

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



**PUBLIC
RELEASE**

***NATIONAL INSTITUTE OF
STANDARDS AND TECHNOLOGY***

*FY 1995 Superfund Charges to the
Environmental Protection Agency*

Audit Report No. EDD-9836-7-0001 / July 1997

Office of Audits, Economic Development Audits Division





UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

July 29, 1997

MEMORANDUM FOR: John C. McGuffin
Controller
National Institute of Standards
and Technology

FROM: Andrew R. Cochran
Director, Economic Development Audit Division
Office of Audits

SUBJECT: NIST FY 1995 Superfund Charges to
the Environmental Protection Agency
Final Audit Report No. EDD-9836-7-0001

The Office of Inspector General has completed its audit of NIST's use of EPA Superfund appropriations and prepared the attached final audit report. The audit was completed to fulfill the requirement under the Superfund Amendments and Reauthorization Act of 1986 for an annual audit of all Superfund payments and obligations.

We found that NIST had accurately accumulated, documented and charged the Superfund reimbursable costs for the funds received. The funds were received in advance for all the work performed by NIST. Our evaluation of the agency's compliance with laws and regulations indicated that NIST was in compliance with the relevant financial provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

NIST also was in compliance with the terms and conditions of the interagency agreements, and controls over Superfund activities were adequate. During fiscal year 1995 NIST properly tracked EPA Superfund monies by providing segregated cost centers for the expenditures. As a result, we are issuing this report in final form with no recommendation needed for future action by NIST.

We appreciate the cooperation and courtesies extended to us by NIST officials during the audit.

Introduction

Among its many efforts to contribute to public health and safety, NIST provides technical research to counteract the effects of toxic waste spills. This work is performed on a reimbursable basis through interagency agreements with the EPA. Funds for the agreements are appropriated through the Hazardous Substance Response Trust Fund, more commonly referred to as the "Superfund." The Superfund is used to identify the nation's uncontrolled hazardous waste sites, assign priorities to the risks they create and work to eliminate those risks.

The Superfund program, created under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, established the Superfund to provide funds for identifying, prioritizing, and remediating the nation's uncontrolled hazardous waste sites. The 1980 Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, provides for full recovery from responsible parties of all response costs incurred by the Federal Government. Response costs generally include expenses for investigations, cleanup, enforcement, and administrative activities.

The 1986 Act also provides that the Inspector General will conduct an annual audit of all payments, obligations, reimbursements, or other uses of the Superfund to assure that the fund is being properly administered.

Purpose and Scope of Audit

The purpose of our audit was to determine whether NIST had properly managed the financial aspects of its Superfund interagency agreements. We evaluated whether NIST had (1) accurately accumulated, documented and charged EPA for the Superfund reimbursable costs; (2) established adequate internal controls over reimbursable work related to the interagency agreements; and (3) complied with the terms and conditions of its Superfund interagency agreements with EPA. Our review covered interagency agreements entered into or continuing between EPA and NIST during the period October 1, 1994 through September 30, 1995.

We reviewed NIST's policies and procedures for accepting reimbursable work, identifying and assigning actual costs to the project, and recovering all eligible costs. We also interviewed NIST's scientific and administrative personnel. Our review was conducted at NIST offices in Gaithersburg, Maryland from April through May 1997.

To confirm direct costs, we reviewed the agency's financial and program records as well as EPA documents and records. In reviewing indirect costs, we limited the scope of our review to performing an analytical review of indirect costs and rates charged, investigating any differences from the previous fiscal year. We found no significant differences in the indirect cost rates we compared.

Our audit included an evaluation of internal controls to the extent that they related to the administration of the Superfund interagency agreements with EPA. We relied upon our own review, as well as on the internal control reviews performed by the independent accountants for NIST for FY 1995. We found a reasonable assurance that there was no material weakness in the recording of the Superfund appropriations.

In our review, we obtained computer-based accounting data from NIST's Office of the Controller. We assessed the reliability of the data by tracing it to source documents and comparing it to other summary data prepared by the laboratories. We found the data sufficiently reliable to be used in meeting the audit objectives. We also evaluated the agency's compliance with laws and regulations applicable to the Superfund monies. We identified the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, as the authorizing and governing legislation. The terms and conditions of the interagency agreements were identified. The review was conducted in accordance with generally accepted government auditing standards, and was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

Superfund Charges Accurately Accumulated, Documented and Billed

Two NIST operating units entered into Superfund interagency agreements with EPA in fiscal year 1995. These operating units were the Technology and Chemistry Laboratories, each of which received one newly funded agreement. When fiscal year 1995 began, EPA and NIST had two continuing Superfund agreements. The Technology Laboratory received additional funding under their previous award of \$300,000. The Chemistry Laboratory obtained funding of \$10,000 under a new award. All funding was received in advance. See attached Appendices I through IV.

We tested the accuracy of the accounting data by tracing it to original source documents and to the NIST/EPA entry recorded in the Working Capital Accounts. We compared the data to summary information contained in the cost centers' statements and other documents. All costs were confirmed to their limitation ledgers and related to the NIST Working Capital Account.

In the NIST Technology and Chemistry Laboratories, the data was accurately recorded from time sheets to their respective labor cost summaries and to the cost center statements to which they applied. The NIST administration overhead charges were properly documented in their respective cost centers. We traced the indirect costs assigned to the laboratories to their cost center reports. The data recorded in the accounting records was accurate and reliable in all material respects and reflected reasonable costs incurred for the services provided by NIST.

The following are the Superfund agreements under which funds were received in advance of expenses obligated or incurred during fiscal year 1995:

EPA SUPERFUND AGREEMENTS

Agreement Number	Unobligated Beginning Balance	NIST Expenditures	Adjustment to Working Capital	Net Unobligated Balance
Technology Lab:				
DW1393-5578-01	\$1,442	\$1,379	\$63	\$0
DW1393-5578-05	300,000	129,680	0	170,320
Chemistry Lab:				
DW1393-6196-01	57,482	57,423	59	0
DW1393-7283-01 (new advance)	10,000	9,233	767	0
Totals	\$368,924	\$197,715	\$889	\$170,320

We determined that the costs for the interagency agreements projects were appropriately charged. Costs incurred did not exceed the specified interagency agreement obligation limits. We found that NIST properly reported the use of their Superfund funds, that all billings appeared reasonable for the work performed or the objectives anticipated, and that NIST performed in compliance with the applicable legislation. Moreover, as previously recommended by this office, all costs were accumulated in segregated costs centers for the work performed under each of the separate Superfund interagency agreements.

In summary, we found that NIST properly accumulated, documented, and billed all of the Superfund work performed during fiscal year 1995 under the NIST/EPA Superfund agreements. Our findings, therefore, result in no recommendations for action by NIST.

Attachments

**Summary of FY 1995 Obligations and Disbursements
Under Interagency Agreement DW1393-5578-01**

Object Class	Unobligated Beginning Balance	Expended Appropriations (Cost Center 871-3399)	Adjustment to Working Capital	Net Unobligated Balance
Personnel		\$696		696
Fringe Benefits		139		139
Overhead DE		47		47
Overhead OU		100		100
Overhead NIST		397		397
Totals	\$1,442	\$1,379	\$63	\$0

DE = Applied for Depreciation
 OU = Applied for the Operating Unit
 NIST = Applied for NIST Administration

**Summary of FY 1995 Obligations and Disbursements
Under Interagency Agreement DW1393-5578-05**

Object Class	Unobligated Beginning Balance	Expended Appropriations (Cost Center 871-3401)	Adjustment to Working Capital	Net Unobligated Balance
Personnel		\$66,589		
Fringe Benefits		13,175		
Overhead DE		3,130		
Overhead OU		9,487		
Overhead NIST		37,285		
Misc. Expense		14		
Totals	\$300,000	\$129,680	\$0	\$170,320

DE = Applied for Depreciation
 OU = Applied for the Operating Unit
 NIST = Applied for NIST Administration

**Summary of FY 1995 Obligations and Disbursements
Under Interagency Agreement DW1393-6196-01**

Object Class	Unobligated Beginning Balance	Expended Appropriations (Cost Center 839-2486)	Adjustment to Working Capital	Net Unobligated Balance
Personnel		\$11,178		
Fringe Benefits		14,547		
Personnel Benefits		5,145		
Overhead DE		4,630		
Overhead OU		7,040		
Overhead NIST		14,662		
Misc. Expense		221		
Totals	\$57,482	\$57,423	\$59	\$0

DE = Applied for Depreciation
 OU = Applied for the Operating Unit
 NIST = Applied for NIST Administration

Appendix IV

Summary of FY 1995 Obligations and Disbursements
Under Interagency Agreement DW1393-7283-01

Object Class	Advance From EPA	Expended Appropriations (Cost Center 839-0410)	Adjustment to Working Capital	Net Unobligated Balance
Travel -- Common Carrier		\$4,530		
Travel -- Per Diem		4,703		
Totals	\$10,000	\$9,233	\$767	\$0