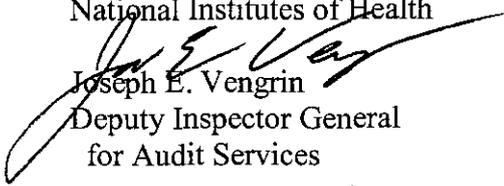




FEB - 9 2005

TO: Colleen Barros
Deputy Director for Management
National Institutes of Health

FROM: 
Joseph E. Vengrin
Deputy Inspector General
for Audit Services

SUBJECT: Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 2003 (A-04-04-01004)

The attached final report provides you with the results of our audit of the National Institute of Environmental Health Sciences (NIEHS) Superfund financial activities for fiscal year 2003. Superfund legislation requires the Inspector General of any department receiving Superfund monies to perform an annual audit.

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

The NIEHS Superfund costs recorded for the period October 1, 2002, through September 30, 2003, were allowable, allocable, and reasonable.

As the 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 have your staff contact Joseph J. Green, Acting Assistant Inspector General for Grants and Internal Activities Audits at 202-619-1159 or through e-mail at Joe.Green@oig.hhs.gov. To facilitate identification, please refer to report number A-04-04-01004 in all correspondence.

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 2003**



**FEBRUARY 2005
A-04-04-01004**

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the department.

Office of Evaluation and Inspections

The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the department, the Congress, and the public. The findings and recommendations contained in the inspections reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs. The OEI also oversees State Medicaid fraud control units, which investigate and prosecute fraud and patient abuse in the Medicaid program.

Office of Investigations

The OIG's Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. The OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within the department. The OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
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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 the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

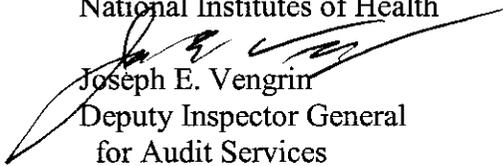
The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of HHS/OIG/OAS. Authorized officials of HHS divisions will make final determination on these matters.





FEB - 9 2005

TO: Colleen Barros
Deputy Director for Management
National Institutes of Health

FROM: 
Joseph E. Vengrin
Deputy Inspector General
for Audit Services

SUBJECT: Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 2003 (A-04-04-01004)

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) 2003. 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 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, 2002, through September 30, 2003, were allowable, allocable, and reasonable.

BACKGROUND

The NIEHS, located at Research Triangle Park, North Carolina, is one 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. 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 to carry out functions mandated by CERCLA. In carrying out its Superfund responsibilities for FY 2003, NIEHS obligated about 3 percent of these funds for administrative costs and awarded the remaining 97 percent to other organizations to:

- train persons who are engaged in handling hazardous waste and managing facilities where hazardous waste is located; 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 CERCLA and disburses funds after the activities have been completed. During the period October 1, 2002, through September 30, 2003, NIEHS obligated about \$85.7 million and disbursed about \$73.8 million in Superfund resources. Of the \$73.8 million of disbursements, \$2.2 million was related to FY 2003 funds. The remaining \$71.6 million was related to FY 1998 through FY 2002 funds.

SCOPE AND METHODOLOGY

The scope of our audit included FY 2003 Superfund obligations and disbursements. The NIH provided a financial transaction listing of Superfund obligations and disbursements recorded during the period October 1, 2002, through September 30, 2003. This listing included Superfund grant and interagency agreement obligations of \$83,137,285 and non-grant obligations of \$2,526,132. The grant and interagency agreement obligations of \$83,137,285 consisted of \$83,141,000 in FY 2003 obligations, and \$3,715 in prior year's deobligations. In addition, the listing included grant and interagency agreement disbursements of \$71,460,431 and non-grant disbursements of \$2,381,985.

The NIEHS entered into agreements with universities, unions, other non-profit organizations, and another Federal agency to carry out its responsibilities under CERCLA. We verified \$81,691,000 of obligations to the grant award documents for the 95 research and training grants. We also traced \$1,450,000 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 CFR Section 74.26. We determined whether 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.

We reviewed NIEHS' internal controls to the extent necessary to accomplish the objectives of the audit. We limited our review to obtaining an understanding of controls over funding authority, financial reporting, payroll and timekeeping, other contractual services and grants.

Total administrative disbursements recorded during FY 2003 were \$2,381,985. Of this amount, personnel costs (salaries and fringe benefits) totaled \$901,269 and comprised approximately 38 percent of the total administrative disbursements during FY 2003. Our testing of personnel costs included:

- analyzing total personnel service and fringe benefit costs to determine if costs charged were reasonable, and
- determining the accuracy of employee leave records.

Of the administrative disbursements, other contractual services totaled \$1,360,440 and comprised approximately 57 percent of total administrative disbursements. We reviewed a judgmental sample of other contractual services to determine if they were allowable, allocable and reasonable in accordance with applicable laws and regulations. We did not review any other administrative disbursements due to the insignificance of the amounts recorded.

Because the FY 2002 final audit report (Report Number A-04-03-08009) did not contain any findings, no follow-up was required.

We conducted our review in accordance with generally accepted government auditing standards. Our review was performed at NIEHS in Research Triangle Park, North Carolina, during the period July 2004 through October 2004.

RESULTS OF AUDIT

The Superfund costs recorded for the period October 1, 2002, through September 30, 2003, were allowable, allocable, and reasonable in accordance with applicable laws and regulations.

We also determined that NIEHS took 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 have your staff call Joseph J. Green, Acting Assistant Inspector General for Grants and Internal Activities Audits at (202) 619-1159 or through e-mail at Joe.Green@oig.hhs.gov. To facilitate identification, please refer to report number A-04-04-01004 in all correspondence.