



**U.S. Department of the Interior
Office of Inspector General**

ADVISORY REPORT

**ACCOUNTING FOR REIMBURSABLE
EXPENDITURES OF ENVIRONMENTAL
PROTECTION AGENCY SUPERFUND MONEY
FOR FISCAL YEARS 1998 AND 1999,
U.S. FISH AND WILDLIFE SERVICE**

**REPORT NO. 00-I-560
JULY 2000**

EXECUTIVE SUMMARY

**Accounting for Reimbursable Expenditures
of Environmental Protection Agency Superfund Money
for Fiscal Years 1998 and 1999,
U.S. Fish and Wildlife Service
Report No. 00-I-560
July 2000**

BACKGROUND

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, amended as the Superfund Amendments and Reauthorization Act of 1986, imposes a liability upon responsible parties for the costs of cleanup and damages resulting from the release of hazardous substances into the environment. The Environmental Protection Agency (EPA) administers the Superfund Act and is authorized to recover cleanup and damage costs from responsible parties. In that regard, EPA entered into reimbursable agreements with the U.S. Fish and Wildlife Service (FWS) to obtain technical assistance to assess risks to natural resources and provide information on remedial measures to protect natural resources at Superfund sites.

OBJECTIVE

The objective of the audit was to determine whether FWS complied with procedures for accounting for costs of reimbursable projects funded by EPA under the Superfund Act.

RESULTS IN BRIEF

We found that FWS complied with requirements for accounting for the costs of EPA Superfund projects for fiscal years 1998 and 1999. FWS maintained accurate, complete, and current records on reimbursable costs; had sufficient and adequate documentation to support all costs charged to specific projects; and obtained reimbursements only for costs actually incurred on projects. We identified minor issues on FWS's maintenance of support documentation for costs incurred under subcontracts and inconsistencies in recovering indirect costs, which, according to FWS, have been corrected.

RECOMMENDATIONS

The report did not contain any recommendations; therefore, a response to this report is not required.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

JUL 14 2000

ADVISORY REPORT

Memorandum

To: Assistant Secretary for Fish and Wildlife and Parks

From: Roger La Rouché *Roger LaRouche*
Acting Assistant Inspector General for Audits

Subject: Advisory Report on Accounting for Reimbursable Expenditures of
Environmental Protection Agency Superfund Money for Fiscal Years 1998
and 1999, U.S. Fish and Wildlife Service (No. 00-I-560)

INTRODUCTION

This report presents the results of our review of accounting for reimbursable expenditures of Environmental Protection Agency (EPA) Superfund money by the U.S. Fish and Wildlife Service (FWS). The Superfund Amendments and Reauthorization Act of 1986 requires Inspectors General to conduct annual audits of all payments, obligations, and reimbursements and other uses of Superfund money. The objective of this review was to determine whether FWS complied with procedures for accounting for costs of reimbursable projects funded by EPA under the Superfund Act. Specifically, the review determined whether FWS (1) maintained accurate, complete, and current records on reimbursable project costs; (2) had sufficient and adequate documentation to support all costs charged to specific projects; and (3) obtained reimbursements only for costs actually incurred.

BACKGROUND

Section 107 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (U.S.C. Title 42), which was amended as the Superfund amendments and Reauthorization Act of 1986, imposes a liability upon responsible parties for the costs of cleanup and damages resulting from the release of hazardous substances into the environment. EPA administers the Superfund Act and is authorized to recover from responsible parties all costs, including survey costs, incurred in assessing and remediating hazardous waste conditions. To recover such costs, EPA enters into reimbursable agreements with Federal agencies to obtain technical assistance to assess risks to natural resources and provide information on remedial measures to protect natural resources at Superfund sites. The surveys are authorized under interagency agreements between EPA and

the Federal agencies that conduct the work. Superfund survey costs, including indirect costs, incurred by Federal agencies are reimbursable.

FWS is one of several Department of the Interior bureaus that conduct surveys for EPA under the Superfund Act. At FWS, Superfund surveys were conducted under a national agreement and regional agreements. Records that document national agreement expenditures are maintained at FWS's Division of Environmental Contaminants in Arlington, Virginia, and documentation on costs incurred on surveys authorized under the regional agreements were maintained at the field offices where the work was performed.

SCOPE

We reviewed FWS Superfund expenditures for fiscal years 1998 and 1999. During this period, FWS had agreements covering 600 sites, of which 489 were active and about 250 had expenditures charged to them. Also during this period, FWS claimed reimbursements of approximately \$2.5 million for costs incurred in conducting surveys (see Appendix 1). Approximately 90 percent (\$2.2 million) of these expenditures were incurred at two offices: the Division of Environmental Contaminants (\$1.2 million) and the New England Field Office (\$1 million). Expenditures incurred by the Division were generally for salaries, while the Field Office incurred costs that included salaries, travel, supplies, materials, fuel, communications, and contracts for research and development. On a judgmental basis, we reviewed costs of about \$516,000, which consisted of costs of about \$61,000 that were incurred by the Division and costs of about \$455,000 that were incurred by the Field Office.

We performed our audit from January through March 2000 at the Division office in Arlington; the Field Office in Concord, New Hampshire; and the Finance Center in Lakewood, Colorado. The audit was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

In addition, we reviewed the Departmental Report on Accountability for fiscal year 1998, which included information required by the Federal Managers' Financial Integrity Act of 1982, and FWS's Annual Report for fiscal year 1998. Based on our review, we did not find any material weaknesses related to the scope of our audit.

PRIOR REVIEWS

During the past 7 years, the Office of Inspector General has issued one audit report on FWS's accounting for Superfund project expenditures. The November 1993 report "Accounting for Fiscal Year 1991 and 1992 Reimbursable Expenditures of Environmental Protection Agency Superfund Money, U.S. Fish and Wildlife Service" (No. 94-I-110) stated that labor and travel costs of \$3,251 charged to the EPA Superfund were not adequately supported and that FWS incurred Superfund labor costs totaling \$5,461, which were not charged to Superfund projects. The report made four recommendations, which FWS implemented.

DISCUSSION

We found that FWS complied with requirements for accounting for costs of EPA Superfund projects for fiscal years 1998 and 1999. Specifically, FWS maintained accurate, complete, and current records on reimbursable costs; had sufficient and adequate documentation to support all costs charged to specific projects; and obtained reimbursements only for costs actually incurred except for those costs discussed in the paragraphs that follow.

We identified two minor weaknesses in FWS's billing process for reimbursable expenditures for Superfund projects. We found that FWS did not maintain support documentation for subcontracted costs incurred by the U.S. Geological Survey's Biological Resources Division and did not recover its indirect costs in a consistent manner. Neither of these weaknesses resulted in questioned costs. However, we believe that FWS should review these matters to ensure that future billings are adequately supported and indirect costs are recovered in a consistent manner.

Supporting Documentation for Subcontracts

Reimbursed costs of about \$83,000 that we reviewed were for Superfund project work that was authorized under subcontracts with the Geological Survey. We found that FWS did not maintain support documentation for these costs, which were billed by and paid to the Geological Survey without FWS approval, as provided in the authorizing interagency agreement. Under this agreement, which obligated FWS funds for the Geological Survey's expenditures, the Geological Survey performed scientific work at EPA Superfund sites. On a quarterly basis, the Geological Survey billed against the obligated funds for the costs it had incurred on Superfund projects, using the Department of the Treasury's automated payment system. The billing data were transmitted to the Bureau of Reclamation's National Business Center, which electronically paid the Geological Survey after the Bureau matched the information on the bill to the information on the interagency agreement. FWS subsequently used the Bureau's billing and payment data to support its requests to EPA for reimbursement. Under its agreement with EPA, FWS was not required to approve the billed amount before requesting reimbursement.

Because FWS did not maintain documentation on the Geological Survey's expenses for which it received EPA reimbursement, we reviewed Geological Survey data on its Superfund project expenses that were reimbursed by FWS. We found that the Geological Survey maintained sufficient and adequate documentation to support the expenditures of \$83,000. However, we believe that FWS should maintain records of all costs for which it obtains reimbursements from EPA or that it should arrange for the Geological Survey to contract directly with EPA for these services. By contracting directly with EPA, the Geological Survey would be responsible for providing support for its costs, and the administrative burden of having FWS and the Bureau involved in processing these repayments would be avoided.

Inconsistencies in Recovering Indirect Costs

We determined that the method FWS used to determine its indirect cost rate was reasonable and proper. We found, however, that FWS was inconsistent in how it recovered indirect costs. For example, for seven requests for reimbursements, which included subcontract expenses of \$42,000, FWS did not bill EPA for its indirect costs. However, for two other bills, including subcontract payments of \$83,000 from the Geological Survey, FWS billed EPA for its indirect costs. Also, FWS's policy and practice regarding the recovery of indirect costs were inconsistent. Specifically, FWS policy stated that FWS would waive the assessment of indirect costs on the Geological Survey's expenses that were reimbursed by EPA. However, in its interagency agreements with EPA, FWS was authorized to fully recover indirect costs, even on the pass-through costs incurred by the Geological Survey.

We did not question FWS's recovery or failure to request reimbursement for its indirect costs because FWS spent all funds available under the various agreements regardless of whether the indirect cost rate was applied or not. Nonetheless, we believe that FWS should be consistent in how it recovers indirect costs related to the direct costs of its Superfund projects.

On June 1, 2000, we discussed the preliminary draft of this report with FWS officials. Based on the officials' general concurrence with our audit results, we decided to issue the audit report in final form. On June 26, 2000, the Acting Director, FWS, provided a written response (see Appendix 2) to the preliminary draft, stating that FWS was "gratified" that the audit was successful and that FWS had taken action to correct the "two minor weaknesses [that] were brought to our attention."

Since this report does not contain any recommendations, a response is not required.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

FWS SUPERFUND EXPENDITURES FOR FISCAL YEARS 1998 AND 1999

<u>Interagency Agreement</u>	<u>Project Number</u>	<u>Amount Billed</u>	<u>Amount Audited</u>	<u>Questioned Costs</u>
DW14955305	19100035	\$23,605	0	0
DW14947651	19100025	30,755	0	0
DW14943579	19100003	49,276	0	0
DW14934248	19100007	711,827	\$293,434 ¹	0
DW14940176	19100011	300,704	161,490 ¹	0
DW14941525	19105001	39,387	0	0
DW14941524	19105003	70,888	0	0
DW14953713	19100004	4,229	0	0
DW14953526	19100008	1,054	0	0
DW14953503	19100009	11,787	0	0
DW14932668	19100014	12,046	0	0
DW14936187	19100021	467,462	53,204 ²	0
DW14938094	19100021	735,467	8,024 ²	0
DW14937945	19100005	<u>993</u>	<u>0</u>	<u>0</u>
Total		<u>\$2,459,480</u>	<u>\$516,152</u>	<u>0</u>

¹Division of Environmental Contaminants, Arlington, Virginia.

²Region 5, New England Field Office, Concord, New Hampshire.



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240

ADDRESS ONLY THE DIRECTOR
FISH AND WILDLIFE SERVICE

In Reply Refer To:
FWS/AES/DEC

Memorandum

To: Acting Assistant Inspector General for Audits

From: **ACTING** Director

Manuel J. Jones Jr. JUN 26 2000

Subject: Comments on Preliminary Draft Advisory Report on Accounting for Reimbursable Expenditures of Environmental Protection Agency Superfund Money for Fiscal Years 1998 and 1999, U.S. Fish and Wildlife Service (C-IN-FWS-005-00-M)

Thank you for the opportunity to discuss the subject report in the exit conference on June 1, for this audit. We had only two comments on page 2: (1) first paragraph, please revise the third sentence to read: "... to obtain technical assistance to assess the risks to natural resources and recommend remedial measures." and (2) second paragraph, please revise the second sentence to read: "... Superfund surveys were conducted ...".

The Service is gratified that the audit was successful and that the two minor weaknesses were brought to our attention. We will maintain adequate supporting documentation in future subcontracting. Also, we have rectified inconsistencies in recovering indirect costs with the establishment of a national interagency agreement. Regional interagency agreements have been abolished and the Washington Office Division of Environmental Contaminants now administers all costs including indirect charges back to the Environmental Protection Agency.

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