Office of Inspector General
Audit Report

Superfund Activities For Fiscal Years 1993 and 1994

U.S. Coast Guard

Report Number: R3-CG-7-003
Date Issued: February 19, 1997

INFORMATION: Report on Superfund Activities
for Fiscal Years 1993 and 1994, U.S. Coast Guard
Report Number: R3-CG-7-003

Lawrence H. Weintrob JA-1
Assistant Inspector General for Auditing

Chief of Staff
U.S. Coast Guard

We are providing this report for your information and use. Your January 16, 1997, comments on the October 16, 1996, draft report were considered in preparing this report. A synopsis of the report follows this memorandum.

You agreed with the report finding and recommendation. Action taken is responsive to the recommendation and we consider the report resolved, subject to the followup provisions of Department of Transportation Order 8000.1C. In addition, you provided comments to the Other Matters section of the report and have taken or planned actions to address our concerns.

I appreciate the courtesies and assistance extended to our staff during the audit. If you have any questions, or require additional information, please contact me at (202) 366-1992 or Harry Fitzkee, Regional Manager, Region III, at (410) 962-3612.

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U.S. Department of Transportation

Office of Inspector General

Report on Superfund Activities for Fiscal Years 1993 and 1994

SYNOPSIS

Objective

The objective of the audit was to determine whether claims submitted by the U.S. Coast Guard (Coast Guard) were accurate and adequately supported.

Conclusion

With the exception of 10 transactions, claims of $22.6 million submitted by Coast Guard to the Environmental Protection Agency (EPA) for Fiscal Years 1993 and 1994 Superfund activities were accurate and adequately supported.

Monetary Impact

The Coast Guard billed EPA $28,624 for costs which were not supported.

Recommendation

We recommend the Coast Guard reduce future billings to EPA by $28,624 for the 10 unsupported transactions.

Management Position

The Coast Guard Finance Center was directed to credit EPA for $28,624 in unsupported costs.

Office of Inspector General Comments

The Coast Guard corrective action resolves our recommendation.

I. INTRODUCTION

Background

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), as amended by the Superfund Amendments and Reauthorization Act of 1986, established the trust fund known as the Superfund. The Environmental Protection Agency (EPA) manages the Superfund, which pays for the cleanup of hazardous substances throughout the United States. The U.S. Coast Guard (Coast Guard) is responsible for cleanup of hazardous substance releases in ports, harbors, coastal zones, inland waters (including the Great Lakes), and other locations where releases threaten navigable waters. The 1982 and 1994 Memorandums of Understanding between the Coast Guard and EPA established policies and procedures for Coast Guard access to the Superfund including accounting for costs, maintenance of case files, and establishment of interagency agreements. The interagency agreement is the mechanism by which the Coast Guard submits claims to EPA for reimbursement of costs associated with hazardous substance cleanup costs. Superfund activities are administered by the Coast Guard National Pollution Funds Center (NPFC) in Arlington, Virginia.

Objective, Scope, and Methodology

The objective of the audit was to determine whether claims submitted by the Coast Guard were accurate and adequately supported. Our audit period was Fiscal Years (FY) 1993 and 1994. The audit was extended to additional periods as determined necessary. Audit locations included NPFC and the Coast Guard Finance Center located in Chesapeake, Virginia. We conducted audit work during the period August 16, 1995 through February 9, 1996.

There were 226 incidents of hazardous substance releases in FYs 1993 and 1994 requiring Coast Guard oversight and cleanup. EPA reimbursed the Coast Guard $22.6 million for FYs 1993 and 1994 Superfund activities. An estimated $13.3 million were direct costs associated with the cleanup of hazardous substance releases and $9.3 million were indirect costs. We tested a judgmental sample of $9.5 million (42 percent) of the $22.6 million of Superfund costs reimbursed Coast Guard for FYs 1993 and 1994 Superfund activities. Our sample included about $8.7 million of direct costs and $800,000 of indirect costs.

We compared supporting documentation for the sample transactions to processing requirements contained in the Finance Center's standard operating procedures manual. We reviewed the Coast Guard 1982 and 1994 Memorandums of Understanding with EPA and operating procedures manuals developed by NPFC and compared these external and internal policies and procedures with actual case management practices. The audit was conducted in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States.

Internal Controls

We reviewed internal controls for recognizing, recording, and billing hazardous substance cleanup costs to EPA. We concluded these internal controls were adequate to provide reasonable assurance claims were accurate and adequately supported. The exceptions we found are discussed in Part II of this report.

Prior Audit Coverage

Office of Inspector General Report Number AV-CG-4-012, dated March 11, 1994, covered Superfund activities for FY 1992.

II. RESULTS OF AUDIT

Claims of $22.6 million submitted by Coast Guard to EPA for FY 1993 and 1994 Superfund activities were accurate and adequately supported with the exception of 10 transactions totaling $28,624. The Coast Guard did not provide documentation to support the 10 transactions. In addition, we identified four transactions totaling $8,225 which were not eligible for reimbursement. These transactions involved travel claims unrelated to Superfund activities and the Finance Center credited EPA for these four transactions during the audit.

Recommendation

We recommend the Coast Guard reduce future billings to EPA by $28,624.

Management Response

After the issuance of our draft report, the Coast Guard performed additional searches of case files and found supporting documentation for 14 of the 24 unsupported transactions identified in the draft report. On December 12,

1996, the Coast Guard Finance Center was directed to credit EPA for $28,624 on the 10 transactions which supporting documentation could not be found.

Audit Comments

We reviewed the supporting documentation provided by the Coast Guard for the 14 transactions and concluded the documentation adequately supported the claimed costs. As a result, we revised the report to show that 10 transactions totaling $28,624 were not supported. Therefore, Coast Guard action to credit EPA $28,624 resolves this recommendation.

III. OTHER MATTERS

EPA requires the Coast Guard to provide an annual property inventory report for non-expendable equipment costing over $1,000, purchased using interagency agreements. In addition, the Coast Guard must consult with EPA prior to disposition of property to assure disposition methods properly reflect EPA's interest. For FYs 1993 and 1994, planned equipment purchases approximated $1.1million. We found the Coast Guard did not provide EPA with a property inventory and had not established controls over equipment inventories. The Coast Guard needs to comply with property accountability and reporting requirements established in the 1994 Memorandum of Understanding.

Management Response

The Coast Guard stated Commandant Instruction M4500.5 includes adequate property and inventory policies and procedures. In addition, the automated Accountable Item Management System has been recently updated to make record keeping and reporting much easier. Property custodians can now easily code CERCLA equipment in the “local use” field of their inventory records. A Coast Guard wide message will be sent to all field units reiterating property accountability and reporting requirements.

Audit Comments

The actions taken and planned should meet the CERCLA property accountability reporting requirements in the 1994 Memorandum of Understanding.

Exhibit

MAJOR CONTRIBUTORS TO THE REPORT

These individuals were major contributors to the report on Superfund Activities for FYs 1993 and 1994, U.S. Coast Guard.

Harry H. Fitzkee	Regional Manager
Richard Young	Project Manager
George Banks	Auditor-in-Charge
David Jones	Auditor
Anita McMillan	Auditor

APPENDIX
(2 pages)

U.S. Department of Transportation

United States Coast Guard

Memoran

Subject: DRAFT DOTIG REPORT ON SUPERFUND ACTIVITIES IN FY 1993 & FY 1994

Date: 16 JAN 1997

7500

Reply to Attn. of: G-CCS-2
Mark Kulwicki
202-267-2294

From: Commandant, U.S. Coast Guard

To: Assistant Inspector General for Auditing

Ref: (a) DOTIG Draft Report dtd 10-16-96

1. Enclosure(1) contains the U.S. Coast Guard's response to the findings and recommendations contained in reference (a). The Coast Guard appreciates the professional manner in which this audit was conducted.

J. M. Loy
Vice Commandant, U. S. Coast Guard

Encl: (1) Coast Guard Response to DOTIG Draft Report

STATEMENT ON DOTIG REPORT 534-005-3000

I. **TITLE**: Draft Report on Superfund Activities for FY 1993 and FY 1994, U.S. Coast Guard.

[[. **FINDING** A: Claims of $22.6 million submitted by the U.S. Coast Guard to the Environmental Protection Agency for FY 1993 and FY 1994 Superfund activities were accurate and adequately supported with exception of 24 transactions totaling $53,461. The U.S. Coast Guard did not provide documentation to support the 24 transactions.

111. RECOMMENDATION(S): We recommend the L'. S. Coast Guard reduce future billing to EPA by $53,461.

The U.S. Coast Guard concurs in part. The U.S. Coast Guard Finance Center (FINCEN) was directed on December 12.1996 to credit EPA for S28,624 of those transactions not supported by the U.S. Coast Guard funds manager or by FINCEN. Further searches of case files clearly supported $24,837 of the S53,461 that the auditors questioned.

W. FINDING B: The U.S. Coast Guard did not provide EPA with property inventory and did not establish controls over equipment inventories.

V. **RECOMMENDATION(s):** The U.S. Coast Guard needs to comply with property accountability and reporting requirements established in the 1994 Memorandum of Understanding (MOU).

The U.S. Coast Guard concurs in part. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Property Reports were part of FY 1995 and FY 1996 Interagency Agreement End-of-Year Reports. CERCLA Property Reporting requirements are now annually re-emphasized to CERCLA Superfund spenders. Spenders are provided reporting guidance when funds are allocated. Existing U.S. Coast Guard property and inventory policies and procedures are adequate and promulgated under Commandant Instruction M4500.5. Furthermore, the U.S. Coast Guard has recently updated its computerized records in the Accountable Item Management System (AIM) to make record keeping and reporting much easier. Property custodians can now easily code CERCLA equipment in the local use field of their inventory records. The Marine Environmental Response Manager is responsible for ensuring strict terms. Districts and Marine Safety Offices comply and reports are submitted by field units. The U.S. Coast Guard will reiterate this policy via ALCOAST to the field property accountability and reporting requirements. The ALCOAST will be sent to all field units by February 1997.

ENCLOSURE(())