate charges to CWPPRA fund accounts. The project officer explained that she does not monitor and track CWPPRA spending in detail because the USACE does not require the WQPD to provide such details during the billing process.

For instance, WQPD managers stated that the CWPPRA statute does not require agencies that are members of the Task Force to implement a line-item budget for individual partner agency expenditures, such as specific travel and training. Therefore, WQPD managers and the CWPPRA project officer tracked and billed CWPPRA spending at the summary level amount by CWPPRA expense accounts, without regard to individual expenditures that make up the total amount. In addition, the WQPD Director stated that in some instances, at the end of a fiscal year, he made travel-funding decisions based on the availability of funds in CWPPRA and EPM accounts.

According to USACE officials, the Task Force votes on and approves annual CWPPRA planning budgets, and the Task Force expects agencies to use the funds to perform authorized planning tasks.¹⁷ During discussions with USACE officials, the officials said they were concerned about how the WQPD was spending CWPPRA funds and that the USACE would not be permitted to spend CWPPRA funds as the EPA did.

Ineffective Management Communication With the Project Officer

Management at the WQPD did not communicate effectively with the WQPD's CWPPRA project officer. The project officer said WQPD management did not always consult with her concerning the CWPPRA decision-making process for spending. In some instances, after the CWPPRA funds were spent, she learned that management approved spending that she believed was not consistent with the CWPPRA's purpose. Although EPA policy and procedures require the project officer to ensure funds are spent only for authorized purposes and to request appropriate accounting corrections, the project officer stated that she felt the decision to correct such transactions was not hers to make.

Management Misconceptions

The WQPD's management has several misconceptions about CWPPRA authority and funding. Management believes that they have the discretion to decide how to use CWPPRA funds. For example, the WQPD managers believed that it was allowable to use CWPPRA funds to support other coastal restoration initiatives in the Gulf of Mexico, or to support other EPA water programs that had objectives related to coastal restoration in the Gulf of Mexico. The WQPD managers also told us that they had broad authority to spend CWPPRA funds under the Military Interdepartmental Purchase Request (MIPR) provided by the USACE.

The MIPR is a financial instrument used to distribute CWPPRA funds to the agency members of the Task Force and to process CWPPRA billings. However, the MIPR does not provide a legal authority to spend CWPPRA funds. The USACE did not require agencies to submit supporting documentation with CWPPRA billings. Consequently, we believe the WQPD management misunderstood the MIPR process as a broad authority to spend CWPPRA funds at their discretion.

The WQPD management misconstrued that Region 6 was not required to comply with the EPA's interagency agreement with USACE. The WQPD's CWPPRA project officer said the interagency agreement for CWPPRA planning purposes is a mere formality and a placeholder, because Region 6 does not perform any work for the USACE but rather performs work for the Task Force. Further, the project officer stated that CWPPRA planning funds are unique and different from other funds and that CWPPRA program operations change constantly. Therefore, the

¹⁷ See Appendix C.

project officer said the WQPD is unable to follow the CWPPRA planning budgets included in the EPA's interagency agreements with the USACE and that the Task Force approves.

Region 6 Overstated CWPPRA Costs and Augmented EPA's Appropriations

During the period audited, the Region 6 WQPD mismanaged CWPPRA funds and spent CWPPRA funds totaling \$780,793 for purposes that were not consistent with CWPPRA authority, appropriations law and principles, and CWPPRA interagency agreements. As a result, the WQPD committed purpose violations in accordance with 31 U.S.C. §1301(a) and augmented the EPA's EPM appropriation with CWPPRA funds. Because the WQPD spent CWPPRA funds on other EPA water programs and other coastal restoration efforts, actual CWPPRA program costs were significantly overstated (i.e., costs were actually lower than the amounts spent by the WQPD from CWPPRA funds).

By not accounting for program costs accurately, Region 6 WQPD management will not be able to identify the actual cost of managing the CWPPRA program and some of its other water programs, which could result in making inaccurate future budgeting decisions, wasting resources, and an increased risk of committing ADA violations. In addition, the effectiveness of the CWPPRA program in achieving its purposes could be impaired if WQPD management does not properly spend and account for CWPPRA resources. The CWPPRA funds that are not used should be returned to the Task Force to be used by other agencies, as needed, to accomplish CWPPRA purposes. The Task Force has procedures in place for agencies to return any unused funds. According to the USACE officials, there have been instances when agencies have returned unused CWPPRA funds during a fiscal year.

EPA Planned Corrective Actions

During the course of our audit, we informed Region 6 WQPD's management about the mismanagement and improper spending of CWPPRA funds. Region 6 WQPD's management stated that they plan to return to the Task Force some of the CWPPRA funds spent for other EPA programs. Also, according to the WQPD's Deputy Director, the division has changed its internal processes to avoid using CWPPRA funds for other EPA programs such as ocean dredging and material disposal sites, and for hypoxia in the Gulf of Mexico. However, we have not verified these changes to WQPD's internal processes.

Conclusion

There are many coastal restoration initiatives taking place in Louisiana, including national estuary programs for ecosystems protection and restoration. These other initiatives are authorized by several statutes that address different coastal issues, such

as oil spills, waterways and levees, ecosystems restoration, and hypoxia, among others. The EPA receives appropriated funds from Congress to perform work for the National Estuary Program, the Gulf of Mexico, the National Environmental Policy Act, Superfund, Oil Spill, and the Clean Water Act. According to appropriations law and principles, the EPA's appropriated funds should be used to fund work for other water programs, including other coastal restoration programs, because these activities are provided for with EPA appropriations.

The Region 6 WQPD should take immediate corrective actions to ensure the proper stewardship of CWPPRA funds in accordance with laws, policies and regulations. The use of funds for purposes other than those for which the funds were appropriated constitutes a purpose violation in accordance with 31 U.S.C. §1301(a). Implementing adequate internal controls for the management of the CWPPRA program will reduce the opportunities to misspend CWPPRA resources. Likewise, the WQPD management should better support the role of the project officer, and the project officer should take a more active role in reviewing and questioning costs. By using CWPPRA funds only for the purpose for which the funds were authorized, Region 6 would accomplish CWPPRA program objectives more effectively, and the region would be able to identify how much the program costs them to implement.

To assess the appropriateness of Region 6's actual spending of CWPPRA funds, Task Force procedures and CWPPRA interagency agreements must be considered, and the extent to which the EPA followed or deviated from those procedures and agreements. Based on information in this report, it is clear the WQPD's management did not reasonably manage CWPPRA funds consistent with the specific approval of the Task Force and its procedures or CWPPRA interagency agreements.

Recommendations

We recommend that the Region 6 Regional Administrator:

1. Reimburse the Task Force (through the USACE) questioned costs of \$780,793, unless Region 6 WQPD management provides sufficient and appropriate documentation to demonstrate that questioned costs paid with CWPPRA funds were incurred in accordance with CWPPRA, appropriations law and principles, and interagency agreements.
2. Direct the Region 6 ARA to work with the OCFO to perform an internal review of the WQPD's CWPPRA spending at the end of FY 2014 to identify improper expenditures that occurred in 2008 and 2009, as well as from July 1, 2013, through September 30, 2014. Reimburse the Task Force (through the USACE) any questioned costs identified during this review.

3. Identify and address any ADA violations resulting from questioned costs identified in this report or found by the Region 6 ARA's review, and report any violations in accordance with the ADA and EPA Directive 2520.
4. Direct the WQPD to establish control activities for the CWPPRA program (e.g., verifications, comparisons and reconciliations of CWPPRA spending with Task Force-approved CWPPRA budgets) to ensure proper stewardship and accounting of CWPPRA resources.
5. Take administrative disciplinary actions, in accordance with EPA Directive 2520, against EPA employees responsible for purpose violations or ADA violations related to improper CWPPRA spending.
6. Provide training to WQPD managers and staff who work on CWPPRA activities about what constitutes a purpose violation, including the potential for ADA violations.

Agency Comments and OIG Evaluation

Region 6 did not concur with Recommendation 1 and proposed an alternative approach. Region 6 proposed that the Region 6 ARA and the OCFO perform a review of the \$780,793 in questioned costs to determine what amount they deem appropriate to reimburse the USACE. Region 6's proposed corrective action is not responsive to our recommendation. The Region 6 ARA and the OCFO should provide the OIG with sufficient and appropriate support for the questioned costs. The agency and the OIG should work together to reach resolution on corrective actions related to the questioned costs.

Region 6 concurred with Recommendation 2. Region 6 and the OCFO will perform an internal review of the WQPD's CWPPRA spending at the end of FY 2014 to identify improper expenditures that occurred in 2008 and 2009, as well as July 1, 2013, through September 30, 2014. Region 6 plans to complete this recommendation no later than March 2016. For clarity, in this final report, we added to this recommendation that Region 6 should also reimburse the Task Force (through the USACE) any questioned costs identified during this future review.

Region 6 did not concur with Recommendation 3. Region 6 said they consulted with the OCFO and they feel confident the EPA would have enough funds to make the accounting corrections and reimburse the USACE for CWPPRA questioned costs. However, we do not have reasonable assurance that EPA would have funds to reimburse the Task Force without committing ADA violations. In addition, EPA has not completed the internal review for FY 2008, 2009 and the last quarter of FY 2014 to identify improper spending of CWPPRA funds. The amount of questioned costs that may result from the internal review is also uncertain.

Region 6 concurred with Recommendation 4. WQPD management said they began the implementation of control activities for the management of CWPPRA funds and that they plan to complete this recommendation no later than March 2015.

Region 6 did not concur with Recommendation 5. Region 6 said they are confident that no ADA violations occurred and that the OIG should delete this recommendation. As we stated above, the OIG does not have any reasonable assurance that ADA violations would not result from accounting corrections to fix appropriations law purpose violations and to return the funds to the Task Force. Further, employees responsible for committing appropriations law purpose violations are also subject to disciplinary actions as stated in EPA Directive 2520. While it is still uncertain whether ADA violations occurred, WQPD management committed appropriations law purpose violations.

Region 6 concurred with Recommendation 6. Region 6 stated that the OCFO provided federal budget and appropriations law training in August 2014, and that the training included ADA violations and related implications. Region 6 planned to complete this recommendation no later than August 2014; however, not all management and staff working in the CWPPRA program have taken the training.

We consider Recommendations 1, 3 and 5 unresolved pending receipt of responsive corrective actions and the dates corrective actions will be completed. We agree with the EPA's corrective action for Recommendations 2 and 4 and consider the recommendations open with corrective action pending. We consider Recommendation 6 unresolved pending receipt of intended corrective action and a completion date for training all staff.

Region 6 also provided corrections they suggested be made to the draft audit report. We included those suggested corrections, and how we addressed them, in Appendix D. Region 6 also provided an attachment with extensive technical comments, which was a copy of information given to us in March 2014 after the region reviewed our discussion document. We reviewed and evaluated those technical comments and made appropriate revisions in the draft report.

Overall, Region 6's explanations for the use of CWPPRA funds were not responsive; not supported with sufficient and appropriate evidence; not consistent with laws, policies, and agreements; and contradictory to official documentation and prior statements they made to the OIG. Since we considered those comments before issuing the draft report, we did not make any additional changes in the final report. Because of the number of pages in the attachment, we have not included them in this report. Instead, we included those comments as a separate attachment posted alongside the final report on the OIG's website.

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	26	Reimburse the Task Force (through the USACE) questioned costs of \$780,793, unless Region 6 WQPD management provides sufficient and appropriate documentation to demonstrate that questioned costs paid with CWPPRA funds were incurred in accordance with CWPPRA, appropriations laws and principles, and interagency agreements.	U	Region 6 Regional Administrator	3/31/2016	\$780.8	
2	26	Direct the Region 6 ARA to work with the OCFO to perform an internal review of the WQPD's CWPPRA spending at the end of FY 2014 to identify improper expenditures that occurred in 2008 and 2009, as well as from July 1, 2013, through September 30, 2014. Reimburse the Task Force (through the USACE) any questioned costs identified during this review.	O	Region 6 Regional Administrator	3/31/2016		
3	27	Identify and address any ADA violations resulting from questioned costs identified in this report or found by the Region 6 ARA's review, and report any violations in accordance with the ADA and EPA Directive 2520.	U	Region 6 Regional Administrator			
4	27	Direct the WQPD to establish control activities for the CWPPRA program (e.g., verifications, comparisons and reconciliations of CWPPRA spending with Task Force-approved CWPPRA budgets) to ensure proper stewardship and accounting of CWPPRA resources.	O	Region 6 Regional Administrator	3/31/2015		
5	27	Take administrative disciplinary actions, in accordance with EPA Directive 2520, against EPA employees responsible for purpose violations or ADA violations related to improper CWPPRA spending.	U	Region 6 Regional Administrator			
6	27	Provide training to WQPD managers and staff who work on CWPPRA activities about what constitutes a purpose violation, including the potential for ADA violations.	U	Region 6 Regional Administrator			

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.

Details on Scope and Methodology

During our audit, we reviewed:

- Coastal Wetlands Planning, Protection and Restoration Act, Public Law 101-646, Title III, November 29, 1990.
- CWPPRA Project Standard Operating Procedures Manual, Revision 22, dated November 9, 2012.
- EPA, OCFO, EPA Directive 2520, *U.S. EPA's Administrative Control of Appropriated Funds*, Release 3.2, February 4, 2008.
- EPA, OCFO, EPA Directive 2550 B, Travel Manual, November 14, 1995.
- EPA, OCFO, EPA Directive 2550C-04-P1, Procedure 1, Financial Management of Selected Administrative Areas Interagency Agreements, July 11, 2012.
- Memorandums of Agreement between the USACE, EPA and the LDNR.
- Interagency agreements between the USACE and EPA for active CWPPRA projects and for CWPPRA annual planning budgets.
- Interagency agreements between the EPA and the DOE for the ORISE interns.
- CWPPRA meeting minutes and planning meeting dates.
- Compass Data Warehouse, financial data and supporting documentation, including travel vouchers and budget spending details.
- The hotline complaint and supporting documentation we received from the complainant.

During our audit, we interviewed the WQPD Director, three other managers, 12 staff, and the Deputy Regional Counsel. We also interviewed three USACE officials from the New Orleans District office in Louisiana, who manage the CWPPRA program for their agency. We performed spending analyses on the WQPD's financial expenditures and data. We reviewed and compared budget data from the Task Force, WQPD's interagency agreements for CWPPRA, and WQPD's EPM budgets. We assessed the controls in place for travel and the monitoring of CWPPRA funds. In addition, we compared purpose and destination data from travel vouchers to CWPPRA purpose and planning meeting dates to determine validity of the travel. We also consulted with our OIG Office of Counsel regarding legal issues related to the misuse of CWPPRA funds.

The time period covered by our audit was October 1, 2009, through June 30, 2013, and our primary focus was on the use of CWPPRA planning funds. We performed work at the Region 6 office where our OIG office is co-located.

CWPPRA Excerpts

I. CWPPRA Legislation

Excerpt from Public Law 101-646, November 29, 1990, Coastal Wetlands Planning, Protection and Restoration Act, Title III, Sections 302, 303(a), 303(e), and 306.

Sec. 302. DEFINITIONS.

As used in this title, the term--

- (1) "Secretary" means the Secretary of the Army;
- (2) "Administrator" means the Administrator of the Environmental Protection Agency;
- (3) "development activities" means any activity, including the discharge of dredged or fill material, which results directly in a more than de minimus change in the hydrologic regime, bottom contour, or the type, distribution or diversity of hydrophytic vegetation, or which impairs the flow, reach, or circulation of surface water within wetlands or other waters;
- (4) "State" means the State of Louisiana;
- (5) "coastal State" means a State of the United States in, or bordering on, the Atlantic, Pacific, or Arctic Ocean, the Gulf of Mexico, Long Island Sound, or one or more of the Great Lakes; for the purposes of this title, the term also includes Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and the Trust Territories of the Pacific Islands, and American Samoa;
- (6) "coastal wetlands restoration project" means any technically feasible activity to create, restore, protect, or enhance coastal wetlands through sediment and freshwater diversion, water management, or other measures that the Task Force finds will significantly contribute to the long-term restoration or protection of the physical, chemical and biological integrity of coastal wetlands in the State of Louisiana, and includes any such activity authorized under this title or under any other provision of law, including, but not limited to, new projects, completion or expansion of existing or on-going projects, individual phases, portions, or components of projects and operation, maintenance and rehabilitation of completed projects; the primary purpose of a "coastal wetlands restoration project" shall not be to provide navigation, irrigation or flood control benefits;
- (7) "coastal wetlands conservation project" means--
 - (A) the obtaining of a real property interest in coastal lands or waters, if the obtaining of such interest is subject to terms and conditions that will ensure that the real property will be administered for the long-term conservation of such lands and waters and the hydrology, water quality and fish and wildlife dependent thereon; and
 - (B) the restoration, management, or enhancement of coastal wetlands ecosystems if such restoration, management, or enhancement is conducted on coastal lands and waters that are administered for the long-term conservation of such lands and waters and the hydrology, water quality and fish and wildlife dependent thereon;
- (8) "Governor" means the Governor of Louisiana;
- (9) "Task Force" means the Louisiana Coastal Wetlands Conservation and Restoration Task Force which shall consist of the Secretary, who shall serve as chairman, the Administrator, the Governor, the Secretary of the Interior, the Secretary of Agriculture and the Secretary of Commerce; and

(10) "Director" means the Director of the United States Fish and Wildlife Service.

SEC. 303. PRIORITY LOUISIANA COASTAL WETLANDS RESTORATION PROJECTS.

(a) PRIORITY PROJECT LIST.--

(1) PREPARATION OF LIST.--Within forty-five days after the date of enactment of this title, the Secretary shall convene the Task Force to initiate a process to identify and prepare a list of coastal wetlands restoration projects in Louisiana to provide for the long-term conservation of such wetlands and dependent fish and wildlife populations in order of priority, based on the cost-effectiveness of such projects in creating, restoring, protecting, or enhancing coastal wetlands, taking into account the quality of such coastal wetlands, with due allowance for small-scale projects necessary to demonstrate the use of new techniques or materials for coastal wetlands restoration.

(2) TASK FORCE PROCEDURES.--The Secretary shall convene meetings of the Task Force as appropriate to ensure that the list is produced and transmitted annually to the Congress as required by this subsection. If necessary to ensure transmittal of the list on a timely basis, the Task Force shall produce the list by a majority vote of those Task Force members who are present and voting; except that no coastal wetlands restoration project shall be placed on the list without the concurrence of the lead Task Force member that the project is cost effective and sound from an engineering perspective. Those projects which potentially impact navigation or flood control on the lower Mississippi River System shall be constructed consistent with section 304 of this Act.

(3) TRANSMITTAL OF LIST.--No later than one year after the date of enactment of this title, the Secretary shall transmit to the Congress the list of priority coastal wetlands restoration projects required by paragraph (1) of this subsection. Thereafter, the list shall be updated annually by the Task Force members and transmitted by the Secretary to the Congress as part of the President's annual budget submission. Annual transmittals of the list to the Congress shall include a status report on each project and a statement from the Secretary of the Treasury indicating the amounts available for expenditure to carry out this title.

(4) LIST OF CONTENTS.--

(A) AREA IDENTIFICATION; PROJECT DESCRIPTION--The list of priority coastal wetlands restoration projects shall include, but not be limited to--

(i) identification, by map or other means, of the coastal area to be covered by the coastal wetlands restoration project; and

(ii) a detailed description of each proposed coastal wetlands restoration project including a justification for including such project on the list, the proposed activities to be carried out pursuant to each coastal wetlands restoration project, the benefits to be realized by such project, the identification of the lead Task Force member to undertake each proposed coastal wetlands restoration project and the responsibilities of each other participating Task Force member, an estimated timetable for the completion of each coastal wetlands restoration project, and the estimated cost of each project.

(B) PRE-PLAN.--Prior to the date on which the plan required by subsection (b) of this section becomes effective, such list shall include only those coastal wetlands restoration projects that can be substantially completed during a five-year period commencing on the date the project is placed on the list.

(C) Subsequent to the date on which the plan required by subsection (b) of this section becomes effective, such list shall include only those coastal wetlands restoration projects that have been identified in such plan.

(5) FUNDING.--The Secretary shall, with the funds made available in accordance with section 306 of this title, allocate funds among the members of the Task Force based on the need for such funds and such other factors as the Task Force deems appropriate to carry out the purposes of this subsection.

(e) FUNDING OF WETLANDS RESTORATION PROJECTS.--The Secretary shall, with the funds made available in accordance with this title, allocate such funds among the members of the Task Force to carry out coastal wetlands restoration projects in accordance with the priorities set forth in the list transmitted in accordance with this section. The Secretary shall not fund a coastal wetlands restoration project unless that project is subject to such terms and conditions as necessary to ensure that wetlands restored, enhanced or managed through that project will be administered for the long-term conservation of such lands and waters and dependent fish and wildlife populations.

SEC. 306. DISTRIBUTION OF APPROPRIATIONS.

(a) PRIORITY PROJECT AND CONSERVATION PLANNING EXPENDITURES.--Of the total amount appropriated during a given fiscal year to carry out this title, 70 percent, not to exceed \$70,000,000, shall be available, and shall remain available until expended, for the purposes of making expenditures--

(1) not to exceed the aggregate amount of \$5,000,000 annually to assist the Task Force in the preparation of the list required under this title and the plan required under this title, including preparation of--

(A) preliminary assessments;

(B) general or site-specific inventories;

(C) reconnaissance, engineering or other studies;

(D) preliminary design work; and

(E) such other studies as may be necessary to identify and evaluate the feasibility of coastal wetlands restoration projects;

(2) to carry out coastal wetlands restoration projects in accordance with the priorities set forth on the list prepared under this title;

(3) to carry out wetlands restoration projects in accordance with the priorities set forth in the restoration plan prepared under this title;

(4) to make grants not to exceed \$2,500,000 annually or \$10,000,000 in total, to assist the agency designated by the State in development of the Coastal Wetlands Conservation Plan pursuant to this title.

EPA's Portion of Task Force-Approved CWPPRA Planning Budgets and Funds by Task for FYs 2010 Through 2013¹⁸

TASK			Duration (FY10 dates)		EPA			
Task Category	Task No.	Description	Start Date	End Date	FY10	FY11	FY12	FY13
Prior Year PPL TASKS								
PL	19485	P&E holds 2 Public Meetings	11/17/09	11/18/09	\$ 2,227	\$ 2,227	\$ 2,227	\$ 1,548
PL	19490	TC Recommendation for Project Selection and Funding	12/02/09	12/02/09	2,284	2,284	2,284	2,952
PL	19600	TF Selection and Funding of the 19th PPL (1 meeting)	01/21/10	01/21/10	3,051	3,051	3,051	4,632
FY Subtotal Prior Year PPL Tasks					\$ 7,562	\$ 7,562	\$ 7,562	\$ 9,132
Current Year PPL TASKS								
PL	20200	Development and Nomination of Projects						
PL	20220	Sponsoring agencies prepare fact sheets (for projects and demos) and maps prior to and following RPT nomination meetings.	10/13/09	02/15/10	34,297	34,297	34,297	36,520
PL	20230	RPT's meet to formulate and combine projects.	01/26/10	01/28/10	6,679	6,679	6,679	8,928
PL	20240	Face-to-Face RPT Voting meeting (20 nominees and up to 6 demos) or Alternate for 2010	02/17/10	02/17/10	478	478	478	-
PL	20300	Ranking of Nominated Projects						
PL	20320	Engr Work Group prepares preliminary fully funded cost ranges for nominees.	03/05/10	03/20/10	4,079	4,079	4,079	4,928
PL	20330	Environ/Engr Work Groups review Nominees	04/02/10	04/03/10	3,153	3,153	3,153	3,952
PL	20340	WGs develop and P&E distributes project Matrix	04/01/10	04/01/10	2,834	2,834	2,834	3,520
PL	20350	TC selection of PPL 20 candidates (10) and demo candidates (up to 3)	04/15/10	04/15/10	3,268	3,268	3,268	3,916
PL	20400	Analysis of Candidates						
PL	20410	Sponsoring agencies coordinate site visits for all projects	05/01/10	07/15/10	31,899	31,899	31,899	35,244
PL	20420	Engr/Environ Work Group refine project features and determine boundaries	05/01/10	09/30/10	5,179	5,179	5,179	5,904
PL	20430	Sponsoring agencies develop project information for WVA; develop designs and cost estimates (projects and	05/01/10	09/30/10	39,598	39,598	39,598	40,684
PL	20440	Environ/Engr Work Groups project wetland benefits (with WVA)	05/01/10	09/30/10	16,947	16,947	16,947	18,464
PL	20450	Engr Work Group reviews/approves Ph 1 and Ph 2 cost estimates from sponsoring agencies, incl cost estimates for demos	05/01/10	09/30/10	9,961	9,961	9,961	11,408
PL	20480	Prepare project information packages for P&E.	05/01/10	11/10/10	1,968	1,968	1,968	1,968
FY Subtotal Current Year PPL Tasks					\$ 160,340	\$ 160,340	\$ 160,340	\$ 175,436

¹⁸ Information provided by the USACE's CWPPRA Senior Program Manager and the CWPPRA project administrator and accountant.

Project and Program Management Tasks								
PM	20100	Program Management--Coordination	10/01/09	09/30/10	\$ 102,386	\$ 102,386	\$ 102,386	\$ 105,422
PM	20110	Program Management--Correspondence	10/01/09	09/30/10	34,153	34,153	34,153	34,154
PM	20120	Prog Mgmt--Budget Development and Oversight	10/01/09	09/30/10	111,134	111,134	111,134	111,134
PM	20200	P&E Meetings (3 meetings preparation and attendance)	10/01/09	09/30/10	9,458	9,458	9,458	11,616
PM	20210	Tech Com Mtngs (4 mtngs including three public and one off-site; prep and attend)	10/01/09	09/30/10	10,445	10,445	10,445	12,352
PM	20220	Task Force Mtngs (4 mtngs, including three public and one executive session; prep and attend)	10/01/09	09/30/10	18,124	18,124	18,124	20,528
PM	20400	Agency Participation, Review 30% and 95% Design for Phase I Projects	10/01/09	09/30/10	12,758	12,758	12,758	14,784
PM	20410	Engineering & Environmental Work Groups review Phase II funding of approved Phase I projects (Needed for adequate review of Phase I.) [Assume 8 projects requesting Ph II funding in FY09. Assume 3 will require Eng or Env WG review; 2 labor days for each.]	10/01/09	09/30/10	3,937	3,937	3,937	3,937
PM	20600	Miscellaneous Technical Support	10/01/09	09/30/10	35,000	35,000	35,000	35,000
FY Subtotal Project Management Tasks					337,395	337,395	337,395	348,927
FY Total for PPL Tasks					\$ 505,297	\$ 505,297	\$ 505,297	\$ 533,495
SUPPLEMENTAL PLANNING AND EVALUATION TASKS								
SPE	20700	Workshop to review selected projects to aid in transferring lessons learned from design to implementation stage - FY10. Prepare 2012 Evaluation Report (Report to Congress) - FY12	10/01/09	09/30/10	6,500	-	3,270	-
FY10 Total Supplemental Planning & Evaluation Tasks					6,500	-	3,270	-
FY Agency Tasks Grand Total					\$ 511,797	\$ 505,297	\$ 508,567	\$ 533,495
Otrch	20200	Outreach – Agency	10/01/09	09/30/10	6,600	6,600	6,600	6,600
FY Total Outreach					6,600	6,600	6,600	6,600
FY Grand Total					\$ 518,397	\$ 511,897	\$ 515,167	\$ 540,095

Appendix C - Abbreviations

Engr	Engineering
Env	Environmental
P&E	Planning and evaluation
PL	Project list
PM	Project management
RPT	Regional planning team
SPE	Supplemental planning and evaluation
TC	Technical committee
TF	Task Force
WG	Work group
WVA	Wetland value assessment

Agency Response

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft “EPA Region 6 Mismanaged Coastal Wetlands Planning, Protection and Restoration Act Funds,” dated July 2, 2014

FROM: Ron Curry /s/
Regional Administrator

TO: Arthur A. Elkins, Jr.
Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the Coastal Wetlands Planning, Protection and Restoration Act draft audit report. I appreciate you bringing these issues to our attention and the extensive work of your staff. This will help us correct mischarged expenditures and design more efficient and effective future processes for Region 6 administration of the CWPPRA program.

My staff has reached out to the Office of the Chief Financial Officer and the Office of Administration and Resources Management - Office of Grants and Debarment to design CWPPRA processes that will meet two goals you described in the “At a Glance” portion of the draft report:

- ensure resources are used efficiently and effectively and that public funds are used for the purpose for which they were appropriated and authorized
- establish contract activities to ensure proper stewardship and accounting of CWPPRA resources

With the national financial offices and Interagency Agreement Service Center staff, we are developing high-level corrective actions that will ensure appropriate future use of funds. I also wanted to note that OCFO Office of Budget already provided the financial training that you recommended.

GENERAL COMMENTS

Region 6 appreciates the mission of the Office of Inspector General to promote economy, efficiency, effectiveness, and to prevent and detect fraud, waste, and abuse. Region 6 agrees with the OIG that controls should be put in place to ensure proper stewardship and accounting of CWPPRA resources. Region 6 has already implemented additional controls to include procedures for more accurate CWPPRA payroll and travel charging, conducting periodic CWPPRA budget review meetings with the Water Quality Protection Division’s management and the Comptroller’s office, and ensuring that the

project officer for the CWPPRA IA receives the necessary paperwork for cost comparison against bills to confirm accuracy. The region has established control activities such as verification, comparison, and reconciliation of CWPPRA funds to ensure proper stewardship and correct spending of CWPPRA resources.

The OIG position is that the Water Quality Protection Division used CWPPRA funds to cover costs which were not directly related to the CWPPRA program. Region 6 is confident that the vast majority of the OIG questioned costs of \$780,793 of CWPPRA funds were allowable direct costs needed to carry out our approved task force activities, and were consistent with the CWPPRA statute, appropriations law and principles, and the EPA's interagency agreement guidance.

The Federal Accounting Standard Advisory Board Statement of Federal Financial Accounting Standard No. 4, Managerial Cost Accounting Standards and Concepts (attached), identifies direct costs as costs that directly support an activity and are specifically identified with an output. All direct costs should be included in the full cost of outputs. Typical direct costs in the production of an output include: 1) salaries and other benefits for employees who work directly on the output; 2) materials and supplies used in the work; 3) various costs associated with office space, equipment, facilities, and utilities that are used exclusively to produce the output; and 4) costs of goods or services received from other segments or entities that are used to produce the output. We provided extensive documentation in support of direct costs in our March 3, 2014, response to the preliminary discussion document on the use of CWPPRA funds (attached.)

In coordination with the OCFO, Region 6 will review the questioned costs in your draft report and determine which costs were improperly charged to CWPPRA. If reimbursement is required for some portion of the questioned costs, the OCFO has confirmed that sufficient Environmental Program Management funds are available to cover any expenditures where CWPPRA was incorrectly charged. Region 6's preliminary review of the OIG's questioned costs while preparing a response to the preliminary discussion document identified less than \$50,000 (rather than \$780,793) that may have been incorrectly charged to CWPPRA. Consistent with discussions we have had with OIG staff since the draft report was issued, we have provided alternative wording for Recommendation #1 in the attached table.

CWPPRA is a unique program in that the monies received from the US Army Corps of Engineers are for the purpose of performing work required of the EPA by the CWPPRA statute. The EPA does not perform work or provide a service to the USACE, but rather works with other task force members on implementing activities approved by the task force. In addition, as noted by the OIG on page 8, the CWPPRA Task Force Project Standard Operating Procedures Manual, dated November 9, 2012, states that the EPA is responsible for ensuring funds are spent in accordance with CWPPRA. Following this logic, the USACE has never disputed any CWPPRA expenditures submitted by the EPA nor directed the EPA in any way to change its spending practices.

We will work with the USACE and other task force members to clarify the procedures, processes, and rationale for CWPPRA expenditures. This will include reviewing specific budget language in the Military Interdepartmental Purchase Request, possibly amending current and prior IAs, or coming to an agreement with the task force on the appropriate use of indirect costs (which the USACE charges to the EPA in other cases). Region 6 will work with the OCFO, Office of General Counsel and OARM-OGD to re-evaluate whether an indirect cost rate for the CWPPRA IA is appropriate.

Region 6 is confident that that no CWPPRA Anti-deficiency Act violations have occurred to date, and we will take action to ensure that none occur in the future. In each year of the audit scope, the agency had sufficient EPM funds to cover the questioned costs, and presently has sufficient EPM funds available to correct the questioned expenditures, if needed. Therefore, we request that the OIG delete Recommendations #3 and #5 in the final report.

The Region 6 Office of the Comptroller will work with the OCFO to review CWPPRA spending for fiscal years 2008, 2009, and July 1, 2013, through September 30, 2014, to identify any further questionable expenditures. As needed, Region 6 will correct all questionable costs.

CONTACT INFORMATION

If you have any questions regarding this response, please contact Mr. William Honker, Director of the Region 6 Water Quality Protection Division, at (214) 665-3187, Mr. David Garcia, Deputy Director of the Water Quality Protection Division, at (214) 665-7593, Mr. James McDonald, Senior Resource Officer, at (214) 665-3150, or Ms. Regina Milbeck, Comptroller, at (214) 665-6540.

Attachments

1. Agency's Response to Report Recommendations
2. Corrections to the Draft Audit Report
3. Excerpts from *The Federal Accounting Standard Advisory Board (FASAB) Statement of Federal Financial Accounting Standard No. 4, Managerial Cost Accounting Standards and Concepts (SFFAS 4)*
4. *Response to Document titled EPA Region 6 Mismanaged and Misspent Coastal Wetlands Planning, Protection and Restoration Act Funds w/appendices*

cc: Mr. Patrick Gilbride
Office of Inspector General, U.S. Environmental Protection Agency

Mr. Randy Holthaus
Region 6 Inspector General, U.S. Environmental Protection Agency

Mr. James McDonald
Region 6 Assistant Regional Administrator, U.S. Environmental Protection Agency

AGENCY'S RESPONSE TO REPORT RECOMMENDATIONS

Agreements

No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion by Quarter and FY
2	Direct the Region 6 Office of Regional Comptroller to perform an internal review of the WQPD's CWPPRA spending to identify questionable expenditures that occurred in 2008 and 2009, as well as July 1, 2013, through September 30, 2014.	Region 6 WQPD and Office of the Comptroller will work with OCFO staff to review CWPPRA spending for fiscal years 2008, 2009, and July 1, 2013, through September 30, 2014 to identify questionable expenditures. Based on this review, questionable charges will be corrected.	March 2016
4	Direct the WQPD to establish control activities for the CWPPRA program (e.g., verifications, comparisons and reconciliations of CWPPRA spending with Task Force-approved authorized CWPPRA budgets) to ensure proper stewardship and accounting of CWPPRA resources.	EPA will establish a more comprehensive system of internal controls to ensure proper stewardship and accounting of CWPPRA resources.	March 2015
6	Provide training to WQPD managers and staff on what constitutes a purpose violation, including the potential for ADA violations.	OCFO provided training on federal budget, appropriations law and ADA violations and the implications.	August 2014

Disagreements

No.	Recommendation	Agency Explanation/Response	Proposed Alternative
1	Reimburse the USACE questioned costs of \$780,793, unless Region 6 WQPD management provides sufficient and appropriate documentation to demonstrate that questioned costs paid with CWPPRA funds were incurred in accordance with CWPPRA, appropriations laws and	This Recommendation should be revised to read as follows: "Region 6 WQPD and Comptroller should work with OCFO to review the questioned costs identified in this report and determine what costs were inappropriately charged to	March 2016

	principles, and interagency agreements.	CWPPRA. Region 6 should then reimburse the CWPPRA program for any costs deemed inappropriate as a result of this review.”	
3	Identify and address any ADA violations resulting from questioned costs identified in this report or found by the Region 6 Comptroller’s review, and report any violations in accordance with the ADA and EPA Directive 2520.	Region 6 confirmed with OCFO that there are sufficient EPM funds available for each FY to correct the questioned expenditures in the draft report, if needed. Therefore, this recommendation should be deleted from the final report.	
5	Take administrative disciplinary actions, in accordance with EPA Directive 2520, against EPA employees responsible for purpose violations or ADA violations related to improper CWPPRA spending.	This recommendation should be deleted from the final report, as no ADA violations have been documented.	

Corrections to the Draft Audit Report

Page 6, paragraph 1: The language implies that EPA Region 6 is receiving funding under the RESTORE Act. The report should be clarified to state that to date neither EPA as an agency, nor Region 6 specifically, has received any funding under the RESTORE Act.

OIG Comment: Language was added to footnote number 4 to include this clarification.

Page 14, paragraph 4: The language implies that EPA Region 6 receives funding under both the RESTORE Act and the Water Resources Development Act (WRDA). The language should be clarified to state that Region 6 has not received funding under either of these statutes.

OIG Comment: Language was added to footnote number 11 to include this clarification.

Page 15, paragraph 2, Travel to Attend Training: The response seems to suggest that the EPA participant was not involved in CWPPRA at the time, and that the Netherlands trip was not relevant to EPA's CWPPRA work. This would be inaccurate. The traveler participated in Region 6 CWPPRA team meetings regarding project selection and prioritization, and continues to review levees for consistency with coastal restoration and protection (CWPPRA explicitly calls on EPA to fulfill this role). The auditor was informed of the CWPPRA provision which calls for EPA to ensure such consistency. This information appears to have been ignored. Below is a synopsis of the information provided to the auditor. In addition to the information provided below, it should be noted that CWPPRA responsibilities are detailed in the PARS measures and metrics for the subject EPA employee. Specifically, he is to "[s]upport the Agency representative on the CWPPRA Task Force by advising on identification and selection of restoration projects" and in developing Agency positions on "CWPPRA projects" and "levee protection projects". The description of this travel should include reference to the statutory provision listed below, as well as a discussion of its direct relevance to the participant's work in support of the Agency's CWPPRA activities -- specifically project selection and review of proposed levee projects.

“The purpose of this trip was to learn about Dutch water management practices, particularly coastal restoration and flood protection. The knowledge gained from this trip is directly relevant to EPA’s CWPPRA mission. The Dutch are actively engaged in coastal restoration efforts which offer potentially valuable lessons applicable to our CWPPRA coastal restoration work. For example, the Dutch are exploring innovative, cost-effective ways to restore barrier islands and beaches. EPA Region 6 has sponsored a number of CWPPRA barrier island projects and continues to strongly support this practice. Knowledge gained from the Netherlands trip can help Region 6 and our CWPPRA partners develop more efficient and effective barrier island projects. Pursuant to CWPPRA Section 303(d)(1), EPA has an important role in helping ensure that flood control projects such as levees do not conflict with coastal restoration. “CWPPRA Section 303(d)(1) CONSISTENCY.--(1) In implementing, maintaining, modifying, or rehabilitating navigation, flood control or irrigation projects, other than emergency actions,

under other authorities, the Secretary, in consultation with the Director and the Administrator, shall ensure that such actions are consistent with the purposes of the restoration plan submitted pursuant to this section.” Participants in this trip also studied lessons learned from Dutch levees and other flood control structures – particularly with respect to ecological impacts. Knowledge gained from this trip is directly applicable to EPA’s CWPPRA responsibility to advise the Corps of Engineers on how to build levees in a way that does not undermine or conflict with coastal restoration. EPA continues to be engaged in the review of numerous levee projects in coastal Louisiana and the knowledge gained from the Netherlands tour has been of great use in that regard. Indeed, EPA has used lessons learned from this trip to inform its advice to the Corps on minimizing ecological impacts and ensuring consistency with coastal restoration on numerous flood risk reduction projects.”

OIG Comment: We revised Chapter 2 to provide more details that support why we questioned this cost. Region 6 explanations about the purpose of this training were not sufficient and appropriate to support the expenses as authorized, approved and allowable CWPPRA expenses.

The employee obtained competencies, knowledge and/or skills useful to the EPA’s water programs regarding coastal restoration and flood protection as reflected in the Region 6 explanation above. The training did not relate directly to CWPPRA planning or project implementation and may indirectly benefit multiple EPA water programs. Further, the CWPPRA Task Force-approved budgets and allocated funds to EPA did not provide for training or international travel. However, Region 6 funded this trip and conference fees fully with CWPPRA planning funds.

Section 302(6) of the CWPPRA states that the primary purpose of a CWPPRA coastal wetlands restoration project shall not be to provide navigation, irrigation or flood control benefits. Sections 307(a) and (b) provide additional authority and directs the USACE, not the EPA, to study the feasibility of modifying the operation of existing navigation and flood control projects to allow for an increase in the share of the Mississippi River flows and sediment sent down the Atchafalaya River for purposes of land building and wetlands nourishment. Section 303(d)(1) states that in implementing, maintaining, modifying, or rehabilitating navigation, flood control or irrigation projects, other than emergency actions, under other authorities, the USACE, in consultation with the U.S. Fish and Wildlife Service and the EPA, shall ensure that such actions are consistent with the purposes of the CWPPRA restoration plan or PPLs. This means that the USACE shall consult with the EPA and the U.S. Fish and Wildlife Service to make sure these projects are consistent with the CWPPRA’s PPL. The CWPPRA did not direct the EPA to plan navigation, irrigation or flood-protection projects.

Page 16, paragraph 2: The draft report erroneously states “In FY 2010, two managers used CWPPRA funds to recruit an intern from DOE’s ORISE program.” In fact, the managers were invited and attended, as EPA’s representatives to the USACE led CWPPRA Task Force, the change of command ceremony for the New Orleans Corps of Engineers District Engineer, the CWPPRA chair. The managers also arranged a meeting immediately prior to the ceremony with other attendees from Louisiana academic institutions to discuss availability and interest of recent graduates in an ORISE fellowship, sponsored by EPA, to work on CWPPRA activities.

OIG Comment: We obtained the stated purpose of this trip from the official travel documentation provided by WQPD. Further, we discussed the purpose of this trip with a WQPD Associate Director who was one of the travelers. The Associate Director confirmed that this was a recruiting trip and that she funded this trip with CWPPRA funds because the intern would be assigned to the CWPPRA program. During the interview, the WQPD Associate Director did not provide additional information about the attendance at the USACE change-of-command ceremony.

The explanation Region 6 provided above for this trip did not support how the trip was necessary to accomplish CWPPRA's purpose. The Task Force did not approve or allocate CWPPRA funds to EPA for recruiting purposes. The EPA's ORISE intern worked on other EPA water programs and was not dedicated full time to performing CWPPRA work. Further, EPA staff work with the USACE, both in New Orleans and in other locations, on multiple water-related programs. The region's attendance at the USACE change-of-command ceremony was optional and did not relate directly or only to CWPPRA.

Page 16, paragraph 2: The draft report erroneously states "Also in FY 2010, the WQPD's director traveled to Washington, DC, using CWPPRA funds to attend a Senior Executive Service graduation ceremony." In fact, funding for the trip was split between EPM funding to attend the ceremony and CWPPRA funding to brief OW and OCFO officials on CWPPRA funding and program issues. The statement should either be deleted from the final report, or should be revised as follows – "Also in FY 2010, the WQPD's Deputy Director traveled to Washington, DC, using CWPPRA funds to brief OW and OCFO officials on CWPPRA funding and program issues and using EPM funds to attend a Senior Executive Service Candidate Development Program graduation ceremony."

OIG Comment: We revised this statement in Chapter 2 to include information about the activity that was funded with CWPPRA funds. We also revised the fifth row of Table 5 in Chapter 2 to better describe the activity funded with CWPPRA money.

Page 22, paragraph 2: The last sentence erroneously states "In addition, the WQPD director stated that for purposes of administrative expediency, they made spending decision based on the funds available, without regard to the intended purpose of the funds." The statement should be deleted from the final report.

OIG Comment: We revised the statement in the report to include this clarification. During a meeting with the WQPD Director in June 2014, he explained that he was referring to travel spending decisions only.

Pages 22 and 23: We believe that the interpretation of the conversation with the auditors and the PO is not completely accurate as indicated in the attached email to her supervisor dated August 14, 2014. The body of the email is listed below.

“I don’t feel that the subject paragraphs are totally accurate. Below is what I was trying to relay to the auditors:

There have been times where communication between 6WQPD management and myself, as the Project Officer was lacking, however, this has improved. 6WQPD management and I have worked together to develop controls on travel and other spending activities which has greatly improved the communication. But decisions have been made where I as the Project Officer, did not necessarily agree and where I had not been consulted before these decisions were made. However, I did not mean to imply that these transactions “had occurred and could not be corrected,” but that the decision was not mine to make. And at no time did I ever feel “pressured” to certify the billings to the USACE. In fact, I do not actually “certify” the billings. The main function of my review is to assign the appropriate MIPR for Cincinnati Finance Center to bill against.”

OIG Comment: We revised the statement in Chapter 2 to include the project officer’s clarifications, and deleted language about her feeling pressured to certify billings.

Distribution

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