



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



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Walker River Paiute Tribe Needs to Improve Its Internal Controls to Comply With Federal Regulations

Report No. 15-2-0165

June 11, 2015



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Report Contributors:

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Abbreviations

CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
FFR	Federal Financial Report
GAP	General Assistance Program
OIG	Office of Inspector General

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At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency's (EPA's) Region 9 requested assistance from the Office of Inspector General (OIG) due to concerns about the accounting system in place at the Walker River Paiute Tribe.

EPA Region 9 was also concerned about the tribe's indirect cost rate proposal for 2014 and outstanding incomplete grant tasks under EPA grant GA-96926201.

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

- *Working to make a visible difference in communities.*

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

The full report is at:
www.epa.gov/oig/reports/2015/20150611-15-2-0165.pdf

Walker River Paiute Tribe Needs to Improve Its Internal Controls to Comply With Federal Regulations

What We Found

Our audit determined that the Walker River Paiute Tribe's accounting system and written policies and procedures complied with federal regulations. However, our testing disclosed multiple instances where the tribe's actual practices did not comply with federal regulations related to personnel costs, indirect costs and in-kind contributions.

The Walker River Paiute Tribe did not comply with federal regulations, resulting in \$994,963 of questioned costs.

Our audit also found incomplete grant tasks remaining from an EPA General Assistance Program grant for fiscal years 2008 through 2012.

Recommendations

We recommend that the Region 9 Regional Administrator disallow and recover unsupported costs of \$841,477, unless the tribe can provide adequate support for these costs. We also recommend that the Region 9 Regional Administrator:

- Disallow and recover ineligible costs of \$1,591.
- Require the tribe to implement better internal controls to ensure compliance with applicable federal regulations, grant conditions, and the tribe's own policies and procedures.

In addition, we recommend that the Region 9 Regional Administrator disallow and recover \$151,895 in claimed costs associated with the remaining incomplete tasks, unless the tribe can provide documents to substantiate completion of those tasks. We also recommend that for future General Assistance Program grants, the Region 9 Regional Administrator implement special grant conditions that require completion of grant tasks before grant payments are made.

The tribe did not comment on recommendations relating to internal controls and special grant conditions, but did concur with one recommendation and provided additional documentation for the remainder of the recommendations. However, the tribe's documentation did not meet federal requirements, so our positions on the issues remain unchanged.



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

THE INSPECTOR GENERAL

June 11, 2015

MEMORANDUM

SUBJECT: Walker River Paiute Tribe Needs to Improve Its Internal Controls to Comply With Federal Regulations
Report No. 15-2-0165

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: Jared Blumenfeld, Regional Administrator
Region 9

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 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. In accordance with established audit-resolution procedures, EPA managers will make final determinations on matters in this report.

Action Required

In accordance with EPA Manual 2750, you are required to provide us your proposed management decision on the findings and recommendations contained in this report before you formally complete resolution with the grant recipient. Your proposed management decision is due in 120 days, or on October 13, 2015. To expedite the resolution process, please email an electronic version of your proposed management decision to adachi.robert@epa.gov.

Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 or 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.

This report will be available at <http://www.epa.gov/oig>.

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Chapter 1

Introduction

Purpose

We conducted this audit to determine whether the Walker River Paiute Tribe:

- Has an accounting system that complies with applicable federal regulations.
- Prepared its 2014 indirect cost rate proposal in compliance with applicable federal regulations.
- Met its U.S. Environmental Protection Agency (EPA) grant objectives for grant GA-9692620.

Background

On August 14, 2013, EPA Region 9’s Communities and Ecosystems Division requested assistance from the Office of Inspector General (OIG) due to concerns about grants awarded to certain Indian tribes in Nevada, including the Walker River Paiute Tribe.

The Walker River Paiute Tribe is a federally recognized Indian tribe located within three counties in the midwestern part of Nevada. At the time of fieldwork, the tribe had seven active EPA grants totaling \$1,676,090, as outlined in Table 1.

Table 1: EPA grants awarded to the Walker River Paiute Tribe

Grant number	Total project cost amount	Total EPA award amount	Performance period	Amount drawn as of September 10, 2014
GA-00T95601	\$272,600	\$272,600	10/1/12 – 09/30/16	\$206,000
I-99950312	521,640	493,560	10/1/11 – 09/30/14	448,039
C9-99T02701	200,000	180,000	10/1/13 – 09/30/14	91,500
OS-83526301	350,000	350,000	10/1/12 – 09/30/14	69,650
OS-83466501	289,930	289,930	10/1/10 – 09/30/14	281,560
TX-99T01101	50,000	50,000	10/1/13 – 09/30/14	34,900
V-00T39701	40,000	40,000	10/1/10 – 09/30/15	5,553
Total	\$1,724,170	\$1,676,090		\$1,137,202

Source: EPA grant files and EPA Compass Data Warehouse.

Responsible Office

EPA Region 9's Communities and Ecosystems Division is the program office responsible for the issues discussed in this report.

Scope and Methodology

We conducted this performance audit from March 10, 2014, through October 10, 2014, in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following audit steps were performed to determine the adequacy of the Walker River Paiute Tribe's accounting system, whether the tribe's 2014 indirect cost rate complied with federal regulations, and the status of grant tasks that remain incomplete under EPA grant GA-9692620. The audit team:

1. Acquired an understanding of the tribe's accounting system and related internal controls by performing walk-throughs of key cost elements.
2. Performed reconciliations of cash draws made under awarded EPA grants to the tribe's accounting records for three grants. The cash draws were dated March 11, 2014.
3. For the three grant cash draws sampled, reviewed documentation to support costs related to these cash draws.
4. Reviewed the 2014 indirect cost rate proposal and supporting documentation for compliance with federal regulations.
5. Requested and reviewed documentation provided by the tribe to support progress on incomplete tasks under grant GA-9692620.
6. Interviewed personnel responsible for accounting and grants management functions at the tribe.

For any noncompliance issues identified, we quantified the financial impact of such issues based on the tribe's accounting records.

We did not identify any prior audit reports issued on the Walker River Paiute Tribe.

Chapter 2

The Tribe Did Not Follow Accounting Policies and Procedures Already in Place

Our audit determined that the Walker River Paiute Tribe’s accounting system and written policies and procedures complied with federal regulations. However, our testing disclosed multiple instances where the tribe’s actual practices did not comply with federal regulations due to a lack of adherence to policies and procedures. Noncompliance issues we identified are reported in Table 2.

Table 2: Questioned costs related to noncompliance with federal regulations

Findings	Questioned costs
Personnel costs are not supported by required payroll certifications	\$391,443
Timekeeping procedures are not being followed	103,432
Indirect costs for 2013 are not calculated properly	1,591
In-kind contributions are not adequately supported	346,602
Total	\$843,068

Source: OIG calculations.

We questioned \$843,068 of the \$1,137,202 (74 percent) drawn under the seven active EPA grants awarded to the tribe.

Personnel Costs Are Not Supported by Required Payroll Certifications

Tribal employees who work solely on one EPA grant do not have required payroll certifications to support their personnel costs (payroll and related fringe benefits) charged to the grant. The Code of Federal Regulations (CFR), through 2 CFR, Part 225, Appendix B, 8.h.(3), states:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Furthermore, the tribe’s payroll policy section 1001.8 requires the same payroll certification for employees working on one federal award.

During our testing of personnel costs we found that the tribe did not have payroll certifications for employees who worked solely on one EPA grant. Among the

seven active EPA grants, we identified the following personnel costs and related fringe-benefit costs as unsupported where the tribe did not have required payroll certifications (Table 3).

Table 3: Questioned costs for payroll without required certifications

Grant number	Payroll costs	Fringe-Benefit costs	Total
GA-00T95601	\$ 46,563	\$11,751	\$58,314
I-99950312	122,656	41,094	163,750
C9-99T02701	20,001	8,550	28,551
OS-83526301	5,319	2,548	7,867
OS-83466501	76,755	34,219	110,974
TX-99T01101	13,618	7,189	20,807
V-00T39701	\$560	\$620	1,180
Total			\$391,443

Source: Walker River Paiute Tribe's accounting records.

Timekeeping Procedures Are Not Being Followed

The Tribal Environmental Director worked on multiple EPA grant awards throughout the year, but charged all of his time to the EPA's General Assistance Program (GAP) grant until funding for his salary from the GAP grant ran out. Then he charged all of his time to the Environmental Exchange Network grant. When funds for his time from that grant ran out, he charged his time to the Superfund grant until the next fiscal year began. He then started charging the GAP grant again for all of his time.

Title 2 CFR, Part 225, Appendix B, 8.h.(4) and (5), state that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that must reflect an after-the-fact distribution of the actual activity of each employee. Furthermore, the tribe's *Financial Management Policy & Procedures Manual*, Section 1001.9, requires timesheets to support employees' payroll costs when employees work on more than one federal award.

The Tribal Environmental Director did not prepare a timesheet or any other equivalent personnel activity report that tracked his actual activity. He did not have any other support for his time. For three active EPA grants, we identified personnel and related fringe-benefit costs for the Tribal Environmental Director as unsupported (Table 4).

Table 4: Questioned costs for noncompliant timekeeping procedures

Grant number	Personnel costs	Fringe-Benefit costs	Total
GA-00T95601	\$68,755	\$17,352	\$86,107
OS-83466501	11,407	5,086	16,493
V-00T39701	749	83	832
Total			\$103,432

Source: Walker River Paiute Tribe's accounting records.

Indirect Costs for 2013 Are Not Charged Properly

The tribe inappropriately claimed indirect costs for 2013 by applying its approved indirect cost rate to annual leave charges under various EPA grants. For 2013, the tribe calculated indirect costs by multiplying the sum of salaries and annual leave costs by the approved indirect cost rate of 20.51 percent. However, the 2013 indirect cost agreement between the tribe and the U.S. Department of the Interior¹ identified the base as total direct salaries and wages, excluding fringe benefits such as annual leave costs. The tribe is only allowed to claim indirect costs as applied to direct salaries and wages. The tribe is not allowed to recover any indirect costs applied to annual leave costs. As such, the tribe overcharged the EPA for indirect costs related to annual leave.

We identified 2013 annual leave costs for each of the seven active EPA grants and calculated the annual leave portion of indirect costs by multiplying the annual leave costs by the negotiated indirect cost rate of 20.51 percent to determine the ineligible portion of 2013 indirect costs (Table 5).

Table 5: Questioned costs for inappropriate 2013 indirect cost calculations

Grant number	2013 annual leave costs	Calculated annual leave portion of 2013 indirect costs
GA-00T95601	\$2,090	\$429
I-99950312	1,962	402
C9-99T02701	1,136	233
OS-83526301	-	-
OS-83466501	1,452	298
TX-99T01101	1,102	226
V-00T39701	13	3
Total		\$1,591

Source: Walker River Paiute Tribe's accounting records.

We did not find similar issues in prior years because the tribe did not account for annual leave costs until January 1, 2013, and did not include annual leave costs in indirect cost calculations. In 2014, the tribe elected to include all direct costs, including fringe-benefit costs, in indirect cost calculations. We determined that the indirect cost rate proposal for 2014 was adequate.

In-Kind Contributions Are Not Adequately Supported

The tribe did not have adequate support for in-kind contributions claimed on Federal Financial Reports (FFRs) for EPA grants I-99950312 and C9-99T02701. The tribal finance department, which maintains accounting records and prepares FFRs for all federal grants awarded to the tribe, has not received any information

¹ In accordance with 2 CFR, Part 225, Appendix E, Section D (1)(c), tribal indirect cost rate proposals are to be submitted to the U.S. Department of the Interior, which is the cognizant agency for all federally recognized Indian tribes.

from the tribal environmental program office to substantiate any actual in-kind contributions. The finance department entered budgeted, in-kind contribution amounts into the FFRs.

Under 40 CFR, Part 31, Subpart C 31.24 (b)(6), the regulation states that costs and third-party, in-kind contributions counting towards satisfying a cost-sharing or matching requirement must be verifiable from the records of grantees and subgrantees or cost-type contractors. These records must show how the value placed on third-party, in-kind contributions was derived.

Because the grants are awarded on the basis that the tribe makes required in-kind contributions without any such contributions, the entire award amount is also unsupported. We identified as unsupported the total draw amount for the two active EPA grants that require in-kind contributions (Table 6). Questioned costs for unsupported in-kind contributions appear in Table 7.

Table 6: Total cash draw amounts

Grant number	Total cash draw amount as of September 10, 2014
I-99950312	\$448,039
C9-99T02701	91,500
Total	\$539,539

Source: EPA grant files and EPA Compass Data Warehouse.

Table 7: Questioned costs for unsupported in-kind contributions

Grant number	Amount drawn as of September 10, 2014	Less: previous questioned costs			Questioned in-kind contribution costs
		Labor certifications	Labor charging practices	2013 indirect costs	
I-99950312	\$448,039	\$(163,750)	-	\$(402)	\$283,887
C9-99T02701	91,500	(28,551)	-	(233)	62,716
Total					\$346,603

Source: EPA Compass Data Warehouse and OIG calculations.

To avoid questioning costs more than once, we subtracted amounts already questioned under preceding findings from the total cash draw amounts for each grant to arrive at the net questioned costs. If the tribe provides adequate supporting documents for any of the questioned costs under the previously reported findings, the entire amounts drawn for these two grants will still be questioned under this finding, unless the tribe can also provide adequate supporting documents.

Recommendations

We recommend that the Region 9 Regional Administrator:

1. Recover the unsupported amount of \$391,443 for Walker River Paiute tribal employees who charged their time to various EPA grants without proper payroll certifications, unless the tribe can provide adequate supporting documents.
2. Recover the unsupported amount of \$103,432 for noncompliant timekeeping practices, unless the Walker River Paiute Tribe can provide adequate supporting documents.
3. Recover the ineligible amount of \$1,591 from the Walker River Paiute Tribe for inappropriate calculations of 2013 indirect costs.
4. Recover the unsupported amount of \$346,602 for the lack of support for in-kind contributions, unless the Walker River Paiute Tribe can provide adequate supporting documents. Furthermore, the recovery amount under this recommendation should be increased by any recovery amount offset by adequate supporting documents under Recommendations 1 and 2 above for grants I-99950312 and C9-99T02701.
5. Require the Walker River Paiute Tribe to establish internal controls to ensure compliance with federal regulations and tribal policies.

Auditee Comments and OIG Evaluation

The Walker River Paiute Tribe provided an email response dated March 26, 2015, and followed up with a hard copy response and supporting documents on March 30, 2015.

The tribe did not address Recommendation 5, but did concur with Recommendation 3 concerning the recovery of excess indirect costs claimed. The tribe adjusted its books to credit the appropriate grants for the excess indirect costs claimed.

For Recommendations 1, 2 and 4, the tribe provided additional supporting documents, which the tribe believes are adequate to address the issues raised in the draft report. The tribe believes that since the additional documents address the issues raised, the issues no longer qualify as findings. However, the documents provided by the tribe for Recommendations 1, 2 and 4 do not meet federal requirements.

Our position on the findings and recommendations remain unchanged. Recommendation 3 will remain open until Region 9 verifies that the excess

indirect costs claimed have been repaid to the EPA, such as a refund or credit in a future cost claim.

The tribe's full response and our analysis are found in Appendix A of this report.

Chapter 3

Tribe Did Not Complete All Grant Tasks

The tribe did not complete all grant tasks under the EPA’s GA-9692620 GAP grant covering fiscal years 2008 through 2012. EPA Region 9 identified tasks that remained incomplete and \$160,145 worth of costs associated with the tasks. EPA Region 9 issued a letter on March 20, 2014, requesting that the tribe provide documents to substantiate completion of the grant tasks or return \$160,145 to the EPA for costs associated with incomplete tasks.

During fieldwork, we asked for any grant deliverables that may indicate completion of grant tasks that had been identified as incomplete. The tribe did not provide any deliverables at the time. Since our site fieldwork, the tribe has provided, and EPA Region 9 has accepted, some grant deliverables. Through discussions with the EPA Project Officer for the grant, we determined the amount of \$8,250 to be the cost associated with the accepted grant tasks. The remaining incomplete tasks and costs are summarized in Table 8.

Table 8: Questioned costs for incomplete grant tasks

	Questioned costs
Costs associated with incomplete tasks as of March 20, 2014	\$160,145
Less: costs associated with grant tasks accepted by the EPA	(8,250)
Total	\$151,895

Source: EPA grant records and OIG calculations.

We also discussed the tribe’s performance with EPA project officers for all seven active EPA grants. The EPA project officers did not identify any further issues with missing or incomplete grant tasks.

Recommendations

We recommend that the Region 9 Regional Administrator:

6. Recover \$151,895 for grant tasks that remain incomplete under EPA GAP grant GA-9692620, unless the Walker River Paiute Tribe can provide adequate documents to substantiate completion of grant tasks.
7. Implement special grant conditions for future GAP grants awarded to the Walker River Paiute Tribe, and require completion of grant tasks before grant payments are made.

Auditee Comments and OIG Evaluation

The Walker River Paiute Tribe did not comment on Recommendation 7 and disagreed with Recommendation 6. The tribe said grant tasks have been completed and verified by the EPA project officer. We discussed this with the project officer and were advised that the region has not accepted any work since the draft report. As a result, our position on the issue remains unchanged.

The tribe's full response and our analysis are found in Appendix A of this report.

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	7	Recover the unsupported amount of \$391,443 for Walker River Paiute tribal employees who charged their time to various EPA grants without proper payroll certifications, unless the tribe can provide adequate supporting documents.	U	Region 9 Regional Administrator		\$391	
2	7	Recover the unsupported amount of \$103,432 for noncompliant timekeeping practices, unless the Walker River Paiute Tribe can provide adequate supporting documents.	U	Region 9 Regional Administrator		\$103	
3	7	Recover the ineligible amount of \$1,591 from the Walker River Paiute Tribe for inappropriate calculations of 2013 indirect costs.	U	Region 9 Regional Administrator		\$2	
4	7	Recover the unsupported amount of \$346,602 for the lack of support for in-kind contributions, unless the Walker River Paiute Tribe can provide adequate supporting documents. Furthermore, the recovery amount under this recommendation should be increased by any recovery amount offset by adequate supporting documents under Recommendations 1 and 2 above for grants I-99950312 and C9-99T02701.	U	Region 9 Regional Administrator		\$347	
5	7	Require the Walker River Paiute Tribe to establish internal controls to ensure compliance with federal regulations and tribal policies.	U	Region 9 Regional Administrator			
6	9	Recover \$151,895 for grant tasks that remain incomplete under EPA GAP grant GA-9692620, unless the Walker River Paiute Tribe can provide adequate documents to substantiate completion of grant tasks.	U	Region 9 Regional Administrator		\$152	
7	9	Implement special grant conditions for future GAP grants awarded to the Walker River Paiute Tribe, and require completion of grant tasks before grant payments are made.	U	Region 9 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.

Auditee Response to Draft Report and OIG Comments



Walker River Paiute Tribe

1022 Hospital Road • P.O. Box 220 • Schurz, Nevada 89427

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March 26, 2015

Ms. Leah Nikaidoh
EPA Office of Inspector General
26 West Martin Luther King Drive
Mail Code: NWD
Cincinnati, OH 45268

Dear Ms. Nikaidoh:

As per your request the following are relevant comments pertaining to the U.S. Environmental Protection Agency Office of Inspector General Pertaining to Project No.OA-FY14-0127 dated February 13, 2015. Detail back up was forwarded to you on March 24, 2015.

On the cover page there was noted concern about an incomplete grant tasks under EPA grant GA- 96926201. Information was supplied identifies this Grant was completed and closed in 2012 and this was verified with Veronica Swann.

OIG Response 1. EPA Region 9 advised us that it has not accepted any additional work for 2014 and before. Therefore, our position on this issue remains unchanged.

On page 4 of the Daft Report the Tribes payroll policy section 1001.9 requires timesheets to support employees employee payroll cost This is reference under the WRPT Financial Management Policy & Procedures Manual. This policy has been followed as you can see from the detail time sheets and Action Forms that were submitted to your office. The WRPT does not have a section

1001.9 in the Personnel Policy. I have attached a copy of the correct section which is 4.3 Hours of Work. The Auditor to my knowledge did not ask for a copy of the Personnel Policy Manual.

OIG Response 2. We updated the report to reference the *Financial Management Policy & Procedures Manual*, instead of the payroll policy.

Section "A": Personnel Costs Not supported by Required Payroll Certifications.

As noted on the bottom of the Certification for Work on Federal Contract/Grant Programs it states; "Copies of this completed form must be submitted to Payroll and Personnel on a semi-annual or undated as needed pursuant to A-133 Federal Requirements". Human Resources has a separate file just for these Certifications and is to follow-up prior to the semi-annual date with the appropriate programs to assure that the information is up to date. These forms were available in both Payroll and Human Resources and apparently the auditor did not know how to obtain the forms. I was not asked about the Forms while he was at the location.

I believe that the information supplied, verifies the information requested and does not qualify as a finding.

OIG Response 3. The auditor raised concerns about payroll certification at a meeting on March 14, 2014, while he was at the tribe. The Finance Director and the Tribal Chairman were present at the meeting. We also raised the issue and explained the need for payroll certifications during our field exit conference on February 13, 2015. The tribe did not mention that it had the required certifications.

Our review of the certifications provided by the tribe as part of its response to the draft report identified the following issues:

- 1) Payroll certifications were not provided for grant GA-00T95601 and V-00T39701.
- 2) The certifications were signed in advance.
- 3) Certifications were signed annually, biannually, and for as long as a 5-year period; not at least semiannually as required under 2 CFR, Part 225 Appendix B, 8.h.(3).

- 4) Certifications do not match actual charge. The employee certified that he worked on grant OS-83526301 for the 2-year period from October 1, 2012, through September 30, 2014; but from October 1, 2012, through January 3, 2014, he actually charged grant OS-83466501.
- 5) Certifications show that the employee worked on two grants (OS-83526301 and OS-83466501) during the same time period (from October 1, 2012 through September 30, 2014), even though the employee certified under each grant that he only worked on a single grant.

The federal regulations under 2 CFR, Part 225, Appendix B, 8.h.(3), state:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Due to the issues noted above, the payroll certifications provided by the tribe do not meet the requirements of 2 CFR, Part 225, Appendix B, 8.h.(3). As a result, we continue to question \$391,443 for lack of proper payroll certifications.

Section "B": Timekeeping Procedures are not Being Followed for noncompliant timekeeping procedures.

There are Three (3) sections addressing these timekeeping procedures. Additionally, under The WRPT Personnel Policy Manual Section 4.3 Time Sheets are required. (See Attached Copy). The Time Sheets were available in Payroll and apparently the auditor did not know how to obtain the Time Sheets. I was not asked about the Time Sheets and none of my staff were asked, which includes Payroll.

OIG Response 4. The auditor raised concerns about noncompliance with timekeeping policies at a meeting with the tribe on May 8, 2014. During our field exit conference on February 13, 2015, we also explained the issue and the need for timesheets to show the hours and the associated projects, if the employee worked on multiple grants. The tribe mentioned that it has "punch-in and punch-out" timesheets. There was no mention of timesheets showing the projects associated with the hours.

Section "B1"; Addresses Grant#GA-00T95601.

Included in the response under section B1 I have addressed the concerns by including not only time sheets for the period but also Payroll Action Forms indicating when the individual changed from one Fund to another Fund which shows the dates which correspond with the time card entries.

I believe that the noncompliant timekeeping procedures are addressed in as much as Weekly Time Sheets and Payroll Action Forms are prepared on a timely basis. Time Cards and Time Sheets are required by all employees if they are 100% Grant charged or split between Time Cards and Time Sheets are required by all employees if they are 100% Grant charged or split between multi-function's, when individuals are working on more than one grant during a pay period. This also applies to both exempt and non-exempt employees.

I believe that the information supplied, verifies the information requested and does not qualify as a finding.

Section "B2"; Addresses Grant # OS-83466501.

Included in the response under section B2 I have addressed the concerns by including not only Time Sheets for the period but also Payroll Action Forms indicating when the individual changed from one Fund to another Fund which shows the dates which correspond with the time card entries. Also, included is a Journal Entry indicating that the Environmental Director exceeded the hours allowed to work under the TREX Program.

I believe that the noncompliant timekeeping procedures are addressed in as much as weekly Time Sheets and Payroll Action Forms are prepared on a timely basis. Time Cards and Time Sheets are required by all employees if they are 100% Grant charged or split between multi-function's, when individuals are working on more than one grant during a pay period. This also applies to both exempt and non-exempt employees.

I believe that the information supplied, verifies the information requested and does not qualify as a finding.

Section "B3"; Addresses Grant# V-00T39701

Included in the response under section B3 I have addressed the concerns by including not only Time Sheets for the period but also Payroll Action Forms

indicating when the individual changed from one Fund to another Fund which shows the dates which correspondents with the time card entries. Also, included is a Journal Entry indicating that the Environmental Director exceeded the hours allowed to work under the TREX Program.

I believe that the noncompliant timekeeping procedures are addressed in as much as Weekly Time Sheets and Payroll Action Forms are prepared on a timely basis. Time Cards and Time Sheets are required by all employees if they are 100% Grant charged or split between multi-function's, when individuals are working on more than one grant during a pay period. This also applies to both exempt and non-exempt employees.

I believe that the information supplied, verifies the information requested and does not qualify as a finding.

OIG Response 5. Timesheets provided by the tribe only identified total hours worked, not the specific jobs the employee worked on; therefore, the documents do not meet the requirements for federal awards. According to 2 CFR, Part 225, Appendix B, 8.h.(4), where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the following standards outlined in subsection 8.h.(5):

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.

The tribe attempted to use its Employee Action Notices to show the employee was supposed to charge 100 percent to a single fund/project at all times, and the auditor previously did confirm that the actual fund charges match the Employee Action Notices. However, Employee Action Notices represent budgeted work, not actual work performed by the employee. Using the budget in Employee Action Notices as the basis for charging federal grants does not meet the requirements of 2 CFR, Part 225, Appendix B, 8.h.(5), for after-the-fact distribution of the actual activity. Therefore, we continue to question salary and fringe benefit costs of \$103,432.

Section "C", Address Indirect Costs not Charged Properly.

I agree with the finding and there was a Journal entry made on 9/30/2014 that reversed the charges Indicated.

OIG Response 6. We acknowledge that the tribe made the journal entry. However, the recommendation will remain open until Region 9 verifies that the credit has been provided to the EPA, either as a refund or a credit in a future cost claim.

Section "D", Addresses In-Kind Contributions Are Not Adequately Supported.

There are Two (2) sections addressing these In-Kind Contributions.

Section "D1" Address Grant # 1-999503 12 Water Pollution.

I included within the response Cost Comparisons from Jim Chico of Desert Engineering with costs of for In-Kind for the Area. This information was then broken down for the usage by Water Pollution.

I believe that the information supplied verifies the information requested and does not qualify as a finding.

Section "D2" Address Grant # C9-99T02701 Non-Point Source.

I included within the response Cost Comparisons from Jim Chico of Desert Engineering with costs of for In-Kind for the Area. This information was then broken down for the usage by Non-Point Source.

OIG Response 7. Documents provided by the tribe do not meet federal requirements for in-kind contributions. According to 40 CFR, Part 31, Subpart C 31.24 (b)(6), costs and third-party, in-kind contributions counting toward satisfying a cost-sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. Title 40 CFR, Part 31, Subpart C 31.24 (b)(7)(ii) further states that for third-party, in-kind contributions in the form of goods and services that are normally indirect costs, the grantee should only be given matching credit for such contributions if the grantee has established, along with its regular indirect cost rate, a special rate for allocating to individual projects or programs the value of the contributions.

Documents provided by the tribe show in-kind costs were estimates and not actual costs verifiable to the tribe's records. The in-kind costs were for storage, office space, office supplies, electricity and Internet service. These are normally indirect costs, but the tribe's indirect cost rate agreements do not show a rate for allocation of in-kind contributions. Since the in-kind cost documents do not meet federal requirements, we continue to question the costs.

I believe that the information supplied, verifies the information requested and does not qualify as a finding.

Sincerely Yours,



James V. Melick,
Finance Director

Enclosure: Personnel Policy
Section 4.3

CC: Bobby D. Sanchez, Tribal Chairman

Distribution

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