



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548
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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

DECEMBER 16, 1981

B-205719

The Honorable John Glenn
United States Senate



117128

Dear Senator Glenn:

Subject: Use of Federal Grant Funds for a Sewage Treatment Project in Portage County, Ohio (CED-82-19)

Your inquiry of September 15, 1981, requested that we review information from Ms. Dorothy Greenberger, who was concerned about the use of Federal grant funds for a sewage treatment project in Portage County, Ohio. The results of our inquiries and the audits that the Environmental Protection Agency (EPA), the Federal Bureau of Investigation (FBI), and the State have performed and our discussions with Ms. Greenberger clearly show that the Federal funds provided to Portage County were used for the purposes of the EPA grant.

OBJECTIVE, SCOPE, AND METHODOLOGY

We performed this review to determine whether grant funds EPA provided to Portage County were used for the purposes set forth in the grant agreement. In conducting our work, we obtained and reviewed an EPA audit report on the grant to Portage County. We also obtained background information on the project from EPA's Regional Inspector General's Office in Chicago and discussed the project grant and the project audit with representatives of the inspector general. We were unable to review the audit workpapers developed by the inspector general because they had been destroyed in accordance with Federal records disposal regulations.

We discussed the case with an agent from the FBI's Akron office, which performed an inquiry in 1978. We obtained and reviewed an audit report of the auditor of the State of Ohio, and discussed its contents with the State examiners involved in the audit. We also talked with Ms. Greenberger. Our work was conducted at EPA headquarters in Washington, D.C.

FACTS OBTAINED

The purpose of the grant to Portage County (Franklin Township Sanitary Sewer District No. 2), Ravenna, Ohio, was to help finance construction of a new interceptor sewer system, including pump stations and force mains, and a new 0.6 million gallons per day secondary wastewater treatment plant. The grant period was from November 23, 1970, through April 25, 1974.

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In 1975, the EPA Region V Office of Audit (now Office of Inspector General) audited the project to determine the allowability and reasonableness of reported project costs. The November 10, 1975, audit report concluded that the total costs claimed of \$886,016 were allowable and reasonable, and that \$455,380 was reimbursable under the grant agreement terms.

The regional inspector general told us that under the payment procedure in effect at the time of the Portage County grant, EPA sent the grant funds to the Ohio Water Development Authority (OWDA), not the grantee. The grantee forwarded project construction bills to OWDA, which then paid the bills. The OWDA payment system was approved by EPA's Office of General Counsel. (This system is no longer used, and grantees now receive funds directly.) The regional inspector general told us that the auditor visited Portage County to review the vouchers the county submitted to OWDA and determined that the vouchers were for payment of costs allowable for the grant's purposes, and that OWDA in fact paid the vouchers submitted by the county.

The FBI agent told us that Ms. Greenberger alleged in 1978 that a local government official had funneled the Federal and the OWDA loan funds to other county activities and used some of the funds for personal use. He said the FBI's Akron office reviewed the county's accounting records in 1978, interviewed county officials, and concluded that no Federal funds had been misappropriated for personal use. The agent told us that the county, however, did not have adequate fund accounting procedures. He said the FBI inquiry was not extended to county operations because it has no authority to review how the county carried out its own financial activities. The agent said he had had numerous conversations with Ms. Greenberger and suggested that she pursue the issues in civil court, which she subsequently did. The Portage County Court of Common Pleas did not rule in favor of Ms. Greenberger, and the District Court of Appeals affirmed the lower court's ruling in July 1979.

The Ohio State auditor told us that two audits have been performed of Portage County accounting records during the past 3 years. The first audit covered the period October 1, 1977, to April 30, 1980, and the report was released on February 12, 1981. The second audit (performed because of Ms. Greenberger's concerns) covered the period January 1, 1970, to June 30, 1979. This report was released on May 22, 1981.

The audits considered whether the county had proper fund accountability and adequate supporting documentation for all its funds. On a test basis the auditors traced expenditures and revenues through the county's accounting records, tested vouchers relating to this project for such items as engineering,

legal, and administrative expenses, and determined whether the construction contracts were advertised properly. The auditors also reviewed transactions in the OWDA accounting records in Columbus. Neither audit report raised any questions that the Federal grant funds were not used for the purposes intended under the grant conditions.

Ms. Greenberger told us that the county's vouchers for constructing the sewer project had been paid by OWDA. But she contended that the county received the Federal funds directly from OWDA, paid the construction contracts from these funds, and then sent the vouchers to OWDA, which paid them again. She said that this process resulted in the county being paid twice and that in effect the county never used the Federal funds. She said that the county should return the funds to EPA. She also contended that the Federal funds should have been used to reduce property taxes, but the county used the Federal funds to reduce sewer charges.

The State auditor told us that their review showed that OWDA did not pay the county twice, but paid only the vouchers the county submitted. He also said that whether the county used the Federal funds for reducing the tax assessment or the sewer charges was the county's decision.

As our audit responsibility and authority under the Clean Water Act is limited to whether the Federal funds were used for grant purposes and does not extend to the county's operations, we have no basis to review the merits of the county's decision on how the Federal funds were applied beyond this. Further, we have no reason to believe that further work by us would alter our conclusion that the funds were used according to the grant agreement.

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At your request, we did not obtain written agency comments on the matters discussed in this report. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of the report until 10 days from the date of its issuance. At that time we will make copies available to others upon request.

B-205719

As you requested, we are returning the correspondence enclosed with your inquiry.

Sincerely yours,

A handwritten signature in cursive script that reads "Henry Eschwege".

Henry Eschwege
Director

Enclosures