



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We conducted this examination to determine whether (a) the reported incurred costs for five U.S. Environmental Protection Agency (EPA) cooperative agreements were reasonable, allocable, and allowable in accordance with the terms and conditions of the agreements and applicable regulations; and (b) Canaan Valley Institute (recipient) achieved the intended results of the agreements.

## Background

EPA awarded five cooperative agreements to the recipient to provide further enhancements to the Mid-Atlantic Highland's environment and economic sustainability, and continued support for the Highland action plan.

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

To view the full report, click on the following link:  
[www.epa.gov/oig/reports/2008/20080519-08-4-0156.pdf](http://www.epa.gov/oig/reports/2008/20080519-08-4-0156.pdf)

## ***Canaan Valley Institute, Inc., Incurred Cost Audit of Five EPA Cooperative Agreements***

### **What We Found**

In our opinion, with the exception of the questioned costs discussed below, the outlays reported in the recipient's Federal Cash Transaction Reports and Financial Status Reports present fairly, in all material respects, the allowable outlays incurred in accordance with the terms and conditions of the agreements and applicable laws and regulations. We questioned \$3,235,927 of the \$6,686,424 in reported net outlays because the recipient reported unallowable outlays for indirect, contractual, and in-kind costs. Specifically, the recipient:

- Claimed indirect costs without approved indirect rates;
- Did not credit back to the agreements all program income;
- Did not demonstrate that it performed cost analysis of contracts;
- Reported costs for services outside of the scope of one agreement;
- Did not comply with terms and conditions of contracts; and
- Used EPA funds to match another federally-funded cooperative agreement.

The recipient met the requirements of its assistance agreements. However, the recipient could improve its subrecipient monitoring program.

### **What We Recommend**

We recommend that EPA recover questioned outlays of \$3,218,661 unless the recipient provides sufficient documentation to support the related reported costs in accordance with Federal regulations. EPA should require the recipient to prepare and submit its indirect cost rate proposals for negotiation using the accrual method, and disclosing the direct allocation methodology. The recipient should credit \$17,266 in program income to the agreements. The recipient needs to ensure that cost and pricing analyses are performed and documented as part of its contract procurement process.

We recommend EPA direct the recipient to revise its subrecipient monitoring program to require technical reports from its subrecipients, in addition to financial reports that are already required. The recipient should also time its subrecipient payments to ensure the funds are expended timely by its subrecipients.