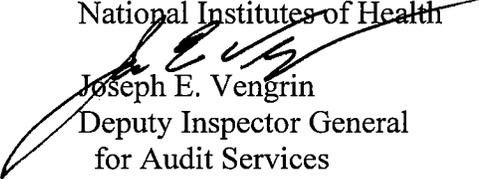




FEB 16 2006

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

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

SUBJECT: Fiscal Year 2004 Superfund Financial Activities at the National Institute of Environmental Health Sciences (A-04-05-01019)

The attached final report provides the results of our audit of the National Institute of Environmental Health Sciences (NIEHS) Superfund financial activities for fiscal year 2004. The audit showed that NIEHS administered the fund according to the Superfund legislation.

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.

We found that NIEHS incurred Superfund obligations and made disbursements for allowable, allocable, and reasonable costs.

Since 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 Donald L. Dille, Assistant Inspector General for Grants and Internal Activities Audits, at (202) 619-1176 or by e-mail at Donald.Dille@oig.hhs.gov. To facilitate identification, please refer to report number A-04-05-01019 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FISCAL YEAR 2004 SUPERFUND
FINANCIAL ACTIVITIES AT THE
NATIONAL INSTITUTE OF
ENVIRONMENTAL HEALTH SCIENCES**



**Daniel R. Levinson
Inspector General**

**FEBRUARY 2006
A-04-05-01019**

Office of Inspector General

<http://oig.hhs.gov>

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

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OAS FINDINGS AND OPINIONS

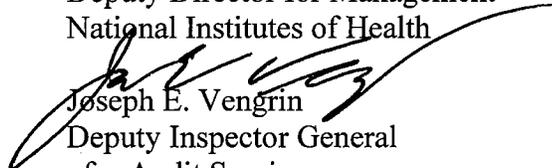
The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions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





FEB 16 2006

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

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

SUBJECT: Fiscal Year 2004 Superfund Financial Activities at the National Institute of Environmental Health Sciences (A-04-05-01019)

This report provides the results of our audit of the National Institute of Environmental Health Sciences (NIEHS) Superfund financial activities for fiscal year (FY) 2004. 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 from October 1, 2003, through September 30, 2004, were allowable, allocable, and reasonable.

BACKGROUND

NIEHS, located at Research Triangle Park, NC, 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. NIH provides NIEHS with direction, billing services, and other administrative and professional services.

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

NIEHS receives funding to carry out functions mandated by CERCLA. In carrying out its Superfund responsibilities for FY 2004, NIEHS obligated about 4 percent of these funds for administrative costs and awarded the remaining 96 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.

NIEHS obligates funds when it agrees to fund activities related to CERCLA and disburses funds after the activities have been completed. During the period from October 1, 2003, through September 30, 2004, NIEHS obligated about \$80.4 million and disbursed about \$80.2 million in Superfund resources. Of the \$80.2 million in disbursements, \$3.3 million was related to FY 2004 funds. The remaining \$76.9 million was related to prior periods.

SCOPE AND METHODOLOGY

The scope of our audit included FY 2004 Superfund obligations and disbursements. NIH provided a financial transaction listing of Superfund obligations and disbursements recorded during the period from October 1, 2003, through September 30, 2004. This listing included Superfund grant and interagency agreement obligations of \$77,587,464 and non-grant obligations of \$2,858,544. The \$77,587,464 of grant and interagency agreement obligations consisted of \$77,614,521 of FY 2004 obligations, less \$27,057 of prior years' deobligations. In addition, the listing included grant and interagency agreement disbursements of \$77,400,932 and non-grant disbursements of \$2,848,798.

NIEHS entered into agreements with universities, unions, other non-profit organizations, and another Federal agency to carry out its responsibilities under CERCLA. We verified \$76,164,521 of obligations to the grant award documents for 57 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 § 74.26. We determined whether grantees had submitted current audits in accordance with the regulation and analyzed report data to determine whether 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's 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 for FY 2004 funds were \$1,565,958. Of this amount, personnel costs (salaries and fringe benefits) totaled \$896,649 and comprised approximately 57 percent of the total administrative disbursement of FY 2004 funds. To determine whether administrative disbursements during FY 2004 were allowable, allocable, and reasonable, our testing in this area included:

- applying analytical procedures to assess total personnel service and fringe benefit costs recorded during the year and
- reviewing a judgmental sample of other contractual service costs to determine whether they were adequately supported and related to the Superfund program.

Because the FY 2003 final audit report (report number A-04-04-01004) did not contain any findings, no follow-up was required.

We conducted our review in accordance with generally accepted government auditing standards. We performed our review at NIEHS in Research Triangle Park, NC, during the period from September 2005 through January 2006.

RESULTS OF AUDIT

The Superfund financial transactions for the period from October 1, 2003, through September 30, 2004, were allowable, allocable, and reasonable in accordance with applicable laws and regulations. These Superfund transactions related to FY 1999 through FY 2004 funds.

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

Since 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 contact Donald L. Dille, Assistant Inspector General for Grants and Internal Activities Audits, at (202) 619-1176 or through e-mail at Donald.Dille@oig.hhs.gov. To facilitate identification, please refer to report number A-04-05-01019 in all correspondence.