

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE NATIONAL INSTITUTE OF
ENVIRONMENTAL HEALTH SCIENCES
ADMINISTERED ITS SUPERFUND
APPROPRIATIONS DURING FISCAL YEAR
2013 IN ACCORDANCE WITH FEDERAL
REQUIREMENTS**

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Office of Inspector General

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

INTRODUCTION

The National Institute of Environmental Health Sciences administered its Superfund appropriations during fiscal year 2013 in accordance with Federal requirements.

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) 2013 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 2013, 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.

National Institute of Environmental Health Sciences

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.

HOW WE CONDUCTED THIS REVIEW

Our audit covered all obligations and disbursements related to FYs 2008 through 2013 Superfund appropriations that occurred from October 1, 2012, through September 30, 2013 (audit period).¹ During the audit period, the Institute obligated² approximately \$75 million and disbursed approximately \$80 million in Superfund resources. Of the \$80 million in disbursements, \$4 million came from FY 2013 funds and \$76 million came from prior period funds.

We judgmentally selected for review a sample of 10 Superfund grants to determine the status of report submissions and whether the Institute performed grants monitoring activities. We also judgmentally selected a sample of 43 salary and related transactions to determine whether employee costs to administer the Superfund were allowable.

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.

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

RESULTS OF AUDIT

The Institute administered its Superfund appropriations during FY 2013 in accordance with applicable Federal requirements. Accordingly, this report contains no recommendations.

¹ Because annual appropriations may be disbursed up to 5 years beyond the appropriation year, our scope included obligations and disbursements of FY 2008 through FY 2012 appropriations, as well as those of FY 2013.

² “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).

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

Report Title	Report Number	Date Issued
<i>The National Institute of Environmental Health Sciences Generally Administered Its Superfund Appropriations During Fiscal Year 2012 in Accordance With Federal Requirements</i>	A-04-13-01025	4/2014
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences—Fiscal Year 2011</i>	A-04-12-01013	7/2012
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences—Fiscal Year 2010</i>	A-04-11-01099	6/2011
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences—Fiscal Year 2009</i>	A-04-10-01076	8/2010
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences for Fiscal Year 2008</i>	A-04-09-01062	7/2009

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered all FYs 2008 through 2013 obligations and disbursements of Superfund appropriations made during the period October 1, 2012, through September 30, 2013.³ During this period, the Institute obligated approximately \$75 million and disbursed approximately \$80 million in Superfund resources. Of the \$80 million in disbursements, \$4 million came from FY 2013 funds and \$76 million came from prior period funds.

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

We performed fieldwork at Institute offices in Research Triangle Park, NC, from April through July 2014.

METHODOLOGY

To accomplish our audit objective, we:

- reviewed applicable laws and regulations regarding Superfund appropriations;
- reviewed our FY 2012 Superfund audit report (A-04-13-01025) and determined that the report contained one finding requiring followup;⁴
- traced NIH accounting records to the Institute's list of all Superfund financial transactions recorded from October 1, 2012, through September 30, 2013, to determine the accuracy and completeness of the Institute's listing;
- traced approximately \$71 million in obligations to 70 research and training grant award documents to determine whether grant awards were properly recorded;
- reviewed each grantee's Notice of Award to confirm the Institute provided funds for Superfund activities;
- determined whether grantees had submitted audits to the Federal Audit Clearinghouse 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;

³ Because annual appropriations may be disbursed up to 5 years beyond the appropriation year, our scope included obligations and disbursements of FY 2008 through FY 2012 appropriations, as well as those of FY 2013.

⁴ Our FY 2012 audit report showed that the Institute had not always ensured that its Superfund grant recipients submitted timely Federal Financial Reports and progress reports, as required. However, we issued our audit report after the end of the current audit period (FY 2013), so the Institute's corrective actions would not have been implemented. Thus, we will follow up on the Institute's corrective actions in future annual audits.

- performed a limited review of the Institute’s monitoring activities for 10 judgmentally selected grants awarded during FY 2012 by determining whether grantees had submitted timely financial and performance reports to the Institute or NIH administrative offices in accordance with grant terms and conditions;
- obtained an understanding of the Institute’s controls over funding authority, financial reporting, and grants;
- compared administrative disbursements recorded during FY 2013 to disbursements recorded during FY 2012 to determine whether there were significant differences between years;
- reviewed 43 judgmentally selected salary and related transactions⁵ for Institute employees who administered the Superfund totaling \$195,204 to determine whether employee costs to administer the Superfund were allowable; 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.

⁵ Transactions included costs of personal compensation and related benefits.

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.”

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-269A⁶ (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 PHS, Instructions for PHS 2590, Continuation Progress Report, Section 1.

“All [non-SNAP⁷] 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.”

GAO 03-352G, Part I: Civilian Employees

“Information in time and attendance records should be promptly and properly recorded to meet control objectives. It should be complete, accurate, valid, and comply with legal requirements.”

⁶ 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).

⁷ SNAP is the Streamlined Non-competing Award Process.