
Office of Inspector General

Management Advisory on Superfund Activities

United States Coast Guard

Report Number RE-1998-003
Date Issued: October 14, 1997





**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Memorandum

Subject: ACTION: Management Advisory Report on
Superfund Activities, U.S. Coast Guard
Report Number: FE-1998-003

Date: October 14, 1997

From: 
John V. Meche, Deputy Assistant Inspector General
for Financial, Economic, and Information Technology

Reply to: JA-20
Attn of:

To: Chief of Staff
United States Coast Guard

BACKGROUND AND OBJECTIVES

This Management Advisory Report presents the results of our audit of Superfund Activities for Fiscal Years (FYs) 1995 and 1996. Our audit objective was to determine whether claims submitted by the Coast Guard were accurate and adequately supported. We also did follow-up work on our prior finding concerning property inventory. We conducted audit work from April to July 1997.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 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 cleanup of hazardous substances throughout the United States. The 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 1994 Memorandum of Understanding between 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

Coast Guard submits claims to EPA for reimbursement of costs associated with cleanup of hazardous substances.

Superfund activities are administered by the Coast Guard National Pollution Funds Center in Arlington, Virginia. The Coast Guard Finance Center in Chesapeake, Virginia, pays the claims for cleanup of hazardous substances and maintains supporting documentation.

We reviewed the Coast Guard 1994 Memorandum of Understanding with EPA and operating procedures manuals developed by the National Pollution Funds Center, 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.

Office of Inspector General Report Number R3-CG-7-003, dated February 19, 1997, covered Superfund activities for FYs 1993 and 1994. We found claims of \$22.6 million were adequately supported. We questioned 10 transactions totaling \$28,624. Coast Guard credited EPA for the unsupported amount.

RESULTS-IN-BRIEF

Supportable Claims

Coast Guard claims for reimbursement from EPA for Superfund activities were generally accurate and adequately supported. There were 344 incidents of hazardous substance releases in FYs 1995 and 1996 requiring Coast Guard oversight and cleanup. EPA reimbursed Coast Guard about \$12 million for FYs 1995 and 1996 Superfund activities. An estimated \$3.15 million was direct cost associated with the cleanup of hazardous substance releases and \$8.83 million was indirect cost.

We tested a sample of 259 transactions totaling about \$9 million (74 percent) of Superfund expenses reimbursed to Coast Guard for FYs 1995 and 1996. We identified 22 transactions, totaling \$83,559, that Coast Guard could not support with documentation (see attachment).

Property Inventory

Coast Guard is required to provide EPA with annual property inventories for non-expendable equipment, costing over \$1,000, that was purchased with EPA funds. In our report on Superfund activities for FYs 1993 and 1994 (Report Number R3-CG-7-003), we reported Coast Guard had not provided EPA with a property

inventory, and had not established controls over non-expendable equipment purchased with EPA funds.

For FYs 1995 and 1996, the Coast Guard reported \$1,248,000 was spent on EPA equipment. We compared total expenditures for equipment to the amount recorded in the Coast Guard property system for the same period. We found \$210,000 of the \$1.2 million was recorded in the property system, leaving \$1 million as unrecognized. We confirmed, through transaction testing, that Coast Guard units were not entering all equipment purchases into the property system, and unit prices were inaccurate. For example, one Coast Guard unit purchased \$17,565 of computer equipment that was not entered into the property system, and was not reported to EPA. In another example, a Coast Guard unit purchased a containment tent and fan system costing \$18,987 and \$1,761, respectively. However, the tent was recorded in the property system at \$1,900 and no entry was made to the property system for the fan system. In addition to understating the equipment inventory purchased with EPA funds, the Coast Guard is at risk for theft or loss of the equipment.

We discussed our results with the Commanding Officer of Chesapeake Finance Center on September 30, 1997. He agreed to research the 22 claims and credit EPA for unsupported amounts. The Chief Financial Officer of the National Pollution Funds Center acknowledged field units were not properly recording equipment purchases in the Coast Guard property system, and plans to issue a guidance manual for recording equipment, hold training sessions, and conduct on-site inventories at field sites.

RECOMMENDATIONS

We recommend the Coast Guard reduce future billing to EPA by \$83,559, and reconcile the \$1 million difference between what it reported to EPA and what was recorded in the property system.

ACTION REQUIRED

Please provide written comments within 10 days. We appreciate the courtesies and cooperation extended by the Coast Guard. If you have any questions, please call me at (202) 366-1496, or Harry Fitzkee at (410) 962-3612.

Attachment

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UNSUPPORTED SUPERFUND TRANSACTIONS

<u>Batch Number</u>	<u>Document Number</u>	<u>Amount</u>
95129F117	2095285HXW028000	\$227.94
96341F203	1196236HE4A27000	\$1,967.06
95010FHXA	1195845HE3089000	\$2,141.38
96233F785	1496236HWM010001	\$2,334.49
96071F790	2895285HVX107000	\$2,532.63
95080FHX9	1195235HE4911000	\$2,672.31
95213FHK2	7295285HXUR19100	\$2,888.93
96176F779	2896466HXZ701000	\$2,895.22
95028FHXA	1195285HE2865000	\$3,328.96
95093FHXD	1195845HE3170000	\$3,542.49
95020FHX9	1195235H80840000	\$3,616.50
95349F113	32967961B3210548	\$3,629.00
95188FHX9	1195235HE47T7600	\$3,709.34
95291FHXC	1195295HSH417001	\$3,935.96
94336FHXB	1195285H88A56000	\$4,011.69
95157F205	1195235HE4942000	\$4,128.63
95076FHX9	1195235HE4902000	\$4,632.59
96201FHEF	3596343601715194	\$4,673.28
95047FHX9	1195235H80876000	\$5,990.33
96185FHBA	1196266HE1592000	\$6,500.00
96185FHBA	1196266HE1593000	\$6,500.00
95313FHXB	1195285HXUR19000	\$7,700.27
	Total	<u><u>\$83,559.00</u></u>