



MAY - 8 2006

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 2005 (A-04-06-01023)

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 2005.

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.

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, 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-04-06-01023 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 2005**



Daniel R. Levinson
Inspector General

May 2006
A-04-06-01023

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 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. 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. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

Office of Investigations

The 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.

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 in OIG's internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. 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
at <http://oig.hhs.gov>

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

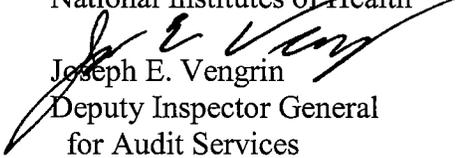
The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions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





MAY - 8 2006

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 2005 (Report Number A-04-06-01023)

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) 2005. 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, 2004, through September 30, 2005, 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. The fund 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 CERCLA. In carrying out its Superfund responsibilities for FY 2005, 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, 2004, through September 30, 2005, NIEHS obligated about \$80.6 million and disbursed about \$80.2 million in Superfund resources. Of the \$80.2 million of disbursements, \$3.6 million was related to FY 2005 funds. The remaining \$76.6 million was related to prior periods.

SCOPE AND METHODOLOGY

The scope of our audit included FY 2005 Superfund obligations and disbursements. NIEHS provided a financial transaction listing of all Superfund obligations and disbursements recorded during the period from October 1, 2004, through September 30, 2005. The listing included grant and interagency agreement obligations of \$77,683,403 and non-grant obligations of \$2,913,004. The \$77,683,403 of grant and interagency agreement obligations consisted of \$78,828,372 of FY 2005 obligations less \$1,144,969 of prior years' deobligations. In addition, the listing included grant and interagency agreement disbursements of \$77,560,801 and non-grant disbursements of \$2,608,704.

NIEHS entered into agreements with universities, unions, other non-profit organizations, and another Federal agency to carry out its responsibilities under CERCLA. We verified \$77.3 million of obligations to the grant award documents for 54 research and training grants. We also traced \$1.5 million of interagency agreement obligations to the interagency agreement document.

The scope of our audit did not include auditing disbursements by 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 2005 funds were \$1,467,693. Of this amount, personnel costs (salaries and fringe benefits) totaled \$994,324, representing about 68 percent of the total administrative disbursement of FY 2005 funds. To determine whether administrative disbursements during FY 2005 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 2004 final audit report (report number A-04-05-01019) did not contain any findings, no follow-up was required.

We conducted our review in accordance with generally accepted government auditing standards. We performed fieldwork at NIEHS offices in Research Triangle Park, North Carolina during the period from December 2005 through March 2006.

RESULTS OF AUDIT

The Superfund financial transactions for the period from October 1, 2004, through September 30, 2005, were allowable, allocable, and reasonable in accordance with applicable laws and regulations. These Superfund transactions related to FY 2000 through FY 2005 funds.

We also determined that NIEHS took appropriate action to ensure that its Superfund grantees submitted 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 contact Joe Green, 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-04-06-01023 in all correspondence.