



OIG
Office of Inspector General
Catalyst for Environmental Improvement

2012 Suspension and Debarment Workshop

1



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Forensic Audit Product Line

- Created May 2008
- Consolidate Work Done by EPA-OIG
- Primary Function
 - Proactive versus Reactive
 - Identify Vulnerable Grants and Contracts
 - Fraud Waste and Abuse
 - Referrals to OI
 - 60 Referrals to OI

2



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Forensic Audit Product Line

- Function Has Evolved
- Financial Audits of Grants and Contracts
- Non-compliance
- Internal Control Weaknesses
- Costs Questioned
- Recipient Met Objectives of Funding

3



OIG
Office of Inspector General
Catalyst for Environmental Improvement

What Is Our Process

- Quarterly Meetings
- Get to Know the S&D Personnel
- Work with Legal Counsel
- Work with Investigators

4



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Fact-Based Case of Ron Johnny and Warner Barlese

5



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Who are Ron Johnny and Waner Barlese

- **Summit Lake Paiute Tribe**
- **Environmental Coordinator**
- **Tribal Chairman**
- **Recipient of Many EPA Grants**
- **Tribe has contracts with BIA**

6



OIG
Office of Inspector General
Catalyst for Environmental Improvement

How Did We Get Into This?

- Request from Region 9 in January 2011
- Lack of performance on grants
- Financial and internal control issues identified in single audit reports.

7



OIG
Office of Inspector General
Catalyst for Environmental Improvement

How Did We Get Into This?

Single Audit Findings

- ✓lack of segregation of duties
- ✓deferred revenue
- ✓inaccurate Financial Status Reports
- ✓lack of adequate policies and procedures.

8



OIG
Office of Inspector General
Catalyst for Environmental Improvement

How Did We Get Into This?

Hotline complaint alleging:

- Ron Johnny was collecting two full time salaries – one from EPA, one from BIA
- EPA grant funds were not going to the intended tribal projects.

9



OIG
Office of Inspector General
Catalyst for Environmental Improvement

What Did We Do!

Agreed Upon Procedures engagement to address Region 9's specific concerns.

- Evaluate the grantee's timekeeping process for the period of September 1, 2005 through April 30, 2011.
- Determine what corrective actions the grantee has taken to address its single audit findings.

10



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Timekeeping Issues

On 4/27/10 and 4/28/10 the EC claimed 4 hours of sick leave from 5am to 9am before he attended BIA training from 9am to 5pm

11



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Timekeeping Issues

On 1/11/11 and 1/12/11 the EC claimed to have worked 4 hours on GAP while he was in Washington DC, attending DOJ training.

12



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Timekeeping Issues

On 01/24/11 the EC claimed to have worked 15 hours on Ruby pipeline and then claimed 8 hours of GAP funded annual leave - which results in him claiming 23 hours in one day. His use of annual leave was also not approved ahead of time as required.

13



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Timekeeping Issues

On 01/25/11, the EC claimed to have worked 8 hours on GAP and 3 hours on Ruby pipeline but during our site visit the auditors observed that his calendar said that he was "off" on 1/25/11

14



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Timekeeping Issues

On 3/19/11, the EC claimed to have worked 5 hours on GAP and also claimed to have earned 18 hours (4am to 10:00pm) in GAP comp time - which results in him claiming 23 hours in one day.

15



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Timekeeping Issues

On 4/6/11, the auditors were at the Tribe's office and the EC came into the office at 8am and then left at 11am saying he was taking the rest of the day off as sick leave.

The auditors noted his arrival and departure time.

The EC subsequently claimed that he worked 8 hours on GAP that day.

16



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Overall Findings

Labor

- Labor costs claimed under the EPA grants were generally supported, except for hours claimed by Ron Johnny under the GAP grant.
- Ron Johnny did not follow Title 2 CFR Part 225, Appendix B timekeeping requirements.
- Insufficient segregation of duties regarding the use of the Chairman's signature stamp for approving the department directors' timesheets.

17



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Overall Findings

Labor

- The Tribe does not have an established procedure for allocating leave costs.
- As a result of the timekeeping issues we questioned \$96,615 in labor costs claimed under the GAP grants and referred the Ron Johnny case to the Office of Grants and Debarment.
- Audit Report Issued on November 10, 2011

18



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Suspension & Debarment Process

- Based on audit report and supporting workpapers, OGD Debarment Counsel decided there was enough evidence to pursue suspension action .
- Auditors worked with Debarment Counsel to prepare Action Referral Memorandum (ARM).
 - Provided Information
 - Obtained interviewees permission to use interview in ARM

19



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Suspension & Debarment Process

- Notice of Suspension and Proposed Debarment for Ron Johnny was issued on May 31, 2012, which was effective immediately.
- September 7, 2012, the Suspension and Debarment Official held a meeting called a "Presentation of Matters in Opposition" (PMIO) with Ron Johnny, Debarment Counsel and the OIG staff (investigators and auditors).

20



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Suspension & Debarment Process

- The meeting was Ron Johnny's opportunity to provide additional information and dispute the facts in the ARM.
- After the PMIO, Ron Johnny had two weeks to provide any supplemental information to the record. According to the Debarment counsel he did not provide any additional information.

21



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Suspension & Debarment Process

- The Debarment Counsel now has two weeks to respond to Ron Johnny and provide additional information to the record.
- The Suspension and Debarment Official will ensure that no one has anything else to add and will then officially close the record.
- After the record is closed, the Suspension and Debarment official has 60 days to issue a decision.

22



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Suspension & Debarment Process

- Notice of Suspension and Proposed Debarment for Warner Barlese was issued on Notice of Suspension and Proposed Debarment based on information contained in an Action Referral Memorandum dated May 4, 2012.
- Mr. Barlese has not contested his suspension or his proposed debarment
- Memorandum of Debarment Decision was issued on October 24, 2012

23



OIG
Office of Inspector General
Catalyst for Environmental Improvement

Forensic Audit Product Line

Robert Adachi, Director of Forensic Audits

415-947-4537

adachi.robert@epamail.epa.gov

24



OIG
Office of Inspector General
Catalyst for Environmental Improvement



25
