



August 31, 2010

TO: Francis S. Collins, M.D., Ph.D.
Director
National Institutes of Health

FROM: /George M. Reeb/
Acting Deputy Inspector General for Audit Services

SUBJECT: Superfund Financial Activities at the National Institute of Environmental Health Sciences—Fiscal Year 2009 (A-04-10-01076)

This final report provides the results of our audit of Superfund financial activities at the National Institute of Environmental Health Sciences (NIEHS) for fiscal year (FY) 2009. 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.

BACKGROUND

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 & Human Services. NIH provides NIEHS with direction and other administrative and professional services.

The CERCLA mandated the establishment of the Hazardous Substance Response Trust Fund, which is commonly known as the Superfund. The CERCLA was extended and amended by the Superfund Amendments and Reauthorization Act of 1986. The Superfund is 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 the CERCLA. In carrying out its Superfund responsibilities for FY 2009, NIEHS obligated about 5 percent of these funds for administrative costs and awarded the remaining 95 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.

From October 1, 2008, through September 30, 2009, NIEHS obligated about \$78 million and disbursed about \$78 million in Superfund resources. Of the \$78 million in disbursements, \$5.1 million was related to FY 2009 funds. The remaining \$72.9 million was related to prior periods.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

The scope of our audit included FY 2009 Superfund obligations and disbursements obligated between FYs 2004 and 2009. We did not audit disbursements by grantees; these awards are subject to independent audits under 45 CFR § 74.26.

We performed fieldwork at NIEHS in Research Triangle Park, North Carolina, in June 2010.

Methodology

NIEHS provided a financial transaction listing of all Superfund obligations and disbursements recorded from October 1, 2008, through September 30, 2009. The listing included grant and interagency agreement obligations of \$74,503,950 and nongrant obligations of \$3,472,756. The \$74,503,950 of grant and interagency agreement obligations consisted of \$74,551,000 in obligations of FY 2009 funds and \$47,050 in reductions to obligations of prior-year funds. In addition, the listing included grant and interagency agreement disbursements of \$74,642,035 and nongrant disbursements of \$3,401,573.

NIEHS entered into agreements with universities, unions, other organizations, and another Federal agency to carry out its responsibilities under the CERCLA. We verified \$73 million of obligations against grant award documents for 70 research and training grants. We also traced \$1.5 million of interagency agreement obligations to the interagency agreement document.

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 the Superfund. In addition, we performed a limited review of NIEHS monitoring activities for 21 judgmentally selected grants.

We reviewed NIEHS's internal controls to the extent necessary to accomplish the objective of the audit. We limited our review to obtaining an understanding of controls over funding authority, financial reporting, and grants.

Because audits in past years contained no findings under administrative costs, we limited our testing of administrative disbursements to comparing administrative disbursements recorded during FY 2009 with administrative disbursements recorded during the previous FY.

We reviewed the FY 2008 Superfund audit report (report number A-04-09-01062) and determined that the report contained no findings requiring followup.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS OF AUDIT

The Superfund financial transactions for the period October 1, 2008, through September 30, 2009, were allowable, allocable, and reasonable in accordance with applicable laws and regulations. These Superfund transactions related to FYs 2004 through 2009 funds.

In general, NIEHS took appropriate action to ensure that its Superfund grantees submitted required audit reports.

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

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 contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-04-10-01076.