

**Memorandum**

JUN 8 1995

Date June Gibbs Brown
From Inspector General *June G Brown*
Subject Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 1993 (A-04-94-04545)
To Philip R. Lee, M.D.
Assistant Secretary for Health

The attached final report provides you with the results of our audit of the National Institute of Environmental Health Science (NIEHS) Superfund Financial Activities for Fiscal Year (FY) 1993. The audit showed that NIEHS generally administered the fund according to the Superfund legislation but that there are areas in need of improvement. The report contains a discussion of these areas and recommendations to the Public Health Service (PHS) for improvement.

In its written response, PHS concurred with our recommendations and provided a plan of corrective action.

Our audit was conducted pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended. This Act requires the Inspector General of each Federal organization with Superfund responsibilities, to conduct audits of all payments, obligations, reimbursements, or other uses of the Superfund. Through interagency agreements with the Environmental Protection Agency, NIEHS obligated \$52 million and disbursed \$55 million in Superfund resources during FY 1993.

We would appreciate being advised within 60 days on the status of corrective actions. Should you wish to discuss the issues raised by our review, please call me or have your staff contact Joseph E. Vengrin, Acting Assistant Inspector General for Public Health Service Audits, at (202) 619-1157. Please refer to the Common Identification Number A-04-94-04545 in all correspondence relating to this report.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**SUPERFUND FINANCIAL ACTIVITIES AT
THE NATIONAL INSTITUTE OF
ENVIRONMENTAL HEALTH SCIENCES
FOR FISCAL YEAR 1993**



**JUNE GIBBS BROWN
Inspector General**

**JUNE 1995
A-04-94-04545**

EXECUTIVE SUMMARY

This final report provides the results of our audit of the National Institute of Environmental Health Sciences (NIEHS) Superfund financial activities for Fiscal Year (FY) 1993. We conducted the audit to comply with provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (Act), as amended. The Act requires the Inspector General of a Federal organization with Superfund responsibilities to annually audit all uses of the Superfund.

The NIEHS receives funds through an interagency agreement (IAG) with the Environmental Protection Agency (EPA) to carry out health related and other functions mandated by Superfund legislation. During the period October 1, 1992 through September 30, 1993, NIEHS' obligations of Superfund resources totaled about \$52 million and disbursements totaled about \$55 million.

Our audit showed that NIEHS generally administered the fund according to Superfund legislation. However, NIEHS did not submit the minority contractors utilization report required by the IAG with EPA in a timely manner. Further, our review this year, as well as in the 2 previous years, disclosed that the National Institutes of Health (NIH), which provides administrative support to NIEHS, and NIEHS are not ensuring that grantees comply with the requirement to have audits conducted in accordance with 45 Code of Federal Regulations (CFR) 74.62. In this regard, procedures were not in place to ensure that required independent audits were being performed for all Superfund grantees. As a result, NIH and NIEHS were not aware whether audit requirements were being met. Further, they were not aware whether some grantees who did not submit the required audit reports should have been sanctioned.

We are recommending that the Public Health Service (PHS):

- direct NIH and NIEHS to implement procedures to ensure timely submission of the minority contractors utilization report;
- follow up with the Office of the Secretary (OS) to ensure that the minority contractors utilization report is submitted to EPA in a timely manner;
- direct NIH to establish procedures to ensure that all Superfund grantees submit audit reports;
- direct NIH to sanction grantees who are unwilling to have a proper audit conducted; and

- direct NIH to take immediate action to have all required audits performed.

In its written response to our report, PHS concurred with our recommendations and provided a plan of corrective action.

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ABBREVIATIONS USED

Act	Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended
CFR	Code of Federal Regulations
CIN	Common Identification Number
Comp. Gen.	Comptroller General Decisions
EPA	Environmental Protection Agency
FY	Fiscal Year
GMO	Grants Management Officer
HHS	Department of Health and Human Services
IAG	Interagency Agreement
NEARC	National External Audit Review Center
NIEHS	National Institute of Environmental Health Sciences
NIH	National Institutes of Health
OAS	Office of Audit Services
OIG	Office of Inspector General
OMB	Office of Management and Budget
OS	Office of the Secretary, HHS
PHS	Public Health Service
SARA	Superfund Amendments and Reauthorization Act of 1986

BACKGROUND

The NIEHS, located at Research Triangle Park, North Carolina, is a component of NIH. The NIH provides NIEHS with direction, billing services, and other administrative and professional services. The NIH is an agency of PHS within the Department of Health and Human Services (HHS).

The Act mandated the establishment of the Hazardous Substance Response Fund, which is commonly known as Superfund. The Act was extended and amended by the Superfund Amendments and Reauthorization Act of 1986 (SARA). The Superfund is a trust fund managed by EPA. The fund is used to respond to emergency environmental conditions that are hazardous to health and to pay for the removal of toxic substances.

The NIEHS receives funding from EPA to carry out functions mandated by the Act. In carrying out its Superfund responsibilities, NIEHS uses about 4 percent of these funds for administrative costs and awards the remaining 96 percent to other organizations. These organizations:

- train persons who are engaged in hazardous waste removal, containment, transportation or emergency response activities; and
- study the effects of exposure to specific chemicals.

Funds are obligated by NIEHS when it agrees to fund activities related to the Act. Funds are disbursed by NIEHS after the activities have been completed. During the period October 1, 1992 through September 30, 1993, the NIEHS obligated about \$52 million and disbursed about \$55 million in Superfund resources. Of the \$55 million of disbursements, \$3 million was related to FY 1993 funds. The remaining \$52 million was related to prior periods.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our audit were to determine:

- the allowability, allocability, and reasonableness of costs claimed under NIEHS' agreement with EPA;
- whether NIEHS charged overhead in compliance with section 601 of the Economy Act of 1932 and Comptroller General Decisions (Comp. Gen.) 56 Comp. Gen. 275 (1977) and 57 Comp. Gen. 674 (1978);
- whether NIEHS was able to accurately record costs on a site-specific basis;

- whether NIEHS submitted the minority contractors utilization report timely and whether the report was supported by relevant documentation; and
- whether NIEHS has taken corrective actions to implement recommendations cited in the prior report covering FY 1992 (Common Identification Number (CIN) A-04-93-04506 issued on August 2, 1994).

The audit was conducted to comply with section 111(k) of the Act, as amended by SARA. We performed the audit in accordance with IAG DW75936324-01-0 between EPA's Office of Inspector General (OIG) and HHS' OIG.

The NIH provided a financial transactions listing of Superfund obligations and disbursements recorded during the period October 1, 1992 through September 30, 1993. This listing included grant obligations of \$49,754,041 and nongrant obligations of \$2,220,934. The \$49,754,041 of grant obligations consisted of \$49,798,921 for FY 1993 funds and a deobligation of \$44,880 for prior year funds. In addition, the listing included grant disbursements of \$53,656,965 and nongrant disbursements of \$1,031,315.

The NIEHS entered agreements with universities, unions, and other nonprofit organizations to carry out its responsibilities under the Act. We verified the \$49,798,921 in obligation transactions to the grant award documents for the 36 research and training grants. The scope of our audit did not include auditing disbursements by the grantees. These grants are subject to independent audits under Office of Management and Budget (OMB) Circulars A-133 or A-128.

We reviewed a stratified random sample of 100 nongrant transactions. This sample consisted of 30 personnel and 70 "other" disbursement transactions. The 30 personnel disbursement transactions that we reviewed totaled \$12,632 from the universe of 755 personnel transactions totaling \$418,316. The 70 "other" disbursement transactions that we reviewed totaled \$86,670 from the universe of 792 "other" transactions totaling \$612,999.

We also reviewed a judgmental sample of 20 unliquidated nongrant obligations. These 20 transactions totaled \$28,470 from a universe of \$1,626,873 in unliquidated obligations. The associated disbursements for these transactions will be subject to review in future Superfund audits.

We determined whether the 27 FY 1990 grantees had submitted audit reports in accordance with 45 CFR 74.62. This review was limited to FY 1990 grantees because audits would not be due on these grants until FY 1993. To do this, we contacted the HHS, OIG, Office of Audit Services (OAS) National External Audit Review Center (NEARC) and the Audit Resolution Section of NIH.

We interviewed NIEHS officials to determine if they had a system for recording costs for specific sites.

We performed general tests of compliance with laws and regulations, such as those covering cost principles. In addition, we tested NIEHS' compliance with provisions of the following laws:

- section 601 of the Economy Act of 1932 and amendments thereto (IAGs);
- 56 Comp. Gen. 275 (1977) and 57 Comp. Gen. 674 (1978), (inclusion of overhead in IAGs);
- Title II, section 311 of the Act, (Functional Requirements of NIEHS); and
- Title I, section 105(f) of the Act, (minority contractors utilization).

As part of our audit, we evaluated NIEHS' system of internal controls to the extent necessary to accomplish the objectives of the audit. However, our audit did not include a comprehensive evaluation that would be necessary to express an opinion on the system of internal controls taken as a whole. For the purposes of this audit, we classified significant internal controls into seven categories:

- Funding Authority
- Financial Reporting
- Payroll and Timekeeping
- Travel
- Other Contractual Services
- Grants, Subsidies, and Contributions
- Equipment

We reviewed HHS/OIG/OAS' prior report (CIN A-04-93-04506) issued August 2, 1994. We also reviewed the corrective action taken by NIH and NIEHS in response to that report to determine if the recommendations made had been implemented.

We conducted our audit in accordance with generally accepted government auditing standards applicable to financial-related audits. Our review was performed at NIEHS in Research Triangle Park, North Carolina, and NIH in Bethesda, Maryland, during the period June through August 1994. We performed additional work in the Atlanta Regional Office during August and September 1994.

The PHS provided a written response to our report dated April 19, 1995. The PHS' comments are summarized after each finding. The entire text of the comments is included as an Appendix to the report.

RESULTS OF AUDIT

Our audit showed that NIEHS:

- generally incurred Superfund obligations and made disbursements for allowable, allocable, and reasonable costs;
- was in compliance with the Economy Act with regard to charging overhead;
- did not have a need to record costs on a site-specific basis;
- submitted a minority contractors utilization report that was supported by relevant data; however, the report was not submitted in a timely manner;
- had not implemented procedures to ensure that grantees comply with audit requirements and did not sanction grantees who were unwilling to have a proper audit conducted.

In addition to reporting the results of our audit by objective, we have included compliance and internal control sections as required by generally accepted government auditing standards.

ALLOWABILITY OF COSTS

The Superfund transactions included in our review for the period October 1, 1992 through September 30, 1993 relate to FY 1987 through FY 1993 funds. The financial transactions were generally properly and accurately recorded. Supporting documentation showed that obligations were incurred and disbursements were made for Superfund activities. We found no indication of payments or uses of the Superfund monies other than those shown in NIEHS' records.

Our review of grant costs focused on a review of grantee audit reports. Our audit showed that NIH did not have adequate procedures to ensure that all Superfund grantees had obtained independent audits. See the section entitled, *Finding and Recommendations - Grantee Audits*, on page 6 of this report.

OVERHEAD

Our review showed that NIEHS did not charge overhead in FY 1993. According to NIH and NIEHS, the overhead amount that would be recovered would be less than the cost of the additional time to account for overhead and the cost of modifications to their accounting system.

We concur with NIH's and NIEHS' assessment of overhead and believe that their decision is in accordance with the Economy Act of 1932, as amended.

COSTS RECORDED ON A SITE-SPECIFIC BASIS

The NIEHS does not record costs for specific sites because it is only involved with research and worker training. Costs for these activities cannot be identified to a specific site. Therefore, it was not necessary for NIEHS to have been able to record costs for specific sites.

MINORITY CONTRACTORS UTILIZATION REPORT

The minority contractors utilization report is required annually by EPA under the IAG. The report should list contracts with minority businesses, and was due on November 15, after the end of the FY.

The NIH submits the report to PHS which compiles the reports from various agencies and submits them to the HHS/OS. We reviewed the report submitted to NIH by NIEHS and found it to be supported by relevant documentation. However, our review showed that NIEHS submitted the report to NIH on December 10, 1993, almost 1 month after the due date. In addition, due to a clerical error, OS did not submit the FY 1993 report to EPA until August 1994. As a result, NIEHS was not in compliance with the IAG with EPA.

Recommendations

We recommend that PHS:

1. direct NIH and NIEHS to implement procedures to ensure timely submission of the minority contractors utilization report, and
2. follow up with OS to ensure that the minority contractors utilization report is submitted to EPA in a timely manner.

PHS Comments

The PHS concurred with these recommendations. The responsibility for ensuring timely submission for the minority contractors utilization report will be assigned to the NIEHS Project Officer in charge of Superfund. In the event that the utilization report cannot be submitted timely to EPA, the NIEHS Project Officer will provide advance information on NIEHS' minority contractor utilization to EPA, should EPA so desire.

COMPLIANCE

Compliance with laws and regulations, contracts, grants, and IAGs applicable to NIEHS is the responsibility of NIEHS' management. With respect to the items tested, NIEHS complied--except as described in the "Results of Audit" section of this report--in all material respects, with the provisions of applicable laws and regulations. With respect to items not tested, nothing came to our attention that caused us to believe that NIEHS had not complied, in all material respects, with those provisions.

INTERNAL CONTROLS

The NIEHS is responsible for establishing and maintaining internal control systems used in administering Superfund programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of internal control systems is to provide management with reasonable, but not absolute, assurance that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Although our audit did not disclose material irregularities, we noted certain matters involving the internal control structure and its operations that we consider reportable conditions based on reporting requirements of generally accepted government auditing standards.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial reports. We consider the following matter to be a reportable condition.

FINDINGS--GRANTEE AUDITS

Our review this year, as well as in the 2 previous years, disclosed that NIH and NIEHS are not ensuring that grantees comply with the requirement to have audits conducted in accordance with 45 CFR 74.62. This regulation defines the audit requirements for nonfederal audits for recipients and establishes that audit reports should be sent to NEARC. It provides that recipients that are not governments will

comply with OMB Circular A-133 and recipients that are governments will comply with OMB Circular A-128. All of NIEHS' Superfund grantees are required to have a nonfederal audit conducted in accordance with 45 CFR 74.62.

Although grant funds make up approximately 96 percent of total Superfund activity at NIEHS, procedures were not in place to ensure that required independent audits were being performed for all Superfund grantees. As a result, NIH and NIEHS were not aware whether audit requirements were being met. Further, they were not aware whether some grantees who did not submit the required audit reports should have been sanctioned. Without obtaining and reviewing information contained in these reports, NIH and NIEHS had no assurance that accounting system weaknesses and unallowable costs that may have existed were being detected and corrected.

We discussed with NIEHS officials how they ensured that grantees complied with audit requirements. According to NIEHS' policy, a letter containing information about grants administration is mailed to all new prospective Superfund grantees when grant applications are received. This letter gives the prospective grantee information on how to obtain a copy of the PHS Grants Policy Statement. The PHS Grants Policy Statement, Audit Section, page 8-22, states that:

"...45 CFR Part 74, Subpart H...require recipients to comply with OMB requirements for audits conducted by, or at the discretion of, the recipient. The OMB requirements explain the scope, frequency, and other aspects of the audit."

The Superfund grant awards used by NIEHS contained a general reference that the provisions of both 45 CFR 74 and the Grants Policy Statement were applicable to the grant. In addition, NIEHS conducted a meeting with all Superfund grantees. At this meeting the grantees were notified that an audit is required under the terms of OMB Circular A-133 or A-128. Further, each grantee was provided a copy of OMB Circular A-133.

The NIEHS did not have follow-up procedures to ensure that audits were performed and reports were submitted to NEARC. The NIEHS' grants management personnel do not feel that it is their responsibility to ensure that audits are conducted and that audit reports are submitted to NEARC.

However, section 101.3(a) of the PHS Grants Administration Manual states that the grants management officer (GMO)

"...has overall responsibility for monitoring the grants process to ensure that all required business management actions are performed by the grantee and the Government in a timely manner, both prior to and after award...."

In addition, section 101.3(p)(1) states that:

"GMOs shall serve as the receipt point, or obtain assurances of receipt, for performance reports, financial status reports, and most other reports required by the terms and conditions of the grant...."

Therefore, the GMO is responsible for obtaining assurance that the audits are performed and the reports provided to the appropriate officials.

Although NIEHS made some efforts to ensure that grantees were aware of their responsibilities to have audits conducted, the required audits were not always performed and submitted to NEARC. The NIEHS entered agreements with 27 grantees in FY 1990 to provide Superfund research and training. We contacted NEARC to determine whether they had received audit reports for the grantees. The NEARC is responsible for processing and ensuring the quality of external audit reports. Of the 27 grantees, 23 had submitted audit reports to NEARC. Neither NIH nor NIEHS were aware that the remaining four grantees had not submitted audit reports to NEARC.

There has been improvement in the number of audit reports submitted by grantees. In the prior review we found that 8 of the 19 FY 1989 grantees had not submitted audit reports to NEARC. Currently, we found that two of these grantees still had not submitted an audit report and are included in the above mentioned four grantees. The NIEHS was unaware of the status of these grantees. Therefore, they continued to make annual awards to these grantees and no sanctions were considered.

Section 8 of the attachment to OMB Circular A-133 makes the additional requirement for institutions of higher education and other nonprofit institutions for audits of FYs starting on or after January 1, 1990, that:

"In cases of continued inability or unwillingness to have a proper audit in accordance with the Circular, Federal agencies must consider appropriate sanctions including:

- withholding a percentage of awards until the audit is completed satisfactorily;
- withholding or disallowing overhead costs; or
- suspending Federal awards until the audit is made."

Section 17 of OMB Circular A-128 includes similar requirements regarding sanctions for State and local governments.

Knowing which grantees have not submitted audit reports would provide the GMO with information needed to take follow-up actions and initiate sanctions, when needed.

Conclusions and Recommendations

The NIEHS is notifying grantees by a general reference to the CFR that audits are required. However, 4 of the 27 FY 1990 grantees had not submitted audit reports to NEARC. Under the procedures in effect during our review, NIH and NIEHS would not be aware of those grantees that had not submitted audit reports and; therefore, could not follow up to determine why the reports were not submitted and take the appropriate sanctions.

In its written response to our prior report, PHS stated that it did not believe it is responsible for ensuring that audit reports are received for all PHS grantees; however, PHS agreed that it would ask NIH to ensure that audit reports are being submitted for Superfund grantees. Our current review showed that NIH was not ensuring that all audit reports were submitted; therefore, we recommend that PHS direct NIH to:

- establish procedures to ensure that all Superfund grantees submit audit reports;
- sanction grantees who are unwilling to have a proper audit conducted; and
- take immediate action to have all required audits performed, including the four grantees for which NEARC had not received an audit report.

PHS Comments

The PHS agrees that procedures should be established to ensure that audit reports are submitted by all recipients of Federal funds. However, because many of these recipients are funded by numerous agencies, PHS believe that the responsibility for these procedures should be placed at a central control point.

The OS established an HHS workgroup in 1994 to address this matter. The workgroup, which includes staff from NIH, Office of the Assistant Secretary for Health, OIG, other operating divisions, and the Office of the Assistant Secretary for Management and Budget, is working on the development of a departmentwide system to ensure that single audit reports are submitted by all HHS recipients required to have audits conducted.

In the interim, the NIH Division of Contracts and Grants has established a database to monitor the receipt of single audit reports from the NIEHS Superfund grantees.

The database includes all NIEHS Superfund grantees and will be updated quarterly. The information will be provided to NIEHS so that it will be aware of grantees who have not submitted an audit report and can take the appropriate action.

In regard to the four reports which had not been received, NIEHS has obtained two reports and is taking action to obtain the remaining two.



We would appreciate being advised within 60 days on the status of corrective actions. Should you wish to discuss the issues raised by our review, please call me or have your staff contact Joseph E. Vengrin, Acting Assistant Inspector General for Public Health Service Audits, at (202) 619-1157. Please refer to CIN A-04-94-04545 in all correspondence relating to this report.

APPENDIX



MEMORANDUM

Rockville MD 20857

Date: APR 19 1995

From: Deputy Assistant Secretary for Health
(Management and Budget)

Subject: PHS Comments on Office of Inspector General (OIG)
Draft Report "Superfund Financial Activities at the
National Institute of Environmental Health Sciences
for Fiscal Year 1993," A-04-94-04545

To: Inspector General, OS

Attached are the PHS comments on the subject draft report. We concur with the report's recommendations and our comments indicate the actions planned or taken to implement them.

Anthony L. Itteilag
Anthony L. Itteilag

Attachment

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SAIG	
PDIG	<input checked="" type="checkbox"/>
DIG-AS	
DIG-EI	
DIG-OI	
AIG-CFAA	
AIG-MP	<input checked="" type="checkbox"/>
OGC/IG	
EXSEC	<input checked="" type="checkbox"/>
DATE SENT	4/20

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OFFICE OF INSPECTOR
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PUBLIC HEALTH SERVICE (PHS) COMMENTS
ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT
"SUPERFUND FINANCIAL ACTIVITIES AT THE NATIONAL INSTITUTE OF
ENVIRONMENTAL HEALTH SCIENCES FOR FISCAL YEAR 1993,"
A-04-94-04545, FEBRUARY 1995

This draft report provides the results of the OIG audit of the Superfund financial activities of the National Institute for Environmental Health Sciences (NIEHS), National Institutes of Health (NIH), for Fiscal Year (FY) 1993. The OIG audit found that NIEHS generally administered the Superfund monies in accordance with Superfund legislation. The auditors noted, however, that the minority contractors utilization report required by the interagency agreement with the Environmental Protection Agency (EPA) had not been submitted timely and that NIEHS and NIH had not established systems for tracking the transmittal of required audit reports by recipients of Superfund monies. The OIG report makes recommendations to address these matters. The following sets forth the PHS comments on the OIG report's recommendations.

OIG Recommendation

We recommend that PHS:

- (1) direct NIH and NIEHS to implement procedures to ensure timely submission of the minority contractors utilization report, and
- (2) follow up with OS [Office of the Secretary] to ensure that the minority contractors utilization report is submitted to EPA in a timely manner.

PHS Comments

We concur. The NIEHS procedures assign responsibility to the NIEHS Project Officer for the interagency agreement with EPA for the timely submission of the Superfund minority contractors utilization report. Starting with the utilization report due for FY 1995, the NIEHS Project Officer will ensure that NIEHS submits the utilization report in sufficient time to permit review by NIH, the Office of the Assistant Secretary for Health (OASH), and OS, so as to allow transmittal of the report to EPA by the due date. The NIEHS Project Officer will also follow up with NIH, OASH, and OS officials when necessary to ensure the timely transmittal of the report to EPA. In cases where it appears that the utilization report may not be submitted timely to EPA, the NIEHS Project Officer will provide advance information on NIEHS' minority contractor utilization to EPA, should EPA so desire, pending formal transmittal of the report by OS.

OIG Recommendation

We recommend that PHS direct NIH to:

- (3) establish procedures to ensure that all Superfund grantees submit audit reports;
- (4) sanction grantees who are unwilling to have a proper audit conducted; and,
- (5) take immediate action to have all required audits performed, including the four grantees for which NEARC [National External Audit Review Center] had not received an audit report.

PHS Comments

As stated in the PHS response to the previous Superfund audit, we agree that procedures should be established to ensure that audit reports are submitted by all recipients of Federal funds, including Department of Health and Human Services (HHS) Superfund grantees subject to the provisions of Office of Management and Budget (OMB) Circulars A-128, "Single Audits of State and Local Governments," and A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions."

However, because many of these audits cover recipients which are funded by numerous Federal agencies, PHS also believes that the responsibility for these procedures should be placed at a central control point within the Federal Government. This is necessary to avoid situations where various Federal agencies are independently contacting recipient organizations and requesting the same audits. If it is not possible to establish a central control point within the Federal Government, the responsibility should be at the OS level in HHS so that communications with grantees are at least consolidated within the Department.

At PHS' suggestion, OS established an HHS workgroup in 1994 to address this matter. The workgroup, which includes staff from NIH, OASH, OIG, other OPDIVs, and the Office of the Assistant Secretary for Management and Budget, is working on the development of a Department-wide system to ensure that single audit reports are submitted by all HHS recipients required to have single audits conducted.

In the interim, the NIH Division of Contracts and Grants has established a database to monitor the receipt of single audit reports from the NIEHS Superfund grantees. The database includes all NIEHS Superfund grantees and will be updated

quarterly with information provided by the OIG's National External Audit Review Center (NEARC). The NIH will provide NIEHS with a report that contains information on: audit reports received from NEARC; the period audited; the audit findings; and the identification of the HHS agency with audit resolution responsibility. This information will assist NIEHS in identifying and following up on grantees who have not submitted a timely audit and those who may have accounting system weaknesses and unallowable costs. Should any grantee refuse to submit an audit report, NIEHS will take appropriate action, e.g., this action may include the sanctions provided for under the OMB Circulars.

Regarding the four grantees that OIG identified as not having submitted an audit report, we note that two of the grantees have now submitted their audits to NEARC: one through its 1992 fiscal year and the other through its 1993 fiscal year. In addition, one of the remaining grantees has had audits completed for its 1991 and 1992 fiscal years and has forwarded the reports to NEARC. We also note that NIEHS has been withholding funds from the remaining grantee and is providing technical assistance to the grantee in an effort to obtain the required audit.