



Office of the Inspector General
U.S. Department of Justice



Audit of Superfund Activities in the Environment and Natural Resources Division for Fiscal Years 2015 and 2016

AUDIT OF SUPERFUND ACTIVITIES IN THE ENVIRONMENT AND NATURAL RESOURCES DIVISION FOR FISCAL YEARS 2015 AND 2016

EXECUTIVE SUMMARY

The *Comprehensive Environmental Response, Compensation, and Liability Act of 1980* (known as CERCLA or Superfund), which was expanded by the *Superfund Amendments and Reauthorization Act of 1986* (SARA), established the Superfund program to clean up the nation's worst hazardous waste sites.¹ It also established the Hazardous Substance Superfund Trust Fund (Trust Fund) to finance cleanup sites when a liable party cannot be found or the third party is incapable of paying cleanup costs. The Trust Fund also pays the Environmental Protection Agency (EPA) for enforcement, as well as research and development.

Executive Order 12580, issued January 23, 1987, gives the Attorney General responsibility for all Superfund litigation. Within the Department of Justice (DOJ), the Environment and Natural Resources Division (ENRD) enforces CERCLA's civil and criminal pollution-control laws. Since fiscal year (FY) 1987, the EPA has entered into interagency agreements with the ENRD to reimburse the ENRD for its litigation costs. In recent years, the EPA authorized reimbursements to the ENRD in the amount of \$21.43 million during FY 2015 and \$20.145 million during FY 2016. In accordance with the EPA and ENRD Statement of Work, the ENRD documents its Superfund litigation costs, using a management information system. The system is designed to process financial data from the ENRD Expenditure and Allotment (E&A) Reports into: (1) Superfund direct costs, including direct labor costs and other direct costs, (2) non-Superfund direct costs, and (3) allocable indirect costs.

The DOJ Office of the Inspector General conducted this audit to determine if the cost allocation process used by the ENRD and its contractor provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases from FYs 2015 and 2016. To accomplish this objective, we assessed Superfund case designation, costs distributed to these cases, and the adequacy of the internal controls over the recording of charges to Superfund cases. We concluded that the ENRD provided an equitable distribution of costs to Superfund cases from FYs 2015 and 2016. Our report makes one recommendation to the ENRD to remedy one instance of \$1,414 in unsupported travel costs.

¹ 42 U.S.C. Chapter 103 (2016).

**AUDIT OF SUPERFUND ACTIVITIES IN THE
ENVIRONMENT AND NATURAL RESOURCES DIVISION
FOR FISCAL YEARS 2015 AND 2016**

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AUDIT OF SUPERFUND ACTIVITIES IN THE ENVIRONMENT AND NATURAL RESOURCES DIVISION FOR FISCAL YEARS 2015 AND 2016

INTRODUCTION

In 1980, the Congress passed the *Comprehensive Environmental Response, Compensation, and Liability Act* (CERCLA or Superfund) to clean up hazardous waste sites throughout the United States.² The law addressed concerns about the need to clean up abandoned hazardous waste sites and the future release of hazardous substances into the environment. When CERCLA was enacted, the Environmental Protection Agency (EPA) was assigned responsibility for preparing a National Priorities List to identify sites that presented the greatest risk to human health and the environment. Waste sites on the National Priorities List were generally considered the most contaminated in the nation, and EPA funds could be used to clean up those sites. The cleanup of these sites was to be financed by the potentially responsible parties – generally the current or previous owners or operators of the site. In cases where the potentially responsible party could not be found or was incapable of paying cleanup costs, CERCLA established the Hazardous Substance Superfund Trust Fund (Trust Fund) to finance cleanup efforts. The Trust Fund also pays for the EPA's enforcement, as well as research and development activities.

In 1986 CERCLA was amended when Congress passed the *Superfund Amendments and Reauthorization Act* (SARA).³ SARA stressed the importance of using permanent remedies and innovative treatment technologies in the cleanup of hazardous waste sites, provided the EPA with new enforcement authorities and settlement tools, and increased the authorized amount of potentially available appropriations for the Trust Fund.

Executive Order 12580, issued January 23, 1987, gives the Attorney General responsibility for all Superfund litigation. Within the Department of Justice (DOJ), the Environment and Natural Resources Division (ENRD) administers cases against those who violate CERCLA's civil and criminal pollution-control laws. Superfund litigation and support are assigned to the following ENRD sections: Appellate, Environmental Crimes, Environmental Defense, Environmental Enforcement, Land Acquisition, Natural Resources, and Law and Policy.

Beginning in FY 1987, the EPA entered into interagency agreements with the ENRD to reimburse the ENRD for its litigation costs related to its CERCLA activities. As shown in Table 1, cumulative budgeted reimbursements for Superfund litigation totaled over \$810 million between FYs 1987 and 2016, which represented 27 percent of the ENRD's total budget during this period.

² 42 U.S.C. Chapter 103 (2016).

³ SARA is incorporated into 42 U.S.C. Chapter 103 (2016).

Table 1
Comparison of the ENRD's Appropriations and Budgeted
Superfund Reimbursements
(FYs 1987 through 2016)

FY	ENRD Appropriations	Budgeted Superfund Reimbursements	Total ENRD Budget
1987 - 2009	\$ 1,441,251,000	\$ 647,509,160	\$ 2,088,760,160
2010	109,785,000	25,600,000	135,385,000
2011	108,010,000	25,550,000	133,560,000
2012	108,009,000	24,550,000	132,559,000
2013	101,835,764	23,050,000	124,885,764
2014	107,643,000	23,050,000	130,693,000
2015	110,024,350	21,430,000	131,454,350
2016	110,512,000	20,145,000	130,657,000
Totals	\$2,197,070,114	\$810,884,160	\$3,007,954,274

Source: ENRD Budget History Report for FYs 1987 through 2016

The EPA and the ENRD Statement of Work required the ENRD to maintain a system that documented its Superfund litigation costs. Accordingly, the ENRD implemented a management information system developed by a private contractor. This system is designed to process financial data from the ENRD's Expenditure and Allotment (E&A) Reports into: (1) Superfund direct costs, including direct labor costs and other direct costs; (2) non-Superfund direct costs; and (3) allocable indirect costs.⁴

The EPA authorized reimbursements to the ENRD in the amount of \$21.43 million during FY 2015 and \$20.145 million during FY 2016 in accordance with the most recent EPA Interagency Agreements, DW-15-92343901-6 and DW-15-92343901-7, respectively.

Excise taxes imposed on the petroleum and chemical industries as well as an environmental income tax on corporations maintained the Trust Fund through December 31, 1995, when the taxing authority for Superfund expired. Since that time, Congress has not enacted legislation to reauthorize the tax. Currently, the funding for Superfund is composed of appropriations from EPA's general fund, interest, fines, penalties, and recoveries. Consequently, the significance of the ENRD's Superfund litigation can be seen in the commitments and recoveries the EPA has obtained, with the EPA receiving over \$13 billion in commitments to clean

⁴ The E&A Report is a summary of the total costs incurred by the ENRD during the fiscal year. The report includes all costs (both liquidated and unliquidated) by subobject class and a final indirect cost rate calculation for the fiscal year. Other direct costs charged to individual cases include special masters, expert witnesses, interest penalties, travel, filing fees, transcription (court and deposition), litigation support, research services, graphics, and non-capital equipment. Indirect costs are the total amounts paid in the E&A Reports less direct charges and are allocated based on the direct Superfund salary costs on each case.

up hazardous waste sites and recovering over \$9.3 billion from potentially responsible parties between FYs 1987 and 2016, as shown in Table 2.⁵

Table 2
Estimated Commitments and Recoveries
(FYs 1987 through 2016)

FY	Commitment	Recovery
1987 - 2009	\$ 7,361,000,000	\$ 5,516,000,000
2010	753,000,000	726,000,000
2011	902,000,000	376,000,000
2012	118,000,000	132,000,000
2013	1,051,000,000	637,000,000
2014	49,000,000	163,000,000
2015	2,548,000,000	1,769,000,000
2016	335,000,000	63,000,000
Totals	\$13,117,000,000	\$9,382,000,000

Note: Amounts rounded to the nearest million.

Source: ENRD Commitment and Recovery Reports, FYs 1987 to 2016.

OIG Audit Approach

The objective of the audit was to determine if the cost allocation process used by the ENRD and its contractor provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYs 2015 and 2016. To accomplish our objective, we assessed whether: (1) the ENRD identified Superfund cases based on appropriate criteria, (2) costs distributed to cases were limited to costs reported in the E&A Reports, and (3) adequate internal controls existed over the recording of direct labor time to cases and the recording of other direct charges to accounting records and Superfund cases. We designed the audit to compare costs reported in the contractor’s accounting schedules and summaries for FYs 2015 and 2016 (see Appendices 4 and 5) to the information recorded in DOJ’s accounting records, and to review the cost distribution system used by the ENRD to allocate incurred costs to Superfund and non-Superfund cases. To accomplish this, we performed the following tests:

- We reviewed the ENRD’s methodology for categorizing Superfund cases by comparing a select number of Superfund cases to the ENRD’s Superfund case designation criteria.
- We compared Superfund total costs recorded as paid in the E&A Reports to the amounts reported as Total Amounts Paid in the contractor’s year-end accounting schedules and summaries, and we traced the costs to Superfund cases.

⁵ Commitments are estimated funds from potentially responsible parties for the cleanup of hazardous waste sites. Recoveries are actual funds received by the EPA that include Superfund cost recovery, oversight costs, and interest.

- We reviewed the contractor's methodology for distributing direct labor and indirect costs to Superfund cases, and we compared other direct costs to source documents to validate their allocability to Superfund cases.

We performed these steps to ensure that costs distributed to Superfund and non-Superfund cases were based on total costs for FYs 2015 and 2016; that the distribution methodology used and accepted in prior years remained viable; and that selected costs were supported by evidence that documented their allocability to Superfund and non-Superfund cases. We used the test results to determine if the ENRD provided an equitable distribution of total labor, other direct costs, and indirect costs to Superfund cases during FYs 2015 and 2016.

Appendix 1 contains a more detailed description of our audit objective, scope, and methodology.

AUDIT RESULTS

In our overall assessment of Superfund charges for FYs 2015 and 2016, we determined that the ENRD generally provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases. Specifically, we found that the ENRD adhered to its case determination procedures for designating cases as Superfund or non-Superfund. We were also able to reconcile ENRD's accounting records to costs reported in the system designed to process Superfund-related financial data from the ENRD's Expenditure and Allotment (E&A) Reports. We found that the ENRD appropriately allocated incurred costs to Superfund and non-Superfund cases, based on the correct total costs incurred for the fiscal years. Further, we found that nearly all selected costs charged to Superfund were adequately supported and allocable to Superfund, with one exception discussed below.

Reconciliation of Contractor Accounting Schedules and Summaries to E&A Reports

To ensure that the distribution of costs to Superfund and non-Superfund cases was limited to total costs incurred for each fiscal year, we reconciled the amounts reported in the ENRD's E&A Reports to those in the contractor's Schedule 6, Reconciliation of Total ENRD Expenses. According to the E&A Reports, total ENRD expenses were over \$133 million in FY 2015 and over \$132 million in FY 2016, as shown in Table 3.

Table 3
Total ENRD Expenses

Description	FY 2015	FY 2016
Salaries	\$80,020,718	\$79,580,456
Benefits	23,320,618	24,072,120
Travel	2,610,265	2,620,738
Freight	293,387	261,488
Rent	13,904,358	12,595,056
Printing	50,890	14,449
Services	13,159,205	12,762,347
Supplies	348,775	367,054
Equipment	179,434	57,450
Totals	\$133,887,650	\$132,331,158

Source: ENRD E&A Reports for FYs 2015 and 2016

We then reconciled the ENRD E&A Report amounts to the distributions in the contractor's Schedule 5, Superfund Costs by Object Classification, and Schedule 2, Superfund Obligation and Payment Activity by Fiscal Year of Obligation. Lastly, we reconciled the ENRD E&A Report amounts to the contractor's Schedule 1, Summary of Amounts Due by Interagency Agreement; Schedule 3, Unliquidated Obligations by Fiscal Year; and Schedule 4, Indirect Rate Calculation. We found that Schedules 1 through 6 reconciled to the E&A Reports.

After reconciling the contractor’s accounting schedules and summaries to the E&A Reports, we reviewed the distribution of costs to Superfund cases. Our starting point for reviewing the distribution system was to identify and reconcile the ENRD cases as Superfund or non-Superfund. This enabled us to extract only Superfund data from the ENRD data to compare to the accounting schedules and summaries. The Superfund costs in Schedule 2 of the accounting schedules and summaries for FYs 2015 and 2016 are shown in Table 4.

Table 4
Superfund Distributed Costs
by Fiscal Year of Obligation

Cost Categories	FY 2015	FY 2016
Labor	\$6,172,937	\$5,950,827
Other Direct Costs	1,362,036	818,714
Indirect Costs	10,846,578	10,078,968
Unliquidated Obligations	3,017,083	3,083,891
Totals	\$21,398,634	\$19,932,400

Note: The amounts listed in this table reflect actual reimbursements. The interagency agreements budgeted \$21.43 million for FY 2015 and \$20.145 million for FY 2016.

Source: Schedule 2 of the contractor’s accounting schedules and summaries.

Superfund Case Reconciliation

The ENRD assigned unique identifying numbers to all Superfund and non-Superfund cases and maintained an annual database of Superfund cases. To ensure that the contractor used the appropriate Superfund database, we reconciled the contractor’s Superfund database to the ENRD’s original Superfund database. The reconciliation identified 607 Superfund cases in FY 2015 and 579 cases in FY 2016 for which the ENRD incurred hourly direct labor costs.

We also reviewed the Superfund case designation criteria and associated case files to identify the method used by the ENRD to categorize Superfund cases and to determine if Superfund cases were designated in accordance with established criteria. We confirmed that the ENRD memorandum entitled *Environment and Natural Resources Division Determination of Superfund Cases* provides the methodology for designating Superfund cases.

We judgmentally selected 24 cases from the FY 2016 Superfund database to test whether the ENRD staff adhered to case designation procedures outlined in the ENRD Superfund case determination memorandum.⁶ We compared the case number in the Superfund database to the ENRD case file documents, including case intake worksheets, case opening forms, case transmittals, and other correspondence. These documents referenced laws, regulations, or other information used to categorize the cases as either Superfund or non-Superfund for tracking purposes. Of the 24 cases reviewed, we found no exceptions. However,

⁶ See Appendix 3 for the cases we sampled.

we noted that the effective date of the ENRD’s Determination of Superfund Cases memorandum was not clear and some ENRD staff told us that they could not easily locate the memorandum or confirm its effective date. As a best practice, we believe that the ENRD should periodically reassess and circulate its Superfund case designation guidance to ensure it remains current and accurate, thereby allowing employees to easily locate relevant guidance and confirm cases are designated appropriately.

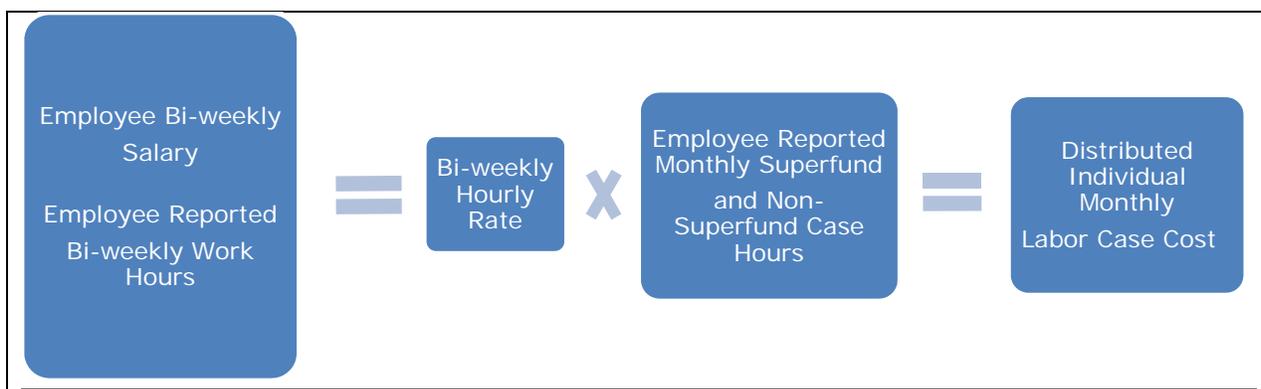
Superfund Cost Distribution

Because we found that the ENRD’s case identification method adequately identified Superfund cases, we proceeded to review the system used by the contractor to distribute direct labor, indirect costs, and other direct costs charged to Superfund cases.

Direct Labor Costs

During the 2-year period under review, the contractor continued using the labor distribution system from prior years, which our prior audits had reviewed and accepted. The ENRD provided the contractor with electronic files that included employee time reporting information and bi-weekly salary information downloaded from the National Finance Center.⁷ Figure 1 shows the formula the contractor used to distribute labor costs monthly:

Figure 1
Monthly Distribution of ENRD Labor Cost



Source: OIG analysis of contractor labor cost calculation

For the purposes of our review, we:

- compared total Superfund and non-Superfund labor costs to costs reported in the ENRD E&A Reports for FYs 2015 and 2016;
- reviewed the ENRD labor files listing billable time, selected ENRD salary files provided to the contractor, and the resultant files prepared by the contractor

⁷ The National Finance Center processes bi-weekly payroll information for many federal government agencies, including DOJ.

to summarize costs by employee and case; and

- extracted Superfund case costs from the contractor files by using validated Superfund case numbers.

We completed reconciliations between the ENRD and contractor data files to: (1) compare extractions from the ENRD employee time and case data against the contractor's accounting schedules and summaries and (2) identify Superfund case data. We determined that ENRD employees spent a total of 100,972 hours working on 607 Superfund cases in FY 2015 and 95,284 hours working on 579 Superfund cases in FY 2016. We verified that the contractor made a similar determination in its billing schedules.

We further focused on FY 2016 to determine if the contractor's billing summary for direct labor was accurate based on data provided by the ENRD. We first selected the two bi-weekly pay periods in January 2016 to review the salary files and labor hours recorded to calculate the effective employee hourly rates. We concluded the contractor calculated the effective hourly rates in compliance with the methodology outlined previously in this report. Once confident that the contractor's labor rates were accurate, we calculated total direct labor costs for Superfund cases using input from the contractor's calculated labor rates, the ENRD's time reports, and the ENRD's list of identified Superfund cases as \$5,950,827 for FY 2016. We traced and verified this amount to the contractor's accounting schedules and summaries.

We also compared (a) the total number of FY 2016 Superfund cases with direct labor costs and (b) their associated billable hours, both of which were provided by the ENRD, against a list provided by the contractor. We found no significant differences in the total number of Superfund cases with direct labor costs nor with the associated billable hours. This verification provided further reassurance that the direct labor calculation was accurate and reliable.

Overall, we were able to verify the accumulation of reported hours, the development and application of hourly rates, and the extraction of labor costs for Superfund cases. Therefore, we believe that this process is adequately designed to provide an equitable distribution of direct labor costs to Superfund cases.

Indirect Costs

In addition to direct costs incurred for specific cases, the ENRD incurred indirect costs that were allocated to its cases. These costs included salaries, benefits, travel, freight, rent, communication, utilities, supplies, and equipment. The contractor distributed indirect costs to individual cases using an indirect cost rate calculated on a fiscal year basis.

The indirect cost rate was composed of an ENRD indirect rate and a Superfund-specific indirect rate. To calculate the ENRD indirect rate, the contractor subtracted the amount of ENRD's direct costs from the total costs incurred according to the ENRD's E&A report and divided the remainder by the total direct labor costs for the period. To calculate a Superfund-specific indirect

rate, the contractor identified indirect costs that supported only Superfund activities and divided these costs by the Superfund direct labor costs for the period. The rates for FYs 2015 and 2016 are shown in Table 5.

Table 5
Indirect Cost Rates

Category	FY 2015	FY 2016
ENRD Indirect Rate	174.1%	166.2%
Superfund-Specific Indirect Rate	21.4%	22.0%
Combined Indirect Cost Rate	195.5%	188.2%

Source: Schedule 4 of the contractor's accounting schedules and summaries, percentages rounded to nearest tenth of a percent

Using the E&A Reports and the contractor's electronic files, we reconciled the total indirect amounts to Schedule 4, Indirect Rate Calculation, to ensure that the contractor used only paid costs to accumulate the expense pool. We determined that the total amount of indirect costs for FY 2015 was \$79,703,021. We also determined that the total amount of the indirect costs for FY 2016 was \$78,005,358. We found that this process generally provided for an equitable distribution of indirect costs to Superfund cases during FYs 2015 and 2016.

Other Direct Costs

Table 6 presents the other direct costs incurred by the ENRD and distributed to Superfund during FYs 2015 and 2016 by subobject code.

Table 6
Superfund Other Direct Costs

Subobject Code	Description	FY 2015	FY 2016
1153	Compensation, Masters	\$ 18,305	\$ 92,957
1157	Expert Witness Fees	1,856,106	1,241,279
2100	Travel and Transportation	305,947	212,987
2411	Printing and Court Instruments	576	1,930
2501, 2508 & 2510	Reporting and Transcripts	76,437	73,226
2529	Litigation Support	272,518	369,637
2534	Research Services	946	3,863
2563	Government-Incurred Interest Penalties	19	69
2598	Miscellaneous Litigation Expenses	770	2,140
Totals		\$2,531,624	\$1,998,089

Source: Contractor files for FYs 2015 and 2016

As part of our audit, we selected three FY 2016 other direct cost subobject codes to test: (1) 1157 – Expert Witness fees; (2) 2100 – Travel and Transportation, and (3) 2529 – Litigation Support. We note that for FY 2016, these three subobject codes comprised 76 percent of the transaction universe (559 of 735 transactions) and 91 percent of the FY 2016 other direct cost expenditures (\$1.823 million of 1.998 million). Considering the possible variation between these three types of transactional activity measures, we employed a stratified random

sampling design to provide effective coverage and to obtain precise estimates of the test results' statistics. The set of transactions in the universe was divided into two subsets: high-dollar value transactions and non-high-dollar value transactions. We reviewed 100 percent of high-dollar transactions within these three subobject codes. In total, we reviewed 155 transactions totaling nearly \$964,033 as detailed in Table 7.

Table 7
Sampled Other Direct Costs

Subobject Code	Description	Number of Transactions	Amount
1157	Expert Witness Fees	53	\$690,375
2100	Travel and Transportation	75	72,766
2529	Litigation Support	27	200,892
Totals		155	\$964,033

Source: OIG

We designed our review of other direct costs transactions to determine if the selected transactions included adequate support based on the following four attributes:

- Subobject code classification – verified that the correct subobject code was used to classify the cost;
- Superfund/non-Superfund case classification – verified that the case number appearing on the documents matched the case number in the Superfund database;
- Dollar amount – verified that the dollar amount listed in the other direct costs database matched the amounts on the supporting documentation; and
- Proper approval – verified that the proper approval was obtained on the vouchers paying the other direct costs.

Our tests resulted in no exceptions regarding Expert Witness Fees or Litigation Support costs.

With regard to Travel and Transportation costs, we tested 75 transactions and found that most transactions were classified correctly, carried the correct dollar amount, and were properly approved. However we noted two transactions where cost allocation between cases was unclear and another two transactions where the travel authorization provided as support did not match the cost. During our audit, the ENRD provided additional support for three of these four transactions. However, the ENRD was unable to provide complete support for the fourth transaction. Table 8 summarizes our analysis of these Travel and Transportation issues.

Table 8
Travel and Transportation Issues

Superfund ID	Amount Billed to Superfund	Travel Voucher Amount	Balance Remaining Unsupported	Issue/Resolution
90-11-3-11365	\$464	\$1,855	\$0	Issue: Allocation between Superfund and non-Superfund cases was unclear. Resolution: ENRD provided additional support and clarification for cost allocations for all three transactions.
90-11-3-07101/2	\$77	\$680	\$0	
90-11-2-07106/8	\$402	\$606	\$0	
90-1-23-10202	\$1,865	\$451	\$1,414	Issue: Records only provided support for \$451.

Source: OIG analysis and ENRD general ledger documentation

As shown above, the ENRD provided adequate support for three of the four questioned transactions. However, the ENRD only partially supported the fourth transaction and it was not able to produce support for the remaining balance of \$1,414. Therefore, we question that amount and recommend that the ENRD remedy the \$1,414 balance in unsupported costs.

CONCLUSION AND RECOMMENDATION

We found that the cost allocation process used by the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYs 2015 and 2016. However, we found one discrepancy in our testing of Travel and Transportation transactions, where the ENRD was unable to provide support for a portion of the claimed travel costs.

We recommend that the ENRD:

1. Remedy \$1,414 in unsupported travel costs.

STATEMENT ON INTERNAL CONTROLS

As required by the *Government Auditing Standards*, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect the following in a timely manner: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of the ENRD's internal controls was *not* made for the purpose of providing assurance on its internal control structure as a whole. ENRD management is responsible for the establishment and maintenance of internal controls.

As part of our audit objective, we did assess whether adequate internal controls existed over the recording of direct labor time to cases and the recording of other direct charges to accounting records and Superfund cases.

Through our audit testing, we did not identify any deficiencies in the ENRD's internal controls that are significant within the context of the audit objectives and based upon the audit work performed that we believe would affect the ENRD's ability to effectively and efficiently operate, to correctly state financial and performance information, and to ensure compliance with laws and regulations.

Because we are not expressing an opinion on the ENRD's internal control structure as a whole, this statement is intended solely for the information of and use by the ENRD. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the *Government Auditing Standards* we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices, to obtain reasonable assurance that ENRD's management complied with the *Comprehensive Environmental Response, Compensation, and Liability Act of 1980* (known as CERCLA or Superfund) and the *Superfund Amendments and Reauthorization Act of 1986* for which noncompliance, in our judgment, could have a material effect on the results of our audit. ENRD's management is responsible for ensuring compliance with federal laws and regulations applicable to the ENRD. In planning our audit, we identified the following laws and regulations that concerned the operations of the auditee and that were significant within the context of the audit objectives:

- *Comprehensive Environmental Response, Compensation, and Liability Act of 1980* (CERCLA), 42 U.S.C. Chapter 103, Section 9611(k)
- *Superfund Amendments and Reauthorization Act of 1986* (SARA)

Our audit included examining, on a test basis, the ENRD's compliance with the aforementioned laws and regulations that could have a material effect on the ENRD's operations, through interviewing the ENRD's personnel and contractor, analyzing data, assessing internal control procedures, and examining procedural practices. Nothing came to our attention that caused us to believe that the ENRD was not in compliance with the aforementioned laws and regulations.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this audit was to determine if the cost allocation process used by the ENRD and its contractor provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYs 2015 and 2016.

Scope and Methodology

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.

To accomplish the overall objective, we assessed whether: (1) the ENRD identified Superfund cases based on appropriate criteria, (2) costs distributed to cases were limited to costs reported in the E&A Reports, and (3) adequate internal controls existed over the recording of direct labor time to cases and the recording of other direct charges to accounting records and Superfund cases.

The audit covered, but was not limited to, financial activities and the procedures used by the ENRD to document, compile, and allocate direct and indirect costs charged to Superfund cases from October 1, 2014, through September 30, 2016. We compared total costs recorded as paid on the ENRD's E&A Report to the amounts reported as Total Amounts Paid on the contractor's year end accounting schedules and summaries, and traced the costs to the Superfund cases for FYs 2015 and 2016. We also reviewed the contractor's methodology for distributing direct labor costs and indirect costs to Superfund cases for FYs 2015 and 2016. In addition, we reviewed the ENRD's methodology for categorizing Superfund cases by comparing a select number of Superfund cases to the ENRD's Superfund case designation criteria for FY 2016.

We performed detailed transaction testing of other direct costs for FY 2016. Considering the possible variation between subobject codes 1157, 2100, and 2529, we employed a stratified random sampling design to provide effective coverage and to obtain precise estimates of the test results' statistics. We reviewed 100 percent of transactions (56) in one stratum that consisted of high-dollar transactions within these three subobject codes. The initial test results showed one transaction of travel needed further support. ENRD was unable to provide complete support for this transaction.

Additionally, we employed a stratified sample design for the non-high dollar transactions with 95-percent confidence interval, 3-percent precision rate, and weighted average of 3-percent estimated exception rate. The non-high dollar sample size was 99 transactions. Our test results showed three transactions of travel needed further support. However, after further discussion and review of alternate documentation, we determined the transaction costs were properly charged and approved; therefore, we have no exception in the non-high dollar sample strata. Since there were no noted errors we did not project any errors to the universe.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS⁸</u>	<u>AMOUNT(\$)</u>	<u>PAGE</u>
<u>Unsupported Costs</u>		
Travel and Transportation Charges	1,414	11
TOTAL QUESTIONED COSTS:	<u>\$1,414</u>	

⁸ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

APPENDIX 3

FY 2016 CASES IN SAMPLE REVIEW

Count	Case Number	Classification
1	198-01557	Criminal
2	198-01683	Criminal
3	198-50-01044	Criminal
4	90-11-6-139	Defense
5	90-11-6-18543/1	Defense
6	90-11-6-18738	Defense
7	90-11-6-19926	Defense
8	90-11-6-20487	Defense
9	90-11-2-06059	Enforcement
10	90-11-2-07802/3	Enforcement
11	90-11-2-09654	Enforcement
12	90-11-2-1215/1	Enforcement
13	90-11-2-220	Enforcement
14	90-11-3-08633/6	Enforcement
15	90-11-3-09999/1	Enforcement
16	90-11-3-10006	Enforcement
17	90-11-3-10081/1	Enforcement
18	90-11-3-10100	Enforcement
19	90-11-3-1058/2	Enforcement
20	90-11-3-10605	Enforcement
21	90-11-3-11095	Enforcement
22	90-11-3-11545	Enforcement
23	33-22-2431-11115	Land Acquisition
24	90-12-04164	Law and Policy

FY 2015 ACCOUNTING SCHEDULES AND SUMMARIES



December 15, 2015

**Mr. Andrew Collier
U.S. Department of Justice
Environment and Natural Resources Division
Suite 2038
601 D Street N.W.
Washington, DC. 20004**

Dear Mr. Collier:

Enclosed please find the following final fiscal year 2015 year end accounting schedules and summaries relating to costs incurred by the United States Department of Justice (DOJ), Environment and Natural Resources Division (ENRD) on behalf of the Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Superfund Amendments and Reauthorization Act of 1986 (SARA or, hereafter, Superfund):

- **EPA Billing Summary - Schedules 1-7
September 30, 2015**
- **DOJ - Superfund Case Cost Summary (electronic copy)
As of September 30, 2015**
- **DOJ - Superfund Cases - Time By Attorney/Paralegal
Year Ended September 30, 2015 (electronic copy)**
- **DOJ - Superfund Direct Costs (electronic copy)
Year Ended September 30, 2015**

The schedules represent the final fiscal year 2015 amounts, and establish an indirect cost rate applicable to the entire fiscal year. As a result, the summaries included supersede all prior preliminary information processed by us relating to fiscal year 2015.

Mr. Andrew Collier
U.S. Department of Justice
December 15, 2015
Page 2

The schedules, summaries and calculations have been prepared by us based on information supplied to us by the ENRD. Professional time charges, salary data, and other case specific cost expenditures have been input or translated by us to produce the aforementioned reports. Total costs incurred or obligated by the ENRD as reflected in the Expenditure and Allotment Reports (E&A) for the period have been used to calculate the total amount due from EPA relating to the Superfund cases. Computer-generated time reporting information supplied to us by DOJ (based on ENRD's accumulation of attorney and paralegal hours) along with the resulting hourly rate calculations made by us based on ENRD-supplied employee salary files, have been reviewed by us to assess the reasonableness of the calculated hourly rates. All obligated labor amounts reflected on the E&A's as of September 30, 2015, which are not identified as case specific, have been classified as indirect labor.

Our requested scope of services did not constitute an audit of the aforementioned schedules and summaries and, accordingly, we do not express an opinion on them. However, the methodology utilized by us to assign and allocate costs to specific cases is based on generally accepted accounting principles, including references to cost allocation guidelines outlined in the Federal Acquisition Regulations and Cost Accounting Standards. In addition, we understand that the DOJ audit staff will continue to perform periodic audits of the source documentation and summarized time reporting information accumulated by ENRD and supplied to us. Our accounting reports, schedules and summaries will, therefore, be made available to DOJ as part of this audit process. Beyond the specific representations made above, we make no other form of assurance on the aforementioned schedules and summaries.

Very truly yours,
FTI CONSULTING, INC.



William M. Kime
Senior Managing Director

Enclosures

**EPA BILLING SUMMARY
SUMMARY OF AMOUNTS DUE
BY INTERAGENCY AGREEMENT
September 30, 2015**

	<u>Fiscal Years</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
EPA Billing Summary - Amount Paid	\$ 18,381,551 (a)	\$ 19,524,863 (b)	\$ 22,696,531 (b)	\$ 23,575,022 (b)	\$ 24,271,535 (b)
<u>Add:</u>					
Payments in FY 2015 for 2014 (a)	-	2,311,138	-	-	-
Payments in FY 2015 for 2013 (a)	-	-	21,323	-	-
Payments in FY 2015 for 2012 (a)	-	-	-	48,635	-
Payments in FY 2015 for 2011 (a)	-	-	-	-	7,143
Subtotal	<u>18,381,551</u>	<u>21,836,001</u>	<u>22,717,854</u>	<u>23,623,657</u>	<u>24,278,678</u>
Unliquidated Obligations (c)	<u>3,017,083</u>	<u>921,251</u>	<u>151,485</u>	<u>456,329</u>	<u>309,425</u>
Total	<u>\$ 21,398,634</u>	<u>\$ 22,757,252</u>	<u>\$ 22,869,339</u>	<u>\$ 24,079,986</u>	<u>\$ 24,588,103</u>

(a) See EPA Billing Summary, Schedule 2, September 30, 2015

(b) See EPA Billing Summary, Schedule 1, September 30, 2014

(c) See EPA Billing Summary, Schedule 3, September 30, 2015

**EPA BILLING SUMMARY
SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2015
BY FISCAL YEAR OF OBLIGATION**

	<u>Fiscal Years</u>					<u>Total</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	
<u>Amounts Paid:</u>						
Labor	\$ 6,172,937	\$ -	\$ -	\$ -	\$ -	\$ 6,172,937
Other Direct Costs	1,362,036	1,101,059	12,753	48,606	7,170	2,531,624
Indirect Costs	<u>10,846,578</u>	<u>1,210,079</u>	<u>8,570</u>	<u>29</u>	<u>(27)</u>	<u>12,065,229</u>
Subtotal	18,381,551	2,311,138	21,323	48,635	7,143	20,769,790
Unliquidated Obligations (a)	<u>3,017,083</u>	<u>921,251</u>	<u>151,485</u>	<u>456,329</u>	<u>309,425</u>	<u>4,855,573</u>
Totals	<u>\$ 21,398,634</u>	<u>\$ 3,232,389</u>	<u>\$ 172,808</u>	<u>\$ 504,964</u>	<u>\$ 316,568</u>	<u>\$ 25,625,363</u>

(a) See Schedule 3

EPA BILLING SUMMARY
FISCAL YEARS 2015, 2014, 2013, 2012, AND 2011 UNLIQUIDATED OBLIGATIONS
September 30, 2015

	<u>Fiscal Years</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
ENRD Unliquidated Obligations at September 30, 2015	\$ 40,211,877	\$ 10,573,791	\$ 604,503	\$ 649,954	\$ 395,747
Less: Unliquidated Obligations:					
Section 1595 (a)	26,499,822	6,470,399	307,660	193,625	86,322
Section 1596 (b)	3,000,000	2,490,423	61,587	-	-
Section 1598 (c)	<u>1,818,046</u>	<u>801,238</u>	<u>135,234</u>	<u>456,329</u>	<u>309,425</u>
Subtotal	<u>31,317,868</u>	<u>9,762,060</u>	<u>504,481</u>	<u>649,954</u>	<u>395,747</u>
Net Unliquidated Obligations - ENRD	8,894,009	811,731	100,022	-	-
Superfund percentage (d)	<u>13.4814%</u>	<u>14.7848%</u>	<u>16.2470%</u>	<u>16.4686%</u>	<u>16.3979%</u>
Superfund portion of Unliquidated Obligations	1,199,037	120,013	16,251	-	-
Add - Section 1598 Unliquidated Obligations	<u>1,818,046</u>	<u>801,238</u>	<u>135,234</u>	<u>456,329</u>	<u>309,425</u>
Total Superfund Unliquidated Obligations (e)	<u><u>\$ 3,017,083</u></u>	<u><u>\$ 921,251</u></u>	<u><u>\$ 151,485</u></u>	<u><u>\$ 456,329</u></u>	<u><u>\$ 309,425</u></u>

(a) Section 1595 relates to reimbursable amounts from agencies other than EPA.

(b) Section 1596 relates to non-Superfund charges.

(c) Section 1598 relates to charges that are Superfund specific.

(d) Superfund percentage of unliquidated obligations was calculated by dividing year to date Superfund direct labor by the total direct labor for each of the fiscal years.

(e) Relates only to unliquidated obligations for the fiscal year indicated.

**EPA BILLING SUMMARY
INDIRECT RATE CALCULATION
FISCAL YEAR 2015**

<u>Description</u>	<u>Total Amounts Paid (a)</u>
Indirect labor (b)	\$33,191,295
Fringes	23,306,261
Indirect travel	345,333
Freight	293,387
Office space and utilities	13,904,357
Printing(forms, etc.)	45,574
Training and other services	8,088,606
Supplies	348,775
Non-capitalized equipment and miscellaneous	<u>179,433</u>
Subtotal	79,703,021
Total Direct Labor	45,788,529
ENRD Indirect Costs Rate - F/Y 2015 Obligations	174.0677%
Plus: Superfund Indirect Costs for Prior Year Obligations (c) and Superfund Specific Costs (d)	
	2015 \$ 101,488
	2014 1,210,079
	2013 8,570
	2012 29
	2011 <u>(27)</u>
	Total <u>1,320,139</u>
Superfund Direct Labor	6,172,937
Superfund Indirect Rate	<u>21.3859%</u>
Total Indirect Rate	<u><u>195.4536%</u></u>

- (a) Indirect cost rate calculations are presented on a fiscal year-to-date basis. All case specific and other unallowable costs (Section 1595 and 1596) have been removed.
- (b) Indirect labor and fringes include certain month-end obligation accruals.
- (c) Indirect cost payments for the prior year obligations included in the totals presented are as follows; \$1,167,060; \$8,570; \$29; and (\$27); for F/Y 2014 through F/Y 2011 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2015 to maintain Superfund case information or perform other Superfund Specific activities. These charges were initiated as a result of Superfund and are of benefit only to the Superfund Program. They have been allocated only to Superfund cases through this separate indirect approach. The charges are \$101,488; and \$43,019; F/Y2015 and F/Y 2014 respectively.

EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION
September 30, 2015

<u>Object Class.</u>	<u>Description</u>	<u>Direct Expenses</u>	<u>Indirect Expenses</u>	<u>Unliquidated Obligations (b)</u>	<u>Total</u>
11	Salaries (a)	\$ 7,037,706	\$ 4,576,141	\$ 1,806,035	\$ 13,419,882
12	Benefits	-	3,142,011	102,481	3,244,492
21	Travel	292,753	46,556	44,669	383,978
22	Freight	-	39,553	4,226	43,779
23	Rent	-	1,874,504	320,970	2,195,474
24	Printing	576	6,145	9,116	15,837
25	Services	203,938	1,090,458	649,377	1,943,773
26	Supplies	-	47,020	6,367	53,387
31	Equipment	-	24,190	73,842	98,032
	Total	<u>\$ 7,534,973</u>	<u>\$ 10,846,578</u>	<u>\$ 3,017,083</u>	<u>\$ 21,398,634</u>

(a) Includes costs for direct labor, special masters and expert witnesses.

(b) Represents the Superfund portion of unliquidated obligations.

**EPA BILLING SUMMARY
RECONCILIATION OF TOTAL ENRD EXPENSES**

September 30, 2015

Object Class.	Description	---Superfund---		---Non-Superfund---		Indirect Section 1595 & 1596 Expenses	Total Amounts Paid
		Direct Expenses	Indirect Expenses	Direct Expenses	Indirect Expenses		
11	Salaries	\$ 7,037,706	\$ 4,576,141	\$ 39,633,615	\$ 28,716,642	\$ 56,614	\$ 80,020,718
12	Benefits	-	3,142,011	-	20,164,249	14,358	23,320,618
21	Travel	292,753	46,556	1,940,978	298,778	31,200	2,610,265
22	Freight	-	39,553	-	253,834	-	293,387
23	Rent	-	1,874,504	-	12,029,854	-	13,904,358
24	Printing	576	6,145	4,739	39,430	-	50,890
25	Services	203,937	1,090,458	2,824,328	6,998,150	2,042,332	13,159,205
26	Supplies	-	47,020	-	301,755	-	348,775
31 & 42	Equipment	-	24,190	-	155,244	-	179,434
Total		<u>\$ 7,534,973</u>	<u>\$ 10,846,578</u>	<u>\$ 44,403,660</u>	<u>\$ 68,957,936</u>	<u>\$ 2,144,504</u>	<u>\$ 133,887,650</u>

**DEPARTMENT OF JUSTICE
ENVIRONMENT AND NATURAL RESOURCES DIVISION
September 30, 2015**

<u>Section</u>	<u>Hours</u>	<u>Direct Labor</u>	<u>Other Direct Costs</u>	<u>Indirect</u>	<u>Total</u>	<u>Cases</u>
Criminal	\$ 1,677	\$ 111,089	\$ (96,279)	\$ 217,127	\$ 231,937	\$ 7
Defense	1,059	70,665	842	138,117	209,624	20
Enforcement	97,638	5,949,650	2,627,061	11,628,809	20,205,520	571
Natural Resources	528	36,379	-	71,104	107,483	4
Land Acq.	69	5,153	-	10,072	15,225	5
Total	<u>100,972</u>	<u>\$ 6,172,937</u>	<u>\$ 2,531,624</u>	<u>\$ 12,065,229</u>	<u>\$ 20,769,789</u>	<u>607</u>

FY 2016 ACCOUNTING SCHEDULES AND SUMMARIES

AFA Consulting, LLC

14505 Edenmore Ct, Laurel MD, 20707

January 12, 2017

Mr. Andrew Collier
U.S. Department of Justice
Environment and Natural Resources Division
Suite 2038
601 D Street N.W.
Washington, DC. 20004

Dear Mr. Collier:

Enclosed please find the following final fiscal year 2016 year end accounting schedules and summaries relating to costs incurred by the United States Department of Justice (DOJ), Environment and Natural Resources Division (ENRD) on behalf of the Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Superfund Amendments and Reauthorization Act of 1986 (SARA or, hereafter, Superfund):

- EPA Billing Summary - Schedules 1-7
September 30, 2016
- DOJ - Superfund Case Cost Summary (electronic copy)
As of September 30, 2016
- DOJ - Superfund Cases - Time By Attorney/Paralegal
Year Ended September 30, 2016 (electronic copy)
- DOJ - Superfund Direct Costs (electronic copy)
Year Ended September 30, 2016

The schedules represent the final fiscal year 2016 amounts, and establish an indirect cost rate applicable to the entire fiscal year. As a result, the summaries included supersede all prior preliminary information processed by us relating to fiscal year 2016.

The schedules, summaries and calculations have been prepared by us based on information supplied to us by the ENRD. Professional time charges, salary data, and other case specific cost expenditures have been input or translated by us to produce the aforementioned reports. Total costs incurred or obligated by the ENRD as reflected in the Expenditure and Allotment Reports (E&A) for the period have been used to calculate the total amount due from EPA relating to the Superfund cases. Computer-generated time reporting information supplied to us by DOJ (based on ENRD's accumulation of attorney and paralegal hours) along with the resulting hourly rate calculations made by us based on ENRD-supplied employee salary files, have been reviewed by us to assess the reasonableness of the calculated hourly rates. All obligated labor amounts reflected on the E&A's as of September 30, 2016, which are not identified as case specific, have been classified as indirect labor.

Our requested scope of services did not constitute an audit of the aforementioned schedules and summaries and, accordingly, we do not express an opinion on them. However, the methodology utilized by us to assign and allocate costs to specific cases is based on generally accepted accounting principles, including references to cost allocation guidelines outlined in the Federal Acquisition Regulations and Cost Accounting Standards. In addition, we understand that the DOJ audit staff will continue to perform periodic audits of the source documentation and summarized time reporting information accumulated by ENRD and supplied to us. Our accounting reports, schedules and summaries will, therefore, be made available to DOJ as part of this audit process. Beyond the specific representations made above, we make no other form of assurance on the aforementioned schedules and summaries.

Very truly yours,



William Kime
AFA Consulting, LLC

**EPA BILLING SUMMARY
SUMMARY OF AMOUNTS DUE
BY INTERAGENCY AGREEMENT
September 30, 2016**

	<u>Fiscal Years</u>					
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
EPA Billing Summary - Amount Paid	\$ 16,848,509 (a)	\$ 18,381,551 (b)	\$ 21,836,001 (b)	\$ 22,717,854 (b)	\$ 23,623,657 (b)	\$ 24,278,678 (b)
<u>Add:</u>						
Payments in FY 2016 for 2015 (a)	-	2,114,412	-	-	-	-
Payments in FY 2016 for 2014 (a)	-	-	165,648	-	-	-
Payments in FY 2016 for 2013 (a)	-	-	-	1,916	-	-
Payments in FY 2016 for 2012 (a)	-	-	-	-	6,171	-
Payments in FY 2016 for 2011 (a)	-	-	-	-	-	9,931
Subtotal	<u>16,848,509</u>	<u>20,495,963</u>	<u>22,001,649</u>	<u>22,719,770</u>	<u>23,629,828</u>	<u>24,288,609</u>
Unliquidated Obligations (c)	<u>3,083,891</u>	<u>735,785</u>	<u>479,443</u>	<u>16,292</u>	<u>217,215</u>	<u>-</u>
Total	<u>\$ 19,932,400</u>	<u>\$ 21,231,748</u>	<u>\$ 22,481,092</u>	<u>\$ 22,736,062</u>	<u>\$ 23,847,043</u>	<u>\$ 24,288,609</u>

(a) See EPA Billing Summary, Schedule 2, September 30, 2016

(b) See EPA Billing Summary, Schedule 1, September 30, 2015

(c) See EPA Billing Summary, Schedule 3, September 30, 2016

**EPA BILLING SUMMARY
SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2016
BY FISCAL YEAR OF OBLIGATION**

	<u>Fiscal Years</u>						<u>Total</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	
<u>Amounts Paid:</u>							
Labor	\$ 5,950,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,950,827
Other Direct Costs	818,714	1,006,323	149,472	1,258	6,171	9,931	1,991,869
Indirect Costs	<u>10,078,968</u>	<u>1,108,089</u>	<u>16,176</u>	<u>658</u>	<u>0</u>	<u>0</u>	<u>11,203,891</u>
Subtotal	16,848,509	2,114,412	165,648	1,916	6,171	9,931	19,146,587
Unliquidated Obligations (a)	<u>3,083,891</u>	<u>735,785</u>	<u>479,443</u>	<u>16,292</u>	<u>217,215</u>	<u>-</u>	<u>4,532,626</u>
Totals	<u>\$ 19,932,400</u>	<u>\$ 2,850,197</u>	<u>\$ 645,091</u>	<u>\$ 18,208</u>	<u>\$ 223,386</u>	<u>\$ 9,931</u>	<u>\$ 23,679,213</u>

(a) See Schedule 3

EPA BILLING SUMMARY
FISCAL YEARS 2016, 2015, 2014, 2013, AND 2012 UNLIQUIDATED OBLIGATIONS
September 30, 2016

	<u>Fiscal Years</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
ENRD Unliquidated Obligations at September 30, 2016	\$ 37,295,763	\$ 6,966,755	\$ 2,184,541	\$ 263,296	\$ 357,596
Less: Unliquidated Obligations:					
Section 1595 (a)	21,304,071	4,284,292	774,347	116,244	140,381
Section 1596 (b)	-	1,736,760	431,648	47,007	-
Section 1598 (c)	<u>1,209,207</u>	<u>703,072</u>	<u>392,849</u>	<u>45</u>	<u>217,215</u>
Subtotal	<u>22,513,278</u>	<u>6,724,124</u>	<u>1,598,844</u>	<u>163,296</u>	<u>357,596</u>
Net Unliquidated Obligations - ENRD	14,782,485	242,631	585,697	100,000	-
Superfund percentage (d)	<u>12.6818%</u>	<u>13.4825%</u>	<u>14.7848%</u>	<u>16.2470%</u>	<u>16.4686%</u>
Superfund portion of Unliquidated Obligations	1,874,684	32,713	86,594	16,247	-
Add - Section 1598 Unliquidated Obligations	<u>1,209,207</u>	<u>703,072</u>	<u>392,849</u>	<u>45</u>	<u>217,215</u>
Total Superfund Unliquidated Obligations (e)	<u>\$ 3,083,891</u>	<u>\$ 735,785</u>	<u>\$ 479,443</u>	<u>\$ 16,292</u>	<u>\$ 217,215</u>

(a) Section 1595 relates to reimbursable amounts from agencies other than EPA.

(b) Section 1596 relates to non-Superfund charges.

(c) Section 1598 relates to charges that are Superfund specific.

(d) Superfund percentage of unliquidated obligations was calculated by dividing year to date Superfund direct labor by the total direct labor for each of the fiscal years.

(e) Relates only to unliquidated obligations for the fiscal year indicated.

**EPA BILLING SUMMARY
INDIRECT RATE CALCULATION
FISCAL YEAR 2016**

<u>Description</u>	<u>Total Amounts Paid (a)</u>
Indirect labor (b)	\$31,965,493
Fringes	24,072,120
Indirect travel	368,896
Freight	261,488
Office space and utilities	12,591,186
Printing(forms, etc.)	9,999
Training and other services	8,319,590
Supplies	359,136
Non-capitalized equipment and miscellaneous	57,450
 Subtotal	 78,005,358
 Total Direct Labor	 46,924,169
 ENRD Indirect Costs Rate - F/Y 2015 Obligations	 166.2371%
 Plus: Superfund Indirect Costs for Prior Year Obligations (c) and Superfund Specific Costs (d)	
	2016 \$ 186,488
	2015 1,108,089
	2014 16,176
	2013 658
	2012 -
	<u>1,311,411</u>
Superfund Direct Labor	5,950,827
Superfund Indirect Rate	<u>22.0375%</u>
Total Indirect Rate	<u><u>188.2746%</u></u>

- (a) Indirect cost rate calculations are presented on a fiscal year-to-date basis. All case specific and other unallowable costs (Section 1595 and 1596) have been removed.
- (b) Indirect labor and fringes include certain month-end obligation accruals.
- (c) Indirect cost payments for the prior year obligations included in the totals presented are as follows; \$1,059,577; \$16,176; and \$658; for F/Y 2015 through F/Y 2013 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2016 to maintain Superfund case information or perform other Superfund Specific activities. These charges were initiated as a result of Superfund and are of benefit only to the Superfund Program. They have been allocated only to Superfund cases through this separate indirect approach. The charges are \$186,488; and \$48,512; F/Y2016 and F/Y 2015 respectively.

EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION
September 30, 2016

Object Class.	Description	Direct Expenses	Indirect Expenses	Unliquidated Obligations (b)	Total
11	Salaries (a)	\$ 6,500,261	\$ 4,177,458	\$ 1,364,203	\$ 12,041,922
12	Benefits	-	3,052,777	146,138	3,198,915
21	Travel	167,190	46,783	42,311	256,284
22	Freight	-	33,162	13,985	47,147
23	Rent	-	1,596,788	631,470	2,228,258
24	Printing	1,930	1,268	3,905	7,103
25	Services	100,160	1,117,901	506,853	1,724,914
26	Supplies	-	45,545	7,941	53,486
31	Equipment	-	7,285	367,086	374,371
	Total	<u>\$ 6,769,541</u>	<u>\$ 10,078,968</u>	<u>\$ 3,083,892</u>	<u>\$ 19,932,400</u>

-
- (a) Includes costs for direct labor, special masters and expert witnesses.
(b) Represents the Superfund portion of unliquidated obligations.

**EPA BILLING SUMMARY
RECONCILIATION OF TOTAL ENRD EXPENSES**

September 30, 2016

Object Class.	Description	---Superfund---		---Non-Superfund---		Indirect Section 1595 & 1596 Expenses	Total Amounts Paid
		Direct Expenses	Indirect Expenses	Direct Expenses	Indirect Expenses		
11	Salaries	\$ 6,500,262	\$ 4,177,458	\$ 40,991,041	\$ 27,911,695	\$ -	\$ 79,580,456
12	Benefits	-	3,052,777	-	21,019,343	-	24,072,120
21	Travel	167,190	46,783	1,845,310	322,113	239,342	2,620,738
22	Freight	-	33,161	-	228,327	-	261,488
23	Rent	-	1,596,788	-	10,994,398	3,870	12,595,056
24	Printing	1,930	1,268	2,520	8,731	-	14,449
25	Services	100,159	1,117,902	2,841,206	7,264,515	1,438,565	12,762,347
26	Supplies	-	45,545	7,500	313,591	418	367,054
31 & 42	Equipment	-	7,285	-	50,165	-	57,450
Total		<u>\$ 6,769,541</u>	<u>\$ 10,078,968</u>	<u>\$ 45,687,577</u>	<u>\$ 68,112,878</u>	<u>\$ 1,682,195</u>	<u>\$ 132,331,159</u>

DEPARTMENT OF JUSTICE
ENVIRONMENT AND NATURAL RESOURCES DIVISION
September 30, 2016

<u>Section</u>	<u>Hours</u>	<u>Direct Labor</u>	<u>Other Direct Costs</u>	<u>Indirect</u>	<u>Total</u>	<u>Cases</u>
Criminal	759	\$ 50,182	\$ 20,989	\$ 94,480	\$ 165,651	4
Defense	1,486	93,055	125,017	175,199	393,271	20
Enforcement	92,682	5,784,183	1,843,081	10,890,143	18,517,407	551
Natural Resources	343	22,541	2,782	42,439	67,762	2
Policy	3	131	-	247	378	1
Land Acq.	10	735	-	1,384	2,119	1
Total	<u>95,284</u>	<u>\$ 5,950,827</u>	<u>\$ 1,991,869</u>	<u>\$ 11,203,892</u>	<u>\$ 19,146,588</u>	<u>579</u>

**ENVIRONMENT AND NATURAL RESOURCES DIVISION'S
RESPONSE TO THE DRAFT AUDIT REPORT**



U.S. Department of Justice
Environment and Natural Resources Division

Executive Office
P.O. Box 7611
Washington, DC 20044

Telephone (202) 616-3100
Facsimile (202) 616-3531

September 13, 2017

Jason R. Malmstrom
Assistant Inspector General for Audit
Office of the Inspector General
Washington, DC 20530

Re: Audit of Superfund Activities in ENRD for Fiscal Years 2015 and 2016

Dear Mr. Malmstrom:

I am writing to thank you for the professional and careful audit work performed by staff from the Office of the Inspector General ("OIG") during the recent audit of Superfund activities in the Environment and Natural Resources Division ("ENRD") and to follow-up on OIG's September 2017 draft Audit Report. Overall, we agree with the findings and conclusions described in the draft audit report. Described below is a summary of your audit recommendation, accompanied by ENRD's response to the recommendation.

Recommendation:

Remedy one instance of \$1,414 in unsupported travel costs.

RESPONSE: We concur with this recommendation. The OIG identified one Superfund payment of \$1,414 for which we have not yet been able to provide backup support. ENRD reached out to the Justice Management Division ("JMD") for assistance in locating the backup documentation. As a remedy for this discrepancy, if JMD cannot locate the backup, ENRD will credit EPA \$1,414 for the unsupported travel costs. Once the credit billing is completed, staff from ENRD's Executive Office will provide the OIG with an accounting report, verifying that EPA has been credited.

Thank you once again for the professional and careful audit work performed by staff from your Regional Audit Office. We have relied for many years on the Office of the Inspector General to provide sound advice to help us ensure that our accounting procedures, systems and operations meet rigorous standards of quality. Please let me know if you have any questions or if you require any additional documentation.

Sincerely,

A handwritten signature in blue ink that reads "Andrew Collier".

Andrew Collier
Executive Officer

**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The Office of the Inspector General (OIG) provided a draft of this audit report to the Environment and Natural Resources Division (ENRD). The ENRD's response is incorporated in Appendix 6 of this final report. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation for the ENRD:

1. Remedy \$1,414 in unsupported travel costs.

Resolved. The ENRD concurred with our recommendation. In its response the ENRD stated it is coordinating with the Justice Management Division to locate the backup documentation. If the document is not located, the ENRD will credit EPA the unsupported travel cost.

This recommendation can be closed when we receive the travel cost support or when the ENRD provides evidence that the cost associated with the unsupported travel cost was adjusted.

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