



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

AUDIT OF COSTS CLAIMED UNDER NAS COOPERATIVE AGREEMENT WITH OSMRE FOUND NO ISSUES



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SEP 18 2018

Memorandum

To: Glenda Owens
Acting Director, Office of Surface Mining Reclamation and Enforcement

From: Chris Stubbs *Chris Stubbs*
Director, Office of Financial and Contract Audits

Subject: Final Audit Report – Audit of Costs Claimed under NAS Cooperative Agreement with OSMRE Found No Issues
Report No. 2018-FIN-024

This report presents the results of our audit of the claimed costs associated with Cooperative Agreement No. S16AC20034 between the Office of Surface Mining Reclamation and Enforcement (OSMRE) and the National Academy of Sciences (NAS). Our audit objective was to determine whether the costs claimed by the NAS were allowable, allocable, and reasonable according to applicable Federal laws and regulations and OSMRE guidelines. We did not identify any issues with costs the NAS claimed.

The NAS is a private, nonprofit society established by an act of Congress in 1863 that advises the Government on matters related to science and technology. Scientists who have made outstanding contributions to research are elected by their peers for membership in the NAS.

On August 1, 2016, OSMRE issued a \$1,003,553 cooperative agreement to the NAS to study the “Potential Human Health of Surface Coal Mine Operations in Central Appalachia.” We determined that \$455,110 in various general and administrative expenses were claimed under this agreement. On August 18, 2017, Departmental officials decided to halt the study because they did not believe it would produce any new information and felt costs would exceed the benefits. The remaining funds of \$548,443 have expired and will be returned to the U.S. Department of the Treasury when the account is officially closed on September 30, 2021. This agreement was funded with OSMRE’s 2-year (15/16) fiscal year (FY) 2015 Regulation and Technology appropriation, which was available for obligation from October 1, 2015, until September 30, 2016. This appropriation is now considered expired.

In accordance with appropriations law, funds in expired accounts remain available for expenditure for 5 years after the account expires. Funds deobligated from undelivered orders in expired appropriations cannot be used to address any new requirement. Funds in expired appropriations are only available for valid upward adjustments to valid obligations that were made during the period of availability.

An example of a valid upward adjustment to a prior valid obligation is when the actual costs on a “cost-plus” type contract are higher than the anticipated amount obligated on the contract. OSMRE has no such contracts in place and does not anticipate having any valid upward adjustment to which these expired deobligated funds could be applied.

Scope and Methodology

We focused our audit on the drawdowns made by the (NAS) on Cooperative Agreement No. S16AC20034 with OSMRE between September 26, 2016, and December 6, 2017.

We reviewed the NAS’ compliance with applicable Federal regulations, cooperative agreement terms and conditions, and U.S. Department of the Interior (DOI) guidelines. We conducted our audit fieldwork from February 2018 to July 2018.

We conducted this 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 determined that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objectives, we:

- Interviewed the OSMRE director, OSMRE grant officer, NAS personnel, and other appropriate individuals
- Reviewed the terms of the cooperative agreement
- Reviewed the cost compliance requirements of the cooperative agreement
- Reviewed the Federal Acquisition Regulations and DOI guidance related to cooperative agreement cost compliance
- Requested and reviewed the cost’s claimed support related to the NAS’ cooperative agreement cost compliance

We also evaluated the internal controls over transactions recorded in the NAS’ accounting and payroll systems and tested their operation and reliability. We did not project the results of the tests to the total population of recorded transactions.

We relied on computer-generated data provided by the NAS for cost information and to select audit samples of payroll and other direct costs. To evaluate the accuracy of the data, we performed analytical tests. Specifically, we compared a sample of source documents to entries in the NAS’ financial management and payroll systems to ensure that transactions were recorded properly.

To test payroll costs claimed under the cooperative agreement, we selected a judgmental sample of billings. These billings included employees who charged time to the cooperative agreement, and we verified their work hours against timesheets.

To test nonpayroll direct costs, we selected a judgmental sample of travel expense transactions. We chose items for our sample based on several risk factors, including transactions that were of high dollar value, unusual in nature, and potential duplicates. We then reviewed source documents supporting the transactions, including vendor invoices and receipts, travel vouchers, and charge card statements.

If you have any questions, please call me at 202-208-5745.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

