



At a Glance

Why We Did This Audit

The U.S. Environmental Protection Agency (EPA) Region 9 requested assistance from the Office of Inspector General (OIG) to address concerns related to two questionable cash draws made under grants awarded to the Manchester Band of Pomo Indians in California. Region 9 was also concerned that grant objectives were not being met. The OIG conducted this audit to address the region's concerns and to determine whether the costs claimed under the grants were reasonable, allowable, allocable and properly supported, in accordance with federal regulations and the grant terms and conditions.

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

- *Protecting America's waters.*
- *Cleaning up communities and advancing sustainable development.*
- *Working to make a visible difference in communities.*

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Manchester Band of Pomo Indians Needs to Improve Its Financial Management System and Demonstrate Completion of Grant Work

What We Found

The Manchester Band of Pomo Indians' financial management system did not meet certain federal standards under the Code of Federal Regulations (CFR) in 40 CFR § 31.20 (now in 2 CFR § 200.302). Manchester did not have adequate controls to make sure costs claimed were allowable under federal cost principles, allocable to EPA grants, and adequately supported. Also, Manchester's cash draw procedures did not comply with federal cash management requirements, including for the two cash draws questioned by EPA Region 9. As a result, we questioned \$350,721, or 93 percent, of the \$378,679 claimed.

The Manchester Band of Pomo Indians' inadequate financial management system, and shortfalls in completing grant tasks, resulted in all costs claimed being questioned.

Manchester also could not provide evidence of completion for a significant portion of tasks specified in its EPA grant work plans. Therefore, Manchester did not fully meet its grant objectives. As a result, we questioned all remaining costs, or \$27,959, claimed under the grants.

Recommendations

We recommend that the EPA Regional Administrator, Region 9, disallow all costs claimed, totaling \$378,679, and recover the federal share of \$372,716, unless the Manchester Band of Pomo Indians can support that the costs are allowable and the grant tasks are completed. In addition, we recommend that the region designate Manchester as a high-risk grantee, in accordance with federal regulations, and place appropriate special conditions upon any future awards until Manchester implements sufficient policies and procedures. We also recommend that the region implement special grant conditions for future awards that require completion of grant tasks before payments are made.

Documents summarizing the costs questioned and outlining our audit findings and recommendations were provided to Manchester and EPA Region 9 on June 3, 2016, and discussed with EPA officials on June 6, 2016. However, Manchester did not respond to EPA and OIG requests for discussion of the documents. Consequently the EPA supported the OIG's decision to issue the final report without Manchester's response.