

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



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***NATIONAL INSTITUTE OF
STANDARDS AND TECHNOLOGY***

*NIST Properly Tracked FY 1998 Superfund
Charges to the Environmental Protection Agency*

Audit Report No. BTD-11485-9-0001 / January 1999

Office of Audits, Business and Trade Audits Division





UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

January 8, 1999

MEMORANDUM FOR: John C. McGuffin
Controller
National Institute of Standards
and Technology

FROM: *Andrew R. Cochran*
Andrew R. Cochran
Director, Business and Trade Audits Division
Office of Audits

SUBJECT: NIST Properly Tracked FY 1998 Superfund
Charges to the Environmental Protection Agency
Final Report No. BTD-11485-9-0001

This audit report of NIST's use of EPA Superfund appropriations was completed to fulfill the requirement under the Superfund Amendments and Reauthorization Act of 1986 for an annual audit of all Superfund payments and obligations.

We found that NIST had accurately accumulated, documented and charged the Superfund reimbursable costs for the funds received. Our evaluation of the agency's compliance with laws and regulations indicated that NIST was in compliance with the relevant financial provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

NIST also was in compliance with the terms and conditions of the interagency agreement, and controls over Superfund activities were adequate. During fiscal year 1998 NIST properly tracked EPA Superfund monies by providing segregated cost centers for the Superfund expenditures. As a result, we are issuing this audit report in final form with no recommendations for future action by NIST.

We appreciate the cooperation extended to us by NIST officials during the audit.

Introduction

Among its many efforts to contribute to public health and safety, NIST provides technical research to counteract the effects of toxic waste spills. This work is performed on a reimbursable basis through interagency agreements with the EPA. Funds for the agreements are appropriated through the Hazardous Substance Response Trust Fund, more commonly referred to as the "Superfund." The Superfund is used to identify the nation's uncontrolled hazardous waste sites, assign priorities to the risks they create, and eliminate those risks.

The Superfund program, created under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, established the Superfund to provide funds for identifying, prioritizing, and remedying the nation's uncontrolled hazardous waste sites. The 1980 Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, provides for full recovery from responsible parties of all response costs incurred by the Federal Government. Response costs generally include expenses for investigations, cleanup, enforcement, and administrative activities.

The 1986 Act also provides that the Inspector General will conduct an annual audit of all payments, obligations, reimbursements, or other uses of the Superfund to ensure that the fund is being properly administered.

Purpose and Scope of Audit

The purpose of our audit was to determine whether NIST had properly managed the financial aspects of its Superfund interagency agreements. We evaluated whether NIST had (1) accurately accumulated, documented and charged EPA for the Superfund reimbursable costs; (2) established adequate internal controls over reimbursable work related to the interagency agreement; and (3) complied with the terms and conditions of its Superfund interagency agreement with EPA. Our review covered interagency agreements entered into or continuing between EPA and NIST during the period October 1, 1997 through September 30, 1998.

We reviewed NIST's policies and procedures for accepting reimbursable work, identifying and assigning actual costs to the project, and recovering all eligible costs. We also interviewed NIST's scientific and administrative personnel. Our review was conducted at NIST offices in Gaithersburg, Maryland during November 1998.

To confirm direct costs, we reviewed the agency's financial and program records as well as EPA documents and records. In reviewing indirect costs, we limited the scope of our review to performing an analytical review of indirect costs and rates charged and then investigating any differences from the previous fiscal year. We found no significant unexplained differences in the indirect cost rates we compared.

Our audit included an evaluation of internal controls to the extent that they related to the administration of the Superfund interagency agreements with EPA. We relied upon our own review, as well as the internal control reviews performed by the independent accountants for NIST for fiscal year 1998. We concluded that the internal controls provided reasonable assurance that there was no material weakness in the recording of the Superfund appropriations.

In our review, we relied on computer-based data obtained from NIST's Office of the Controller. We assessed the reliability of the data by tracing it to source documents and comparing it to other summary data prepared by the laboratories. We found the data sufficiently reliable to be used in meeting the audit objectives. In addition, we evaluated the agency's compliance with laws and regulations applicable to the Superfund monies. We identified the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, as the authorizing and governing legislation. The terms and conditions of the interagency agreement were identified. The review was conducted in accordance with generally accepted government auditing standards, and was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

Superfund Charges Accurately Accumulated, Documented and Billed

One NIST operating unit received Superfund monies under an interagency agreement (DW13936516-01-0) with EPA during fiscal year 1998. The Technology Laboratory received funding through three modifications to the existing interagency agreement. Modification #9 provided the Technology Laboratory \$450,000, Modification #10 provided the Technology Laboratory \$12,000, and Modification #11 provided the Technology Laboratory with \$400,000 from EPA's Superfund. In total, the Technology Laboratory received \$862,000 from EPA's Superfund. The entire \$862,000 was obligated in Fiscal Year 1998.

We tested the accuracy of the accounting data by tracing it to original source documents and to the NIST/EPA entry recorded in the Working Capital Accounts. We compared the data to summary information contained in the cost center statements and other documents. All costs were reconciled with the limitation ledgers and related to the NIST Working Capital Account.

In the Technology Laboratory the data was accurately recorded from time sheets to the labor cost summaries. The NIST administration overhead charges were properly documented in the cost center. We traced the indirect costs assigned to the laboratory to the cost center report. The data recorded in the accounting records was accurate and reliable in all material respects, and reflected reasonable costs incurred for the services provided by NIST.

We determined that the costs for the interagency agreement projects were appropriately charged. Costs incurred did not exceed the specified interagency agreement obligation limits. We found that NIST properly reported the use of their Superfund funds, that all billings appeared reasonable for the work performed or the objectives anticipated, and that NIST performed in

compliance with the applicable legislation. All costs were accumulated in a segregated cost center for the work performed under the Superfund interagency agreement.

The following is the interagency agreement under which Superfund monies were received and obligated, and expenses were incurred, during fiscal year 1998:

**Summary of FY 1998 Obligations and Disbursements
Under Interagency Agreement DW13936516-01-0**

Object Class	Advance From EPA	Expended Appropriations
Cost Center 8973412:		
Personnel		
Sponsoring Division	\$	2,165
Fringe Benefits		
Matching Costs		455
Overhead		
Applied OU		396
Applied NIST		1,256
Equipment		
ADP		228,805
Cost Center 8973408:		
Equipment		
ADP		628,923
Totals	\$ 862,000	\$ 862,000

OU=Applied for the Operating Unit NIST=Applied for NIST Administration

In summary, we found that NIST properly accumulated, documented, and billed all of the Superfund work performed during fiscal year 1998 under the NIST/EPA interagency agreement. Our findings, therefore, result in no recommendations for action by NIST.