



AUDIT OF SUPERFUND ACTIVITIES IN THE ENVIRONMENT AND NATURAL RESOURCES DIVISION FOR FISCAL YEARS 2006 THROUGH 2008

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SUPERFUND ACTIVITIES IN THE ENVIRONMENT AND NATURAL RESOURCES DIVISION FOR FISCAL YEARS 2006 THROUGH 2008

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, established the Superfund program to clean up the nation's worst hazardous waste sites.¹ CERCLA seeks to ensure that individuals or organizations responsible for the improper disposal of hazardous waste bear the costs for their actions. It also established the Hazardous Substance Superfund Trust Fund (Trust Fund) to finance clean up sites when a liable party cannot be found or the third party is incapable of paying clean up costs. The Trust Fund also pays the Environmental Protection Agency's (EPA) for enforcement, management activities, and 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. In fiscal year (FY) 1987, EPA entered into interagency agreements with the ENRD and began reimbursing the ENRD for its litigation costs. In recent years, EPA authorized reimbursements to the ENRD of \$26.0 million for FY 2006 and \$26.3 million for FY 2007, and \$25.6 million for FY 2008 in accordance with EPA Interagency Agreements DW-15-92194601-2 (FY 2006), DW-15-92194601-4 and DW-15-92194601-5 (FY 2007), and DW-15-92194601-6 (FY 2008).

¹ 42 U.S.C. Chapter 103 (2008)

The EPA and the ENRD Statement of Work required the ENRD to maintain a system that documented its litigation costs. To this end, the ENRD used a cost distribution system developed and maintained by a private contractor. The system was designed to process financial data from the ENRD Expenditure and Allotment (E&A) Reports into: (1) Superfund direct costs by specific case broken down between direct labor costs and all other direct costs; (2) non-Superfund direct costs; and (3) allocable indirect costs.²

As required by CERCLA, 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 2006 - 2008.³ We compared costs reported in the contractor's accounting schedules and summaries for these 3 years to costs recorded on DOJ accounting records to review the cost distribution system used by the ENRD to allocate incurred costs to Superfund and non-Superfund cases.

We believe that the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases from FYs 2006 - 2008.

During our testing of 128 travel expenditures, however, we found discrepancies with 11 transactions that were missing receipts supporting a portion of the claimed travel cost, 2 transactions had the incorrect case classification number, and 16 transactions were missing proper approvals on travel authorizations. Therefore, we recommend that the ENRD reinforce policies and procedures for submitting complete travel authorizations and voucher summaries; remedy the \$2,488 in unsupported travel costs; and ensure that travel voucher numbers 3817840 and 38126128 are allocated to the correct Superfund case number.

² 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.

³ We have conducted audits of ENRD Superfund Activities since 1985 and generally have found a reoccurring discrepancy concerning missing approvals on travel expenses. In response to our finding, ENRD issued a memorandum to section managers reminding them of their responsibilities under the travel regulations to document approval of travel prior to the travel being initiated.

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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.¹ 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 listed 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 clean up 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 were incapable of paying clean up costs, CERCLA established the Hazardous Substance Superfund Trust Fund (Trust Fund) to finance clean up efforts. The Trust Fund also pays for EPA's enforcement, management, and research and development activities.

Because CERCLA was set to expire in FY 1985, Congress passed the Superfund Amendments and Reauthorization Act (SARA) in 1986.² SARA stressed the importance of using permanent remedies and innovative treatment technologies in the clean up of hazardous waste sites, provided 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.

¹ 42 U.S.C. Chapter 103 (2008)

² SARA is incorporated into 42 U.S.C. Chapter 103 (2008)

Beginning in FY 1987, the EPA entered into interagency agreements with the DOJ to reimburse the ENRD for its litigation costs related to its CERCLA activities. As shown in Exhibit 1-1, budgeted reimbursement for Superfund litigation represented, on average, about one-third of the ENRD's total budget during the 22-year period from FY 1987 through FY 2008.

Exhibit 1-1: Comparison of the ENRD's Appropriations and Budgeted Superfund Reimbursements (1987 to 2008)

FY	ENRD Appropriations	Budgeted Superfund Reimbursements	Total ENRD Budget
1987	\$23,195,000	\$11,550,000	\$34,745,000
1988	26,194,000	18,473,000	44,667,000
1989	26,456,000	22,100,000	48,556,000
1990	34,713,000	28,754,000	63,467,000
1991	43,683,000	32,799,000	76,482,000
1992	49,177,000	35,607,000	84,784,000
1993	51,445,000	34,534,000	85,979,000
1994	53,364,000	33,809,000	87,173,000
1995	58,170,000	33,879,860	92,049,860
1996	58,032,000	32,245,000	90,277,000
1997	58,049,000	30,000,000	88,049,000
1998	61,158,000	29,963,500	91,121,500
1999	62,652,000	30,500,000	93,152,000
2000	65,209,000	30,000,000	95,209,000
2001	68,703,000	28,500,000	97,203,000
2002	71,300,000	28,150,000	99,450,000
2003	70,814,000	28,150,000	98,964,000
2004	76,556,000	28,150,000	104,706,000
2005	90,856,000	27,150,000	118,006,000
2006	93,974,000	26,319,100	120,293,100
2007	95,093,000	26,056,000	121,149,000
2008	99,365,000	25,594,000	124,959,000
Total	\$1,338,158,000	\$622,283,460	\$1,960,441,460

Source: ENRD Budget History Report for FYs 1987 through 2008

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 designed by FTI Rubino & McGeehin Consulting Group, Incorporated (contractor). The system was designed to process financial data from the ENRD's Expenditure and Allotment (E&A) Reports into: (1) Superfund direct costs by specific case, allocated between direct labor costs and all other direct costs; (2) non-Superfund direct costs; and (3) allocable indirect costs.³

The EPA authorized reimbursements to the ENRD of \$26.0 million for FY 2006, \$26.3 million for FY 2007, and \$25.6 million for FY 2008 in accordance with EPA Interagency Agreements DW-15-92194601-2 (FY 2006), DW-15-92194601-4 and DW-15-92194601-5 (FY 2007), and DW-15-92194601-6 (FY 2008).

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 comprised of appropriations from EPA's general fund, interest, fines, penalties, and recoveries generated through litigation. 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 \$7 billion in commitments to clean up hazardous waste sites and recovering over \$5.3 billion from potentially responsible parties during FYs 1988 - 2008, as shown in Exhibit 1-2.

³ 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.

**Exhibit 1-2: Estimated Commitments and Recoveries
(1988 to 2008)⁴**

FY	Commitment	Recovery
1987	\$ 0	\$ 12,000,000
1988	10,000,000	32,000,000
1989	106,000,000	73,000,000
1990	10,000,000	56,000,000
1991	186,000,000	182,000,000
1992	225,000,000	211,000,000
1993	187,000,000	326,000,000
1994	148,000,000	490,000,000
1995	117,000,000	204,000,000
1996	101,000,000	338,000,000
1997	280,000,000	334,000,000
1998	403,000,000	308,000,000
1999	386,000,000	332,000,000
2000	494,000,000	153,000,000
2001	1,418,000,000	566,000,000
2002	565,000,000	277,000,000
2003	474,000,000	185,000,000
2004	289,000,000	202,000,000
2005	647,000,000	270,000,000
2006	230,000,000	146,000,000
2007	271,000,000	211,000,000
2008	542,000,000	429,000,000
Total	\$7,089,000,000	\$5,337,000,000

Source: ENRD Commitment and Recovery Report for FYs 1987 – 2008, and Interagency Agreement for FYs 2006, 2007, and 2008

⁴ Commitments are estimated funds from potentially responsible parties for the cleanup of hazardous waste sites. Recoveries are actual funds received by EPA that include Superfund cost recovery, oversight costs, and interest.

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 2006, 2007, and 2008. 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.

Appendix I contains a more detailed description of our audit objectives, scope, and methodology.

FINDING AND RECOMMENDATIONS

SUPERFUND COSTS FOR FYS 2006 THROUGH 2008

We found that the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYS 2006, 2007, and 2008. We found discrepancies, however, in our testing of travel expenditures: 11 transactions were missing receipts supporting a portion of the claimed travel cost, 2 transactions had the incorrect case classification number, and 16 transactions were missing proper approvals on travel authorizations. We recommend that the ENRD reinforce policies and procedures for submitting complete, accurate travel authorizations and voucher summaries; remedy the \$2,488 in questioned travel costs; and ensure that travel voucher numbers 3817840 and 38126128 are allocated to the correct Superfund case number.

We designed the audit to compare costs reported in the contractor's accounting schedules and summaries for FYS 2006, 2007, and 2008 (see Appendices III through V) 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 compared Superfund total costs recorded as paid in the E&A Reports to the amounts reported as Total Amounts Paid in the year-end accounting schedules and summaries, and we traced the costs to Superfund cases.
- 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.⁵
- 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.

⁵ FY 2007 ENRD memorandum entitled *Environment and Natural Resources Division Determination of Superfund Cases* provides the methodology for designating Superfund cases.

We performed these steps to ensure that costs distributed to Superfund and non-Superfund cases were based on total costs for FYs 2006, 2007, and 2008; 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 2006, 2007, and 2008.

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 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 \$107 million in FY 2006, over \$113 million in FY 2007, and over \$118 millions in FY 2008 as shown in Exhibit 2-1.

Exhibit 2-1: ENRD Expenses by Fiscal Year

Description	2006	2007	2008
Salaries	\$65,129,004	\$69,502,557	\$69,777,976
Benefits	16,452,346	17,197,744	17,369,364
Travel	2,659,082	2,509,541	3,037,311
Freight	371,816	282,348	326,277
Rent	12,491,608	13,185,873	15,152,717
Printing	67,889	122,543	82,415
Services	8,941,196	9,571,347	11,914,410
Supplies	582,593	649,823	578,947
Equipment	485,350	674,373	69,923
Totals	\$107,180,884	\$113,696,149	\$118,309,340

Source: ENRD E&A Reports for FYs 2006, 2007, and 2008

We then reconciled the 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*. We found that Schedule 1 through Schedule 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 2006, 2007, and 2008 are shown in Exhibit 2-2.

Exhibit 2-2: Superfund Distributed Costs by Fiscal Year⁶

Cost Categories	2006	2007	2008
Labor	\$6,984,019	\$7,486,185	\$7,671,805
Other Direct Costs	1,904,671	2,391,153	1,196,767
Indirect Costs	12,669,272	13,495,691	13,453,680
Superfund Program Expenses	-	-	-
Unliquidated Obligations	4,693,941	4,033,945	3,823,972
Totals	\$26,251,903	\$27,406,974	\$26,146,224

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 906 Superfund cases in FY 2006, 939 cases in FY 2007, and 913 cases in FY 2008 in which ENRD incurred costs. We also reviewed the Superfund case designation criteria and 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.

⁶ The amounts listed in this table reflect actual reimbursements. The interagency agreements budgeted \$26.0 million, \$26.3 million, and \$25.6 million for FYs 2006, 2007, and 2008, respectively.

We judgmentally selected 29 cases from the FY 2008 Superfund database to test whether the ENRD staff adhered to case designation procedures outlined in the FY 2007 memorandum, *ENRD Determination of Superfund Cases*.⁷ 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 e-mails. These documents referenced laws, regulations, or other information used to categorize the cases as either Superfund or non-Superfund for tracking purposes. We found that all 29 cases reviewed contained proper documentation in the case files to justify the Superfund classification.

Superfund Cost Distribution

Since 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

During the 3-year period under review, the contractor continued using the labor distribution system from prior years, which we had reviewed and accepted in prior audits. 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.⁸ The contractor used the following formula to distribute labor costs monthly:

Salary Starting Point:	Employee Bi-weekly Salary
Divided by:	Employee Reported Bi-weekly Work Hours
Equals:	Bi-weekly Hourly Rate
Multiplied by:	Employee Reported Monthly Superfund and Non-Superfund Case Hours
Results In:	Distributed Individual Monthly Labor Case Cost

⁷ See Appendix II for the 29 cases we sampled.

⁸ The National Finance Center processes bi-weekly payroll information for many federal government agencies, including DOJ.

For purposes of our review, we:

- compared total Superfund and non-Superfund labor costs to costs reported in the E&A Reports for FYs 2006, 2007, and 2008;
- reviewed the ENRD electronic labor files and selected salary files provided to the contractor and the resultant electronic files prepared by the contractor to summarize costs by employee and case; and
- extracted Superfund case costs from the contractor files by using validated Superfund case numbers.

We performed selected database matches to compare the ENRD electronic employee time and case data against the contractor's electronic files used to prepare the accounting schedules and summaries, and to identify Superfund case data. We determined total Superfund hours were 141,719 for FY 2006, 149,390 for FY 2007, and 148,748 for FY 2008. To determine the number of Superfund cases with direct labor costs for each fiscal year under review, we compared the ENRD Superfund billed time electronic data, which included 906 cases in FY 2006, 939 cases in FY 2007, and 913 cases in FY 2008 to the electronic files prepared by the contractor and found no significant differences in the total number of Superfund cases with direct labor costs for each fiscal year.

Next, using the contractor's electronic files, we determined that the direct labor costs for Superfund cases were \$6,984,019 for FY 2006, \$7,486,185 for FY 2007, and \$7,671,805 for FY 2008. We traced these amounts to the contractor's accounting schedules and summaries, and selected the first two bi-weekly periods in January 2007 and 2008 to review the calculation of the effective employee hourly rates. We found the contractor calculated the effective hourly rates in compliance with the methodology outline on the previous page of this report.

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 provided an equitable distribution of direct labor costs to Superfund cases during FYs 2006 through 2008.

Indirect Costs

In addition to direct costs incurred for specific cases, the ENRD incurred indirect costs that were allocated to all 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 comprised of an ENRD indirect rate and a Superfund-specific indirect rate. To calculate the ENRD indirect rate, the contractor subtracted the amount of direct costs from the total costs incurred according to the ENRD's E&A report and divided this amount by the total direct labor costs for the period. To calculate a Superfund specific indirect rate, the contractor identified indirect costs that support only Superfund activities and divided these costs by the Superfund direct labor costs for the period. The rates for FYs 2006, 2007, and 2008 are shown in the Exhibit 2-3.

Exhibit 2-3: Indirect Cost Rates by Fiscal Year

Category	2006	2007	2008
ENRD Indirect Rate	180.1%	178.9%	174.3%
Superfund Specific Indirect Rate	35.4%	28.7%	23.8%
Combined Indirect Cost Rate	215.5%	207.6%	198.1%

Source: Schedule 4 of the contractor's accounting schedules and summaries, percentages rounded to nearest tenth 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 2006 was \$63,973,744, the same as the contractor's calculation. We also determined that the total amount of indirect costs for FY 2007 was \$67,507,752 compared to the contractor's calculation of \$67,507,750 (\$2.00 variance). In addition, we determined that the total amount of indirect costs for FY 2008 was \$69,109,696 compared to the contractor's calculation of \$69,109,699 (\$3.00 variance). These nominal variances had no effect on the indirect cost rates, and we believe that the indirect expenses calculated by the contractor are materially accurate. Therefore, we found that this process provided for an equitable distribution of indirect costs to Superfund cases during FYs 2006 through 2008.

Other Direct Costs

The other direct costs incurred by the ENRD and distributed to Superfund during FYs 2006, 2007, and 2008 are presented in Exhibit 2-3.

Exhibit 2-3: Superfund Other Direct Costs by Fiscal Year

Subsubject Code and Description	2006	2007	2008
1153 - Special Masters Compensation	\$8,964	\$29,127	\$9,350
1157 - Expert Witness Fees	1,478,616	1,978,963	744,917
2100 - Travel and Transportation	326,786	293,620	395,992
2411 - Court Transcripts	5,058	5,540	6,110
2499 - Printing and Reproduction, All Other	403	35	246
2501 - Filing Fees	48	110	1,083
2508 - Reporting and Transcripts - Deposition	61,128	81,594	35,124
2510 - Reporting and Transcripts - Court	-	150	1,953
2529 - Litigation Support	21,304	-	-
2557 - Litigation Graphics	507	1,010	920
2563 - Interest Penalties - Government	-	4	-
2598 - Miscellaneous Litigation Expenses	1,857	1,000	1,072
Totals	\$1,904,671	\$2,391,153	\$1,196,767

Source: The contractor's electronic files for FYs 2006, 2007, and 2008

As part of our audit, we selected the following four FY 2008 other direct cost subsubject codes to test.

- 1153 – Special Masters Compensation
- 1157 – Expert Witness Fees
- 2100 – Travel and Transportation
- 2508 – Reporting and Transcripts – Deposition

For FY 2008, these four subsubject codes comprised 92 percent of the transaction universe (596 transactions) and 99 percent of the FY 2008 other direct cost expenditures (\$1.18 million). We used stratified sample design with an overall sample ratio of 33 percent to obtain estimates of the exceptions. We reviewed 100 percent of transactions in one stratum that consisted of high-dollar transactions within these subsubject codes. From each of the remaining strata, we selected a random sample of transactions

for review. In total, we reviewed 182 transactions totaling approximately \$686,719, as detailed in Exhibit 2-4:

Exhibit 2-4: Other Direct Cost Tested

Subobject Code	Descriptions	Number of Transactions	Dollar Amount
1153	Special Masters Compensation	5	\$9,350
1157	Expert Witness Fees	31	498,191
2100	Travel and Transportation	128	159,274
2508	Reporting and Transcripts - Deposition	18	19,904
Totals		182	\$686,719

Source: OIG other direct costs sample

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 in the Special Masters Compensation, Expert Witness Fees, and Reporting and Transcripts – Deposition subobject codes. However, our test of Travel and Transportation (subobject code 2100) revealed differences between the information provided to us and the supporting documentation. While we found all 128 transactions we reviewed had been appropriately been classified as subobject code 2100 - travel, we noted that 11 transactions were missing required receipts supporting a portion of the claimed travel cost, 2 transactions had the incorrect case classification number, and

16 transactions were missing proper approvals (such as signatures and dates).

Missing Required Receipts

During our test, we compared the dollar amount allocated to a specific case number to the supporting documentation. For 11 of the travel transactions we tested, the supporting documentation did not contain receipts to support all of the expenses listed. We summarized our analysis in Exhibit 2-5.

Exhibit 2-5: Unsupported Costs

Superfund Matter ID	Voucher Number	Description	Amount
90-11-3-1749	3810214	No airplane ticket receipt	\$536
90-11-3-1749	3821845	Portion of air ticket unsupported	78
90-11-3-08948	3822712	Portion of train fare unsupported	30
90-11-2-1134/1	3824727	No airplane ticket receipt	280
90-11-2-07237/6	2733382	No airplane ticket receipt	376
90-11-3-07730/1	38126104	No airplane ticket receipt	344
90-11-2-1134/1	3811975	No train ticket receipt (lost)	189
90-11-2-1134/1	38129178	No taxi receipts; amount greater than \$75	159
90-11-2-07096/1	3812161	No taxi receipts; amount greater than \$75	192
90-11-3-08985	3824179	No train/plane ticket receipt	163
90-11-3-08985	3815557	No train/plane ticket receipt	141
Total			\$2,488

Source: OIG Analysis

Case Classification

We found case numbers on supporting documents for two transactions that did not match the case numbers in the Superfund database. Such an error can cause funds to be misallocated to the incorrect Superfund case.

Exhibit 2-6: Incorrect Case Classification

Voucher Number	Superfund Matter ID		Amount
	Database	Documentation	
3817840	90-11-3-1749	90-5-1-1-08702	\$649
38126128	90-11-3-684/1	90-11-3-684/4	\$695
Total			\$1,344

Source: OIG Analysis

Proper Approval

We noted 16 of the 128 transactions we reviewed did not have proper authorization and were either missing an approver's signature or a date. We have reported missing approvals on travel expenses in previous audit reports.⁹ In response to similar findings in our September 2007 report, the ENRD issued a September 10, 2007, memorandum to section managers reminding them of their responsibilities under the travel regulations to document approval of travel prior to the travel being initiated. The ENRD issued similar memoranda to all new and existing employees. The prior authorization of travel initiates the obligation of the travel costs and ensures that the traveler is protected by an official authorization during periods of travel. In addition, accurate voucher summaries ensure that the traveler is reimbursed for the correct amount based on their expenses.

Based on our statistical sampling methodology and the results of our tests, the error rates for all but one category of testing - proper approval - fell below 3 percent and were not considered material. However, for proper approvals, the errors exceed 3 percent (16 exceptions out of the 128 tested transactions). When these results are projected to the universe of 410 subobject code 2100 - travel transactions, we are 95 percent confident that there are at least 32 but no more than 88 transactions that may not have proper approvals.

We believe that the ENRD maintains adequate internal controls over the recording of other direct charges to accounting records and Superfund cases. However, we recommend that the ENRD reinforce specific policies and procedures for submitting complete, accurate travel authorizations and voucher summaries; remedy \$2,488 in unsupported travel costs; and ensure

⁹ U.S. Department of Justice Office of the Inspector General, *Superfund Activities in the Environment and Natural Resources Division for Fiscal Years 2004 and 2005*, Audit Report 07-43 (September 2007); and U.S. Department of Justice Office of the Inspector General, *Superfund Activities in the Environment and Natural Resources Division for Fiscal Years 2000 and 2001*, Audit Report 03-34 (September 2003).

that travel voucher numbers 3817840 and 38126128 are allocated to the correct Superfund case number.

Conclusion

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 2006, 2007, and 2008. We found discrepancies, however, in our testing of travel expenditures: 11 transactions that were missing receipts supporting a portion of the claimed travel cost, 2 transactions had the incorrect case classification number, and 16 transactions were missing proper approvals on travel authorizations.

Recommendations

We recommend that the ENRD:

1. Reinforce policies and procedures to managers and employees for submitting complete and accurate travel authorizations and voucher summaries.
2. Remedy the \$2,488 in unsupported travel costs.
3. Ensure that travel voucher numbers 3817840 and 38126128 are allocated to the correct Superfund case number.

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 the 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. The 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 relevant portions of 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 2006, 2007, and 2008.

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 objective. 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, 2006, through September 30, 2008. 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 2006, 2007 and 2008. We also reviewed the contractor's methodology for distributing direct labor costs and indirect costs to Superfund cases for FYs 2006, 2007, and 2008. 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 2008.¹

¹ We have conducted audits of ENRD Superfund Activities since 1985 and generally have found a reoccurring discrepancy concerning missing approvals on travel expenses. In response to our finding, ENRD issued a memorandum to section managers reminding them of their responsibilities under the travel regulations to document approval of travel prior to the travel being initiated.

We performed detailed transaction testing of other direct costs for FY 2008. We employed a stratified sample design with over all sample ratio of 33 percent, to obtain good estimates of the exceptions. We reviewed 100 percent of transactions in one stratum that consisted of high dollar transactions within these subobject codes. From each of the remaining strata, we selected a random sample of transactions for review. In total, we reviewed 182 transactions totaling approximately \$686,719.

For our assessment of internal controls over the compilation of direct labor charges, we relied on the results in the U.S. Department of Justice Office of the Inspector General, Environment and Natural Resources Division Network Computer Security and Case Management System Internal Control Audit, Audit Report 1-19, August 2001.

APPENDIX II

2008 CASES IN SAMPLE REVIEW

Case Number	Classification
33-33-1143-09740	Land Acquisition
33-41-128-07656	Land Acquisition
33-41-128-07661	Land Acquisition
33-45-2123-07613	Land Acquisition
33-13-578-11262	Land Acquisition
90-12-01779	Law and Policy
90-12-02138	Law and Policy
90-12-02333	Law and Policy
90-12-02432	Law and Policy
90-11-6-05067/1	Environmental Defense
90-11-6-16156	Environmental Defense
90-11-6-17426	Environmental Defense
90-11-6-17974	Environmental Defense
90-11-6-18314	Environmental Defense
90-11-3-08304/2	Natural Resources
90-1-23-10202	Natural Resources
90-1-23-10662	Natural Resources
90-1-23-10940	Natural Resources
90-1-23-12162	Natural Resources
198-17-00476	Environmental Crimes
198-29-00863	Environmental Crimes
198-41-00503	Environmental Crimes
198-44-00607	Environmental Crimes
198-76-00483	Environmental Crimes
90-11-2-1045/6	Environmental Enforcement
90-11-2-934A	Environmental Enforcement
90-11-3-08678	Environmental Enforcement
90-11-3-1420	Environmental Enforcement
90-7-1-74/1	Environmental Enforcement

APPENDIX III

FY 2006 ACCOUNTING SCHEDULES AND SUMMARIES

RUBINO & MCGEEHIN CONSULTING GROUP, INC.

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SUITE 1200
BETHESDA, MARYLAND
20817-1818
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June 13, 2007

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

Dear Mr. Bruffy:

Enclosed please find the following final fiscal year 2006 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 1-6
September 30, 2006
- DOJ - Superfund Case Cost Summary (electronic copy)
As of September 30, 2006
- DOJ - Superfund Cases - Time By Attorney/Paralegal
Year Ended September 30, 2006 (electronic copy)
- DOJ - Superfund Direct Costs (electronic copy)
Year Ended September 30, 2006

The schedules represent the final fiscal year 2006 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 2006..

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Mr. Robert L. Bruffy
U.S. Department of Justice
June 13, 2007
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, 2006, 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,



Rubino & McGeehin Consulting Group, Inc.

Enclosures

RUBINO & MCGEEHIN

EPA BILLING SUMMARY
SUMMARY OF AMOUNTS DUE
BY INTERAGENCY AGREEMENT
September 30, 2006

	<u>Fiscal Years</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
EPA Billing Summary - Amount Paid	\$ 21,557,962 (a)	\$ 22,088,194 (b)	\$ 27,417,560 (b)	\$ 26,579,061 (b)	\$ 27,681,814
<u>Add:</u>					
Payments in FY 2006 for 2005 (a)	-	3,921,645	-	-	-
Payments in FY 2006 for 2004 (a)	-	-	313,377	-	-
Payments in FY 2006 for 2003 (a)	-	-	-	98,643	-
Payments in FY 2006 for 2002 (a)	-	-	-	-	35,373
Payments in FY 2006 for 2001 (a)	-	-	-	-	-
Subtotal	<u>21,557,962</u>	<u>26,009,839</u>	<u>27,730,937</u>	<u>26,677,704</u>	<u>27,717,187</u>
Unliquidated Obligations (c)	<u>4,693,941</u>	<u>1,340,665</u>	<u>181,512</u>	<u>330,925</u>	-
Total	<u>\$ 26,251,903</u>	<u>\$ 27,350,504</u>	<u>\$ 27,912,449</u>	<u>\$ 27,008,629</u>	<u>\$ 27,717,187</u>

(a) See EPA Billing Summary, Schedule 2, September 30, 2006

(b) See EPA Billing Summary, Schedule 1, September 30, 2005

(c) See EPA Billing Summary, Schedule 3, September 30, 2006

EPA BILLING SUMMARY
 SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2006
 BY FISCAL YEAR OF OBLIGATION

<u>Amounts Paid:</u>	<u>Fiscal Years</u>					<u>Total</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	
Labor	\$ 6,984,019	\$ -	\$ -	\$ -	\$ -	\$ 6,984,019
Other Direct Costs	1,904,671	1,019,560	284,872	98,822	25,373	3,333,298
Indirect Costs	12,669,272	2,343,161	28,505	(179)	10,000	15,050,759
Superfund Program Expenses	-	558,924	-	-	-	558,924
Subtotal	21,557,962	3,921,645	313,377	98,643	35,373	25,927,000
Unliquidated Obligations (a)	4,693,941	1,340,665	181,512	330,925	-	6,547,044
Totals	<u>\$ 26,251,903</u>	<u>\$ 5,262,310</u>	<u>\$ 494,889</u>	<u>\$ 429,569</u>	<u>\$ 35,373</u>	<u>\$ 32,474,044</u>

(a) See Schedule 3

<u>Check Amts</u>	\$ 10,780	\$ (179)	\$ 11,928	\$ -
	313,377	98,643	37,301	-

EPA BILLING SUMMARY
FISCAL YEARS 2006, 2005, 2004, 2003 AND 2002 UNLIQUIDATED OBLIGATIONS
September 30, 2006

	<u>Fiscal Years</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
ENRD Unliquidated Obligations at September 30, 2006	\$ 31,321,160	\$ 6,256,820	\$ 801,237	\$ 482,869	\$ 32,075
Less: Unliquidated Obligations:					
Section 1595 (a)	14,943,704	4,153,502	631,233	151,944	32,075
Section 1596 (b)	1,742,179	544,426	-	-	-
Section 1598 (c)	2,261,662	1,283,281	185,123	330,925	-
	<u>18,947,545</u>	<u>5,981,209</u>	<u>816,356</u>	<u>482,869</u>	<u>32,075</u>
Net Unliquidated Obligations - ENRD	12,373,614	275,611	(15,119)	-	-
Superfund percentage (d)	<u>19.6570%</u>	<u>20.8205%</u>	<u>23.8859%</u>	<u>25.3151%</u>	<u>24.3589%</u>
Superfund portion of Unliquidated Obligations	2,432,279	57,384	(3,611)	-	-
Add - Section 1598 Unliquidated Obligations	<u>2,261,662</u>	<u>1,283,281</u>	<u>185,123</u>	<u>330,925</u>	<u>-</u>
Total Superfund Unliquidated Obligations (e)	<u>\$ 4,693,941</u>	<u>\$ 1,340,665</u>	<u>\$ 181,512</u>	<u>\$ 330,925</u>	<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**

September 30, 2006

<u>Description</u>	<u>Total Amounts Paid (a)</u>
Indirect labor (b)	\$27,835,935
Fringes	16,425,315
Indirect travel	457,006
Freight	371,816
Office space and utilities	12,491,608
Printing(forms, etc.)	40,648
Training and other services	5,283,474
Supplies	582,592
Non-capitalized equipment and miscellaneous	<u>485,350</u>
Subtotal	63,973,744
Total Direct Labor	35,529,458
ENRD Indirect Costs Rate - F/Y 2006 Obligations	180.0583%
Plus: Superfund Indirect Costs for Prior Year Obligations: (c) and Superfund Specific Costs (d)	
	2006 93,965
	2005 2,343,161
	2004 28,505
	2003 (179)
	2002 10,000
	2001 <u>-</u>
	Total 2,475,452
Superfund Direct Labor	<u>6,984,019</u>
Superfund Indirect Rate	<u>35.4445%</u>
Total Indirect Rate	<u><u>215.5028%</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: \$2,061,968; \$28,505; \$(179); \$10,000; and \$0 for F/Y 2005 through 2001 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2005 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 \$93,965 and \$281,193 for Fiscal Years 2006 and 2005 respectively.

EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION

September 30, 2006

Object Class	Description	Direct Expenses	(a)	Superfund Program Expenses	Indirect Expenses	Unliquidated Obligations (b)	Total
11	Salaries	\$ 8,471,599	\$	-	\$ 5,515,187	\$ 1,785,329	\$ 15,772,115
12	Benefits	-		-	3,228,722	124,833	3,353,555
21	Travel	326,786		-	89,835	41,436	458,057
22	Freight	-		-	73,087	15,922	89,009
23	Rent	-		-	2,455,473	579,585	3,035,058
24	Printing	5,461		-	7,990	4,147	17,598
25	Services	84,844		-	1,089,053	2,010,929	3,184,826
26	Supplies	-		-	114,520	37,934	152,454
31	Equipment	-		-	95,405	93,826	189,231
	Total	<u>\$ 8,888,690</u>		<u>\$ -</u>	<u>\$ 12,669,272</u>	<u>\$ 4,693,941</u>	<u>\$ 26,251,903</u>

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

(b) Represents the Superfund portion of unliquidated damages.

EPA BILLING SUMMARY
RECONCILIATION OF TOTAL ENRD EXPENSES

September 30, 2006

Object Class.	Description	---Superfund---		---Non-Superfund---		Indirect Section 1595 & 1596 Expenses	Total Amounts Paid
		Direct Expenses	Indirect Expenses	Direct Expenses	Indirect Expenses		
11	Salaries	\$ 8,471,599	\$ 5,515,187	\$ 28,732,616	\$ 22,364,232	\$ 45,369	\$ 65,129,003
12	Benefits	-	3,228,722	-	13,196,593	27,032	16,452,347
21	Travel	326,786	89,835	1,858,646	367,170	16,644	2,659,081
22	Freight	-	73,087	-	298,729	-	371,816
23	Rent	-	2,455,473	-	10,036,135	-	12,491,608
24	Printing	5,461	7,990	21,779	32,659	-	67,889
25	Services	84,844	1,089,053	2,154,521	4,244,901	1,655,625	9,228,944
26	Supplies	-	114,520	-	468,072	-	582,592
31	Equipment	-	95,405	-	389,945	-	485,350
Total		<u>\$ 8,888,690</u>	<u>\$ 12,669,272</u>	<u>\$ 32,767,563</u>	<u>\$ 51,398,436</u>	<u>\$ 1,744,670</u>	<u>\$ 107,468,630</u>

APPENDIX IV

FY 2007 ACCOUNTING SCHEDULES AND SUMMARIES



FTI Rubino & McGeehin Consulting
6903 Rockledge Drive
Suite 1200
Bethesda, MD 20817
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+1 301.564.2994 fax
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July 15, 2008

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

Dear Mr. Bruffy:

Enclosed please find the following final fiscal year 2007 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, 2007
- DOJ - Superfund Case Cost Summary (electronic copy)
As of September 30, 2007
- DOJ - Superfund Cases - Time By Attorney/Paralegal
Year Ended September 30, 2007 (electronic copy)
- DOJ - Superfund Direct Costs (electronic copy)
Year Ended September 30, 2007

The schedules represent the final fiscal year 2007 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 2007.

Mr. Robert L. Bruffy
U.S. Department of Justice
July 15, 2008
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 paraegal 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, 2007, 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.

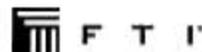
Very truly yours,

FTI RUBINO & MCGEEHIN CONSULTING



William M. Kime
Senior Managing Director

Enclosures



EPA BILLING SUMMARY
SUMMARY OF AMOUNTS DUE
BY INTERAGENCY AGREEMENT
September 30, 2007

	<u>Fiscal Years</u>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
EPA Billing Summary - Amount Paid	\$ 23,373,029 (a)	\$ 21,557,962 (b)	\$ 26,009,839 (b)	\$ 27,730,937 (b)	\$ 26,677,704 (b)
<u>Add:</u>					
Payments in FY 2007 for 2006 (a)	-	2,644,080	-	-	-
Payments in FY 2007 for 2005 (a)	-	-	543,025	-	-
Payments in FY 2007 for 2004 (a)	-	-	-	78,292	-
Payments in FY 2007 for 2003 (a)	-	-	-	-	(13,690)
Subtotal	<u>23,373,029</u>	<u>24,202,042</u>	<u>26,552,864</u>	<u>27,809,229</u>	<u>26,664,014</u>
Unliquidated Obligations (c)	<u>4,033,945</u>	<u>1,216,073</u>	<u>562,516</u>	<u>33,427</u>	<u>87,915</u>
Total	<u>\$ 27,406,974</u>	<u>\$ 25,418,115</u>	<u>\$ 27,115,380</u>	<u>\$ 27,842,656</u>	<u>\$ 26,751,929</u>

-
- (a) See EPA Billing Summary, Schedule 2, September 30, 2007
(b) See EPA Billing Summary, Schedule 1, September 30, 2006
(c) See EPA Billing Summary, Schedule 3, September 30, 2007

EPA BILLING SUMMARY
 SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2007
 BY FISCAL YEAR OF OBLIGATION

	<u>Fiscal Years</u>					<u>Total</u>
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
<u>Amounts Paid:</u>						
Labor	\$ 7,486,185	\$ -	\$ -	\$ -	\$ -	\$ 7,486,185
Other Direct Costs	2,391,153	595,481	538,248	73,082	195	3,598,159
Indirect Costs	13,495,691	2,048,599	4,777	5,210	(13,885)	15,540,392
Superfund Program Expenses	-	-	-	-	-	-
Subtotal	23,373,029	2,644,080	543,025	78,292	(13,690)	26,624,736
Unliquidated Obligations (a)	4,033,945	1,216,073	562,516	33,427	87,915	5,933,876
Totals	<u>\$27,406,974</u>	<u>\$3,860,153</u>	<u>\$ 1,105,541</u>	<u>\$111,719</u>	<u>\$74,225</u>	<u>32,558,612</u>

(a) See Schedule 3

EPA BILLING SUMMARY
 FISCAL YEARS 2007, 2006, 2005, 2004 AND 2003 UNLIQUIDATED OBLIGATIONS
 September 30, 2007

	<u>Fiscal Years</u>				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
ENRD Unliquidated Obligations at September 30, 2007	\$ 23,320,545	\$ 7,216,408	\$ 909,768	\$ 218,862	\$ 155,118
Less: Unliquidated Obligations:					
Section 1595 (a)	8,638,412	4,555,562	219,952	184,997	67,203
Section 1596 (b)	769,649	1,186,128	-	-	-
Section 1598 (c)	1,589,265	1,152,792	529,042	33,289	87,915
Subtotal	<u>10,997,326</u>	<u>6,894,482</u>	<u>748,994</u>	<u>218,286</u>	<u>155,118</u>
Net Unliquidated Obligations - ENRD	12,323,219	321,926	160,774	576	-
Superfund percentage (d)	<u>19.8380%</u>	<u>19.6570%</u>	<u>20.8205%</u>	<u>23.8859%</u>	<u>25.3151%</u>
Superfund portion of Unliquidated Obligations	2,444,680	63,281	33,474	138	-
Add - Section 1598 Unliquidated Obligations	<u>1,589,265</u>	<u>1,152,792</u>	<u>529,042</u>	<u>33,289</u>	<u>87,915</u>
Total Superfund Unliquidated Obligations (e)	<u>\$ 4,033,945</u>	<u>\$ 1,216,073</u>	<u>\$ 562,516</u>	<u>\$ 33,427</u>	<u>\$ 87,915</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

September 30, 2007

<u>Description</u>	<u>Total Amounts Paid (a)</u>
Indirect labor (b)	\$29,486,909
Fringes	\$17,190,981
Indirect travel	\$468,411
Freight	\$282,348
Office space and utilities	\$13,185,873
Printing(forms, etc.)	\$62,186
Training and other services	\$5,861,273
Supplies	\$649,823
Non-capitalized equipment and miscellaneous	<u>\$319,946</u>
Subtotal	67,507,750
Total Direct Labor	37,736,544
ENRD Indirect Costs Rate - F/Y 2007 Obligations	178.8922%
Plus: Superfund Indirect Costs for Prior Year Obligations (c) and Superfund Specific Costs (d)	
	2007 \$ 103,500
	2006 2,048,599
	2005 4,777
	2004 5,210
	2003 <u>(13,885)</u>
	Total <u>2,148,201</u>
Superfund Direct Labor	7,486,185
Superfund Indirect Rate	<u>28.6955%</u>
Total Indirect Rate	<u><u>207.5877%</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; \$1,956,369; \$4,777; \$5,210; \$(13,885); and \$(0) for F/Y 2006 through F/Y 2002 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2007 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 \$103,500 and \$92,230 for Fiscal Years 2007 and 2006, respectively.

**EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION**

September 30, 2007

<u>Description</u>	<u>Direct Expenses</u>	<u>Superfund Program Expenses</u>	<u>Indirect Expenses</u>	<u>Unliquidated Obligations (b)</u>	<u>Total</u>
Salaries	\$9,494,275 (a)	\$ -	\$5,953,114	\$2,251,754	\$17,699,143
Benefits	-	-	3,410,348	124,023	3,534,371
Travel	293,620	-	92,923	43,185	429,728
Freight	-	-	56,012	11,205	67,217
Rent	-	-	2,615,814	271,815	2,887,629
Printing	5,575	-	12,337	9,040	26,952
Services	83,868	-	1,162,761	1,038,141	2,284,770
Supplies	-	-	128,912	37,828	166,740
Equipment	-	-	63,470	246,954	310,424
Total	<u>\$9,877,338</u>	<u>\$ -</u>	<u>\$13,495,691</u>	<u>\$4,033,945</u>	<u>\$27,406,974</u>

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

Represents the Superfund portion of unliquidated damages.

EPA BILLING SUMMARY
RECONCILIATION OF TOTAL ENRD EXPENSES

September 30, 2007

---Superfund---		---Non-Superfund---		Indirect Section 1595 & 1596 Expenses	Total Amounts Paid
Direct Expenses	Indirect Expenses	Direct Expenses	Indirect Expenses		
\$9,494,275	\$5,953,114	\$30,414,001	\$23,637,296	\$3,871	\$69,502,557
-	3,410,348	-	13,780,633	6,763	17,197,744
293,620	92,923	1,733,394	375,487	14,115	2,509,539
-	56,012	-	226,336	-	282,348
-	2,615,814	-	10,570,059	-	13,185,873
5,575	12,337	53,975	49,850	807	122,544
83,868	1,162,761	1,976,371	4,698,512	1,655,532	9,577,044
-	128,912	-	520,911	-	649,823
-	63,470	-	256,475	354,426	674,371
<u>\$9,877,338</u>	<u>\$13,495,691</u>	<u>\$34,177,741</u>	<u>\$54,115,559</u>	<u>\$2,035,514</u>	<u>\$113,701,843</u>

APPENDIX V

FY 2008 ACCOUNTING SCHEDULES AND SUMMARIES



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February 10, 2009

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

Dear Mr. Bruffy:

Enclosed please find the following final fiscal year 2008 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, 2008
- DOJ - Superfund Case Cost Summary (electronic copy)
As of September 30, 2008
- DOJ - Superfund Cases - Time By Attorney/Paralegal
Year Ended September 30, 2008 (electronic copy)
- DOJ - Superfund Direct Costs (electronic copy)
Year Ended September 30, 2008

The schedules represent the final fiscal year 2008 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 2008.

Mr. Robert L. Bruffy
U.S. Department of Justice
February 10, 2009
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, 2008, 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 RUBINO & MCGEEHIN CONSULTING



William M. Kime
Senior Managing Director

Enclosures



EPA BILLING SUMMARY
SUMMARY OF AMOUNTS DUE
BY INTERAGENCY AGREEMENT
September 30, 2008

	<u>Fiscal Years</u>				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
EPA Billing Summary - Amount Paid	\$ 22,322,252 (a)	\$ 23,373,029 (b)	\$ 24,202,042 (b)	\$ 26,552,864 (b)	\$ 27,809,229 (b)
<u>Add:</u>					
Payments in FY 2008 for 2007 (a)	-	2,807,961	-	-	-
Payments in FY 2008 for 2006 (a)	-	-	381,483	-	-
Payments in FY 2008 for 2005 (a)	-	-	-	220,526	-
Payments in FY 2008 for 2004 (a)	-	-	-	-	21,508
Subtotal	<u>22,322,252</u>	<u>26,180,990</u>	<u>24,583,525</u>	<u>26,773,390</u>	<u>27,830,737</u>
Unliquidated Obligations (c)	<u>3,823,972</u>	<u>1,118,516</u>	<u>661,521</u>	<u>267,539</u>	<u>11,309</u>
Total	<u>\$ 26,146,224</u>	<u>\$ 27,299,506</u>	<u>\$ 25,245,046</u>	<u>\$ 27,040,929</u>	<u>\$ 27,842,046</u>

(a) See EPA Billing Summary, Schedule 2, September 30, 2008

(b) See EPA Billing Summary, Schedule 1, September 30, 2007

(c) See EPA Billing Summary, Schedule 3, September 30, 2008

EPA BILLING SUMMARY
 SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2008
 BY FISCAL YEAR OF OBLIGATION

	<u>Fiscal Years</u>					<u>Total</u>
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	
<u>Amounts Paid:</u>						
Labor	\$ 7,671,805	\$ -	\$ -	\$ -	\$ -	\$ 7,671,805
Other Direct Costs	1,196,767	1,075,498	374,051	216,073	21,508	2,883,897
Indirect Costs	13,453,680	1,732,463	7,432	4,453	-	15,198,028
Subtotal	22,322,252	2,807,961	381,483	220,526	21,508	25,753,730
Unliquidated Obligations (a)	3,823,972	1,118,516	661,521	267,539	11,309	5,882,857
Totals	<u>\$26,146,224</u>	<u>\$3,926,477</u>	<u>\$ 1,043,004</u>	<u>\$488,065</u>	<u>\$32,817</u>	<u>31,636,587</u>

(a) See Schedule 3

EPA BILLING SUMMARY
FISCAL YEARS 2008, 2007, 2006, 2005 AND 2004 UNLIQUIDATED OBLIGATIONS
September 30, 2008

	Fiscal Years				
	2008	2007	2006	2005	2004
ENRD Unliquidated Obligations at September 30, 2008	\$ 20,950,212	\$ 5,324,940	\$ 1,479,744	\$ 388,795	\$ 120,258
Less: Unliquidated Obligations:					
Section 1595 (a)	8,901,289	1,880,513	753,646	117,412	108,949
Section 1596 (b)	1,500,855	695,593	-	-	-
Section 1598 (c)	2,210,700	715,055	645,721	266,528	11,309
Subtotal	<u>12,612,844</u>	<u>3,291,161</u>	<u>1,399,367</u>	<u>383,940</u>	<u>120,258</u>
Net Unliquidated Obligations - ENRD	8,337,368	2,033,779	80,377	4,855	-
Superfund percentage (d)	19.3499%	19.8380%	19.6570%	20.8205%	23.8859%
Superfund portion of Unliquidated Obligations	1,613,272	403,461	15,800	1,011	-
Add - Section 1598 Unliquidated Obligations	<u>2,210,700</u>	<u>715,055</u>	<u>645,721</u>	<u>266,528</u>	<u>11,309</u>
Total Superfund Unliquidated Obligations (e)	<u>\$ 3,823,972</u>	<u>\$ 1,118,516</u>	<u>\$ 661,521</u>	<u>\$ 267,539</u>	<u>\$ 11,309</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**

September 30, 2008

<u>Description</u>	<u>Total Amounts Paid (a)</u>
Indirect labor (b)	\$29,110,705
Fringes	\$17,358,717
Indirect travel	\$337,339
Freight	\$326,277
Office space and utilities	\$15,152,717
Printing(forms, etc.)	\$48,750
Training and other services	\$6,115,676
Supplies	\$578,947
Non-capitalized equipment and miscellaneous	<u>\$80,571</u>
Subtotal	69,109,699
Total Direct Labor	39,647,736
ENRD Indirect Costs Rate - F/Y 2008 Obligations	174.3093%
Plus: Superfund Indirect Costs for Prior Year Obligations (c) and Superfund Specific Costs (d)	
	2008 \$ 81,015
	2007 1,732,463
	2006 7,432
	2005 4,453
	2004 <u>-</u>
	Total <u>1,825,363</u>
Superfund Direct Labor	7,671,805
Superfund Indirect Rate	<u>23.7931%</u>
Total Indirect Rate	<u><u>198.1024%</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; \$1,685,963; \$7,432; \$4,453; and \$0; for F/Y 2007 through F/Y 2004 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2008 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 \$81,015 and \$46,500 for Fiscal Years 2008 and 2007, respectively.

EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION

September 30, 2008

Object Class.	Description	Direct Expenses	Indirect Expenses	Unliquidated Obligations (b)	Total
11	Salaries	\$8,426,071 (a)	\$5,713,912	\$2,684,016	\$16,823,999
12	Benefits	-	3,358,898	153,903	3,512,801
21	Travel	395,993	65,275	45,813	507,081
22	Freight	-	63,134	13,473	76,607
23	Rent	-	2,932,035	74,082	3,006,117
24	Printing	6,356	9,434	3,618	19,408
25	Services	40,152	1,183,377	643,795	1,867,324
26	Supplies	-	112,025	48,893	160,918
31	Equipment	-	15,590	156,379	171,969
	Total	<u>\$8,868,572</u>	<u>\$13,453,680</u>	<u>\$3,823,972</u>	<u>\$26,146,224</u>

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

(b) Represents the Superfund portion of unliquidated damages.

EPA BILLING SUMMARY
RECONCILIATION OF TOTAL ENRD EXPENSES

September 30, 2008

Object Class	Description	---Superfund---		---Non-Superfund---		Indirect Section 1595 & 1596 Expenses	Total Amounts Paid
		Direct Expenses	Indirect Expenses	Direct Expenses	Indirect Expenses		
11	Salaries	\$8,426,071	\$5,713,912	\$32,146,244	\$23,477,807	\$13,940	\$69,777,974
12	Benefits	-	3,358,898	-	13,999,819	10,647	17,369,364
21	Travel	395,993	65,275	2,193,894	272,065	110,088	3,037,315
22	Freight	-	63,134	-	263,142	-	326,276
23	Rent	-	2,932,035	-	12,220,679	-	15,152,714
24	Printing	6,356	9,434	27,309	39,318	-	82,417
25	Services	40,152	1,183,377	2,576,372	4,932,301	3,188,969	11,921,171
26	Supplies	-	112,025	-	466,921	-	578,946
31	Equipment	-	15,590	-	64,981	-	80,571
Total		<u>\$8,868,572</u>	<u>\$13,453,680</u>	<u>\$36,943,819</u>	<u>\$55,737,033</u>	<u>\$3,323,644</u>	<u>\$118,326,748</u>

APPENDIX VI

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	AMOUNT	PAGE
Other Direct Costs	2,488	14
TOTAL QUESTIONED COSTS	\$2,488	

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 VII

ENRD'S RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

Environment and Natural Resources Division

*Assistant Attorney General
950 Pennsylvania Avenue, N.W.
Washington, DC 20530-0001*

*Telephone (202) 514-2701
Facsimile (202) 514-0551*

November 04, 2009

Raymond J. Beaudet
Acting Assistant Inspector General for Audit
Office of the Inspector General
1425 New York Avenue, N.W.
Washington, D.C. 20530

Re: Audit of Superfund Activities in ENRD for Fiscal Years 2006 through 2008

Dear Mr. Beaudet:

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 the Superfund program in the Environment and Natural Resources Division ("ENRD"), and to address the draft audit report's recommendations. For the past 20 years, ENRD has relied on your office to provide sound advice to help ensure that our accounting systems and operations meet rigorous standards for quality. Through the constructive process of regular audits, ENRD has strengthened its accounting, which has helped the government recover hundreds of millions of dollars in cost recovery litigation over the years. These audits are instrumental in maintaining the integrity, reliability and accountability of the Division's Superfund program. We greatly appreciate the role that the OIG plays in this process. We also appreciate the opportunity to review this specific draft report and to respond to the recommendations.

The objective of this audit was to determine if the cost allocation process used by ENRD and its contractor provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during the subject fiscal years. We are pleased with OIG's conclusion that "ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FYs 2006, 2007 and 2008." We also are pleased to learn that your review did not identify any instances of non-compliance with the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (known as "CERCLA" or "Superfund"), the law under which this audit is being conducted.

Overall, we agree with the findings and conclusions described in the draft audit report. Listed below are the audit recommendations followed by the Environment Division's responses.

RECOMMENDATION #1: Reinforce policies and procedures to managers and employees for submitting complete and accurate travel authorizations and voucher summaries.

RESPONSE: We concur with this recommendation. We provide a basic government travel training seminar for all new ENRD attorneys, and we intend to expand on that training. As such, we have developed and I will disseminate to all ENRD employees a Power Point training module which directly addresses "Recommendation #1" of the subject audit report. We have included hard copies of our training slides with this memorandum. Furthermore, we have begun to present this training live at regularly-scheduled section meetings. We plan to deliver our presentation to all ENRD sections in the upcoming months. Finally, I have personally reminded ENRD managers of their responsibility to comply with DOJ travel regulations.

RECOMMENDATION #2: Remedy the \$2,488 in unsupported travel costs.

RESPONSE: We concur with this recommendation. The OIG identified eleven (11) travel vouchers which lacked sufficient documentation to support the expenses identified on the vouchers. We have been able to locate supporting documentation for the 11 discrepancies. To substantiate the amounts, we are able to provide credit card statements, credit card transaction history reports, or (in the case of multiple taxi fares which added up to an amount greater than \$75) a documented statement from the traveler. For only one voucher (#33822712, which had \$30 in unsupported train fare) were we unable to locate backup documentation to validate the amount on the voucher. For this outstanding discrepancy, the traveler offered to reimburse the government for the unsubstantiated \$30. We have attached to this memorandum the supporting documentation responsive to this audit recommendation.

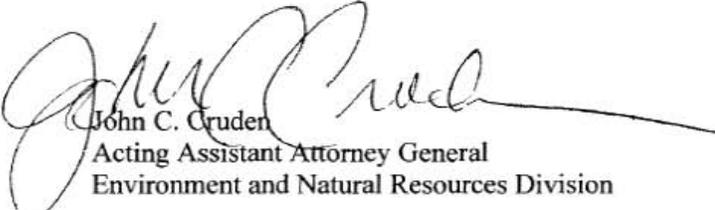
RECOMMENDATION #3: Ensure that travel voucher numbers 3817840 and 38126128 are allocated to the correct Superfund case number.

RESPONSE: We concur with this recommendation. The two travel vouchers which were incorrectly posted to the wrong DJ Number in the Department's Financial Management Information System ("FMIS") have been corrected. The data in FMIS now reflects the appropriate DJ Number. As attachments to this memorandum, we have provided obligation/payment history reports from FMIS for these two travel vouchers, documenting the corrections which have been made.

The Environment Division is committed to maintaining a reliable and efficient system for allocating Superfund costs. This audit, as well as ENRD's responses to the OIG's findings and recommendations as outlined above, significantly benefit the government's efforts to recover federal funds spent to clean the environment. In this era of tight budgets, we very

much appreciate the Inspector General's willingness to conduct audits of the Superfund program. Should you or your staff require further information, please feel free to contact ENRD's Executive Officer, Robert Bruffy on 616-3147, or ENRD's Comptroller, Andrew Collier on 616-3359.

Sincerely,



John C. Cruden
Acting Assistant Attorney General
Environment and Natural Resources Division

Enclosures

APPENDIX VIII

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

The OIG provided a draft of this audit report to the ENRD for its review and comment. The ENRD's response is incorporated in Appendix VII of this report. The following provides the OIG's analysis of the response and summary of actions necessary to close the report.

Recommendations

1. **Resolved.** The ENRD concurred with our recommendation to reinforce the procedures for submitting accurate and complete travel authorizations and vouchers. The ENRD plans to expand its basic government travel training seminar for all new ENRD attorneys by distributing to all employees a Power Point training module that directly addresses the deficiencies we noted in our audit. In addition, the ENRD has started presenting the new training module at regularly scheduled section meetings. This recommendation can be closed when the ENRD provides documentation demonstrating that the new training module has been provided to all ENRD sections.
2. **Resolved.** The ENRD concurred with our recommendation to remedy the \$2,488 in unsupported travel costs. In its response, the ENRD submitted receipts, bank and credit card statements, supplemental vouchers, and copies of communications from travelers for the 11 travel vouchers related to the unsupported travel expenses. For 9 of the 11 instances of unsupported costs, the ENRD provided sufficient documentation to resolve our concerns. However, for the remaining two items we need additional supporting documentation in order to close this recommendation.

This recommendation can be closed we receive documentation from the ENRD showing that the employee reimbursed DOJ for the \$30 in unsupported travel expenses on voucher number 3822712. In addition, for voucher number 38129178, the ENRD must provide detailed documentation of the \$159 expense.

3. **Closed.** The ENRD concurred with this recommendation and in its response provided obligation/payment history reports that document the corrections made to the accounting records.