

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**SUPERFUND FINANCIAL ACTIVITIES
AT THE NATIONAL INSTITUTE OF
ENVIRONMENTAL HEALTH SCIENCES
FOR FISCAL YEAR 2001**



JANET REHNQUIST
Inspector General

MARCH 2003
A-04-02-08003

Office of Inspector General

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MAR - 4 2003

Washington, D.C. 20201

TO: Charles E. Leasure, Jr.
Deputy Director for Management
National Institutes of Health

FROM: Dennis J. Duquette
Deputy Inspector General
for Audit Services

A handwritten signature in cursive script, appearing to read "D. Duquette", written over the printed name of the sender.

SUBJECT: Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 2001 (A-04-02-08003)

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) 2001. We conducted the audit to comply with provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), which requires the Inspector General of a federal organization with Superfund responsibilities to audit all uses of the Superfund.

OBJECTIVE

The objective of this review was to determine whether Superfund costs recorded by NIEHS were allowable, allocable, and reasonable in accordance with applicable laws and regulations.

SUMMARY OF FINDINGS

The NIEHS Superfund costs recorded for the period October 1, 2000 through September 30, 2001 were allowable, allocable, and reasonable.

BACKGROUND

The NIEHS, located in Research Triangle Park, North Carolina, is 1 of 27 Institutes and Centers of the National Institutes of Health (NIH), which is a component of the Department of Health and Human Services. The NIH provides NIEHS with direction, billing services, and other administrative and professional services.

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

The NIEHS receives funding to carry out functions mandated by the CERCLA. In carrying out its Superfund responsibilities for FY 2001, NIEHS obligated about 2.4 percent of these funds for administrative costs and awarded the remaining 97.6 percent to other organizations, that:

- Train persons who are engaged in hazardous waste removal, containment, transportation, or emergency response activities; and
- Conduct research including advanced techniques, methods and technologies to detect, assess and evaluate the effects of hazardous substances on human health and to reduce the amount and toxicity of those substances.

The NIEHS obligates funds when it agrees to fund activities related to the CERCLA and disburses funds after the activities have been completed. During the period October 1, 2000 through September 30, 2001, NIEHS obligated about \$65.7 million and disbursed about \$67.3 million in Superfund resources. Of the \$67.3 million of disbursements, \$2.4 million was related to FY 2001 funds. The remaining \$64.9 million was related to prior periods.

Scope and Methodology

The scope of our audit included tests of FY 2001 Superfund obligations and disbursements. The NIH provided a listing of financial transactions of Superfund obligations and disbursements recorded during the period October 1, 2000 through September 30, 2001. This listing included Superfund grant and interagency-agreement obligations of \$64,233,061 and non-grant obligations of \$1,476,632. The \$64,233,061 of grant and interagency-agreement obligations consisted of \$64,271,215 of FY 2001 obligations and a deobligation of \$38,153 of prior years' funds. In addition, the listing included grant and interagency agreement disbursements of \$64,901,770 and non-grant disbursements of \$2,393,962.

The NIEHS entered into agreements with universities, unions, other non-profit organizations, and another federal agency to carry out its responsibilities under the CERCLA. We verified \$62.8 million of obligations to the grant award documents for the 38 research and training grants. We also traced \$1.5 million of interagency-agreement obligations to the interagency agreement.

The scope of our audit did not include auditing disbursements by the grantees. These awards are subject to independent audits under 45 Code of Federal Regulations, Section 74.26. We determined whether the grantees had submitted current audits in accordance with the regulation, and analyzed report data to determine if the reports contained any significant findings related to Superfund. In addition, we performed a limited review of monitoring activities conducted by NIEHS on five judgmentally selected grants.

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 six categories: funding authority; financial reporting; payroll and timekeeping; travel, other contractual services; and grants, subsidies, and contributions. In addition, we reviewed supporting documentation related to a sample of personnel transactions.

Finally, we reviewed the FY 2000 final audit report (A-04-01-04000), and performed audit work necessary to determine whether the finding regarding incorrect employee leave balances had been resolved.

We conducted our review in accordance with generally accepted government auditing standards. Our review was performed at NIEHS in Research Triangle Park, North Carolina, and at our Raleigh, North Carolina Field Office during the period July 2002 through November 2002.

RESULTS OF AUDIT

The NIEHS Superfund costs recorded for the period October 1, 2000 through September 30, 2001 were allowable, allocable, and reasonable in accordance with applicable laws and regulations. These Superfund costs related to FY 1996 through FY 2001 funds.

We also determined that NIEHS took the appropriate action to ensure that its Superfund grantees submit required audit reports.

As this report contains no recommendations, no response is necessary. However, if you have any questions or comments about this report, please do not hesitate to call me or Donald L. Dille, Assistant Inspector General for Grants and Internal Activities at 202-619-1175 or through e-mail at ddille@oig.hhs.gov. To facilitate identification, please refer to report number A-04-02-08003 in all correspondence.