

Audit of Infrastructure Investment and Jobs Act- Funded Indian River Lagoon National Estuary Program Grant Recipient IRL Council

June 30, 2026 | Report No. 26-P-0039



Abbreviations

C.F.R.	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
FFR	Federal Financial Report
FY	Fiscal Year
IIJA	Infrastructure Investment and Jobs Act
NEP	National Estuary Program
OIG	Office of Inspector General
Pub. L.	Public Law

Key Definitions

Please see Appendix A for key definitions.

Cover Image

Top: A sewer lift station in North Sebastian, Florida. The image shows mechanical equipment on a concrete foundation in the foreground, with bushes, trees, a water body, and blue sky in the background. *Bottom:* A seagrass planting site near the Manatee Education and Observation Center in Fort Pierce, Florida. The image shows a shoreline, bordered by green grasses amid rocky terrain, with palm trees in the background. (EPA OIG images)

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At a Glance

Audit of Infrastructure Investment and Jobs Act-Funded Indian River Lagoon National Estuary Program Grant Recipient IRL Council

Why We Did This Audit

To accomplish these objectives:

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether costs claimed by the Indian River Lagoon National Estuary Program grant recipient, the IRL Council, were allowable, reasonable, allocable, and in accordance with grant terms and conditions for Infrastructure Investment and Jobs Act funding in fiscal years 2022 and 2023 and to determine whether the grant recipient demonstrated progress toward achieving program goals and objectives.

The EPA operates the National Estuary Program, which was established in 1987 under section 320 of the Clean Water Act to protect and restore the water quality and ecological integrity of estuaries of national significance. In 2021, as part of the Infrastructure Investment and Jobs Act, Congress provided a supplemental \$132 million for the program over five years, which the EPA is evenly distributing among the 28 estuaries of national significance. One of these estuaries is the Indian River Lagoon, which is located along the east central Florida coast. The host entity for the Indian River Lagoon is the IRL Council.

To support this EPA mission-related effort:

- *Ensuring clean and safe water.*

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What We Found

In fiscal years 2022 and 2023, the EPA awarded a total of \$1,819,600 in Infrastructure Investment and Jobs Act, or IIJA, funds to the IRL Council through cooperative agreement 02D39922, which has a five-year period of performance from March 1, 2022, to September 30, 2027. As of November 2024, the IRL Council had expended a total of \$832,199 of those IIJA funds. According to the IRL Council, it directed these funds to subrecipients to perform projects supporting the cooperative agreement's overarching goals of nutrient reduction and seagrass restoration in the Indian River Lagoon.

However, we identified that \$293,315, or 35 percent, of the \$832,199 spent is not allowable, contrary to the requirements outlined in 2 C.F.R. part 200 and the terms and conditions of the cooperative agreement. For the expenditures we reviewed, we found these were reasonable and allocable. Furthermore, we found that the IRL Council does not adequately monitor the activities of its subrecipients, nor do all its subrecipients have adequate financial management systems, to ensure compliance with all relevant requirements. Finally, we determined that the IRL Council did not submit all the reports mandated by regulations and the terms and conditions.

Despite these challenges, the IRL Council demonstrated progress implementing the goals stated in its IIJA work plans, including establishing a network of seagrass nurseries to help restore critical lagoon habitats and contributing to the construction of multiple septic-to-sewer conversion projects.

If the IRL Council does not adequately monitor its subrecipients, there is an increased risk that expenditures may not be allowable, reasonable, allocable, and in accordance with grant terms and conditions, which could lead to the misuse of federal funds.

Recommendations and Planned Agency Corrective Actions

We make five recommendations to the EPA, including working with the IRL Council to resolve the \$293,315 in unallowable and unsupported expenditures that we identified and verifying that the IRL Council develops and implements the appropriate processes, policies, and procedures to facilitate adequate subrecipient monitoring and the submission of required reports.

EPA Region 4 concurred with all recommendations. Recommendations 1, 2, 3, and 4 are resolved with corrective actions pending to be completed by the IRL Council and reviewed by EPA Region 4. Corrective action for Recommendation 5 has been completed by the IRL Council and verified by EPA Region 4. Appendix E includes EPA Region 4's response to the draft report, and Appendix F includes the IRL Council's response to the draft report.



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

June 30, 2026

MEMORANDUM

SUBJECT: Audit of Infrastructure Investment and Jobs Act-Funded Indian River Lagoon National Estuary Program Grant Recipient IRL Council
Report No. 26-P-0039

FROM: Nicole N. Murley, Deputy Inspector General performing the duties of the Inspector General *Nicole N. Murley*

TO: Kevin J. McOmber, P.E., Regional Administrator
EPA Region 4

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was OA-FY25-0027. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

In accordance with EPA Manual 2750, your office completed corrective action for Recommendation 5. Your office also provided acceptable planned corrective actions and estimated milestone dates in response to Recommendations 1, 2, 3, and 4. These recommendations are resolved with corrective actions pending, and no final response to this report is required. If your office submits a response, however, it will be posted on the OIG's website, along with our memorandum commenting on the response. The response should be provided as an Adobe PDF file that complies with the requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that your office does not want released to the public; if the response contains such data, your office should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency Office of Inspector General initiated this audit to determine whether costs claimed by the Indian River Lagoon National Estuary Program grant recipient, the IRL Council, were allowable, reasonable, allocable, and in accordance with grant terms and conditions for Infrastructure Investment and Jobs Act funding in fiscal years 2022 and 2023 and to determine whether the grant recipient demonstrated progress toward achieving program goals and objectives.

Background

The EPA operates the National Estuary Program, or NEP, which was established in 1987 under section 320 of the Clean Water Act to protect and restore the water quality and ecological integrity of estuaries of national significance. As of May 2025, there were 28 designated estuaries of national significance located along the Atlantic, Gulf, and Pacific Coasts and in Puerto Rico. Each estuary of national significance develops and implements a comprehensive conservation and management plan in coordination with the EPA. This plan outlines long-term actions and goals to address the estuary's challenges and priorities related to water quality and living resources.

According to the EPA, the NEP is the nation's principal watershed program, offering a viable, effective method for protecting and managing all types of watershed environments. The EPA manages and oversees the NEP by providing annual funding, national guidance, and technical assistance to support the goals specified in the estuaries' comprehensive conservation and management plans. In FYs 2021, 2022, and 2023, for example, each estuary received approximately \$700,000, \$750,000, and \$850,000 respectively from annual appropriations.

Infrastructure Investment and Jobs Act Funds for the National Estuary Program

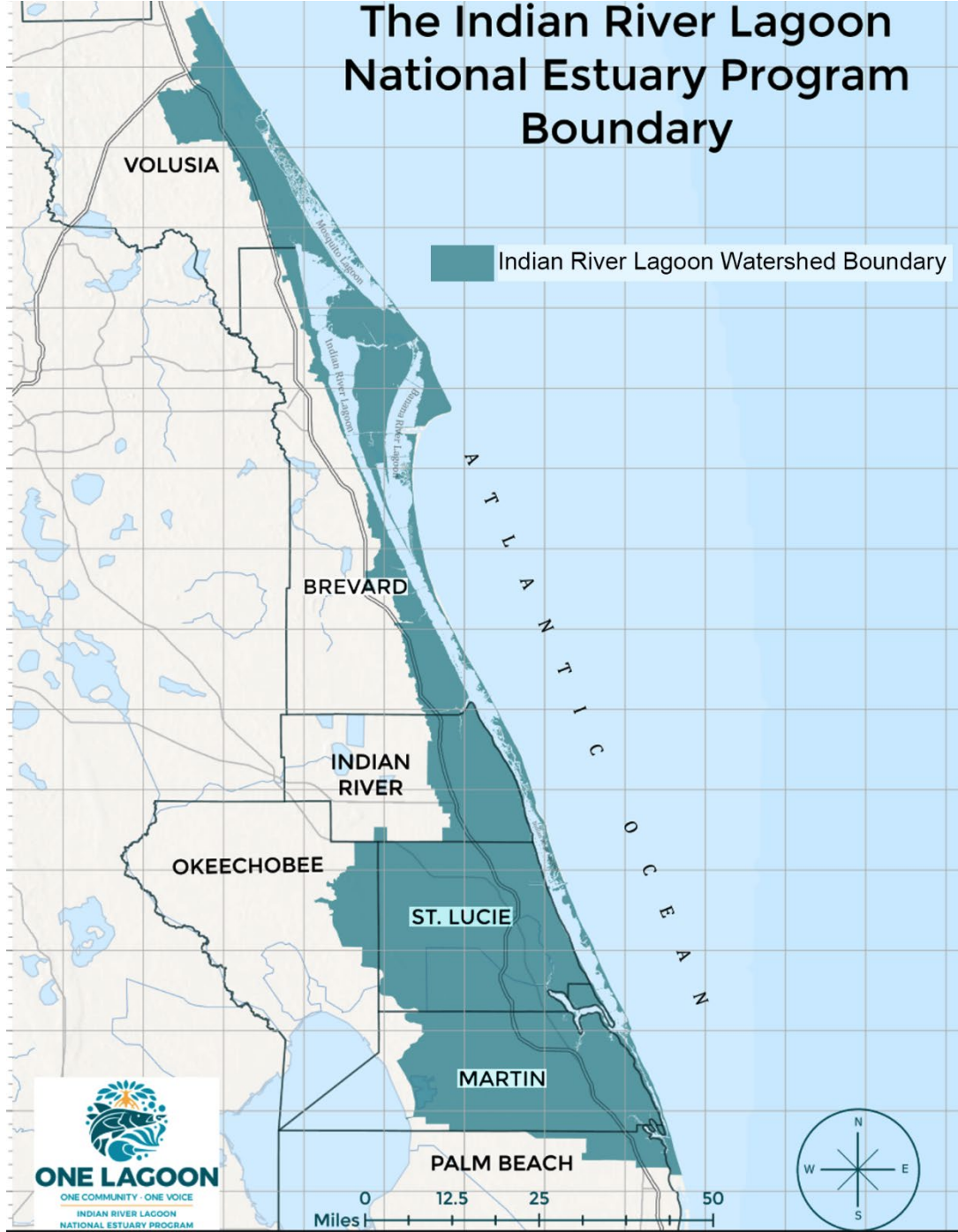
Enacted on November 15, 2021, the Infrastructure Investment and Jobs Act of 2021, or IIJA, Pub. L. No. 117-58, provided the EPA with approximately \$60 billion in supplemental funds to be appropriated from FY 2022 through FY 2026 for infrastructure-related purposes. The vast majority of the EPA's IIJA funding is available until it is expended.

The IIJA appropriated a total of \$132 million in supplemental funds for the NEP. The EPA evenly distributed this money among the 28 estuaries of national significance, annually providing each with approximately \$900,000 in IIJA funds. This influx of IIJA funds aimed to accelerate the goals specified in the estuaries' comprehensive conservation and management plans by enhancing the estuaries' capacity to accomplish this work and enabling them to develop and strengthen partnerships to effectively use the IIJA funds.

The Indian River Lagoon and the IRL Council

As shown in Figure 1, the Indian River Lagoon lies along the east central Florida coast and is approximately 156 miles long.

Figure 1: The Indian River Lagoon watershed boundary

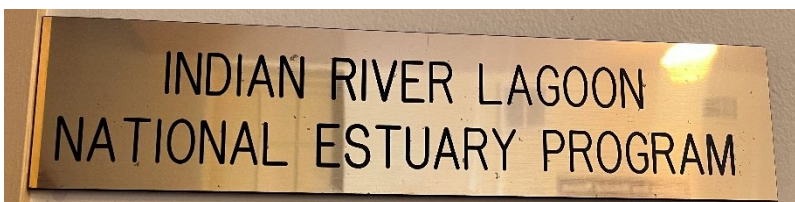


Source: The IRL Council. (IRL Council image)

The host entity for the Indian River Lagoon NEP, the IRL Council, is an independent special district in Florida that was established in 2015.¹ According to the EPA's *National Estuary Program Funding Guidance*, a host entity is responsible for:

- (1) complying with terms and conditions of the assistance agreement made with EPA;
- (2) maintaining financial records;
- (3) submitting progress reports and other required paperwork;
- (4) employing the NEP Director and staff; and
- (5) tracking and adhering to eligible cost requirements which include a non-federal 50 percent match.

The *National Estuary Program Funding Guidance* also specifies that any funds awarded to a host entity are "intended to be used for those purposes and activities" that are consistent with the comprehensive conservation and management plan and section 320 of the Clean Water Act.



Indian River Lagoon NEP sign at the IRL Council's office in Sebastian, Florida.
(EPA OIG image)

IRL Council Cooperative Agreement Funded by the Infrastructure Investment and Jobs Act

The EPA awarded a total of \$1,819,600 in IIJA funds for FYs 2022 and 2023 to the IRL Council through cooperative agreement 02D39922, as we detail in Figure 2. The EPA originally awarded \$909,800 to the IRL Council on December 7, 2022, and augmented the award by that same amount on February 8, 2023. Because both awards were issued under the same cooperative agreement number, we reference this as a single cooperative agreement for the purposes of this report. The cooperative agreement has a five-year period of performance, which began on March 1, 2022, and is scheduled to end September 30, 2027.²

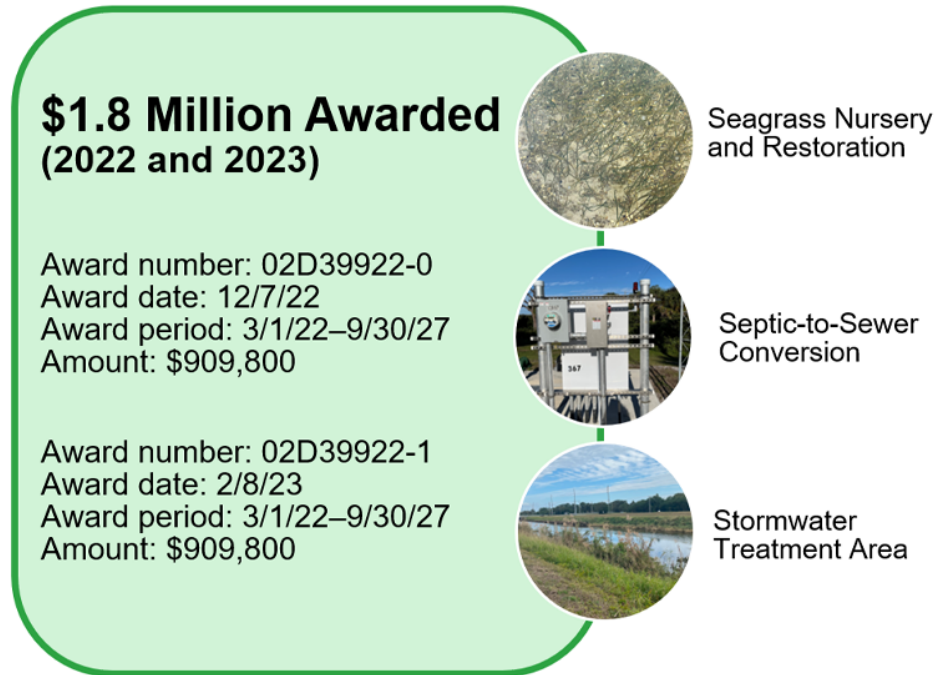
¹ Per Florida statute 189.012, a special district is a unit of local government created for a special purpose that has jurisdiction to operate within a limited geographic boundary. An independent special district is generally a special district that includes more than one county.

² The award date means the date when the federal award is signed by the authorized official of the awarding agency. The project period is the period established in the award document during which agency sponsorship begins and ends. The award date and project period dates may not always match.

What is a cooperative agreement?

According to 2 C.F.R. § 200.1, a cooperative agreement is a type of federal financial assistance. A cooperative agreement is distinguished from a grant in that it provides for substantial involvement of the federal awarding agency in carrying out the activity contemplated by the federal award.

Figure 2: IRL Council IJJA-funded cooperative agreement 02D39922



Source: OIG summary of award documents. (EPA OIG image)

Note: Although these IJJA funds were awarded in FY 2023, they are available until expended.

As of November 2024, the IRL Council had expended a total of \$832,199 under cooperative agreement 02D39922. According to the IRL Council, it directed these funds to other entities, referred to as subrecipients, for projects that they performed in support of the cooperative agreement's overarching goals of nutrient pollution reduction and seagrass restoration in the Indian River Lagoon. Overall, the IRL Council planned to use half of the total \$1,819,600 awarded to establish a lagoon-wide seagrass restoration network of land-based and in-lagoon seagrass nurseries to expand plant cultivation for large-scale restoration projects. It planned to use the remaining funds to support septic-to-sewer conversions, clam and oyster reef restoration, nutrient pollution reduction, and water quality improvement. See Appendix B for a full list of the projects funded by this cooperative agreement, as well as the total IJJA funds that the IRL Council provided to each subrecipient for those projects.

Federal Award Requirements for Cooperative Agreement 02D39922

The “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” commonly known as the Uniform Guidance, at 2 C.F.R. part 200, outlines federal award requirements for communicating obligations to grant recipients;³ measuring recipient performance; and determining whether costs are allowable, allocable, and reasonable. Of particular note, the Uniform Guidance requires federal agencies and their grant recipients to effectively manage awards to ensure that funding is expended and associated programs are implemented in a manner that reduces the risk of fraud, waste, and abuse. Table 1 details the sections of 2 C.F.R. part 200 that were most relevant to our audit.⁴

Table 1: Relevant sections of the Uniform Guidance, 2 C.F.R. part 200

Title	Requirement	Regulation
Financial Management	“The financial management system of each non-Federal entity must provide for ... records that identify adequately the source and application of funds for federally-funded activities,” as well as a “[c]omparison of expenditures with budget amounts for each Federal award.”	2 C.F.R. § 200.302(b)(3) and (b)(5)
Revision of Budget and Program Plans	“Recipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions...”	2 C.F.R. § 200.308(b)
Requirements for Pass-Through Entities	The pass-through entity must “[m]onitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”	2 C.F.R. § 200.332(d)
Factors Affecting Allowability of Costs	“Except where otherwise authorized by statute, costs must ... [b]e adequately documented” to be allowable under Federal awards.	2 C.F.R. § 200.403(g)
Reasonable Costs	“A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”	2 C.F.R. § 200.404
Allocable Costs	“A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.”	2 C.F.R. § 200.405(a)
Prior Written Approval	Prior written approval is required for the allowability of pre-award costs.	2 C.F.R. § 200.407(u)
Pre-Award Costs	“Pre-award costs are those incurred prior to the effective date of the Federal award or subaward directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work.”	2 C.F.R. § 200.458

Source: The Uniform Guidance, 2 C.F.R. part 200. (EPA OIG table)

³ Although cooperative agreements and grants are different types of financial assistance, in this report we refer to cooperative agreement recipients as grant recipients, as the federal requirements governing grant and cooperative agreement awards are the same.

⁴ For this audit and report, we refer to the requirements of 2 C.F.R. part 200 that were in effect on October 1, 2022, as this was the Uniform Guidance in effect at the time cooperative agreement 02D39922 was awarded.

Furthermore, in accordance with the cooperative agreement terms and conditions as well as with the Uniform Guidance, the IRL Council is required to regularly submit financial and performance reports to the EPA. We outline the reporting requirements relevant to cooperative agreement 02D39922 in Table 2.

Table 2: Reporting requirements for the IRL Council under cooperative agreement 02D39922

Report	Required elements	Due date
Federal Financial Report (SF-425)*	report of the grant's financial progress	at least annually
Federal Financial Report certification	certification from an authorized official assuring that the expenditures are proper and in accordance with the terms and conditions of the federal award and approved project budgets	at least annually, submitted with the federal financial report
Annual IIJA work plan	Documentation of: <ul style="list-style-type: none"> Comprehensive conservation and management plan goals and IIJA-supported tasks or activities related to each. How projects reflect IIJA priorities and implement the comprehensive conservation and management plan. Budget and personnel as submitted in the Application for Federal Assistance (SF-424). 	June 1 (starting fiscal year 2023)
Midyear progress report†	detailed summary of project status covering October 1-March 31 of the current fiscal year	April 30 (or last workday in April)
End-of-year program accomplishment report†	for the fiscal year just ended, a description of project status, lead implementers, project deliverables, IIJA funds spent on implementation, key accomplishments, and any external constraints	October 30 (or last workday in October)

Source: OIG summary of the terms and conditions from cooperative agreement 02D39922. (EPA OIG table)

Notes: The schedules identified in this table are consistent with the NEP Clean Water Act section 320 progress reporting timeline and project elements. SF = Standard Form.

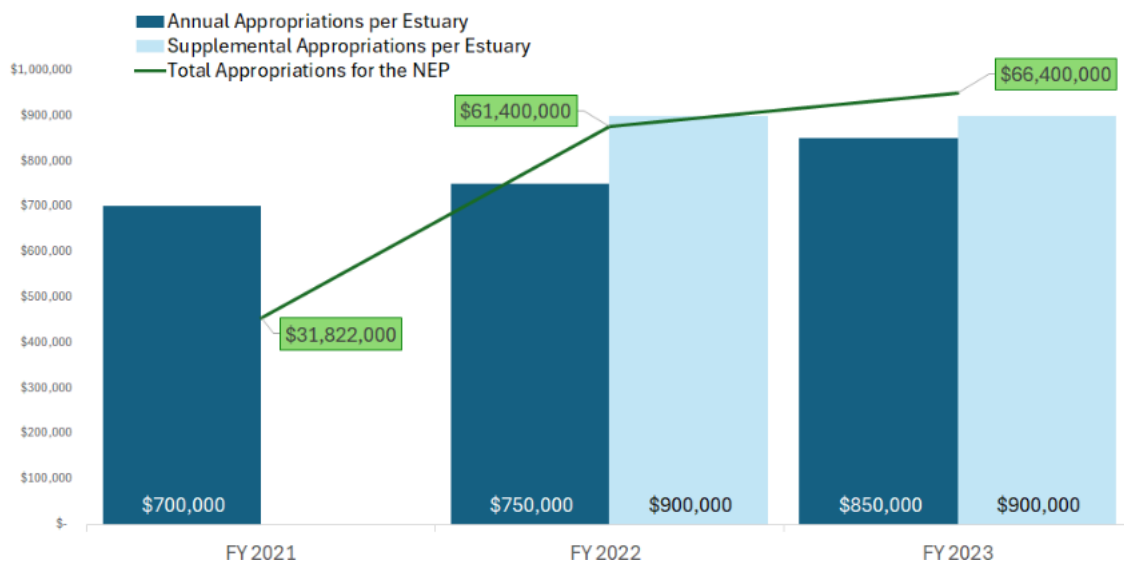
* This general term and condition implements Uniform Guidance requirements at 2 C.F.R. § 200.328.

† This programmatic term and condition implements Uniform Guidance requirements for performance reports at 2 C.F.R. § 200.329(c)(1).

Responsible Offices

The EPA Office of Water is responsible for implementing the Clean Water Act. Within the Office of Water, the Office of Wetlands, Oceans, and Watersheds works to protect freshwater, estuarine, coastal, and ocean ecosystems, including watersheds and wetlands. It also aims to protect water quality and habitats in the 28 estuaries of national significance and manages the NEP. Figure 3 details the NEP budget that the EPA managed in FYs 2021, 2022, and 2023, which included both annual and supplemental appropriations. EPA Region 4 serves Florida and is the Grants Management Office and award approval office for cooperative agreement 02D39922. As the federal awarding agency, EPA Region 4 must manage and administer the cooperative agreement to ensure that federal funding is expended and associated programs are implemented in full accordance with federal law.

Figure 3: Appropriations for the NEP, fiscal years 2021–2023



Source: OIG analysis of NEP appropriations. (EPA OIG image)

Note: The total appropriations for the NEP include funds for administrative provisions and competitive grants in addition to the funds provided to each estuary.

Scope and Methodology

We conducted this performance audit from October 2024 to February 2026 in accordance with generally accepted government auditing standards. 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.

This was an audit of IJIA-funded cooperative agreement 02D39922 and the Indian River Lagoon NEP grant recipient IRL Council. The EPA awarded a total of \$1,819,600 in IJIA funds for FYs 2022 and 2023 to the IRL Council under this cooperative agreement. We selected the IRL Council because of risk factors identified from its single audit and the total amount of IJIA funds spent as of the start of this audit. We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objectives. In particular, we assessed control activities and monitoring controls significant to our audit objective as outlined in the U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government*. Any internal control deficiencies we found are discussed in this report. However, because our audit was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

The Uniform Guidance and the award documents for cooperative agreement 02D39922 contain the primary criteria that we applied during our audit. To obtain an understanding of the applicable criteria, we reviewed the relevant laws, regulations, policies, and guidance, including:

- Section 320 of the Clean Water Act.
- The Uniform Guidance, 2 C.F.R. part 200.
- The EPA’s general terms and conditions for grants.
- IRL Council policies and procedures.

We tested a sample of subrecipient expenditures under cooperative agreement 02D39922, including payroll charges, direct costs, and indirect costs, and we reviewed associated progress reports and supporting documentation. We employed a judgmental sampling design to obtain broad exposure to numerous facets of the cooperative agreement. This nonstatistical sample design does not allow us to project our test results to the universe of the expenditures under the cooperative agreement, however. To assess the status of issues identified during the IRL Council’s FY 2023 single audit, which we summarize in the Prior Reports section below, we performed additional audit testing, interviewed IRL Council staff, and conducted a site visit. We did not assess the EPA’s oversight as part of this audit because it is the IRL Council’s responsibility to administer federal funds in a manner consistent with the terms and conditions of the cooperative agreement. See Appendix C for our detailed audit methodology.

Prior Reports

In EPA OIG Report No. [26-N-0011](#), *Audit Follow-up: Missing Federal Financial Reports for IJJA-Funded Awards in the EPA’s Grant Files System*, issued on January 21, 2026, we identified that of the 28 NEPs, we were unable to find Federal Financial Reports, or FFRs, for seven awards, and eight of the submitted FFRs were late. This is because the federal financial reporting requirement as stated in the EPA General Terms and Conditions is not consistently implemented across EPA regions. We suggested that the EPA take steps that may include implementing policies and procedures to ensure that recipients submit FFRs for all EPA programs and providing grants management personnel with training about the submission of timely and accurate FFRs and award monitoring. There were no formal recommendations in this report.

The IRL Council’s FY 2023 single audit report,⁵ issued in August 2024, included several findings directly related to the NEP. It identified material weaknesses and significant deficiencies over internal controls, as well as issues related to cash management, procurement, suspension and debarment, and subrecipient monitoring. For example, the IRL Council’s subrecipient agreements did not consistently include mandated language about pass-through requirements. Additionally, the IRL Council did not have controls in place to obtain and review single audit reports about its subrecipients to ensure that they

⁵ The Uniform Guidance requires any nonfederal entity that expends over \$750,000 in federal awards during a fiscal year to undergo an organization-wide audit for that year. This is known as a single audit. For projects starting after October 1, 2024, the threshold for a single audit increased to \$1 million.

were taking timely and appropriate action on deficiencies, if any, pertaining to the federal award. The single audit report made four recommendations related to these issues.

In EPA OIG Report No. [22-N-0055](#), *Considerations for the EPA's Implementation of Grants Awarded Pursuant to The Infrastructure Investment and Jobs Act*, issued on August 11, 2022, we outlined three broad areas for improvement for the EPA to consider when administering and overseeing IIJA grants: enhancing grants oversight, including monitoring and reporting; establishing and implementing comprehensive guidance and detailed work plans, as well as improving communications; and requiring adequate documentation to support grant payment. There were no recommendations in this report.

In EPA OIG Report No. [22-E-0054](#), *Lessons Identified from Prior Oversight of the EPA's Geographic and National Estuary Programs*, issued on August 8, 2022, we identified the following seven programmatic themes from prior oversight reports relating to the EPA's NEP: measurement of progress, communication, grant management, strategic planning, leadership, program execution, and resources. We emphasized that, because stakeholders had taken untimely or ineffective actions to address NEP goals, it was critical for the EPA and its partners to provide oversight of the program. We also highlighted ten unimplemented recommendations from previous EPA OIG audits. As of July 2025, the Agency had completed corrective action for all but one of these recommendations.

Chapter 2

Subrecipient Expenditures Questioned Costs

For cooperative agreement 02D39922, the IRL Council did not adequately or sufficiently monitor its subrecipients to ensure that all the subrecipient expenditures were allowable or adequately supported, as required by the Uniform Guidance. As a result, we identified a total of \$293,315 in questioned costs, which amounts to 35 percent of the \$832,199 that the IRL Council reimbursed its subrecipients in FYs 2022 and 2023.

Questioned Costs

According to 2 C.F.R. § 200.1, a questioned cost is “a cost that is questioned by the auditor because of an audit finding:

1. Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
2. Where the costs, at the time of the audit, are not supported by adequate documentation; or
3. Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.”

Specifically, of those subrecipient expenditures, there were \$227,532 in unallowable expenditures related to pre-award costs and unapproved budget deviations, as well as \$65,783 in unsupported expenditures that lacked adequate documentation. For the expenditures we reviewed, we found these were reasonable and allocable. Table C-1 in Appendix C summarizes the subrecipient expenditures that we reviewed, and Appendix D lists the questioned costs that we identified.

Unallowable Expenditures: Pre-Award Costs

As shown in Table 3, we found a total of \$88,161 in unallowable pre-award costs for two IRL Council subrecipients: the City of Port St. Lucie and the Marine Discovery Center. These costs occurred before the cooperative agreement’s start date of March 1, 2022, but the IRL Council did not obtain the EPA’s approval for these pre-award costs, as required by the Uniform Guidance.⁶ Furthermore, the IRL Council lacked processes and procedures to ensure that pre-award costs were not charged to the cooperative agreement.

⁶ Per 2 C.F.R. § 200.458, “[p]re-award costs are those incurred prior to the effective date of the award or subaward ... where such costs are necessary for efficient and timely performance of the scope of work.” In addition, 2 C.F.R. § 200.407(u) states that prior written approval is required for the allowability of pre-award costs.

Table 3: Summary of questioned costs related to pre-award expenditures

Subrecipient and project	Total subrecipient expenditures (\$)*	Total questioned costs (\$)	Percentage questioned (%)
City of Port St. Lucie: septic-to-sewer conversion	100,000	71,043	71
Marine Discovery Center: oyster restoration	54,443	17,118	31
Total	154,443	88,161	—

Source: OIG analysis of subrecipient awards and questioned costs. (EPA OIG table)

* Data as of November 2024.

For the City of Port St. Lucie, we identified \$71,043, or 71 percent, of the total subrecipient expenditures in unallowable expenses that occurred before the cooperative agreement’s start date. In response to our inquiry, the IRL Council self-identified \$66,565 of pre-award expenses, explaining that it approved these costs based on the subrecipient agreement “completion date” instead of the subrecipient’s individual invoices, which were dated in the July 2021 to February 2022 time frame. We did not review this \$66,565 to determine whether it was reasonable, allocable, or supported because, as it comprised unapproved pre-award costs, it was ultimately unallowable. We analyzed the remaining \$33,435 of the City of Port St. Lucie’s expenditures and identified an additional \$4,478 of pre-award expenses that we consider to be unallowable. The IRL Council did not recognize that this \$4,478 represented pre-award costs because the related charges were split among multiple invoices, some of which were dated before and some of which were dated after the cooperative agreement’s start date. Therefore, we questioned a total of \$71,043 in pre-award expenses.

For the Marine Discovery Center, the IRL Council self-identified \$17,118, or 31 percent, of the total subrecipient expenditures for the oyster restoration project in unallowable pre-award expenses for costs that occurred from October 2021 to February 2022. We confirmed that these expenses occurred prior to the cooperative agreement’s start date. We did not review this \$17,118 to determine whether it was reasonable, allocable, or supported because, as it comprised unapproved pre-award costs, it was ultimately unallowable.

The IRL Council told us that the EPA, when awarding the IJJA-funded NEP cooperative agreements, encouraged the recipients to spend the money quickly to produce tangible results. As a result, the IRL Council decided to include subrecipient projects that had been previously approved in its FY 2022 IJJA work plan. This discrepancy between the timing of the in-progress projects included in the work plan and the cooperative agreement period of performance resulted in the \$88,161 in unallowable pre-award costs.

The IRL Council recognized that it reimbursed both the City of Port St. Lucie and the Marine Discovery Center for costs incurred before the cooperative agreement’s start date. The IRL Council notified the EPA on March 7, 2025, that it had identified unallowable pre-award expenses and proposed a budgetary action to resolve the issue.

Unallowable Expenditures: Budget Deviations

As shown in Table 4, we identified a total of \$139,371 in unallowable expenditures related to four IRL Council subrecipients: the Brevard Zoo, the Marine Discovery Center, Martin County, and Sea and Shoreline LLC. These expenses were unallowable because the subrecipients deviated from their approved budgets, contrary to Uniform Guidance requirements.⁷ The IRL Council did not monitor its subrecipient agreements by approved budget category, nor did the IRL Council require budget amendments as long as the subrecipient did not exceed the total cost of the approved budget. Without obtaining proper approval for subrecipient expenditures, the IRL Council did and could continue to incorrectly charge to the federal award, subsequently increasing the risk of unallowable costs and the misuse of federal funds.

Table 4: Summary of questioned costs related to unapproved budget deviations

Subrecipient and project	Total subrecipient expenditures (\$)*	Unapproved budget deviations (\$)	Percentage questioned (%)	Reason questioned
Brevard Zoo: seagrass nursery	102,523	12,732	12	Indirect expenses not approved in subrecipient agreement.
Marine Discovery Center: oyster restoration	54,443	2,673	5	Indirect expenses not approved in subrecipient agreement.
Marine Discovery Center: seagrass nursery	85,207	7,746	9	Indirect expenses not approved in subrecipient agreement.
Martin County: septic-to-sewer conversion	100,000	70,090	70	Construction expenses exceeded approved budget amount per house.
Sea and Shoreline: seagrass nursery	181,960	46,130	25	Contractual expenses exceeded allowable amount to be transferred between budget categories. Travel costs not approved in subrecipient agreement.
Total	524,133	139,371	—	—

Source: OIG analysis of subrecipient expenditures and questioned costs. (EPA OIG table)

* Data as of November 2024.

⁷ Pursuant to 2 C.F.R. § 200.308(b), “[r]ecipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions.” Furthermore, 2 C.F.R. § 200.308(f) states, “The Federal awarding agency may ... restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which ... the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency.”

Brevard Zoo and the Marine Discovery Center

We identified \$12,732, or 12 percent, of the total subrecipient expenditures for Brevard Zoo's seagrass nursery project as unapproved indirect expenses. These costs were unallowable because indirect expenses were not approved in the subrecipient agreement between the IRL Council and Brevard Zoo. The IRL Council was aware that Brevard Zoo was charging indirect costs. Because these indirect expenses were not approved in the subrecipient agreement, we questioned the \$12,732 as unallowable.

We identified \$2,673, or 5 percent of the total subrecipient expenditures, for the Marine Discovery Center's oyster restoration project, and \$7,746, or 9 percent, of the total subrecipient expenditures for its seagrass nursery project, as unapproved indirect expenses. These expenses were also unallowable because indirect expenses were not approved in the subrecipient agreements between the IRL Council and the Marine Discovery Center. We questioned a total of \$10,419 of the Marine Discovery Center's expenditures as unallowable because they deviated from the approved budget.

In total, we questioned \$23,151 from the Brevard Zoo and Marine Discovery Center projects as unallowable because the funds constituted indirect expenses that were not approved in the subrecipient agreements. Furthermore, the IRL Council told us that indirect expenses must not total more than 10 percent of the total funding, also known as the *de minimis* rate. The IRL Council stated that it never includes an indirect cost rate in its EPA award agreements but allows subrecipients to use a 10 percent federal *de minimis* indirect cost rate. However, even if the approved budgets for these subrecipient agreements had included indirect expenses, any indirect costs expended still could not exceed the *de minimis* rate.

Martin County

We identified \$70,090, or 70 percent, of the total subrecipient expenditures for Martin County's septic-to-sewer conversion project, as unallowable expenses that deviated from the approved budget. The signed subrecipient agreement between IRL Council and Martin County specified a per-house budget of \$1,000 to connect 150 homes to the county's central sewer system. We therefore determined that expenditures exceeding \$1,000 per home were unallowable. In some instances, per-house costs went as high as \$9,000.

We asked the IRL Council about the deviation from the approved budget, and it said that this project began before the cooperative agreement was awarded. It also said that the project's funding source changed once the IJJA funds became available. According to the IRL Council, because some houses had already completed the conversion to sewer services by the time the IJJA-funded subrecipient agreement began, it could not amend allotments for each invoice after the fact. However, the IRL Council should have required a budget amendment to reflect accurate costs associated with the project.

Sea and Shoreline

We identified a total of \$46,130, or 25 percent, of the total subrecipient expenditures for Sea and Shoreline’s seagrass nursery project, as unallowable expenses due to deviations from the approved budget categories. Some examples of budget categories include personnel, fringe benefits, travel, equipment, supplies, indirect costs, contractual services, and construction.

The approved budget for the Sea and Shoreline project included \$14,403 for contractual services for the construction of a commercial-scale seagrass nursery and packaging facility and for the implementation of a workforce development program. The IRL Council reimbursed Sea and Shoreline \$57,550 for contractual expenses, which was \$43,147, or 300 percent, over the amount approved in the budget. While the IRL Council approved a change order with Sea and Shoreline to document a revised project scope, the change order lacked sufficient details, such as an updated budget amount. The IRL Council stated that it did not request a budget amendment because Sea and Shoreline did not exceed the total project budget. We therefore questioned \$43,147 in unapproved contractual expenses as unallowable.

Visual observation of two projects being performed under cooperative agreement 02D39922



Left to right: Construction of a greenhouse at Sea and Shoreline. The completed greenhouse. (EPA OIG images)

Additionally, we identified \$2,983 in unapproved travel expenses for Sea and Shoreline. The approved budget stated that Sea and Shoreline would provide the funds to cover all travel expenses. Because Sea and Shoreline never received approval to charge travel expenses to the agreement, we questioned the \$2,983 in travel expenses as unallowable.

Unsupported Expenditures

As shown in Table 5, one subrecipient, Indian River County, had a total of \$65,783 for its septic-to-sewer conversion project that was unsupported, meaning the subrecipient did not provide adequate documentation to support the requested funds contrary to Uniform Guidance requirements. Furthermore, the IRL Council did not verify that there was adequate supporting documentation before reimbursing Indian River County. Without adequate support for subrecipient expenditures and

procedures to verify that support, the IRL Council cannot determine whether the expenditures were allowable and used for their intended purpose.

Table 5: Summary of questioned costs related to lack of adequate documentation

Subrecipient and project	Total subrecipient expenditures (\$)*	Unsupported expenditures (\$)	Percentage questioned (%)
Indian River County: septic-to-sewer conversion	100,000	65,783	66

Source: OIG analysis of Indian River County subrecipient agreement and questioned costs. (EPA OIG table)

* Data as of November 2024.

We identified \$65,783, or 66 percent, of the total subrecipient expenditures for Indian River County’s septic-to-sewer conversion project, as unsupported expenditures. In response to our inquiry, the IRL Council asked Indian River County how each of its invoiced expenses was calculated. Indian River County provided calculations with a replicable formula. However, when Indian River County attempted to recalculate the expenses that it claimed on the invoices, it identified errors in the original calculations. We attempted to replicate the calculations provided by Indian River County, and we also were unable to do so. As a result, we questioned \$65,783 in expenditures as unsupported because the expenditures lacked adequate supporting documentation.

Conclusions

In total, we questioned \$293,315 related to six subrecipients across seven projects being performed under cooperative agreement 02D39922. We provide additional details in Appendix D. The IRL Council did not adequately or sufficiently monitor subrecipients to ensure that all expenditures met the terms and conditions of their subrecipient agreements, as required by the Uniform Guidance. In addition, there is a risk that the IRL Council will incorrectly charge further expenses to the federal award, which could lead to the misuse of federal funds.

Recommendations

We recommend that the regional administrator for Region 4:

1. Work with the IRL Council to resolve \$293,315 in questioned costs to promote effective oversight and use of funds, including:
 - a. \$88,161 in unallowable pre-award costs to ensure compliance with 2 C.F.R. § 200.458.
 - b. \$139,371 in unallowable costs for budget deviations to ensure compliance with 2 C.F.R. § 200.308.
 - c. \$65,783 in unsupported costs to ensure compliance with 2 C.F.R. § 200.403.

2. Verify that the IRL Council develops and implements processes and procedures that will ensure its subrecipient expenditures are allowable, allocable, reasonable, and adequately supported. Doing so will promote effective oversight of cooperative agreement requirements. These processes and procedures should, at a minimum:
 - a. Ensure that pre-award costs are not reimbursed without prior written approval from the EPA, as required by 2 C.F.R. § 200.407(u).
 - b. Prevent or detect expenditures made outside the approved budget categories in subrecipient agreements, as required by 2 C.F.R. § 200.308.
 - c. Verify support for all invoiced subrecipient expenditures prior to reimbursing subrecipients, as required by 2 C.F.R. § 200.403.

Agency Response and OIG Assessment

Appendix E contains the Agency's response to our draft report, and Appendix F contains the IRL Council's response to our draft report. The Agency concurred with all parts of Recommendation 1, while the IRL Council did not concur with Recommendation 1c. Despite this, however, the IRL Council provided planned corrective actions and estimated milestone dates to address all parts of this recommendation. We determined that the proposed corrective actions meet the intent of the recommendation and consider Recommendation 1 resolved with corrective actions pending.

For Recommendation 2, the Agency and the IRL Council concurred with the recommendation and provided proposed corrective actions. The Agency and IRL stated that the corrective action has been completed; however, we were unable to verify the completion of the corrective action due to a lack of supporting documentation. Therefore, we consider Recommendation 2 resolved with verification of corrective action pending.

Chapter 3

Inadequate Subrecipient Monitoring Policies and Procedures

The IRL Council did not adequately monitor the activities of its subrecipients to ensure compliance with federal statutes, regulations, and terms and conditions of the subrecipient agreement.⁸ Specifically, the IRL Council does not evaluate its subrecipients' accounting or financial management systems prior to awarding funds, nor does it review subrecipients' policies and procedures for administering subrecipient projects and adhering to the subrecipient agreement terms and conditions. While the IRL Council's accounting system accounts for program expenses, including identifying the amount, source, and expenditure of federal funds for cooperative agreement 02D39922, we determined that several of its subrecipients' accounting systems lacked adequate financial management systems, as required by the Uniform Guidance.⁹ Of the 11 subrecipients we reviewed, six lacked financial management systems that allowed for sufficient identification of the amount, source, and expenditure of federal funds. Additionally, seven subrecipients did not provide for the comparison of expenditures with budget amounts in their financial management systems.

The IRL Council was unaware of subrecipient monitoring requirements until its FY 2023 single audit, which identified issues with the IRL Council's subrecipient monitoring, as we discussed in Chapter 1. To address these single audit findings, the IRL Council implemented monitoring controls, such as including all required language in subrecipient agreements in accordance with federal regulations. However, the IRL Council's subrecipient monitoring policies and procedures remain inadequate to address the deficiencies that we identified in our audit. Specifically, the IRL Council does not have policies and procedures to ensure that its subrecipients' accounting systems allow for sufficient identification of the amount, source, and expenditure of funds for federally funded activities. It also does not have policies and procedures to ensure that its subrecipients' financial management systems allow for the comparison of actual expenditures with budget amounts for each subrecipient agreement. In addition, the IRL Council does not ensure that its subrecipients have adequate procedures to determine the allowability of expenditures under a subrecipient agreement. The IRL Council was unaware whether this information exists at the subrecipient level and did not provide evidence of having requested or reviewed this information as part of its subrecipient monitoring processes.

⁸ According to 2 C.F.R. §200.332(d), the pass-through entity must “[m]onitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”

⁹ According to 2 C.F.R. § 200.302(b)(3) and (b)(5), “[t]he financial management system of each non-Federal entity must provide for ... records that identify adequately the source and application of funds for federally-funded activities,” as well as a “[c]omparison of expenditures with budget amounts for each Federal award.”

Without adequate subrecipient monitoring policies and procedures, the IRL Council lacks sufficient information to evaluate the risk of subrecipient noncompliance with federal statutes, regulations, and terms and conditions of the subrecipient agreement. This lack of policies and procedures may increase the potential for unallowable or unsupported subrecipient expenditures, as noted in Chapter 2.

Recommendations

We recommend that the regional administrator for Region 4:

3. Verify that the IRL Council amends its policies and procedures to include all subrecipient monitoring activities required by 2 C.F.R. § 200.332, including ensuring that subrecipients develop policies and procedures to properly administer and adhere to the terms and conditions of their subrecipient agreements. Doing so will ensure effective subrecipient monitoring.
4. Verify that the IRL Council develops policies and procedures to evaluate subrecipients' financial management systems prior to awarding funds to ensure that systems meet the requirements of 2 C.F.R. § 200.302(b). Doing so will ensure effective subrecipient monitoring.

Agency Response and OIG Assessment

The Agency and the IRL Council both concurred with and provided proposed corrective actions for Recommendations 3 and 4. For Recommendation 3, the Agency and the IRL Council stated that the corrective actions have been completed; however, we were unable to verify whether the corrective actions have been completed due to a lack of supporting documentation. Therefore, we consider Recommendation 3 resolved with verification of corrective actions pending.

For Recommendation 4 the Agency and the IRL Council have provided planned corrective actions and estimated milestone dates to address the recommendation. We determined that the proposed corrective action meets the intent of the recommendation. Therefore, we consider Recommendation 4 resolved with corrective action pending.

Chapter 4

Missing Federal Financial Reports

We determined that the IRL Council had not completed or submitted any Federal Financial Reports, or FFRs, for cooperative agreement 02D39922 and therefore is not in compliance with the terms and conditions of the cooperative agreement or with the Uniform Guidance.¹⁰ The IRL Council stated that it did not submit the FFRs because Region 4 never requested them, with the exception of at grant closeout. However, a Region 4 official stated that the EPA did not waive the reporting requirements included in the terms and conditions. As a result of our audit, the IRL Council did submit an FFR in March 2025; this report covered financial progress from the start of the cooperative agreement on March 1, 2022, through September 30, 2024.

The IRL Council was unaware of the cooperative agreement term and condition that requires recipients to submit the FFR annually. The IRL Council does not have a process in place to ensure that it is completing and submitting the required FFR on an annual basis.

When the IRL Council does not complete the required FFRs, Region 4 cannot monitor the financial progress of the cooperative agreement. In addition, when a grant recipient submits an FFR, it must submit a legally binding certification that the report is true, complete, and accurate and that the expenditures, disbursements, and cash receipts listed in the report are for the purposes and objectives set forth in the terms and conditions of the federal award. Without the FFRs and the accompanying certifications, Region 4 has less assurance that the IRL Council is spending cooperative agreement funds in accordance with the terms and conditions of the federal award. It also lacks guarantees that the IRL Council's information is accurate and in line with the terms and conditions of the federal award.

To further examine this finding across the National Estuary Program, the EPA OIG published a report titled *Audit Follow-up: Missing Federal Financial Reports for IJJA-Funded Awards in the EPA's Grant Files System*, as referenced in the Prior Reports section.

¹⁰ According to the terms and condition of the cooperative agreement, “[p]ursuant to 2 C.F.R. § 200.328 ... EPA recipients must submit the FFR at least annually and no more frequently than quarterly. EPA’s standard reporting frequency is annual unless an EPA Region has included an additional term and condition specifying greater reporting frequency.” The terms and conditions also specify that “EPA recipients must submit the [FFR] no later than ... 90 calendar days” after the end of the reporting period “for annual reports.”

Recommendation

We recommend that the regional administrator for Region 4:

5. Verify that the IRL Council develops policies and procedures to ensure accurate and timely submission of Federal Financial Reports annually, as required by the terms and conditions of its federal awards and by 2 C.F.R. § 200.328. Doing so will ensure effective monitoring of financial progress of federal awards.

Agency Response and OIG Assessment

The Agency and the IRL Council both concurred with Recommendation 5 and have provided corrective actions to address the recommendation. We determined that the proposed corrective actions meet the intent of the above recommendation and verified that the corrective actions for Recommendation 5 are already complete. Therefore, we consider Recommendation 5 completed.

Chapter 5

Program Accomplishments

We determined that the IRL Council submitted performance reports for cooperative agreement 02D39922 in FYs 2023 and 2024 on time and reported accurate claims of achievement, in accordance with the terms and conditions of the cooperative agreement and with the Uniform Guidance.¹¹ Furthermore, the performance reports demonstrate that the IRL Council and its subrecipients are making substantial progress toward achieving the goals and objectives stated in the IJJA annual work plans for FYs 2022 and 2023, in accordance with the requirements of this cooperative agreement. Some of these achievements include establishing a network of seagrass nurseries to help restore critical lagoon habitats and contributing to multiple septic-to-sewer conversion projects.

During our site visits, we visually observed the progress of six subrecipient projects, including the two shown in Chapter 2. Appendix B provides additional information on subrecipient projects funded by the cooperative agreement.

Visual observation of two projects being performed under cooperative agreement 02D39922



*Left: Indian River County North Sebastian phase 2 septic-to-sewer conversion project in North Sebastian, Florida.
Right: Brevard Zoo seagrass nursery in Melbourne Beach, Florida. (EPA OIG images)*

¹¹ Pursuant to 2 C.F.R. § 200.329(c)(1), “[t]he non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity.”

Status of Recommendations and Potential Monetary Benefits

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	15	<p>Work with the IRL Council to resolve \$293,315 in questioned costs to promote effective oversight and use of funds, including:</p> <ul style="list-style-type: none"> a. \$88,161 in unallowable pre-award costs to ensure compliance with 2 C.F.R. § 200.458. b. \$139,371 in unallowable costs for budget deviations to ensure compliance with 2 C.F.R. § 200.308. c. \$65,783 in unsupported costs to ensure compliance with 2 C.F.R. § 200.403. 	R	Regional Administrator for Region 4	9/30/26	\$293
2	16	<p>Verify that the IRL Council develops and implements processes and procedures that will ensure its subrecipient expenditures are allowable, allocable, reasonable, and adequately supported. Doing so will promote effective oversight of cooperative agreement requirements. These processes and procedures should, at a minimum:</p> <ul style="list-style-type: none"> a. Ensure that pre-award costs are not reimbursed without prior written approval from the EPA, as required by 2 C.F.R. § 200.407(u). b. Prevent or detect expenditures made outside the approved budget categories in subrecipient agreements, as required by 2 C.F.R. § 200.308. c. Verify support for all invoiced subrecipient expenditures prior to reimbursing subrecipients, as required by 2 C.F.R. § 200.403. 	R	Regional Administrator for Region 4	03/13/26†	—
3	18	<p>Verify that the IRL Council amends its policies and procedures to include all subrecipient monitoring activities required by 2 C.F.R. § 200.332, including ensuring that subrecipients develop policies and procedures to properly administer and adhere to the terms and conditions of their subrecipient agreements. Doing so will ensure effective subrecipient monitoring.</p>	R	Regional Administrator for Region 4	03/13/26†	—
4	18	<p>Verify that the IRL Council develops policies and procedures to evaluate subrecipients' financial management systems prior to awarding funds to ensure that systems meet the requirements of 2 C.F.R. § 200.302(b). Doing so will ensure effective subrecipient monitoring.</p>	R	Regional Administrator for Region 4	9/30/26	—
5	20	<p>Verify that the IRL Council develops policies and procedures to ensure accurate and timely submission of Federal Financial Reports annually, as required by the terms and conditions of its federal awards and by 2 C.F.R. § 200.328. Doing so will ensure effective monitoring of financial progress of federal awards.</p>	C	Regional Administrator for Region 4	03/13/26	—

* C = Corrective action completed.
R = Recommendation resolved with corrective action pending.
U = Recommendation unresolved with resolution efforts in progress.

† Recommendations 2 and 3 have past dates because, although the Agency and the IRL Council stated that corrective action has been completed, we were unable to verify due to a lack of supporting documentation.

Key Definitions

Allocable—As defined in 2 C.F.R. § 200.405(a), a “cost is allocable to a particular Federal award ... if the goods or services involved are chargeable or assignable to that Federal award ... in accordance with relative benefits received.”

Allowable—As defined in 2 C.F.R. § 200.403, “[e]xcept where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of [the recipient or subrecipient.]
- (d) Be accorded consistent treatment...
- (e) Be determined in accordance with generally accepted accounting principles (GAAP)...
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period...
- (g) Be adequately documented...
- (h) ... Be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods...”

Comprehensive conservation and management plan—This IRL Council plan outlines “[l]ong-term plans that contain actions to address challenges and priorities related to water quality and living resources.”

Estuary—As defined by the comprehensive conservation and management plan for the IRL Council, this is a “coastal waterbody where freshwater tributaries (rivers and streams) meet the waters of the sea.”

Federal Financial Report—Also known as Standard Form 425, this is “[u]sed by recipients to submit reports on their grant’s financial progress.”

Indirect Costs—According to 2 C.F.R. § 200.1, these are “[c]osts incurred for a common or joint purpose benefitting more than one” project or program and not readily assignable to individual projects.

Pass-through entity—As defined by 2 C.F.R. § 200.1, this is a “non-federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.”

Reasonable—Per 2 C.F.R. § 200.404, “[a] cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

Subaward—As defined by 2 C.F.R. § 200.1, this is an “award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity.”

Summary of IJJA-Funded Projects Under Cooperative Agreement 02D39922

Subrecipient and project	Project description	Total IJJA funds (\$)*	Did we review progress reports?	Did we visit site?
Bethune Cookman University: seagrass restoration	Establish a population of a native seagrass species in a mosquito impoundment. Monitor the restored impoundment to assess its character as a natural seagrass nursery and a source for seagrass recolonization and succession.	32,500	No	No
Brevard County: septic-to-sewer conversion	After a new 1.4-mile force main to gravity line is installed, initiate a septic-to-sewer conversion for 22 properties.	100,000	Yes	Yes
Brevard Zoo: seagrass nursery	Build capacity through investments in infrastructure, equipment, and personnel for land-based or in-lagoon seagrass nurseries.	181,960	Yes	Yes
City of Port St. Lucie: septic-to-sewer conversion	Expand the city's septic-to-sewer program by supporting the conversion of approximately 34 residential septic systems.	100,000	No	No
Florida Atlantic University: seagrass nursery	Build capacity through investments in infrastructure, equipment, and personnel for land-based or in-lagoon seagrass nurseries.	181,960	No	No
Florida Oceanographic Society: seagrass nursery	Build capacity through investments in infrastructure, equipment, and personnel for land-based or in-lagoon seagrass nurseries.	181,960	No	No
Fort Pierce Utilities Authority: septic-to-sewer conversion	Convert 40 residential septic systems to centralized sewer.	106,500	No	No
Fort Pierce Utilities Authority's Manatee Center: seagrass restoration	Restore approximately one acre of seagrass to Moore's Creek, a tributary of the Indian River Lagoon, and enhance an additional 0.5 acres of adjacent seagrass community.	39,875	No	Yes
Indian River County: septic-to-sewer conversion	Convert residential and nonresidential properties in a 201-parcel area that is 90 percent developed to sewer.	100,000	Yes	Yes
Indian River Lagoon NEP: IRLNEP vessel	Support purchase of a suitable vessel for the Indian River Lagoon NEP to support restoration projects throughout the estuary.	60,000	No	No

Subrecipient and project	Project description	Total IJA funds (\$)*	Did we review progress reports?	Did we visit site?
Marine Discovery Center: oyster restoration	Improve water quality and stabilize the highly eroded shorelines in Mosquito Lagoon. Transition from the use of plastics in restoration materials to more environmentally friendly materials.	55,000	No	No
Marine Discovery Center: seagrass nursery	Build capacity through investments in infrastructure, equipment, and personnel for land-based or in-lagoon seagrass nurseries.	181,960	Yes	No
Martin County: septic-to-sewer conversion	Provide 150 homeowners with an incentive for early connection to the grinder sewer system. Significantly reduce nitrogen and phosphorous loading to the Indian River Lagoon.	100,000	No	No
Sea and Shoreline: seagrass nursery	Build capacity through investments in infrastructure, equipment, and personnel for land-based or in-lagoon seagrass nurseries.	181,960	Yes	Yes
St. Lucie County: stormwater treatment area	Engineer, permit, and design a water quality improvement project along the county's C25 Canal.	100,000	Yes	Yes
University of Central Florida: oyster restoration	Improve water quality and increase resiliency of the Indian River Lagoon to sea level rise and storm surge through habitat restoration of six oyster reefs, which have a 0.25-acre footprint, and 600 feet of eroded shoreline in Mosquito Lagoon using only nonplastic, biodegradable materials.	70,925	No	No
University of Florida: clam population restoration	Continue efforts to restore clam populations by breeding hardy individuals collected from environmentally stressed areas, growing clams to out-plant size, and repatriating nursery-raised clams to selected locations.	45,000	No	No
Total	—	1,819,600	—	—

Source: OIG analysis and summary of the IRL Council annual IJA work plans (EPA OIG table)

* Data as of November 2024.

Detailed Methodology

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the IRL Council’s activities related to cooperative agreement 02D39922. We conducted interviews with Region 4 staff, as well as with IRL Council staff and the IRL Council’s accounting firm. We examined policies and procedures and reviewed cooperative agreement information and financial records. We referenced the cooperative agreement award documents and the Uniform Guidance as our primary criteria.

We judgmentally selected 176 out of 512 subrecipient expenditures to assess their compliance with federal grant requirements. We summarize these expenditures, which totaled \$704,989, or 85 percent of the total subrecipient expenditures of \$832,199, as of November 2024, in Table C-1. We performed sample-based audit testing for these expenditures, including payroll charges, direct costs, and indirect costs. We also reviewed performance reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the cooperative agreement reviewed. This nonstatistical sample design did not allow projection of our results to the universe of expenditures.

Table C-1: Summary of expenditures tested

Subrecipient and project	Total expenditures	Total subrecipient expenditures (\$)	Number of expenditures tested	Amount of expenditures tested (\$)	Percentage of amount tested (%)
Bethune Cookman University: seagrass restoration	17	3,843	7	1,711	45
Brevard Zoo: seagrass nursery	71	102,523	37	67,732	66
City of Port St. Lucie: septic-to-sewer conversion	35	100,000	35	100,000	100
Florida Atlantic University:* seagrass nursery	35	551	0	0	n/a
Florida Oceanographic Society: seagrass nursery	9	18,240	2	16,631	91
Fort Pierce Utilities Authority: septic-to-sewer conversion	1	39,875	1	39,875	100
Indian River County: septic-to-sewer conversion	22	100,000	13	94,496	94
Marine Discovery Center: oyster restoration	107	54,443	46	42,638	78
Marine Discovery Center: seagrass nursery	52	85,207	11	50,623	59

Subrecipient and project	Total expenditures	Total subrecipient expenditures (\$)	Number of expenditures tested	Amount of expenditures tested (\$)	Percentage of amount tested (%)
Martin County: septic-to-sewer conversion	148	100,000	15	85,089	85
University of Florida: clam population restoration	1	45,557	1	45,557	100
Sea and Shoreline: seagrass nursery	49	181,960	8	160,637	88
Total	512	832,199	176	704,989	85

Source: OIG testing of subrecipient expenditures (EPA OIG table)

* Not tested due to minimal amount expended.

We conducted the following audit work:

- Reviewed general ledgers or detailed expense reports related to each subrecipient agreement.
- Conducted interviews to gain a detailed understanding of the IRL Council’s systems, processes, policies, and procedures.
- Obtained and reviewed available operating procedures and previously issued FY 2023 single audit reports.
- Evaluated drawdowns against actual expenditures reported in the IRL Council’s general ledgers for FYs 2022 and 2023.
- Reviewed the supporting documentation provided by the IRL Council and evaluated the allowability, allocability, reasonableness, and support of each direct expense transaction in our sample.
- Tested personnel expenses to determine whether personnel costs were computed correctly, properly authorized based on timesheets, accurately recorded in the accounting system, and properly allocated to the subrecipient agreement.
- Obtained explanations and justifications from the IRL Council until we had sufficient support to assess the allowability, allocability, reasonableness, and support of each transaction.
- Reviewed progress reports, compared the claims of achievement to supporting documentation, and interviewed the IRL Council officials.
- Conducted site visits to six subrecipient projects, which included meeting with the subrecipient project leads at each site. Appendix B shows which sites we visited.

Our work required us to rely on the computer-processed data obtained from the IRL Council. We assessed the IRL Council’s computer-processed data and found the data to be reliable for the purposes of this audit. We did not perform this test on each subrecipient’s data.

Summary of Identified Questioned Costs

Subrecipient and project	Total subrecipient expenditures (\$)*	Unallowable (\$)	Unsupported (\$)	Total questioned (\$)	Percentage questioned (%)
Bethune Cookman University: seagrass restoration	3,843	0	0	0	0
Brevard Zoo: seagrass nursery	102,523	12,732	0	12,732	12
City of Port St. Lucie: septic-to-sewer conversion	100,000	71,043	0	71,043	71
Florida Atlantic University:† seagrass nursery	551	n/a	n/a	n/a	n/a
Florida Oceanographic Society: seagrass nursery	18,240	0	0	0	0
Fort Pierce Utilities Authority: septic-to-sewer conversion	39,875	0	0	0	0
Indian River County: septic-to-sewer conversion	100,000	0	65,783	65,783	66
Marine Discovery Center: oyster restoration	54,443	19,791	0	19,791	36
Marine Discovery Center: seagrass nursery	85,207	7,746	0	7,746	9
Martin County: septic-to-sewer conversion	100,000	70,090	0	70,090	70
University of Florida: clam population restoration	45,557	0	0	0	0
Sea and Shoreline: seagrass nursery	181,960	46,130	0	46,130	25
Total	832,199	227,532	65,783	293,315	35

Source: OIG summary and analysis of subrecipient expenditures. (EPA OIG table)

* Data as of November 2024.

† Not tested due to minimal amount expended.

Agency Response to the Draft Report



REGION 4 ADMINISTRATOR

ATLANTA, GA 30303

March 13, 2026

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Report No. OA-FY25-0027 *Audit of Infrastructure Investment and Jobs Act-Funded Indian River Lagoon National Estuary Program Grant Recipient IRL Council, Dated February 10, 2026.*

FROM: Kevin J. McOmber
Regional Administrator

TO: Katherine Trimble, Assistant Inspector General
Office of Audit

Kevin J.
McOmber

Digitally signed by Kevin J.
McOmber
Date: 2026.03.13 12:11:14
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Thank you for the opportunity to review, comment and respond to the findings and recommendations in the Office of Inspector General’s draft report No. OA-FY25-0027 Audit of Infrastructure Investment and Jobs Act-Funded Indian River Lagoon National Estuary Program Grant Recipient IRL Council, dated February 10, 2026, and relating to a review of expenditures as of November 2024. The following provides the U.S. Environmental Protection Agency Region 4’s response and outlines the corrective actions planned, initiated or completed to address the recommendations identified in the draft report.

The EPA Region 4 acknowledges that the Indian River Lagoon Council (IRL Council) is responsible for administering federal funds in accordance with the Clean Water Act, applicable Code of Federal Regulations, and the terms and conditions of the cooperative agreement. The EPA Region 4 further acknowledges its primary oversight responsibility for the cooperative agreement with the IRL Council and remains committed to supporting the IRL Council to address the questions, issues and recommendations identified in the draft report.

The EPA Region 4 understands that the OIG selected the IRL Council for the audit based on risk factors identified from its single audit of the IRL Council and the total amount of Infrastructure Investment and Jobs Act funds expended. As a result of the single audit conclusions, the IRL Council previously resolved issues and implemented corrective actions that overlap with the issues identified in this report. The EPA Region 4 also notes that because the OIG audit assessed a selection of internal controls, the IRL Council may have additional internal controls that assist it with overseeing the issues raised herein. Letters documenting the resolution of previous audit findings from EPA Region 4 dated February 17, 2025, and July 30, 2025, outline areas where the IRL Council may have already resolved some issues raised in this audit. Nevertheless, EPA Region 4 has identified corrective actions to address each recommendation in the draft report.

CORRECTIVE ACTION(S)

No.	Recommendation	Agreements: High-Level Intended Corrective Action(s)	Estimated Completion Date
#1	<p>Work with the IRL Council to resolve \$293,315 in questioned costs to promote effective oversight and use of funds, including:</p> <p>a. \$88,161 in unallowable preaward costs, to ensure compliance with 2 C.F.R. § 200.458.</p> <p>b. \$139,371 in unallowable costs for budget deviations, to ensure compliance with 2 C.F.R. § 200.308.</p> <p>c. \$65,783 in unsupported costs, to ensure compliance with 2 C.F.R. § 200.403.</p>	<p>a)</p> <ul style="list-style-type: none"> • The EPA Region 4 concurs with this recommendation and is working with the IRL Council to fully resolve the \$88,161 in unallowable pre-award costs as set forth below. • On February 17, 2025, the EPA Region 4 provided a letter to the IRL Council in response to the corrective actions in their 2023 single audit. The EPA Region 4 determined that the IRL Council’s corrective actions addressed the findings and were resolved. The IRL Council will not execute subrecipient agreements funded by federal sources until a respective federal award is in place and the required Uniform Guidance Language is included. • On March 11, 2025, the IRL Council requested a formal budget allocation amendment to address \$84,240 of the unallowable costs and proposed a budgetary action to resolve the issue, which EPA approved on April 22, 2025. • Currently, the IRL Council is working to resolve the remaining \$3,921 and will submit a formal budget amendment to EPA Region 4 for approval. <p>b)</p> <ul style="list-style-type: none"> • The EPA Region 4 concurs with this recommendation and is working with the IRL Council 	9/30/2026

		<p>to resolve the \$139,371 in unallowable costs for budget deviations as set forth below.</p> <ul style="list-style-type: none"> • On July 30, 2025, the EPA Region 4 provided a letter to the IRL Council in response to the corrective actions in their 2024 single audit. The EPA Region 4 determined that the IRL Council’s corrective actions addressed the findings and were resolved. The EPA Region 4 concluded that the controls put in place by the IRL Council would be more effective at subrecipient monitoring. The IRL Council requires subrecipients to effectively track the budgetary expenses by federal object class and requests formal written budget amendments for any budget deviation over 10%. • Currently, the IRL Council is proposing contract amendments that may allow financial adjustments for correcting the budget deviations (2 C.F.R 200.345). The EPA Region 4 is in the process of reviewing this proposal and will review the contract amendments as appropriate. <p>c)</p> <ul style="list-style-type: none"> • The EPA Region 4 concurs with this recommendation and is working with the IRL Council and a potential partnership with EPA’s Payment Integrity Team to verify supporting documentation is in compliance with 2 C.F.R. § 200.403. 	
#2	<p>Verify that the IRL Council develops and implements processes and procedures that will ensure that its subrecipient expenditures are allowable, allocable, reasonable, and adequately supported. Doing so will promote effective oversight of cooperative agreement requirements.</p>	<p>a) – c)</p> <ul style="list-style-type: none"> • The EPA Region 4 concurs with this recommendation and has verified that the IRL Council has established controls and implemented corrective actions to facilitate subrecipient compliance. These measures include processes and procedures to verify that subrecipient expenditures are allowable, allocable, reasonable, and adequately supported. • On November 15, 2024, the IRL Council amended its Operating Procedures Manual to effectively oversee subrecipient monitoring and federal compliance. The IRL Council Operating Procedures Manual can be found here. • On February 17, 2025, and July 30, 2025, the EPA Region 4 provided letters to the IRL Council in response to the corrective actions in their 2023 and 2024 single audits, respectively. The EPA Region 4 	Completed

	<p>These processes and procedures should, at a minimum: a. Ensure that preaward costs are not reimbursed without prior written approval from the EPA, as required by 2 C.F.R. § 200.407(u). b. Prevent or detect expenditures made outside the approved budget categories in subrecipient agreements, as required by 2 C.F.R. § 200.308. c. Verify support for all invoiced subrecipient expenditures prior to reimbursing subrecipients, as required by 2 C.F.R. § 200.403.</p>	<p>determined that the IRL Council’s corrective actions addressed the findings and were resolved. The corrective actions included the review of all projects and activities currently allocated and funded by federal sources to ensure the Uniform Guidance Language is placed with their respective agreements; for any agreement still in force, language was amended immediately; for any agreement completed, the subrecipient was notified of the source of funds including the federal award identifier and the amount of funding pertaining to that agreement to allow for subrecipient audit compliance; all future subrecipient agreements funded by federal sources will not be executed until the respective federal award is in place and the Uniform Guidance Language is included; all future and amended federally funded agreements will include language requesting audit reports and any finding with respect to the expenditure of federal funds; the IRL Council issued a written decision for audit findings pertaining to the Federal award provided to the subrecipient. The IRL Council assists subawardees in their tracking of federal awards and reviews and comments upon the financial statements of sub-awardees to verify compliance.</p>	
#3	<p>Verify that the IRL Council amends its policies and procedures to include all subrecipient monitoring activities required by 2 C.F.R. § 200.332, including ensuring that subrecipients</p>	<ul style="list-style-type: none"> • The EPA Region 4 concurs with this recommendation and has verified that the IRL Council amended its policies and procedures to include all subrecipient monitoring activities required by 2 C.F.R. § 200.332. • On November 15, 2024, the IRL Council amended its Operating Procedures Manual to effectively oversee subrecipient monitoring and federal compliance. The IRL Council Operating Procedures Manual can be found here. • On February 17, and July 30, 2025, the EPA Region 4 provided a letter to the IRL Council responding to 	Completed

	develop policies and procedures to properly administer and adhere to the terms and conditions of their subrecipient agreements. Doing so will ensure effective subrecipient monitoring.	the corrective actions in their 2023 and 2024 single audit, respectively. The EPA Region 4 determined that the IRL Council's corrective actions addressed the findings and were resolved.	
#4	Verify that the IRL Council develops policies and procedures to evaluate subrecipients' financial management systems prior to awarding funds to ensure systems meet the requirements of 2 C.F.R. § 200.302(b). Doing so will ensure effective subrecipient monitoring.	<ul style="list-style-type: none"> The EPA Region 4 concurs with this recommendation and is working with the IRL Council to develop a procedure to evaluate subrecipients' financial management systems prior to awarding funds to ensure systems meet the requirements of 2 C.F.R. § 200.302(b). The IRL Council is developing an affidavit in the RFP for the applicants to verify their knowledge, experience and capacity to meet the requirements of 2 C.F.R. § 200.302(b) as well as requesting a written policy attesting to that capacity. 	9/30/2026
#5	Verify that the IRL Council develops policies and procedures to ensure accurate and timely submission of federal financial reports annually, as required by the terms and conditions of its	The EPA Region 4 concurs with this recommendation and has worked with EPA OWOW to verify that the designated NEPs develop policies and procedures to submit accurate and timely federal financial reports annually, as required by the terms and conditions of its federal awards. EPA Region 4 has verified in a letter dated July 30, 2025, that the IRL Council has appropriate procedures in place to submit timely FFRs. As such the IRL Council has submitted timely FFRs since the time of this audit. EPA Region 4 would like to mention that the FFRs are submitted to the EPA Research Triangle Park Finance Center (RTPFC).	Completed

	<p>federal awards and by 2 C.F.R. § 200.328. Doing so will ensure effective monitoring of financial progress of federal awards.</p>	<p>RTPFC is responsible for receiving the FFRs. The EPA Region 4 performs several other reviews to verify that grants are adequately monitored including but not limited to: reviewing funding through progress reports, grant baseline monitoring, advanced monitoring and unliquidated obligation reviews, and reviewing funding in COMPASS to determine if the recipient is making drawdowns in accordance with the workplan.</p>	
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If you or your staff have any questions regarding this response, please contact the Region 4 Audit Follow-Up Coordinator, Lasha Geter, at geter.lasha@epa.gov.

Grant Recipient Response to the Draft Report



ONE LAGOON INDIAN RIVER LAGOON NATIONAL ESTUARY PROGRAM

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1235 Main Street, Sebastian, FL 32958

DATE: March 12, 2026

TO: U.S. EPA Office of Inspector General

FROM: IRL Council

RE: Response to Draft Audit of Infrastructure Investment and Jobs Act-Funded Indian River Lagoon National Estuary Program Grant Recipient IRL Council Report, Project No. OA-FY25-0027

The IRL Council has reviewed the draft report and provides the following responses to each finding and recommendation.

Recommendation 1. That the regional administrator for Region 4 work with the IRL Council to resolve \$293,315 in questioned costs to promote effective oversight and use of funds, including:

- a. \$88,161 in unallowable pre-award costs, to ensure compliance with 2 C.F.R. §200.458.
- b. \$139,371 in unallowable costs for budget deviations, to ensure compliance with 2 C.F.R. § 200.308.
- c. \$65,783 in unsupported costs, to ensure compliance with 2 C.F.R. § 200.403.

The IRL Council has the following responses to Recommendation 1.

- a. The IRL Council concurs with the findings of 1a.

Corrective actions and important dates include:

- On March 11, 2025, the IRL Council requested a formal budget allocation amendment to address \$84,240 of the unallowable costs and proposed a budgetary action to resolve the issue, which EPA approved on April 22, 2025.

- Currently, the IRL Council is working to resolve the remaining \$3,921 and will submit a formal budget amendment to EPA Region 4 for approval.
- On February 17, 2025, the EPA Region 4 provided a letter to the IRL Council in response to the corrective actions in the FY 2023 single audit. The EPA Region 4 determined that the IRL Council's corrective action(s) listed below addressed the findings and were resolved.
- The IRL Council will not execute subrecipient agreements funded by federal sources until a respective federal award is in place and the required Uniform Guidance Language is included in the subrecipient agreement.

Completion Date: by 9/30/2026

b. The IRL Council concurs with the findings of 1b.

Corrective Actions and important dates include:

- The IRL Council will make subrecipient contract amendments to correct the budget deviations under 2 C.F.R 200.345. Each amendment would have a cover letter or memo that explains the OIG findings, why these amendments are being executed, confirm that the total award and scope of work remain unchanged, and include documentation supporting the costs. The amendments would reallocate costs to their proper budget categories.
- On July 30, 2025, EPA Region 4 provided a letter to the IRL Council in response to the corrective actions in the FY 2024 single audit. The EPA Region 4 determined that the IRL Council's corrective actions addressed the findings and were resolved. The EPA Region 4 concluded that the controls put in place by the IRL Council would be more effective at subrecipient monitoring. The IRL Council now requires subrecipients to effectively track the budgetary expenses by federal object class and requests formal written budget amendments for any budget deviation over 10%.

Completion Date: by 9/30/2026

c. The IRL Council does not concur with the findings of 1c. That being said the IRL Council recommends taking the following action:

- Work with the subrecipient, EPA region 4, and EPA's Payment Integrity Team to verify supporting documentation is in compliance with 2 C.F.R. § 200.403.

Completion Date: by 9/30/2026

Recommendation 2. That the regional administrator for Region 4 verify that the IRL Council develops and implements processes and procedures that will ensure that its subrecipient expenditures are

allowable, allocable, reasonable, and adequately supported. Doing so will promote effective oversight of cooperative agreement requirements. These processes and procedures should, at a minimum:

- a. Ensure that pre-award costs are not reimbursed without prior written approval from the EPA, as required by 2 C.F.R. § 200.407(u).
- b. Prevent or detect expenditures made outside the approved budget categories in subrecipient agreements, as required by 2 C.F.R. § 200.308.
- c. Verify support for all invoiced subrecipient expenditures prior to reimbursing subrecipients, as required by 2 C.F.R. § 200.403.

The IRL Council concurs with recommendation 2 and it has already been addressed in the FY2023 and FY2024 Single Audit Corrective Actions.

The IRL Council Corrective Actions and important dates include:

- In November 2024 the IRL Council instituted an internal control where the IRL Council will not execute subrecipient agreements funded by federal sources until a respective federal award is in place and the required Uniform Guidance Language is included in the subrecipient agreement.
- On November 15, 2024, the IRL Council amended its Operating Procedures Manual to effectively oversee subrecipient monitoring and federal compliance.
- The IRL Council instituted in July of 2025 an internal control requiring subrecipients to effectively track the budgetary expenses by federal object class and provide that information on a quarterly and invoice basis and requests formal written budget amendments for any budget deviation over 10%.
- The IRL Council already verifies support for all invoiced expenditures. OIG is disputing this control with one instance where OIG was unable to replicate the calculation. As noted in Recommendation 1, the IRL Council believes the support is adequate, but is committed to making sure that support is in compliance with 2 C.F.R. § 200.403 as reviewed by EPA's Payment Integrity Team.
- On February 17, 2025, and July 30, 2025, the EPA Region 4 provided letters to the IRL Council in response to the corrective actions in their 2023 and 2024 single audits, respectively. The EPA Region 4 determined that the IRL Council's corrective actions addressed the findings and were resolved. The corrective actions included the review of all projects and activities currently allocated and funded by federal sources to ensure the Uniform Guidance Language is placed with their respective agreements; for any agreement still in force, language was amended immediately; for any agreement completed, the subrecipient was notified of the source of funds including the federal award identifier and the amount of funding pertaining to that agreement to allow for

subrecipient audit compliance; all future subrecipient agreements funded by federal sources will not be executed until the respective federal award is in place and the Uniform Guidance Language is included; all future and amended federally funded agreements will include language requesting audit reports and any finding with respect to the expenditure of federal funds; the IRL Council issued a written decision for audit findings pertaining to the Federal award provided to the subrecipient. The IRL Council assists subawardees in their tracking of federal awards and reviews and comments upon the financial statements of sub-awardees to verify compliance.

Completion Date: Already Completed

Recommendation 3. That the regional administrator for Region 4 verify that the IRL Council amends its policies and procedures to include all subrecipient monitoring activities required by 2 C.F.R. § 200.332, including ensuring that subrecipients develop policies and procedures to properly administer and adhere to the terms and conditions of their subrecipient agreements. Doing so will ensure effective subrecipient monitoring.

The IRL Council concurs with recommendation 3 and it has already been addressed in the FY2023 and FY2024 Single Audit Corrective Actions.

The IRL Council Corrective Actions and important dates include:

- On November 15, 2024, the IRL Council amended its Operating Procedures Manual to effectively oversee subrecipient monitoring and federal compliance.
- The IRL Council instituted in July of 2025 an internal control requiring subrecipients to effectively track the budgetary expenses by federal object class and provide that information on a quarterly and invoice basis and requests formal written budget amendments for any budget deviation over 10%.
- The IRL Council put controls in place to be more effective at subrecipient monitoring following the FY 2023 finding which included the following actions: The IRL Council reviewed all projects and activities currently allocated and funded by federal sources to ensure the Uniform Guidance was in place within their respective agreements, and they were amended as needed. All new subrecipient agreements funded by federal sources were not executed until the respective federal award was in place and the Uniform Guidance language was included. The IRL Council did request audit reports from subrecipients and made statements on them; however, for the ones who had not completed their FY 2024 audit, a prior year audit report was not immediately requested, and statements for those subrecipients had not yet been made. The IRL Council will implement a control to request prior year Financial Statements/audit reports from subrecipients who have not yet completed their report for the year being requested during the Council's monitoring.

- On February 17, and July 30, 2025, the EPA Region 4 provided a letter to the IRL Council responding to the corrective actions in their 2023 and 2024 single audit, respectively. The EPA Region 4 determined that the IRL Council's corrective actions addressed the findings and were resolved.

Completion Date: Already Completed

Recommendation 4. That the regional administrator for Region 4 verify that the IRL Council develops policies and procedures to evaluate subrecipients' financial management systems prior to awarding funds to ensure systems meet the requirements of 2 C.F.R. § 200.302(b). Doing so will ensure effective subrecipient monitoring.

The IRL Council concurs with recommendation 4.

The IRL Council proposes the following Corrective Action(s):

- The IRL Council will develop an affidavit to be included in any federally funded RFP for the applicants to verify their knowledge, experience and capacity to meet the requirements of 2 C.F.R. § 200.302(b) as well as requesting a written policy attesting to that capacity.

Completion Date: by 9/30/2026

Recommendation 5. That the regional administrator for Region 4 verify that the IRL Council develops policies and procedures to ensure accurate and timely submission of federal financial reports annually, as required by the terms and conditions of its federal awards and by 2 C.F.R. § 200.328. Doing so will ensure effective monitoring of financial progress of federal awards.

The IRL Council concurs with recommendation 5 and it has already been addressed in the FY2024 Single Audit Corrective Action.

The IRL Council Corrective Actions and important dates include:

- On March 10, 2025 the IRL Council submitted all past due Federal Financial Reports to EPA.
- The IRL Council instituted controls to make sure submission of all Federal Financial Reports are timely.
- EPA Region 4 has verified in a letter dated July 30, 2025, that the IRL Council has appropriate procedures in place to submit timely FFRs.
- The IRL Council has submitted timely FFRs since the time of this audit.

Completion Date: Already Completed

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