

**Memorandum**

Date . OCT 30 2001

From Deputy Inspector General
for Audit Services

Subject Superfund Financial Activities at the National Institute of Environmental
Health Sciences for Fiscal Year 2000 (CIN: A-04-01-04000)

To Charles E. Leasure, Jr.
Acting Deputy Director for Management
National Institutes of Health

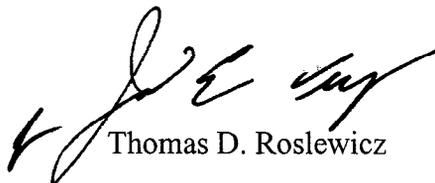
The attached final report provides you the results of our audit of the National Institute of Environmental Health Sciences Superfund (NIEHS) financial activities for Fiscal Year 2000.

In written comments to the draft report, NIEHS agreed with our findings and recommendations. The NIEHS comments are summarized after the Recommendations section of this report. The complete text of the NIEHS comments is included in the Appendix.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 C.F.R. Part 5.) As such, within 10 business days after this report is issued, it will be posted on the World Wide Web at <http://www.hhs.gov/progorg/oig>.

We would appreciate being advised on the status of corrective actions within 60 days of the date of this memorandum. Should you wish to discuss the issues raised in our report, please call me or have your staff contact Joseph J. Green at (301) 443-3582 or e-mail him at jgreen3@os.dhhs.gov.

To facilitate identification, please refer to Common Identification Number A-04-01-04000.



Thomas D. Roslewicz

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 2000**



**JANET REHNQUIST
INSPECTOR GENERAL
OCTOBER 2001
A-04-01-04000**

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Deputy Inspector General
for Audit Services

Superfund Financial Activities at the National Institute of Environmental
Health Sciences for Fiscal Year 2000 (CIN: A-04-01-04000)

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

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) 2000. We conducted the audit to comply with provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (Act), which requires the Inspector General of a Federal organization with Superfund responsibilities to audit all uses of the Superfund.

OBJECTIVES

The objectives of this review were to determine whether NIEHS:

- Claimed costs under its agreement with the Environmental Protection Agency (EPA) that were allowable, allocable, and reasonable;
- 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);
- Could accurately record costs on a site-specific basis; and
- Submitted the minority contractors' utilization report timely and maintained records that supported the utilization report.

SUMMARY OF FINDINGS

We found that that NIEHS: incurred Superfund obligations and made disbursements for allowable, allocable, and reasonable costs, but had discrepancies between the Integrated Time and Attendance System (ITAS) and employees' earnings and leave statements; appropriately charged overhead; did not have a need to record costs on a site-specific basis; and submitted a timely minority contractors' utilization report that was supported by relevant data. Our recommendations focused on NIEHS correcting its problems with the systems for timekeeping and earnings and leave statements.

In written comments to the draft report, NIEHS agreed with our findings and recommendations. The NIEHS comments are summarized after the Recommendations section of this report. The complete text of the NIEHS comments is included in the Appendix.

BACKGROUND

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

The Act mandated the establishment of the Hazardous Substance Response Trust 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 for FY 2000, NIEHS used about 4 percent of these funds for administrative costs and awarded 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.

The NIEHS obligates funds when it agrees to fund activities related to the Act and disperses funds after the activities have been completed. During the period October 1, 1999 through September 30, 2000, NIEHS obligated about \$62.9 million and disbursed about \$59.4 million in Superfund resources. Of the \$59.4 million of disbursements, \$2 million was related to FY 2000 funds. The remaining \$57.4 million was related to prior periods.

SCOPE AND METHODOLOGY

The scope of our audit included FY 2000 Superfund obligations and disbursements. The NIH provided us a financial transaction listing of Superfund obligations and disbursements recorded during the period October 1, 1999 through September 30, 2000. This listing included Superfund grant obligations of \$60,115,696 and non-grant obligations of \$2,771,570. The \$60,115,696 of grant obligations consisted of \$60,220,000 for FY 2000 funds and a deobligation of \$104,304 of prior-year funds. In addition, the listing included grant disbursements of \$56,452,102 and non-grant disbursements of \$2,932,075.

The NIEHS entered into agreements with universities, unions, and other non-profit organizations to carry out its responsibilities under the Act. We verified the \$60,220,000 of obligations to the grant award documents for the 44 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 45 Code of Federal Regulations (C.F.R.) Section 74.26.

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 a stratified sample of 100 non-grant transactions. The first stratum of this sample consisted of 30 personnel transactions. The second stratum consisted of 70 "other" disbursement transactions. The 30 personnel disbursement transactions that we reviewed totaled \$38,490 from the universe of 359 personnel transactions totaling \$678,363. The 70 "other" disbursement transactions that we reviewed totaled \$102,843 from the universe of 1,474 "other" transactions totaling \$2,267,525.

To determine which grantees had submitted current audits in accordance with 45 C.F.R. Section 74.26, we updated the audit information that we had obtained in prior years. We contacted the HHS, Office of Inspector General, National External Audit Review Center, and requested current audit information on all grantees. We analyzed this data and made a determination as to whether the grantees had submitted current audits. We also analyzed report data to determine if the reports contained any significant findings related to Superfund.

We judgmentally selected five grant files and performed a limited review of monitoring activities conducted by NIEHS.

We determined if NIEHS 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 as amended;

- 56 Comp. Gen. 275 (1977) and 57 Comp. Gen. 674 (1978);
- Title II, Section 311 of SARA, (functional requirements of NIEHS); and
- Title I, Section 105(f) of the Act, (minority contractor's utilization).

We reviewed the FY 1999 report on Superfund financial activities (Common Identification Number (CIN) A-04-00-04230) and determined that there were no findings.

We conducted our audit 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 November 2000 through May 2001.

On July 24, 2001, we issued a draft report to NIEHS officials for comment. On September 4, 2001, we received NIEHS' written comments.

DETAILED RESULTS OF AUDIT

Our review showed that NIEHS:

- Incurred Superfund obligations and made disbursements for allowable, allocable, and reasonable costs; however, for all 43 ITAS statements we reviewed, we identified discrepancies between the ITAS and employees' earnings and leave statements;
- Complied with the Economy Act of 1932 and its amendments regarding the charging of overhead;
- Did not have a need to record costs on a site-specific basis; and
- Submitted a timely minority contractors' utilization report that was supported by relevant data.

FINANCIAL TRANSACTIONS ACCURATELY RECORDED/TIMEKEEPING AND EARNINGS AND LEAVE STATEMENT DISCREPANCIES

The Superfund financial transactions for the period October 1, 1999 through September 30, 2000, were properly and accurately recorded. These Superfund transactions relate to FY 1995 through FY 2000 funds. 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; however, as discussed below, we believe that NIEHS needs to improve internal controls related to its employee time and attendance system to ensure that current files properly support leave balances.

From our sample of 30 personnel transactions, which included 10 employees and 43 ITAS statements, we identified discrepancies between the ITAS and employees' earnings and leave statements leave balances for all of the pay periods. As a result, employees' accrued leave amounts may be inaccurate.

According to *Guide for Timekeeping*,¹ Chapter 1, Timekeeping Responsibilities, it is the responsibility of the timekeepers to keep accurate time and attendance records. Timekeepers' duties include comparing the employee's earnings and leave statement against the leave balance screen in the timekeeping system.

The ITAS was implemented in October 1999. According to NIEHS, in some cases, the discrepancies existed because timekeepers incorrectly entered into the ITAS the beginning balances from NIEHS' old timekeeping system. In other cases, time corrections were never posted to the ITAS, and the timekeeper did not follow through to ensure that the corrections were actually made. As of our audit, beginning balances that were entered incorrectly had not been corrected.

The NIH Chief Financial Officer (CFO) Audit Report for 2000 also identified these same leave balance discrepancies between the NIH's ITAS and the HHS Central Payroll System. The CFO Report included several recommendations to address the condition, including one for developing procedures to ensure that the time and attendance system is reconciled with the Central Payroll System (earnings and leave statements).

Recommendations:

We recommend that NIEHS:

- Correct the balances in ITAS; and
- Develop procedures to compare information in ITAS to the earnings and leave statements on a periodic basis and make any needed corrections.

¹ HHS, Program Support Center, Office of Human Resources Service, System Design and Analysis Division, prepared this guide, dated August 5, 1998.

The NIEHS Comments

In written comments to the draft report, NIEHS agreed with our findings and recommendations. The NIEHS said that the payroll liaison has been working with the timekeepers to ensure that balances are correct and are regularly reviewed. Also, timekeepers have been instructed to check the leave balances on the earnings and leave statements each pay period against the leave balances in the ITAS.

OVERHEAD

The NIEHS did not charge overhead in FY 2000. According to 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 its accounting system.

We concur with NIEHS and believe that its decision regarding overhead is in accordance with the Economy Act of 1932 and its amendments.

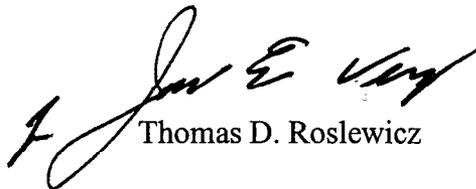
SITE-SPECIFIC COSTS

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 the ability to record cost for specific sites.

MINORITY CONTRACTORS' UTILIZATION REPORT

The NIEHS compiled the necessary information for the minority contractors' utilization report and timely submitted it to EPA. We reviewed the report and found it to be accurate and supported by relevant documentation.

The EPA requires the minority contractors' utilization report annually under the interagency agreement. The report lists the contracts with minority businesses, and was due on December 15, after the end of the FY.


Thomas D. Roslewicz

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

National Institutes of Health
Bethesda, Maryland 20892

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SEP 4 2001

TO: Mr. Thomas D. Roslewicz
Deputy Inspector General for Audit Services, OIG

FROM: Deputy Director for Management, NIH

SUBJECT: NIH Comments on the Office of Inspector General Draft Entitled,
"Superfund Financial Activities at the National Institute of Environmental
Health Sciences for Fiscal Year 2000" (CIN: A-04-01-04000)

Thank you for providing NIH the opportunity to review and comment on the draft report referenced above. This memorandum provides comments on the recommendation contained in the report.

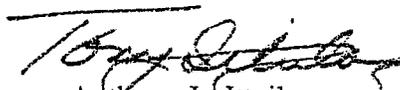
OIG RECOMMENDATION

NIEHS should 1) correct the leave balance discrepancies between the Integrated Time and Attendance system (ITAS) and employees' Earning and Leave Statements leave balances, and 2) develop procedures to compare information in ITAS to the Earnings and Leave Statements on a periodic basis and make any needed corrections.

NIH RESPONSE

NIH agrees that there have been discrepancies between these reports. The NIEHS Payroll Liaison has been working with all of the timekeepers to ensure that balances are correct and regularly reviewed. In addition, timekeepers have been instructed to check the leave balances on the Earnings and Leave Statements each pay period against the balances in ITAS for the corresponding pay period.

Should you or your staff require any additional information, please call Patty Quast on 301-402-8264.


Anthony L. Itteilag