

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE NATIONAL INSTITUTE OF
ENVIRONMENTAL HEALTH SCIENCES
GENERALLY ADMINISTERED ITS
SUPERFUND APPROPRIATIONS
DURING FISCAL YEAR 2012
IN ACCORDANCE WITH
FEDERAL REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Gloria L. Jarmon
Deputy Inspector General

April 2014
A-04-13-01025

Office of Inspector General

<https://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 Office of Audit Services (OAS) provides 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. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

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 for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

EXECUTIVE SUMMARY

The National Institute of Environmental Health Sciences generally administered its Superfund appropriations during fiscal year 2012 in accordance with Federal requirements. However, it did not monitor whether its grantees complied with reporting requirements.

WHY WE DID THIS REVIEW

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) established a fund, commonly known as the Superfund. The National Institute of Environmental Health Sciences (the Institute) receives an annual Superfund appropriation to carry out functions mandated by the CERCLA.

The CERCLA requires the Inspector General of a Federal organization with Superfund responsibilities to audit all uses of the fund in the prior fiscal year. To meet this requirement, the U.S. Department of Health and Human Services (HHS), Office of Inspector General, conducts an annual audit of the Institute's use of its Superfund appropriations.

The objective of our audit was to determine whether the Institute administered its Superfund appropriations during fiscal year (FY) 2012 in accordance with Federal requirements.

BACKGROUND

The Institute, 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 HHS. NIH provides the Institute 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 Superfund Amendments and Reauthorization Act of 1986 extended and amended the CERCLA. The Superfund is used to respond to emergency environmental conditions that are hazardous to health and to pay for the removal of toxic substances.

From October 1, 2011, through September 30, 2012, the Institute obligated approximately \$79 million and disbursed approximately \$78 million in Superfund resources. Of the \$78 million in disbursements, \$4.4 million was related to FY 2012 funds. The remaining \$73.6 million was related to prior periods.

In carrying out its Superfund responsibilities for FY 2012, the Institute obligated approximately 5 percent of these funds for administrative costs and awarded the remaining 95 percent as grants 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 using 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.

WHAT WE FOUND

The Institute generally administered its Superfund appropriations during FY 2012 in accordance with applicable Federal requirements. However, grantees are required by regulation to submit Federal financial reports (FFRs) and performance reports, and the Institute did not monitor whether its Superfund grantees submitted them as required by HHS and NIH policy. Of the 30 grants we reviewed, grantees complied with reporting requirements for 9 grants. However, of the remaining 21 grants, grantees had not submitted an FFR on time for 14 grants, including 3 grants for which grantees did not submit an FFR at all, and grantees had not submitted a performance report on time for 9 grants. (Grantees did not submit either the FFR or performance report on time for 2 grants.)

The Institute did not have policies and procedures in place that defined monitoring responsibilities regarding whether its grantees complied with reporting requirements and thought that other NIH offices were responsible for ensuring those requirements were met.

By not monitoring whether Superfund grantees submitted FFRs and performance reports on time, the Institute could not always ensure that it advanced the goals of the Superfund program in a cost-effective manner and in compliance with Federal requirements.

WHAT WE RECOMMEND

We recommend that the Institute work with NIH to implement policies and procedures consistent with the *HHS Grants Policy Directives* and *NIH Grants Policy Statement* to ensure that grantees submit FFRs and performance reports on time and that clearly define the monitoring responsibilities of grants management staff at the Institute.

NATIONAL INSTITUTES OF HEALTH COMMENTS

In written comments on our draft report, NIH concurred with our recommendation and noted that it has a number of policies, procedures, and electronic systems in place to address late progress and financial reports and to ensure proper oversight of these required reports that are consistent with the *HHS Grants Policy Directives* and the *NIH Grants Policy Statement*. NIH also described actions that the Institute intends to take to implement our recommendation.

TABLE OF CONTENTS

INTRODUCTION	1
Why We Did This Review	1
Objective	1
Background	1
Superfund	1
Grant Monitoring Responsibilities.....	1
National Institute of Environmental Health Sciences.....	2
How We Conducted This Review.....	2
FINDING	3
Grantees Did Not Submit Reports on Time.....	3
Institute’s Policies and Procedures Were Inadequate	4
Program Integrity and Accountability Put At Risk.....	5
RECOMMENDATION	5
NATIONAL INSTITUTES OF HEALTH COMMENTS	5
APPENDIXES	
A: Related Office of Inspector General Reports: Audits of Superfund	6
B: Audit Scope and Methodology.....	7
C: Federal Requirements.....	9
D: National Institutes of Health Comments.....	11

INTRODUCTION

WHY WE DID THIS REVIEW

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 U.S.C. § 9601 et seq) established the Hazardous Substance Response Trust Fund, which is commonly known as the Superfund. The National Institute of Environmental Health Sciences (the Institute) receives an annual Superfund appropriation to carry out functions mandated by the CERCLA.

The CERCLA requires the Inspector General of a Federal organization with Superfund responsibilities to audit all uses of the fund in the prior fiscal year (42 U.S.C. § 9611(k)). To meet this requirement, the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) conducts an annual audit of the Institute's use of its Superfund appropriations. (See Appendix A for a list of related OIG reports.)

OBJECTIVE

Our objective was to determine whether the Institute administered its Superfund appropriations during fiscal year (FY) 2012 in accordance with applicable Federal requirements.

BACKGROUND

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.

The Institute receives funding to carry out functions mandated by the CERCLA. In carrying out its Superfund responsibilities for FY 2012, the Institute obligated approximately 5 percent of these funds for administrative costs and awarded the remaining 95 percent as grants 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 using 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.

Grant Monitoring Responsibilities

The Institute is required to monitor its grants to identify potential problems and areas where technical assistance might be necessary. "This active monitoring is accomplished through review of reports and correspondence from the grantee, audit reports, site visits, and other

information available to NIH [National Institutes of Health]” (*NIH Grants Policy Statement*, section 8.4 (effective October 2011)).

HHS agencies that award grants must, at a minimum, require grantees to submit annual financial reports¹ and a final financial report at the completion of the agreement, and these reports are due no later than 90 calendar days after the end of each specified reporting period (45 CFR § 74.52(a)(1)(iii)-(iv)).

HHS agencies that award grants must also, at a minimum, require grantees to submit annual performance reports.² Annual performance reports are due 90 calendar days after the award year.³ Final performance reports, if required, are due 90 calendar days after the expiration or termination of the award (45 CFR § 74.51(b)).

National Institute of Environmental Health Sciences

The Institute, located in Research Triangle Park, North Carolina, is 1 of 27 Institutes and Centers of NIH, which is a component of HHS. NIH provides the Institute with direction and other administrative and professional services.

HOW WE CONDUCTED THIS REVIEW

Our audit included all obligations and disbursements related to FYs 2007 through 2012 Superfund appropriations that occurred from October 1, 2011, through September 30, 2012 (audit period). During the audit period, the Institute obligated⁴ approximately \$79 million and disbursed approximately \$78 million in Superfund resources. Of the \$78 million in disbursements, \$4.4 million was related to FY 2012 funds. The remaining \$73.6 million was related to prior periods.

We judgmentally selected for review a sample of 30 Superfund grants to determine the status of report submissions and whether the Institute performed grants monitoring activities.

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

¹ For awards under the “Streamlined Non-competing Award Process,” a Federal Financial Report (FFR) is required only at the end of a competitive segment rather than annually (*NIH Grants Policy Statement*, § 8.4.1.2 (effective October 2011)).

² We use the term “performance reports” throughout this report, consistent with the CFR; however, the *NIH Grants Policy Statement* uses the term “progress reports.”

³ The awarding agency may require annual performance reports before the anniversary dates of multiple-year awards in lieu of these requirements (45 CFR § 74.51(b)).

⁴ “Obligated” funds are amounts for which the Federal agency has made binding commitments for orders placed for property and services, contracts and subawards, and similar transactions that will require payment immediately or in the future (GAO-05-734SP Budget Glossary, p. 70).

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B contains the details of our scope and methodology, and Appendix C contains Federal requirements.

FINDING

The Institute generally administered its Superfund appropriations during FY 2012 in accordance with applicable Federal requirements. However, grantees are required by regulation to submit FFRs and performance reports, and the Institute did not monitor whether its Superfund grantees submitted them as required by HHS and NIH policy. Of the 30 grants reviewed, grantees complied with reporting requirements for 9 grants. However, of the remaining 21 grants, grantees had not submitted an FFR on time for 14 grants, including 3 grants for which grantees did not submit an FFR at all, and grantees had not submitted a performance report on time for 9 grants.⁵

The Institute did not have policies and procedures in place that defined monitoring responsibilities regarding whether its grantees complied with reporting requirements and thought that other NIH offices were responsible for ensuring those requirements were met.

By not monitoring whether Superfund grantees submitted FFRs and performance reports on time, the Institute could not always ensure that it advanced the goals of the Superfund program in a cost-effective manner and in compliance with Federal requirements. The lack of timely reports limited the Institute's ability to identify potential problems, areas where technical assistance might be necessary, and grantees in need of closer monitoring. The Institute also potentially put program funding at greater risk of being misused when it awarded additional funds to a grantee that continued to be delinquent in meeting reporting requirements.

GRANTEES DID NOT SUBMIT REPORTS ON TIME

Although NIH has centralized the submission of reports, the Grants Management Officer (GMO) is the official receipt point for most required reports (*NIH Grants Policy Statement*, § 8.4.1 (effective October 2011)). GMOs⁶ are responsible for ensuring that grantees fulfill applicable requirements, including monitoring the receipt of all required reports and taking appropriate followup action, as necessary, to obtain delinquent reports (*HHS Grants Policy Directive 1.04*, par. C and D).

Of the 30 grants that we reviewed, grantees complied with FFR reporting requirements for 16 grants but did not comply with the FFR requirements for the remaining 14. Of the 14 grants that were not in compliance, grantees had not submitted FFRs for 3 grants and had submitted FFRs

⁵ Grantees did not submit either the FFR or performance report on time for 2 grants; thus there were 21 grants with compliance issues.

⁶ The notices of award for the grants in our review showed the responsible official to be a GMO of the Institute.

from 1 to 68 days late for the remaining 11 grants. We noted that one grantee that had not submitted an FFR received a subsequent grant from the Institute.

Of the 30 grants that we reviewed, grantees complied with performance reporting requirements for 21 grants but did not comply with performance reporting requirements for the remaining 9. Of the 9 grants that were not in compliance, grantees had submitted performance reports from 1 to 30 days after the due dates had passed.

The table below summarizes the number of grants reviewed with on time, late, or missing FFRs and performance reports:

Table: Frequency of On Time, Late, and Missing Reports for Grants Reviewed

Days Delinquent	Federal Financial Reports	Performance Reports
On Time	16	21
1-15	5	8
16-30	1	1
31-45	2	0
46-60	1	0
61-75	2	0
Not filed	3	0
Total	30	30

Institute’s Policies and Procedures Were Inadequate

The Institute did not have policies and procedures in place that defined monitoring responsibilities regarding whether its grantees complied with reporting requirements.

NIH had systems in place to notify grantees that financial and performance reports were due;⁷ however, the Institute’s grants management staff did not follow up with grantees to obtain late or delinquent reports or take action in situations where reports were never submitted. Institute staff members were not aware that grantees had not properly submitted the required reports and said that NIH, and not the Institute, was responsible for ensuring that grantees met report requirements. Institute staff members also said that NIH had centralized the grant close-out process so that the Institutes and Centers no longer had to close grants.

When we asked about its responsibilities for ensuring grantees submit timely financial and performance reports, Institute staff members referred us to language in the *NIH Grants Policy*

⁷ NIH’s Office of Financial Management sent letters to grantees when FFRs were late, and its Information for Management, Planning, Analysis, and Coordination II (IMPAC II) system sent a late notice to grantees when performance reports were more than 15 days late. IMPAC II is an electronic grant processing tool that allows agencies to obtain data on grants.

Statement that requires grantees to electronically submit FFRs and performance reports to NIH and not the Institute. However, those requirements did not prevent or limit the Institute's responsibilities for monitoring grants. Grants management staff at the Institute had access to the same electronic systems used by NIH offices to process FFR and performance reports. Thus, as is stated in the *HHS Grants Policy Directives* and the *NIH Grants Policy Statement*, the responsibility for monitoring whether reports are filed on time and taking all appropriate followup action remains with the Institute.

Program Integrity and Accountability Put At Risk

By not monitoring whether Superfund grantees submitted performance reports and FFRs on time, the Institute could not always ensure that it advanced the goals of the Superfund program in a cost-effective manner and in compliance with applicable rules and regulations. The lack of timely reports limited the Institute's ability to identify potential problems, areas where technical assistance might be necessary, and grantees in need of closer monitoring.

The Institute also put program funding at potentially greater risk of being misused when it awarded additional funds to a grantee that continued to be delinquent in meeting reporting requirements.

RECOMMENDATION

We recommend that the Institute work with NIH to implement policies and procedures consistent with the *HHS Grants Policy Directives* and *NIH Grants Policy Statement* to ensure that grantees submit FFRs and performance reports on time and that clearly define the monitoring responsibilities of grants management staff at the Institute.

NATIONAL INSTITUTES OF HEALTH COMMENTS

In written comments on our draft report, NIH concurred with our recommendation and noted that it has a number of policies, procedures, and electronic systems in place to address late progress and financial reports and to ensure proper oversight of these required reports that are consistent with the *HHS Grants Policy Directives* and the *NIH Grants Policy Statement*. NIH also described actions that the Institute intends to take to implement our recommendation.

NIH's comments are included in their entirety as Appendix D.

**APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS:
AUDITS OF SUPERFUND**

Report Title	Report Number	Date Issued
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences—Fiscal Year 2011</i>	<u>A-04-12-01013</u>	7/19/12
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences—Fiscal Year 2010</i>	<u>A-04-11-01099</u>	6/16/11
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences</i>	<u>A-04-10-01076</u>	8/31/10
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 2008</i>	<u>A-04-09-01062</u>	7/28/09
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 2007</i>	<u>A-04-08-01057</u>	8/25/08

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit included all obligations and disbursements related to FYs 2007 through 2012 Superfund appropriations that occurred during the period October 1, 2011, through September 30, 2012.⁸ During this period, the Institute obligated approximately \$79 million and disbursed approximately \$78 million in Superfund resources. Of the \$78 million in disbursements, \$4.4 million was related to FY 2012 funds. The remaining \$73.6 million was related to prior periods.

We did not audit disbursements by grantees because grantee disbursements are subject to independent audits under 45 CFR § 74.26.

We performed fieldwork from April through November 2013.

METHODOLOGY

To accomplish our audit objective, we:

- reviewed applicable laws and regulations regarding Superfund appropriations;
- reviewed our FY 2011 Superfund audit report (A-04-12-01013) and determined that the report contained no findings requiring followup;
- traced NIH accounting records to the list that the Institute provided of all Superfund financial transactions recorded from October 1, 2011, through September 30, 2012, to determine the accuracy and completeness of the listing;
- traced approximately \$75 million in obligations to 60 research and training grant award documents to determine whether grant awards were properly recorded;
- determined whether grantees had submitted audits in accordance with Office of Management and Budget Circular A-133 and, if so, whether the audit reports contained any significant findings related to the Superfund;
- performed a limited review of the Institute's monitoring activities for 30 judgmentally selected grants awarded during FY 2011 or prior years⁹ by:

⁸ Because annual appropriations may be disbursed up to 5 years beyond the appropriation year, our scope included obligations and disbursements of FY 2007 through FY 2011 appropriations, as well as those of FY 2012.

⁹ We selected grantees from FY 2011 and prior years because financial and performance reports for FY 2012 awards were not yet due at the time of our fieldwork.

- determining whether grantees had submitted timely financial and performance reports in accordance with grant terms and conditions and
- meeting with the Institute’s grants management staff to determine what other grants monitoring activities occurred during the audit period;
- obtained an understanding of the Institute’s controls over funding authority, financial reporting, and grants;
- performed limited testing of administrative disbursements by comparing disbursements recorded during FY 2012 to disbursements recorded during FY 2011;¹⁰ and
- discussed the results of the audit with Institute officials.

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 objectives.

¹⁰ We limited our testing of these disbursements because of the small amount of administrative costs associated with Superfund administration relative to the overall funding the Institute received.

APPENDIX C: FEDERAL REQUIREMENTS

45 CFR § 74.51 (b)

“The HHS awarding agency will prescribe the frequency with which the performance reports shall be submitted. Performance reports will not be required more frequently than quarterly or, less frequently than annually. Annual reports shall be due 90 calendar days after the award year; quarterly or semi-annual reports shall be due 30 days after the reporting period.”

45 CFR § 74.52 (a)(1)(iii)

“The HHS awarding agency will determine the frequency of the Financial Status Report for each project or program ... [h]owever, the report will not be required more frequently than quarterly or less frequently than annually ... [and a] final report shall be required at the completion of the agreement.”

45 CFR § 74.52 (a)(1)(iv)

“Recipients shall submit the SF-269 and SF-269A¹¹ (an original and two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for the annual and final reports.”

HHS Grants Policy Directive 1.04, par. C: Organizational Placement of Grants Management Function

“Grants management staff is responsible for ensuring that, for grants under their cognizance, both Federal staff and grantees fulfill applicable statutory, regulatory, and administrative policy requirements.”

HHS Grants Policy Directive 1.04, par. D: Reports and Closeout

“GMOs are responsible for monitoring the receipt of all required reports and taking appropriate followup action, as necessary, to obtain delinquent reports.”

“GMOs are responsible for closing out grant/award files. In doing so, they must ensure that grant files contain all pertinent documents, including required reports, and evidence that appropriate grants management and program office reviews and evaluations have been conducted.”

¹¹ As of February 1, 2011, the Office of Management and Budget consolidated the Financial Status Report (FSR or SF-269/SF-269A) and the Federal Cash Transaction Report (FCTR or SF-272/SF-272A) into a single form known as the Federal Financial Report (FFR or SF-425/SF-425A).

NIH Grants Policy Statement, October 1, 2011, Monitoring, Section 8.4

“NIH awarding [Institutes and Centers] monitor their grants to identify potential problems and areas where technical assistance might be necessary. This active monitoring is accomplished through review of reports and correspondence from the grantee, audit reports, site visits, and other information available to NIH.”

NIH Grants Policy Statement, October 1, 2011, Reporting, Section 8.4.1

“Failure to submit complete, accurate, and timely reports may indicate the need for closer monitoring by NIH or may result in possible award delays or enforcement actions, including withholding, removal of certain NIH Standard Terms of Award, or conversion to a reimbursement payment method.”

NIH Grants Policy Statement, October 1, 2011, Non-Competing Continuation Progress Reports, Section 8.4.1.1

Progress reports usually are required annually as part of the non-competing continuation award process. NIH may require these reports more frequently. The “Non-Competing Continuation Progress Report” ([Public Health Service] (PHS) 2590) or equivalent documentation must be submitted to, and approved by, NIH to noncompetitively fund each additional budget period within a previously approved project period (competitive segment).

NIH Grants Policy Statement, October 1, 2011, Streamlined Non-competing Award Process (SNAP), Modified Financial Reporting Requirements, Section 8.4.1.2.3

“For awards under SNAP ... an FFR is required only at the end of a competitive segment rather than annually. The FFR must be submitted within 90 days after the end of the competitive segment and must report on the cumulative support awarded for the entire segment.”

NIH Grants Policy Statement, October 1, 2011, Submitting SNAP Progress Reports, Section 8.4.1.2.4

“All SNAP progress reports are due no later than 45 days before the next budget start date and must be submitted electronically.”

HHS PHS, Instructions for PHS 2590, Continuation Progress Report, Section, 1.

“All [non-SNAP] NIH progress reports must be submitted ... on the first of the month preceding the month in which the budget period ends, unless a different due date is indicated in the Notice of Award.”



TO: Daniel Levinson
Inspector General, HHS

FROM: Director, NIH

DATE: February 27, 2014

SUBJECT: NIH Comments on the Draft Report, *The National Institute of Environmental Health Sciences Generally Administered Its Superfund Appropriations During Fiscal Year 2012 in Accordance With Federal Requirements (A-04-13-01025)*

Attached are the National Institutes of Health's comments on the draft Office of Inspector General report *The National Institute of Environmental Health Sciences Generally Administered Its Superfund Appropriations During Fiscal Year 2012 in Accordance With Federal Requirements (A-04-13-01025)*.

We appreciate the review conducted by the OIG and the opportunity to provide clarifications on this draft report. Should you have questions or concerns, please contact Meredith Stein in the Office of Management Assessment at 301-402-8482.

/s/ Francis S. Collins, M.D., Ph.D.

Francis S. Collins, M.D., Ph.D.

Attachment

GENERAL COMMENTS OF THE NATIONAL INSTITUTES OF HEALTH ON THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT ENTITLED: THE NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH SCIENCES GENERALLY ADMINISTERED ITS SUPERFUND APPROPRIATIONS DURING FISCAL YEAR 2012 IN ACCORDANCE WITH FEDERAL REQUIREMENTS (A-04-13-01025)

The National Institutes of Health (NIH) appreciates the review conducted by the OIG and the opportunity to provide clarifications on this draft report. We respectfully submit the following general comments.

OIG Recommendation: That the Institute work with the NIH to implement policies and procedures consistent with the *HHS Grants Policy Directives* and *NIH Grants Policy Statement* to ensure that grantees submit Federal Financial Reports (FFRs) and performance reports on time and that clearly define the monitoring responsibilities of grants management staff at the Institute.

NIH Response: The NIH concurs with the recommendation. However, we should note that the NIH already has a number of policies, procedures, and electronic systems (see *Monitoring Oversight Overview*) in place to address late progress and financial reports and to ensure proper oversight of these required reports that are consistent with the *HHS Grants Policy Directives* and the *NIH Grants Policy Statement*. These NIH-wide policies and procedures are detailed below, as well as the actions that the National Institute of Environmental Health Sciences (NIEHS) intends to take to implement this recommendation.

Monitoring Oversight Overview

The NIH requires that grantees periodically submit financial and progress reports, and we have centralized the submission of annual progress reports. In addition, electronic submission through the eRA Commons is required for some annual progress reports and is available for all closeout documents (final grant progress reports, final invention statements and certifications, and final financial status reports).

With respect to timely submission of reports, the NIH through eRA Commons sends e-mail reminders to principal investigators (PIs) and grantee officials two months before the due date for the annual progress report. E-mail reminders are also sent when the progress report is more than 15 days late. If an awardee is delinquent in submitting a progress report, the Institute's Grants Management Officer or the Centralized Processing Center (CPC) for progress reports—depending on which process the Institute uses—is responsible for following up on delinquent reports. The NIEHS uses the services of the CPC.

NIH policy requires that expenditure FFRs be electronically submitted to the NIH Office of Financial Management (OFM). The OFM assumes the responsibility for reviewing and approving submitted FFRs. Cash transaction FFRs are submitted directly to and processed by the Payment Management System.

GENERAL COMMENTS OF THE NATIONAL INSTITUTES OF HEALTH ON THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT ENTITLED: THE NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH SCIENCES GENERALLY ADMINISTERED ITS SUPERFUND APPROPRIATIONS DURING FISCAL YEAR 2012 IN ACCORDANCE WITH FEDERAL REQUIREMENTS (A-04-13-01025)

With NIH's centralized processes as a foundation, the NIEHS developed and implemented procedures in July 2013 that delineate staff responsibilities for identifying and following up on late progress and financial reports for Superfund grant programs, that include:

NIEHS Action Steps

1. Late Progress Reports

- The Institute grants management staff will continue to monitor timely submission of type 5 reports within their grant portfolio or assignment and are individually responsible for obtaining these reports in order to make subsequent type 5 awards on time.
- To enhance this process, Institute staff will utilize an eRA query that lists progress reports and due dates for the NIEHS and follow up on automatic late notifications sent by the eRA system.
- Institute staff will document the grant file with follow-up correspondence.
- Subsequent funding increments will not be issued until the NIEHS has a progress report that has been reviewed and accepted by Institute staff, as documented in the Award Worksheet Report generated at the time the Notice of Award is issued.
- For final progress reports, the NIH Central Processing Center (CPC) is responsible for final reporting compliance. Its staff sends out 3 or more reminder letters to grantees regarding the 3 closeout documents, which include the final progress reports, final invention statement, and final FFRs.
- If the CPC does not receive a response from the grantee to these follow-up actions, the matter is forwarded to the NIEHS. The NIEHS will continue to follow up with the grantee and document the grant file.

2. Late Federal Financial Reports (FFRs)

- The NIEHS has established and will implement a policy and procedures that will require its staff to query and monitor the status of expenditure FFRs associated with Superfund grant programs. The NIEHS will then follow up with delinquent grantees.
- Institute staff will document the grant file with follow-up correspondence.

Type 5 awards will not be issued unless the FFR has been submitted and accepted by the NIH OFM for the budget period prior to the current budget period for mechanisms requiring an annual FFR.

GENERAL COMMENTS OF THE NATIONAL INSTITUTES OF HEALTH ON THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT ENTITLED: *THE NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH SCIENCES GENERALLY ADMINISTERED ITS SUPERFUND APPROPRIATIONS DURING FISCAL YEAR 2012 IN ACCORDANCE WITH FEDERAL REQUIREMENTS (A-04-13-01025)*

Additional actions:

- It should be noted that at all annual Superfund grantee meetings, Grants Management Specialists in attendance provide a presentation on policy topics relevant to these programs, which include reminders about submitting required reports on time.
- The NIEHS has followed up with the grantee institutions regarding the three unfiled grantee FFRs noted in the OIG report. These FFRs have been reviewed and accepted by the NIH OFM.
- As a proactive measure, by April 1, 2014, the NIEHS will send an e-mail correspondence to all Superfund grantees, to the attention of their Authorized Organizational Representative with a copy to the Principal Investigator, reminding them of their reporting requirements, including possible enforcement actions.