

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE NATIONAL INSTITUTES OF
HEALTH ADMINISTERED
SUPERFUND APPROPRIATIONS
DURING FISCAL YEAR 2016 IN
ACCORDANCE WITH FEDERAL
REQUIREMENTS**

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



Gloria L. Jarmon
Deputy Inspector General
for Audit Services

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Office of Inspector General

<https://oig.hhs.gov>

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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.

Report in Brief

Date: June 2019

Report No. A-04-18-04065

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) established the trust fund known as Superfund. 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 (FY).

To meet this requirement, OIG conducts an annual audit of the Superfund program at the National Institutes of Health (NIH), National Institute of Environmental Health Sciences (the Institute), to determine whether NIH administered Superfund appropriations in accordance with applicable Federal requirements.

How OIG Did This Review

Our audit covered \$77 million of obligations and \$77 million of disbursements related to the FYs 2011 through 2016 Superfund appropriations that occurred from October 2015 through September 2016 (audit period). We also (1) analyzed cumulative obligations, totaling \$464 million and cumulative disbursements totaling \$376 million and (2) assessed NIH's efforts to ensure grantee compliance with financial, performance, and audit reporting requirements.

The National Institutes of Health Administered Superfund Appropriations During Fiscal Year 2016 in Accordance With Federal Requirements

What OIG Found

During FY 2016, NIH administered Superfund appropriations in accordance with applicable Federal requirements. Specifically, NIH obligated and disbursed Superfund appropriations in accordance with Federal requirements and in similar proportions to prior years. In addition, the Institute's monitoring of Superfund grants generally ensured that grantees met requirements for financial, performance, and audit reporting.

What OIG Recommends

This report contains no recommendations.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 U.S.C. § 9601 et. seq.) established the Hazardous Substance Response Trust Fund, commonly known as the Superfund. The National Institute of Environmental Health Sciences (the Institute) of the National Institutes of Health (NIH) receives an annual Superfund appropriation to carry out functions mandated by the CERCLA.¹

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 (FY) (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 NIH's use of its Superfund appropriations. (See Appendix B for a list of related OIG reports.)

OBJECTIVE

Our objective was to determine whether NIH² administered Superfund appropriations during FY 2016 in accordance with applicable Federal requirements. Specifically, we determined whether NIH properly obligated and disbursed Superfund appropriations and provided adequate oversight of grant awards and related transactions.

BACKGROUND

Superfund

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

The Institute receives funding to carry out functions mandated by the CERCLA. In carrying out its Superfund responsibilities for FY 2016, the Institute obligated approximately 5 percent of these funds for administrative costs and used the remaining 95 percent to award grants and cooperative agreements (grants) to other organizations to:

- train persons who are engaged in handling hazardous waste and managing facilities where hazardous waste is located and

¹ In FY 2016, NIH received \$77.3 million to carry out these functions through the Consolidated Appropriations Act, 2016 (P.L. No. 114-113).

² NIH includes the Institute.

- conduct research—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 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 2011 through 2016 Superfund appropriations that occurred from October 1, 2015, through September 30, 2016 (audit period).³ During the audit period, NIH obligated⁴ approximately \$77 million and disbursed approximately \$77 million in Superfund resources. Of the \$77 million in disbursements, \$5 million came from the FY 2016 appropriation, and \$72 million came from prior years. Of the \$77 million disbursed for the Superfund program in FY 2016, \$74 million was for grant expenditures, and the remaining \$3 million was for expenditures to administer the program (administrative expenditures). We performed analytical tests of transactions to determine whether there were significant variances between FY 2016 and FY 2015 administrative expenditures that would warrant further testing.⁵

We also analyzed cumulative obligations totaling \$464 million and cumulative disbursements totaling \$376 million associated with FY 2011 through FY 2016 appropriations to determine whether there were unusual balances of prior-year Superfund appropriations, including large balances of unliquidated obligations, new obligations of expired appropriations, or unusual disbursement activities.

³ Annual appropriations expire at the end of the FY but remain available for 5 years for recording, adjusting, and liquidating obligations that were properly incurred during the time the appropriation was available for obligation (31 U.S.C. §§ 1553(a) and 1552(a)). Therefore, our scope included obligations and disbursements of FYs 2011 through 2015 appropriations, as well as those of FY 2016.

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

⁵ There were no significant variances; therefore, we did not perform additional testing.

As part of our review of NIH's monitoring of Superfund grants⁶ and to verify that all uses of Superfund appropriations received audit coverage, we reviewed whether (1) single audit⁷ or non-Federal audit⁸ requirements applied to each grantee, (2) applicable grantees complied with audit requirements, (3) some audit findings related to Superfund awards, and (4) NIH resolved those findings.

We reviewed whether (1) applicable grantees complied with grant terms and conditions⁹ and (2) NIH adequately monitored the selected grants or took enforcement action to ensure compliance, if applicable.

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 A contains the details of our scope and methodology.

RESULTS OF REVIEW

During FY 2016, NIH administered Superfund appropriations in accordance with applicable Federal requirements. Specifically, NIH obligated and disbursed Superfund appropriations in accordance with Federal laws and in similar proportions to prior years. In addition, the

⁶ For grant awards made prior to December 26, 2014, 45 CFR part 74 establishes uniform administrative and audit requirements governing HHS grants and agreements awarded to nonprofit entities. For grant awards made on or after December 26, 2014, 45 CFR part 75 establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities. The scope of our review covered grants and agreements made before and after December 26, 2014. Therefore, we cite to both regulations as applicable.

⁷ "Single audit" refers to an audit performed in compliance with 45 CFR § 74.26(a) and the Office of Management and Budget (OMB) Circular A-133 (generally applicable to audits of FYs that began on or before December 26, 2014, of not-for-profit entities that expended more than \$500,000 in Federal awards prior to December 26, 2014) or with 45 CFR § 75.110(b) and 45 CFR § 75.501 (generally applicable to audits of FYs beginning on or after December 26, 2014, of not-for-profit entities that expend \$750,000 or more).

⁸ "Non-Federal audit" refers to an audit performed in compliance with 45 CFR § 74.26(d) (applicable to commercial non-Federal entities that received and subsequently expended more than \$500,000 in Federal awards during FYs that began on or before December 26, 2014) or 45 CFR § 75.501 (generally applicable to non-Federal entities that expend \$750,000 or more during their FYs beginning on or after December 26, 2014).

⁹ Terms and conditions included requirements to submit various reports including financial reports, progress reports, and other reports used for grant monitoring.

Institute's monitoring of Superfund grants generally ensured that grantees met requirements for financial, performance, and audit reporting.

NIH OBLIGATIONS AND DISBURSEMENTS OF SUPERFUND APPROPRIATIONS MET FEDERAL REQUIREMENTS

NIH obligated and disbursed Superfund appropriations in accordance with Federal requirements and incurred costs for administering the Superfund program at levels that were in similar proportions to prior years. NIH received \$77.3 million under the FY 2016 Superfund appropriation, of which it obligated 95 percent of the FY 2016 appropriation for grants and the remaining 5 percent for administrative expenditures.¹⁰ Obligations and disbursements for administrative expenditures were within 1 percent of FY 2015 levels, respectively. There were also no unusual balances of prior-year appropriations, such as large balances of unliquidated obligations or new obligations of expired appropriations.

THE INSTITUTE GENERALLY ENSURED THAT SUPERFUND GRANTEES MET REPORTING REQUIREMENTS

In general, the Institute ensured that Superfund grantees met key reporting requirements, including the filing of required financial reports,¹¹ performance reports,¹² and audit reports.^{13, 14} For the 77 grants with financial and performance reports due during our audit period, grantees were, on average, 7 days late in the filing of financial reports and 3 days late in the filing of performance reports. We noted that, overall, grantees filed most of their reports on time and that the overall average report lateness was caused by relatively few late reports.¹⁵ Additionally, two grant recipients had not submitted final financial reports and, as a result, the

¹⁰ These funding levels were the same for FY 2015.

¹¹ Federal Financial Reports.

¹² Research Performance and Progress Reports.

¹³ Non-Federal audit reports.

¹⁴ In our audit report entitled *The National Institutes of Health Did Not Always Administer Superfund Appropriations During Fiscal Year 2015 in Accordance With Federal Requirements* (report number A-04-16-04046), we found that NIH had not ensured grantee compliance with reporting requirements during FY 2015, and we recommended improvements to NIH oversight and guidance. As of the time of our fieldwork for our FY 2016 audit, NIH had not yet finalized its management decision concerning our recommendations.

¹⁵ Our analysis of average lateness included all reports that grantees had submitted during the audit period, including reports that were submitted well in advance of due dates. Six financial reports accounted for 69 percent of the financial report average lateness, and six performance reports accounted for 88 percent of the performance report average lateness.

Institute flagged those grants for unilateral closeout.¹⁶ Overall, the late filings of financial and performance reports had no measurable impact on the Institute's ability to effectively administer the program; however, we will continue to monitor the timeliness of grantee reports in future audits.

In addition, of the 96 Superfund grantees we reviewed for compliance with non-Federal audit requirements, all 96 had submitted audits when required.¹⁷ Within these audits, we identified no unresolved, adverse audit findings that we considered to be high risk, such as findings that directly related to Superfund program grants, findings with high monetary values, or findings that independent auditors found to be material weaknesses in the internal controls of grantee organizations.

CONCLUSION

Based on our results, this report contains no recommendations.

¹⁶ Chief Grants Management Officers (CGMOs) are authorized to unilaterally close out a grant (that is, without the cooperation of the grantee) if the grantee fails to submit acceptable final reports within 180 days of the end of a project. The Institute told us that it had begun the unilateral closeout process for these two grants; however, its CGMO position had not been filled following the retirement of its prior CGMO, and it was not yet able to complete the closeout process for these two grants. We plan to follow up with the Institute on this matter in a subsequent audit.

¹⁷ Grantees that expend more than \$750,000 in Federal awards (or HHS-specific awards for commercial organizations where at least one award is a grant) must have a non-Federal audit. Prior to December 26, 2014, the audit requirement threshold was \$500,000.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered all obligations and disbursements related to FYs 2011 through 2016 Superfund appropriations that occurred from October 1, 2015, through September 30, 2016 (audit period).¹⁸ During the audit period, NIH obligated approximately \$77 million and disbursed approximately \$77 million in Superfund resources. Of the \$77 million in disbursements, \$5 million came from the FY 2016 appropriation, and \$72 million came from prior years. Our audit also covered NIH's grant oversight functions because approximately 95 percent of NIH's Superfund appropriations are used for grant funding.

METHODOLOGY

To accomplish our audit objective, we:

- reviewed applicable laws and regulations regarding Superfund appropriations;
- reviewed our FY 2015 Superfund audit report (A-04-16-04046) to ensure our audit procedures addressed prior-year audit findings;
- obtained an understanding of NIH's controls over funding authority, financial reporting, and grants;
- reconciled NIH accounting records with a list that the Institute provided of all Superfund financial transactions recorded from October 1, 2015, through September 30, 2016, to determine its accuracy and completeness;
- reviewed the Institute's FY 2016 interagency agreements to determine whether it funded other government agencies using its Superfund appropriations;
- traced approximately \$73 million in obligations to 68 research and training grant award documents to determine whether grant awards were properly recorded;
- analyzed transactions to test whether there were any significant variances in FY 2016 administrative account balances that would warrant further testing;

¹⁸ Because annual appropriations may be disbursed up to 5 years beyond the appropriation year, our scope included obligations and disbursements of FY 2011 through FY 2015 appropriations, as well as those of FY 2016.

- analyzed cumulative obligations, totaling \$464 million, and cumulative disbursements, totaling \$376 million, associated with FY 2011 through FY 2016 appropriations to determine whether there were unusual balances of Superfund appropriations, including large balances of unliquidated obligations, new obligations of expired appropriations, or unusual disbursement activities;
- compared Notices of Award for each Superfund grant NIH issued during FY 2016 to funding opportunity announcements to assess whether the grants were consistent with Superfund program activities;
- determined whether grantees complied with non-Federal audit requirements, including the submission of audit report information to the Federal Audit Clearinghouse or the National External Audit Review Center;
- determined whether NIH resolved applicable grantee audit findings that were related to Superfund grants;
- reviewed applicable grants to determine whether:
 - grantees complied with grant terms and conditions, including the submission of financial and progress reports to NIH, and
 - NIH adequately monitored the grants or took enforcement action to ensure compliance with grant terms and conditions, if applicable; and
- discussed the results of the audit with Institute officials, shared a copy of the draft report for technical review, and incorporated technical comments as appropriate.

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: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>The National Institutes of Health Did Not Always Administer Superfund Appropriations During Fiscal Year 2015 in Accordance With Federal Requirements</i>	<u>A-04-16-04046</u>	2/2018
<i>The National Institute of Environmental Health Sciences Generally Administered Its Superfund Appropriations During Fiscal Year 2014 in Accordance With Federal Requirements</i>	<u>A-04-15-04035</u>	4/2016
<i>The National Institute of Environmental Health Sciences Administered Its Superfund Appropriations During Fiscal Year 2013 in Accordance With Federal Requirements</i>	<u>A-04-14-04024</u>	9/2014
<i>The National Institute of Environmental Health Sciences Generally Administered Its Superfund Appropriations During Fiscal Year 2012 in Accordance With Federal Requirements</i>	<u>A-04-13-01025</u>	4/2014
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences—Fiscal Year 2011</i>	<u>A-04-12-01013</u>	7/2012
<i>Superfund Financial Activities at the National Institute of Environmental Health Sciences—Fiscal Year 2010</i>	<u>A-04-11-01099</u>	6/2011