



SUPERFUND ACTIVITIES IN THE ENVIRONMENT AND NATURAL RESOURCES DIVISION FOR FISCAL YEARS 2000 AND 2001

U.S. Department Of Justice
Office Of The Inspector General
Audit Division

AUDIT REPORT 03-34
September 2003

SUPERFUND ACTIVITIES IN THE ENVIRONMENT AND NATURAL RESOURCES DIVISION FOR FISCAL YEARS 2000 AND 2001

EXECUTIVE SUMMARY

On December 11, 1980, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (known as CERCLA or Superfund) was signed into law. CERCLA provides for liability, compensation, cleanup, and emergency response for hazardous substances released into the environment and uncontrolled and abandoned hazardous waste sites. Executive Order 12580, issued January 23, 1987, gives the Attorney General responsibility for the conduct and control of all CERCLA litigation, which is conducted by the Environment and Natural Resources Division (ENRD). In accordance with the legislation, the Environmental Protection Agency (EPA) issues interagency agreements to the ENRD to reimburse it for costs incurred in performing such litigation.

In Fiscal Year (FY) 1987, under the statutory authority of 31 U.S.C. §1535, the EPA began transferring appropriated funds to the Department of Justice through interagency agreements. These agreements authorized the ENRD to be reimbursed for costs incurred in performing Superfund activities. The EPA authorized the ENRD reimbursements of \$28.6 million for FY 2000 and \$28.4 million for FY 2001 in accordance with EPA Interagency Agreements DW15937968-01-5 and DW15937968-01-7, respectively. These agreements also require the ENRD to maintain a system that documents the cost of the litigation. To this end the ENRD uses a cost distribution process designed and maintained by a private contractor.

The system was designed to process financial data from 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.¹ The system serves as the basis to distribute labor costs and indirect costs to cases.

We designed the audit to compare reported costs on the contractor developed Accounting Schedules and Summaries for FY 2000 and FY 2001 to those recorded on Department of Justice accounting records, and to review

¹ 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 noncapital equipment.

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 steps:

- Compared total costs recorded as paid on the E&A Reports to the amounts reported as Total Amounts Paid on the year end Accounting Schedules and Summaries, and traced such costs to the reported cost distribution to Superfund cases.
- Reviewed the ENRD's methodology for identifying Superfund cases on its Superfund case list by comparing a select number of cases against the ENRD case assignment criteria.
- Reviewed direct labor costs and indirect costs distributed to Superfund against the contractor-developed methodology.
- Compared Other Direct Costs (ODC) to source documents to validate their allocability.

Based on the results of the audit, in our judgment the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FY 2000 and FY 2001. We made one recommendation that the ENRD implement a procedure to ensure that ENRD officials responsible for authorizing official travel for staff document approval of such travel in advance of such travel being initiated.

The details of our review are contained in the Audit Results section of the report. Additional information about our audit objectives and scope is contained in Appendix I.

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INTRODUCTION

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (known as CERCLA or Superfund) provides for liability, compensation, cleanup, and emergency response for: (1) hazardous substances released into the environment, and (2) uncontrolled and abandoned hazardous waste sites.² Executive Order 12580, issued January 23, 1987, provides that the Attorney General is responsible for the conduct and control of all litigation arising under Superfund. The Order also requires the Administrator of the Environmental Protection Agency (EPA) to transfer from the Hazardous Substance Response Trust Fund resources to support Superfund activities.

In Fiscal Year (FY) 1987, under the statutory authority of 31 U.S.C. §1535, the EPA began transferring appropriated funds to the Department of Justice through interagency agreements. These agreements authorized the Environment and Natural Resources Division (ENRD) to be reimbursed for costs incurred in performing Superfund activities. The EPA authorized the ENRD reimbursements of \$28.6 million for FY 2000 and \$28.4 million for FY 2001 in accordance with EPA Interagency Agreements DW15937968-01-5 and DW15937968-01-7, respectively.

The initial agreements in FY 1987 also required accounting and reporting of recoverable case-related costs. Accordingly, at that time the ENRD instituted a system designed by Rubino & McGeehin, Chartered, Certified Public Accountants and Consultants (contractor). The system was designed to process financial data from 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.³ We reviewed this process and a sample of transactions of other direct costs to assess the allocability of such costs to Superfund and non-Superfund cases during FY 2000 and FY 2001.

² Amended by the Superfund Amendments and Reauthorization Act of 1986.

³ 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 noncapital equipment.

AUDIT RESULTS

Superfund Costs For FY 2000 And 2001

We reviewed financial activities and procedures used by the ENRD to document, compile, and allocate direct and indirect costs charged to Superfund cases. Based on the results of the audit, in our judgment the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FY 2000 and FY 2001. The ENRD does need to ensure that all travelers receive approved authorizations for official travel in advance of the beginning of such travel, and we made one recommendation to address this issue.

We designed the audit to compare reported costs on the contractor developed Accounting Schedules and Summaries for FY 2000 and FY 2001 (Appendix III and Appendix IV) to that recorded on Department of Justice 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 steps:

- Compared total costs recorded as paid on the E&A Reports to the amounts reported as Total Amounts Paid on the year end Accounting Schedules and Summaries, and traced such costs to the reported cost distribution to Superfund cases.
- Reviewed the ENRD's methodology for identifying Superfund cases on its Superfund case list by comparing a select number of cases against the ENRD case assignment criteria.
- Reviewed direct labor costs and indirect costs distributed to Superfund against the contractor-developed methodology.
- Compared Other Direct Costs to source documents to validate their allocability.

We examined these items to ensure that costs distributed to Superfund and non-Superfund cases were based on the total of actual costs for each fiscal year, that the distribution methodology used and accepted in prior years remained viable, and that selected costs were supported by documentation that evidenced their allocability to Superfund and non-Superfund cases. This would permit us to

determine if the ENRD provided an equitable distribution of total labor, other direct costs, and indirect costs to Superfund cases during FY 2000 and FY 2001. Following are the results of our review.

Reconciliation of Accounting Schedules and Summaries to E&A Reports

The E&A Reports for FY 2000 and FY 2001 provided the following amounts paid for total ENRD expenses:

ENRD Payments By Fiscal Year

| Description | 2000 | 2001 |
|--------------|---------------------|---------------------|
| Salaries | \$52,483,103 | \$51,810,628 |
| Benefits | 11,419,703 | 11,753,133 |
| Travel | 2,521,722 | 2,908,613 |
| Freight | 313,430 | 528,720 |
| Rent | 10,722,946 | 11,098,410 |
| Printing | 354,150 | 212,435 |
| Services | 12,969,821 | 11,816,044 |
| Supplies | 879,485 | 869,815 |
| Equipment | 750,058 | 896,014 |
| Total | \$92,414,418 | \$91,893,812 |

Source: E&A Reports for Fiscal Years Ending 09/30/00 and 09/30/01

We compared these E&A amounts to those in Schedule 6, Reconciliation of Total ENRD Expenses, of the Accounting Schedules and Summaries for each fiscal year to ensure that the distribution of costs to Superfund and non-Superfund cases was limited to total costs incurred. We found that the Schedule 6 amounts reconciled to the E&A Reports. We then reconciled these amounts to the distributions to Superfund on Schedule 5, Superfund Costs by Object Classification, and Schedule 2, Superfund Obligation and Payment Activity During 2000 (*and 2001*) By Fiscal Year of Obligation. We also found that the amounts on these schedules reconciled through Schedule 6 to the E&A Reports.

Our review then focused on determining that the summary amounts on Schedule 2 represented an equitable distribution of costs to Superfund. The Superfund costs in Schedule 2 of the Accounting Schedules and Summaries for FY 2000 and FY 2001 reported the following:

Superfund Distributed Costs By Fiscal Year

| Cost Categories | 2000 | 2001 |
|----------------------------|---------------------|---------------------|
| Labor | \$ 7,399,102 | \$ 7,190,961 |
| Other Direct Costs | 4,247,556 | 2,948,769 |
| Indirect Costs | 14,191,618 | 13,638,641 |
| Superfund Program Expenses | 511,585 | 332,605 |
| Unliquidated Obligations | 3,333,079 | 5,896,977 |
| Totals | \$29,682,940 | \$30,007,953 |

Source: Schedule 2 of the Contractor's Accounting Schedules and Summaries

Our starting point for reviewing the distribution system was to be able 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.

Superfund Case Reconciliation

The ENRD litigates non-Superfund and Superfund cases, which have unique identifying numbers in order to control the processing of cases. The ENRD maintains an annual cumulative database of all Superfund cases; this database identified 4,996 cases in FY 2000 and 5,285 in FY 2001. We reviewed the database to establish the method used by the ENRD to identify Superfund cases, and if the cases were identified in accordance with established ENRD criteria for case identification.

We randomly selected 30 cases from the FY 2001 cumulative Superfund universe database (see Appendix II) to test if the ENRD sections adhered to the procedures and identified the cases properly (we used the FY 2001 Superfund universe database to select our sample because the database is cumulative and includes FY 2000 cases).⁴ We reviewed the cases against the ENRD case data, including case intake worksheets, case opening forms, case transmittals, and emails. The ENRD used the case data entering forms to record summary information from the case. The information referred to laws, regulations, or other language that established the cases as either Superfund or non-Superfund for tracking purposes. We found that 29 cases reviewed contained proper referencing documentation in its case file. The ENRD could not locate one case file we selected for review that the Appellate Section had sent to archives.

⁴ The ENRD Sections included were the Environmental Crimes, Appellate, Land Acquisition, General Litigation, Environmental Enforcement, and Environmental Defense.

Superfund Cost Distribution

Since we found that the ENRD's case identification method adequately identified Superfund cases, we next reviewed: (1) the system used by the contractor to distribute direct labor and indirect costs, and (2) other direct costs charged to Superfund. Following are the results of our review of the cost categories.

Labor

The contractor continued using the labor distribution system from prior years, which we reviewed and accepted in prior audits. The ENRD provided the contractor with electronic files that included employee time reporting information and biweekly salary information downloaded from the National Finance Center, which processes biweekly salaries for the ENRD employees. The contractor uses the following formula to distribute labor costs monthly.

| | |
|------------------------|---|
| Salary Starting Point: | Employee Biweekly Salary ⁵ |
| Divided by: | Employee Reported Biweekly Work Hours |
| Equals: | Biweekly Hourly Rate |
| Multiplied by: | Employee Reported Monthly Superfund and Non-Superfund Case Hours |
| Results In: | Distributed Individual Monthly Labor Case Cost |

We selected one month in each fiscal year (December 1999 and December 2000) to review the effective hourly rates by employee calculated by the contractor. We found no reportable differences.

For purposes of our review, we:

- Matched the total Superfund and non-Superfund labor costs to that reported on the E&A reports for FY 2000 and FY 2001.
- Acquired and reviewed electronic labor files and selected salary files that the ENRD provided to the contractor and the resultant electronic files prepared by the contractor to summarize costs by employee and case.

⁵ In FY 1998 and FY 1999, the contractor converted salary data on a monthly basis. Now, the contractor converts salary data on a biweekly basis to increase accuracy of reporting labor costs.

- Extracted and reconciled Superfund case costs from the contractor files by using the validated case numbers discussed earlier in this report.

Since the E&A and Accounting Schedules and Summaries amounts matched, this assured us that the distribution method, which parallels a management information system and not an accounting system, was limited to allocating just the total of costs paid for each fiscal year. We traced the Direct Labor for Superfund cases (\$7,399,102 in FY 2000, and \$7,190,961 in FY 2001) from the E&A Reports through the schedules of the Accounting Schedules and Summaries. We found that the contractor's distribution was limited to the total costs in the E&A reports.

In the next phase of the audit, we performed selected database matches to compare the employee time and case data against the contractor's schedules used to prepare the Accounting Schedules and Summaries, and to identify Superfund case data. As previously mentioned, we were able to rely on the Superfund case database to match the ENRD case list to the contractor's completed schedules. We then compared the Superfund billed time data, which included 1,267 transactions in FY 2000 and 1,200 transactions in FY 2001, against the electronic files prepared by the contractor. The contractor's files included 5,200 records in FY 2000 and 5,486 records in FY 2001. We found no reportable differences in the total number of Superfund cases with direct labor costs for each fiscal year.

Overall, we were able to verify the accumulation of reported hours, the development and application of hourly rates, and the extraction of the labor costs to Superfund cases. Therefore, in our judgment this process provided for an equitable distribution of direct labor costs to the ENRD cases.

Indirect Costs

In addition to direct costs incurred against specific cases, the ENRD also incurs indirect costs that it allocates to all cases. These include primarily salaries, benefits, travel, freight, rent, printing, services, supplies, and equipment. The contractor distributes indirect costs to individual cases using an indirect cost rate that is calculated on a fiscal year basis.

According to its indirect cost methodology, the contractor uses actual payments by the ENRD as the basis for the indirect cost base and expense pool for calculation of the indirect cost rate. The base is comprised of total direct labor. The contractor extracts indirect costs from the E&A report and removes all direct costs incurred to arrive at net indirect costs. The contractor divides this amount by total direct labor for the period to calculate

the ENRD indirect cost percentage. Additionally, the contractor identifies indirect costs that support only Superfund activities and uses these costs to develop a separate Superfund specific indirect rate, which is calculated by dividing these costs by Superfund direct labor. The rates for FY 2000 and FY 2001 follow.

Indirect Cost Rates By Fiscal Year

| Category | 2000 | 2001 |
|--------------------|------|------|
| ENRD Indirect | 186% | 186% |
| Superfund Specific | 30% | 24% |
| Combined Rate | 216% | 210% |

Source: Schedule 4 of Accounting Schedules and Summaries.
 Percentages rounded to nearest whole percent.

We reconciled the total E&A amounts to the Accounting Schedules and Summaries, Schedule 4 to ensure that the contractor used only paid costs to accumulate the expense pool. Costs used by the contractor were extracted properly from the E&As. The contractor then calculated the rates accurately by dividing the indirect expenses by applicable direct labor costs.

Other Direct Costs

The amounts of other direct costs incurred by the ENRD and distributed to Superfund during FY 2000 and FY 2001 are provided in the following table.

Superfund Other Direct Costs By Fiscal Year

| Subobject Code and Description | 2000 | 2001 |
|--|--------------------|--------------------|
| 210-Travel Guards | | \$ 253 |
| 1153-Special Masters Compensation | \$ (10,078) | 9,030 |
| 1157-Expert Witness Fees | 2,482,662 | 1,745,682 |
| 2101-Travel Management Center Rebates | | 392 |
| 2100-Travel and Transportation | 695,155 | 877,383 |
| 2411-Printing and Reproduction, Court Instruments | 160,191 | 48,113 |
| 2499-Printing and Reproduction, All Other | 46,957 | 40,700 |
| 2501-Filing and Recording Fees | | 13 |
| 2508-Reporting and Transcripts- Deposition | 338,397 | 171,283 |
| 2509-Reporting and Transcripts- Grand Jury | 631 | |
| 2510-Reporting and Transcripts- Court | 2,236 | 15,203 |
| 2529-Litigation Support | 1,746,940 | 1,232,211 |
| 2534-Research Services | | 9 |
| 2556-Graphics | | 28 |
| 2557-Litigation Graphics | 18,828 | 5,694 |
| 2563-Interest Penalties-Government | 1,017 | 266 |
| 2591-Audiovisual Services via Working Capital Fund | 405 | |
| 2598-Miscellaneous Litigation Expenses | 4,896 | 4,090 |
| 2599-Other Services | 291 | 12,159 |
| 3129-Non-Capitalized Automated Litigation Support Equipment | | 9,056 |
| Totals | \$5,488,528 | \$4,171,565 |

Source: Extracted from the Contractor's electronic files of FY 2000 and FY 2001 other direct costs used to generate the fiscal year end accounting schedules and summaries.

We reviewed selected transactions in the following four subobject codes:

- 1157 - Expert Witness Fees,
- 2100 - Travel and Transportation,
- 2508 - Reporting and Transcripts- Deposition, and
- 2529 - Litigation Support.

For FY 2000, these four subobject codes comprised 84 percent of the transaction universe and 96 percent of the dollar universe. For FY 2001, these four subobject codes comprised 89 percent of the transaction universe and 97 percent of the dollar universe. We stratified the high dollar transactions within these subobject codes and tested 100 percent of these

transactions.⁶ We reviewed other transactions based on a statistical sample.

For purposes of our review, we selected the highest dollar transaction from each duplicated voucher for the statistical sample. This sample consisted of no more than one transaction per voucher; therefore, there were no duplicate vouchers. For FY 2000 our sample universe contained 2,060 vouchers comprised of 2,151 transactions totaling \$5.3 million and for FY 2001, 1,685 vouchers comprised of 1,781 transactions totaling \$4 million.

We reviewed 236 transactions totaling \$2.1 million and 194 transactions totaling \$1.6 million for FY 2000 and FY 2001, respectively. We designed our review of the transactions in other direct costs to determine if the selected FY 2000 and FY 2001 transactions included adequate support against the following four attributes:

- Correct subobject code classification
- Correct Superfund/non-Superfund classification
- Correct dollar amount
- Proper approval

For each of the transactions in our sample, we reviewed the payment vouchers and supporting documentation. Our testing verified the following: the correct subobject code was used to classify the cost; the case number appearing on the documents matched the case number in the cumulative Superfund database; the dollar amounts listed in the other direct costs database matched the amounts on the supporting documentation; and the proper approval was obtained on the vouchers paying the other direct costs.

Our tests resulted in no exceptions in the transactions tested against the four reviewed attributes for subobject codes 1157, 2508, and 2529. In subobject code 2100 we did note that on two vouchers in each fiscal year travel expenses claimed were not accurately split among Superfund cases, non-Superfund cases, and administrative activities involved. Based on our statistical sampling methodology and the results of our testing, we are 95 percent confident that exceptions, if any, do not exceed 3 percent of the transaction universe for the subobject codes tested. The error rates we

⁶ The dollar values of the transactions in subobject code 2100 were not considered high dollar transactions; therefore, these transactions were included in our randomly selected sample of the transactions.

identified fell below 3 percent and were not considered material. Accordingly, we did not take exception to the errors or project the results to the total universe of transactions in FY 2000 and FY 2001.

Notwithstanding the results of the financial assessment, we did note one issue that requires attention by the ENRD. We found that of the 204 travel authorizations reviewed 6 (voucher numbers A11443149, A11439717, A09643338, A11601217, A12599816, and A12608872) were approved after the traveler returned from travel, a finding we reported in previous OIG audit reports.⁷ The authorization serves not only to initiate the obligation of the costs but also to ensure that the traveler is protected by an official authorization during periods of official travel. The ENRD needs to initiate a procedure for ensuring that a record is made prior to official travel.

Overall Summary

Based on the results of the audit, in our judgment the ENRD provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FY 2000 and FY 2001. With respect to travel authorizations, the ENRD needs to ensure that all travelers receive approved authorizations for official travel prior to initiating/commencing such travel.

Recommendation

We recommend that the Assistant Attorney General, ENRD:

1. Implement a procedure for ensuring that ENRD officials responsible for authorizing official travel for staff document approval of the official travel in advance of such travel.

⁷ OIG report number 96-12, May 1996, Superfund Activities in the Environmental and Natural Resources Division for Fiscal Year 1994; and OIG report number 00-08, March 2000, Superfund Activities in the Environmental and Natural Resources Division for Fiscal Year 1997.

APPENDIX I

Objectives and Scope

The purpose 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, other direct costs, and indirect costs to Superfund cases during FY 2000 and FY 2001. To accomplish the overall objective of the audit, we assessed whether: (1) the ENRD identified Superfund cases based on appropriate criteria, (2) costs distributed to cases were limited to costs reported in 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 focused on, 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, 1999 through September 30, 2001. For our assessment of internal controls over the compilation of direct labor charges, we relied on the results in OIG report number 01-19, August 2001, Environmental and Natural Resources Division Network Computer Security and Case Management System Internal Control Audit.

We conducted our audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

APPENDIX II

Cases in Sample Review

| <u>Case No.</u> | <u>Section</u> |
|-----------------|--|
| 198-67-00110 | Environmental Crimes |
| 198-72-00101 | Environmental Crimes |
| 198-8-00188 | Environmental Crimes |
| 198-18-00133/1 | Environmental Crimes |
| 198-20-2 | Environmental Crimes |
| 90-11-3-290 | Appellate |
| 90-12-015 | Appellate |
| 90-11-3-1023 | Appellate – Case folder missing |
| 90-11-3-11510 | Appellate |
| 90-11-3-454 | Appellate |
| 33-33-1067 | Land Acquisition |
| 33-33-1088 | Land Acquisition |
| 33-46-434 | Land Acquisition |
| 33-41-128-09206 | Land Acquisition |
| 33-33-1125 | Land Acquisition |
| 90-1-23-09167 | General Litigation |
| 90-1-23-3260 | General Litigation |
| 90-7-1-687C | General Litigation |
| 90-11-3-1412/2 | General Litigation |
| 90-11-6-05796/1 | General Litigation |
| 90-11-3-1486 | Environmental Enforcement |
| 90-11-3-1656/2 | Environmental Enforcement |
| 90-11-6-16364/1 | Environmental Enforcement |
| 90-11-3-07144 | Environmental Enforcement |
| 90-5-2-1-585/1 | Environmental Enforcement |
| 90-11-2-272 | Environmental Defense |
| 90-11-3-275 | Environmental Defense |
| 90-11-6-05518/3 | Environmental Defense |
| 90-11-6-40 | Environmental Defense |
| 90-11-6-16062 | Environmental Defense |

APPENDIX III

FY 2000 Accounting Schedules & Summaries

Mr. Robert L. Bruffy
May 3, 2001
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, 2000, 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, Chartered

Enclosures

EPA BILLING SUMMARY
SUMMARY OF AMOUNTS DUE
BY INTERAGENCY AGREEMENT
September 30, 2000

| | <u>Fiscal Years</u> | | | | |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> |
| EPA Billing Summary - Amount Paid | \$ 26,349,861 (a) | \$ 27,485,827 (b) | \$ 29,172,873 (b) | \$ 29,747,226 (b) | \$ 31,796,230 (b) |
| Add: | | | | | |
| Payments in FY 2000 for 1999 (a) | | 2,844,791 | | | |
| Payments in FY 2000 for 1998 (a) | | | 288,942 | | |
| Payments in FY 2000 for 1997 (a) | | | | 33,548 | |
| Payments in FY 2000 for 1996 (a) | | | | | 11,883 |
| Subtotal | <u>26,349,861</u> | <u>30,330,618</u> | <u>29,461,815</u> | <u>29,780,774</u> | <u>31,808,113</u> |
| Unliquidated Obligations (c) | <u>3,333,079</u> | <u>240,366</u> | <u>281,760</u> | <u>8,590</u> | <u>0</u> |
| Total | <u>\$ 29,682,940</u> | <u>\$ 30,570,984</u> | <u>\$ 29,743,575</u> | <u>\$ 29,789,364</u> | <u>\$ 31,808,113</u> |

(a) See EPA Billing Summary, Schedule 2, September 30, 2000
(b) See EPA Billing Summary, Schedule 1, September 30, 1999
(c) See EPA Billing Summary, Schedule 3, September 30, 2000

EPA BILLING SUMMARY
 SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2000
 BY FISCAL YEAR OF OBLIGATION
 September 30, 2000

| | Fiscal Years | | | | | Total |
|------------------------------|---------------------|--------------------|------------------|------------------|-----------------|---------------------|
| | 2000 | 1999 | 1998 | 1997 | 1996 | |
| Amounts Paid: | | | | | | |
| Labor | \$ 7,399,102 | | - | - | - | \$ 7,399,102 |
| Other Direct Costs | 4,247,556 | \$ 1,119,023 | \$ 99,524 | \$ 26,156 | \$ 8,770 | 5,501,029 |
| Indirect Costs | 14,191,618 | 1,567,881 | 177,838 | 7,392 | 3,113 | 15,947,842 |
| Superfund Program Expenses | <u>511,585</u> | <u>157,887</u> | <u>11,580</u> | <u>-</u> | <u>-</u> | <u>681,052</u> |
| Subtotal | 26,349,861 | 2,844,791 | <u>288,942</u> | <u>33,548</u> | <u>11,883</u> | <u>29,529,025</u> |
| Unliquidated Obligations (a) | <u>3,333,079</u> | <u>240,366</u> | <u>281,760</u> | <u>8,590</u> | <u>0</u> | <u>3,863,795</u> |
| Totals | <u>\$29,682,940</u> | <u>\$3,085,157</u> | <u>\$570,702</u> | <u>\$ 42,138</u> | <u>\$11,883</u> | <u>\$33,392,820</u> |

(a) See Schedule 3

EPA BILLING SUMMARY
 FISCAL YEARS 2000, 1999, 1998, 1997 AND 1996 UNLIQUIDATED OBLIGATIONS
 September 30, 2000

| | <u>Fiscal Years</u> | | | |
|--|---------------------|-------------------|-------------------|-----------------|
| | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| ENRD unliquidated obligations at September 30, 2000 | \$ 23,663,984 | \$ 4,384,405 | \$ 2,574,209 | \$ 413,314 |
| Less: unliquidated obligations: | | | | |
| Section 1595 (a) | 13,583,930 | 3,586,885 | 1,670,400 | 395,930 |
| Section 1596 (b) | 1,910,500 | 481,343 | - | 0 |
| Section 1598 (c) | <u>1,513,290</u> | <u>210,736</u> | <u>37,009</u> | <u>5,049</u> |
| Subtotal | <u>17,007,720</u> | <u>4,278,964</u> | <u>1,707,409</u> | <u>400,979</u> |
| Net unliquidated obligations - ENRD | 6,656,264 | 105,441 | 866,800 | 12,335 |
| Superfund percentage (d) | <u>27.3395%</u> | <u>28.1011%</u> | <u>28.2362%</u> | <u>28.7043%</u> |
| Superfund portion of unliquidated obligations | 1,819,789 | 29,630 | 244,751 | 3,541 |
| Add - Section 1598 unliquidated obligations | <u>1,513,290</u> | <u>210,736</u> | <u>37,009</u> | <u>5,049</u> |
| Total Superfund unliquidated obligations (e) | <u>\$ 3,333,079</u> | <u>\$ 240,366</u> | <u>\$ 281,760</u> | <u>\$ 8,590</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, 2000

| Description | Total Amounts Paid (a) |
|--|------------------------------|
| Indirect labor (b) | \$22,599,408 |
| Fringes | 11,419,703 |
| Indirect travel | 295,586 |
| Freight | 313,430 |
| Office space and utilities | 10,628,681 |
| Printing(forms, etc.) | 86,330 |
| Training and other services | 3,664,398 |
| Supplies | 879,484 |
| Non-capitalized equipment and miscellaneous | 441,040 |
| Subtotal | 50,328,060 |
| Total Direct Labor | 27,063,782 |
| ENRD Indirect Costs Rate - F/Y 1999 Obligations | 185.9609% |
| Plus: Superfund Indirect Costs for Prior Year Obligations (c) and Superfund Specific Costs (d) | |
| 2000 | \$ 432,173 |
| 1999 | 1,567,881 |
| 1998 | 177,838 |
| 1997 | 7,392 |
| 1996 | 3,113 |
| Total | 2,188,397 |
| Superfund Direct Labor | 7,399,102 |
| Superfund Indirect Rate | 29.5765% |
| Total Indirect Rate | 215.5374% |

- (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; \$1,428,243, \$ 108,938, \$7,392, and \$1,104 for F/Y 1999 through 1996 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2000 to maintain Superfund case information or perform other Superfund Specific activities. In that 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 \$432,173 \$139,638, \$68,900, \$0 and \$2,009 for Fiscal years 2000 through 1996 respectively.

EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION

September 30, 2000

| Object Class | Description | Direct Expenses | Superfund Program Expenses | Indirect Expenses | Unliquidated Obligations (b) | Total |
|--------------|-------------|---------------------|----------------------------|---------------------|------------------------------|---------------------|
| 11 | Salaries | \$9,166,988 (a) | \$ 58,301 | \$6,348,356 | \$2,058,627 | \$17,632,272 |
| 12 | Benefits | - | - | 3,122,090 | 193,145 | 3,315,235 |
| 21 | Travel | 611,914 | - | 80,812 | 93,415 | 786,141 |
| 22 | Freight | - | - | 85,690 | 30,500 | 116,190 |
| 23 | Rent | - | 68,493 | 2,931,601 | 62,449 | 3,062,543 |
| 24 | Printing | 153,666 | - | 23,603 | 32,448 | 209,717 |
| 25 | Services | 1,714,090 | 384,791 | 1,238,440 | 745,805 | 4,083,126 |
| 26 | Supplies | - | - | 240,447 | 36,385 | 276,832 |
| 31 | Equipment | - | - | 120,579 | 80,305 | 200,884 |
| | Total | <u>\$11,646,658</u> | <u>\$ 511,585</u> | <u>\$14,191,618</u> | <u>\$3,333,079</u> | <u>\$29,682,940</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, 2000

| Object Class | Description | ---Superfund--- | | ---Non-Superfund--- | | Indirect Section 1595 & 1596 Expenses | Total Amounts Paid |
|-----------------|-----------------|---------------------|----------------------|---------------------|----------------------|--|--------------------------|
| | | Direct Expenses | Indirect Expenses | Direct Expenses | Indirect Expenses | | |
| 11 | Salaries | \$9,225,289 | \$6,348,356 | \$20,131,444 | \$16,420,842 | \$357,173 | \$52,483,104 |
| 12 | Benefits | - | 3,122,090 | - | 8,297,613 | - | 11,419,703 |
| 21 | Travel | 611,914 | 80,812 | 1,613,293 | 214,774 | 931 | 2,521,724 |
| 22 | Freight | - | 85,690 | - | 227,740 | - | 313,430 |
| 23 | Rent | 68,493 | 2,931,601 | - | 7,722,852 | - | 10,722,946 |
| 24 | Printing | 153,666 | 23,603 | 114,154 | 62,727 | - | 354,150 |
| 25 | Services | 2,098,880 | 1,238,440 | 5,939,596 | 2,662,571 | 1,030,334 | 12,969,821 |
| 26 | Supplies | - | 240,447 | - | 639,037 | - | 879,484 |
| 31 | Equipment | - | 120,579 | - | 320,461 | 309,017 | 750,057 |
| Total | | <u>\$12,158,242</u> | <u>\$14,191,618</u> | <u>\$27,798,487</u> | <u>\$36,568,617</u> | <u>\$1,697,455</u> | <u>\$92,414,419</u> |

APPENDIX IV

FY 2001 Accounting Schedules & Summaries

EPA BILLING SUMMARY
 SUPERFUND OBLIGATION AND PAYMENT ACTIVITY DURING 2000
 BY FISCAL YEAR OF OBLIGATION
 September 30, 2001

| | <u>Fiscal Years</u> | | | | | <u>Total</u> |
|------------------------------|---------------------|--------------------|------------------|-------------------|--------------|---------------------|
| | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | |
| <u>Amounts Paid:</u> | | | | | | |
| Labor | \$ 7,190,961 | \$ - | \$ - | \$ - | \$ - | \$ 7,190,961 |
| Other Direct Costs | 2,948,769 | 1,137,856 | 86,362 | 4,881 | 363 | 4,178,231 |
| Indirect Costs | 13,638,641 | 1,506,028 | (1,678) | 6,959 | 523 | 15,150,473 |
| Superfund Program Expenses | <u>332,605</u> | <u>(127,980)</u> | <u>(83,017)</u> | <u>-</u> | <u>-</u> | <u>121,608</u> |
| Subtotal | 24,110,976 | 2,515,904 | 1,667 | 11,840 | 886 | 26,641,273 |
| Unliquidated Obligations (a) | <u>5,896,977</u> | <u>384,711</u> | <u>131,380</u> | <u>225,603</u> | <u>-</u> | <u>6,638,671</u> |
| Totals | <u>\$30,007,953</u> | <u>\$2,900,615</u> | <u>\$133,047</u> | <u>\$ 237,443</u> | <u>\$886</u> | <u>\$33,279,944</u> |

(a) See Schedule 3

EPA BILLING SUMMARY
 FISCAL YEARS 2001, 2000, 1999, AND 1998 UNLIQUIDATED OBLIGATIONS
 September 30, 2001

| | Fiscal Years | | | |
|--|---------------------|-------------------|-------------------|-------------------|
| | 2001 | 2000 | 1999 | 1998 |
| ENRD unliquidated obligations at September 30, 2001 | \$ 28,313,355 | \$ 4,592,124 | \$ 1,795,982 | \$ 1,218,024 |
| Less: unliquidated obligations: | | | | |
| Section 1595 (a) | 14,348,315 | 2,628,748 | 1,575,077 | 492,659 |
| Section 1596 (b) | 1,793,704 | 1,427,434 | 63,210 | - |
| Section 1598 (c) | <u>3,692,965</u> | <u>327,808</u> | <u>121,095</u> | <u>28,967</u> |
| Subtotal | <u>19,834,984</u> | <u>4,383,990</u> | <u>1,759,382</u> | <u>521,626</u> |
| Net unliquidated obligations - ENRD | 8,478,371 | 208,134 | 36,600 | 696,398 |
| Superfund percentage (d) | <u>25.9957%</u> | <u>27.3395%</u> | <u>28.1011%</u> | <u>28.2362%</u> |
| Superfund portion of unliquidated obligations | 2,204,012 | 56,903 | 10,285 | 196,636 |
| Add - Section 1598 unliquidated obligations | <u>3,692,965</u> | <u>327,808</u> | <u>121,095</u> | <u>28,967</u> |
| Total Superfund unliquidated obligations (e) | <u>\$ 5,896,977</u> | <u>\$ 384,711</u> | <u>\$ 131,380</u> | <u>\$ 225,603</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, 2001

| Description | Total Amounts Paid (a) |
|--|------------------------------|
| Indirect labor (b) | \$22,134,051 |
| Fringes | 11,746,615 |
| Indirect travel | 338,224 |
| Freight | 387,350 |
| Office space and utilities | 10,983,580 |
| Printing(forms, etc.) | 77,530 |
| Training and other services | 4,298,443 |
| Supplies | 866,314 |
| Non-capitalized equipment and miscellaneous | 730,645 |
| Subtotal | 51,562,752 |
| Total Direct Labor | 27,662,094 |
| ENRD Indirect Costs Rate - F/Y 2001 Obligations | 186.4022% |
| Plus: Superfund Indirect Costs for Prior Year Obligations (c) and Superfund Specific Costs (d) | |
| 2001 | \$ 234,548 |
| 2000 | 1,506,028 |
| 1999 | (1,678) |
| 1998 | 6,959 |
| 1997 | 523 |
| Total | 1,746,380 |
| Superfund Direct Labor | 7,190,961 |
| Superfund Indirect Rate | 24.2858% |
| Total Indirect Rate | 210.6880% |

-
- (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; \$1,271,407; \$ (1,678); \$6,959; and \$523 for F/Y 2000 through 1997 respectively.
- (d) The balance of the charges in the totals presented were paid during fiscal year 2001 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 \$234,548 and \$234,621 for Fiscal years 2001 and 2000 respectively.

EPA BILLING SUMMARY
SUPERFUND COSTS BY OBJECT CLASSIFICATION

September 30, 2001

| Object Class. | Description | Direct Expenses | Superfund Program Expenses | Indirect Expenses | Unliquidated Obligations (b) | Total |
|---------------|-----------------|---------------------|----------------------------|----------------------|------------------------------|----------------------|
| 11 | Salaries | \$8,263,920 (a) | \$ 111,006 | \$5,910,608 | \$2,333,699 | \$16,619,233 |
| 12 | Benefits | - | - | 3,053,614 | 207,426 | 3,261,040 |
| 21 | Travel | 805,533 | - | 87,923 | 88,318 | 981,774 |
| 22 | Freight | - | - | 100,693 | 37,986 | 138,679 |
| 23 | Rent | - | 84,980 | 2,885,110 | 88,849 | 3,058,939 |
| 24 | Printing | 27,983 | - | 20,155 | 9,101 | 57,239 |
| 25 | Services | 1,033,238 | 136,619 | 1,165,398 | 2,990,403 | 5,325,658 |
| 26 | Supplies | - | - | 225,204 | 42,561 | 267,765 |
| 31 | Equipment | 9,056 | - | 189,936 | 98,634 | 297,626 |
| | Total | <u>\$10,139,730</u> | <u>\$ 332,605</u> | <u>\$13,638,641</u> | <u>\$5,896,977</u> | <u>\$30,007,953</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, 2001

| Object Class | Description | ---Superfund--- | | ---Non-Superfund--- | | Indirect Section 1595 & 1596 Expenses | Total Amounts Paid |
|-----------------|-------------|---------------------|----------------------|---------------------|----------------------|--|--------------------------|
| | | Direct Expenses | Indirect Expenses | Direct Expenses | Indirect Expenses | | |
| 11 | Salaries | \$8,374,926 | \$5,910,608 | \$20,796,637 | \$16,380,150 | \$348,307 | \$51,810,628 |
| 12 | Benefits | - | 3,053,614 | - | 8,693,001 | 6,520 | 11,753,135 |
| 21 | Travel | 805,533 | 87,923 | 1,711,343 | 250,301 | 53,514 | 2,908,614 |
| 22 | Freight | - | 100,693 | - | 286,657 | 141,370 | 528,720 |
| 23 | Rent | 84,980 | 2,885,110 | - | 8,128,321 | - | 11,098,411 |
| 24 | Printing | 27,983 | 20,155 | 102,680 | 57,375 | 4,242 | 212,435 |
| 25 | Services | 1,169,857 | 1,165,398 | 4,429,967 | 3,181,035 | 1,869,786 | 11,816,043 |
| 26 | Supplies | - | 225,204 | - | 641,110 | 3,501 | 869,815 |
| 31 | Equipment | 9,056 | 189,936 | - | 540,709 | 156,312 | 896,013 |
| Total | | <u>\$10,472,335</u> | <u>\$13,638,641</u> | <u>\$27,040,627</u> | <u>\$38,158,659</u> | <u>\$2,583,552</u> | <u>\$91,893,814</u> |

APPENDIX V

ENRD Response To The Draft Report

APPENDIX VI

Analysis and Summary of Actions Necessary to Close Report

The ENRD response to the draft audit report (Appendix V) included the corrective action that the ENRD has completed to address the audit recommendation. The ENRD agreed with our recommendation and provided the specific actions it has taken to close the recommendation. Therefore, we consider the report to be closed.

Recommendation Number

1. **Closed.**