



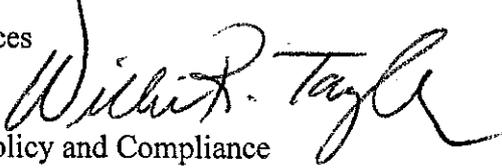
United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240



PEP-ENVIRONMENTAL COMPLIANCE MEMORANDUM NO. ECM12-3

To: Heads of Bureaus and Offices

From: Willie R. Taylor, Director 
Office of Environmental Policy and Compliance

Subject: Central Hazardous Materials Fund Financial Management and Cost Recovery Guidance

The Office of Environmental Policy and Compliance is issuing this Environmental Compliance Memorandum under the authority provided by 381 Departmental Manual Chapter 4.SB to convey instructions and guidance through the Environmental Memoranda Series. This ECM establishes guidance in the use and management of Central Hazardous Material Funds. It also establishes procedures for cost recovery at CHF managed cleanup sites.

OEPC administers and manages the CHF. Administrative responsibilities include financial management of the CHF, collection from potentially responsible parties at CHF sites, and the maintenance of internal controls to ensure the CHF Program's objectives are met.

The guidance includes information on roles for financial management of the CHF, authorized uses of funds, reporting responsibilities, budgeting, distribution of funds, reconciling and reporting of expenditures, and cost documentation procedures. The guidance has been reviewed by each of the bureau representatives on the CHF's Technical Review Committee (TRC).

The guidance will be effective as of February 6th. If you have any questions, please contact Ms. Hoover either by email at: courtney_hoover@ios.doi.gov, or phone 202-208-7556.

Attachment

cc: REOs

CENTRAL HAZARDOUS MATERIALS FUND (CHF)

FINANCIAL MANAGEMENT AND COST RECOVERY GUIDANCE

I. OVERVIEW

The Department of the Interior's (Department's) Central Hazardous Materials Fund (CHF) Program was formally established in 1995 through the "Interior and Related Agencies Appropriations Act" (1995 and subsequent years) (Public Law 108-7). In establishing the CHF, Congress mandated that funds appropriated to the CHF are to be used for costs incurred by the Department and any of its component offices and bureaus for response actions conducted pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), as amended. Response actions conducted pursuant to CERCLA are further subject to regulatory requirements codified in the National Oil and Hazardous Substances Pollution Contingency Plan (NCP) (40 CFR Part 300). The CHF functions as a source of no-year funding for CERCLA cleanup projects and as a repository for funds recovered pursuant to CERCLA.

The Office of Environmental Policy and Compliance (OEPC) manages the CHF. Administrative responsibilities include financial management of the CHF and the maintenance of internal controls to ensure the CHF Program's objectives are met.

This guidance includes information on the general management of the CHF, cost documentation processes, and internal controls. Roles for financial management of the CHF are outlined in this guidance, as are authorized uses of funds, responsibilities, budgeting, distribution of funds, reconciling and reporting of expenditures, and cost documentation procedures.

CHF Objective

The objective of the CHF is to provide a no-year funding source for response actions undertaken pursuant to CERCLA and the NCP addressing the release or substantial threat of release of hazardous substances, pollutants or contaminants on land under, or adjacent to land under the Department's jurisdiction, custody or control. The CHF Program also provides policy and guidance to bureaus that use the fund to conduct CERCLA response actions. This guidance provides instructions for collecting and managing financial data for preparing future cost recovery claims and evaluation of project management activities.

Authorized Use of CHF Funds

The expenditure of CHF funds is limited to response actions, and associated activities, undertaken pursuant to CERCLA to respond to the release or threatened release of hazardous substances, pollutants, or contaminants on, from, or affecting land under, or adjacent to land under the jurisdiction, custody, or control of the Department or any of its offices or bureaus. CHF funds also are available for the Department's use in the development and implementation of the CHF CERCLA response and enforcement program. Activities for which CHF funds are expended shall be conducted in a manner not inconsistent with the NCP. Bureaus may only use

Central Hazardous Material Fund – Financial Management and Cost Recovery Guidance

CHF funds to conduct activities authorized by allocations approved by the Deputy Assistant Secretary - Policy and International Affairs. Eligible activities include:

- Oversight of response activities addressing releases on, from, or affecting land under, or adjacent to land under the jurisdiction, custody, or control of the Department or any of its offices or bureaus. land performed by responsible parties pursuant to a CERCLA settlement agreement
- Oversight of response activities addressing releases on, from, or affecting land under, or adjacent to land under the jurisdiction, custody, or control of the Department or any of its offices or bureaus performed by other federal or state agencies
- Remedial Investigations/Feasibility Studies
- Engineering Evaluations/Cost Analyses
- Design and implementation of time critical and non-time critical removal actions, and remedial actions
- Preparation of risk assessments, approval memoranda, action memoranda, administrative records, sampling and analysis plans, proposed plans, records of decision, and other documents authorized or required by the NCP
- Operation and maintenance, monitoring of removal actions, remedial actions, and institutional controls recommended by the TRC and approved by the Deputy Assistant Secretary - Policy and International Affairs. Site-specific project management associated with oversight of remedial or removal activities
- Five-Year reviews
- Preparation and participation in project-related meetings and presentations
- Project-related enforcement activities (e.g., cost documents, administrative record, management and litigation support)
- Technical support specifically related to CERCLA response activities
- Travel associated with project-specific response activities
- Training associated with project-specific response activities

CHF funding cannot be used for early phases of the CERCLA process including, for example, a preliminary assessment (PA) or site inspection (SI). In addition, the following activities are **not** appropriate for CHF funding:

- Cleanup of substances not defined as hazardous substances, or pollutants or contaminants under CERCLA, including releases that fall within the petroleum exclusion, solid waste, or other wastes that do not include CERCLA hazardous substances
- Clean-up of releases not on or adjacent to land under the Department's jurisdiction, custody, or control (e.g. releases on private property, property managed by other federal or state agencies, and tribal trust lands) except where such releases may migrate onto or otherwise adversely affect land or resources under the Department's jurisdiction, custody, or control
- Investigations and cleanups on Formerly Used Defense Sites (FUDS)
- Conducting compliance assessments
- Emergency responses

- Natural Resource Damage Assessment and Restoration activities
- Facility maintenance and operations not related to responding to the release or threatened release of a CERCLA hazardous substance, or pollutant or contaminant
- Payments of fines, penalties, settlements, and judgments resolving claims against the Department or its Bureaus
- Conference fees that do not relate directly to the project
- General training that does not directly benefit the project
- Labor costs not directly related to authorized project activities

Bureau representatives and site/project managers are encouraged to use sound management practices in assessing whether costs should be charged to CHF accounts. Any questions concerning whether CHF funding can be used for a specific activity or material cost should be directed to OEPC's CHF Program Coordinator. The CHF Program Coordinator will conduct periodic internal control reviews to ensure proper use of CHF funds in accordance with the CHF internal control review plan.

II. FUND MANAGEMENT

Proper management of the CHF ensures that resources are used as intended at the CERCLA sites that the Department has identified as its highest priorities for cleanup. By conducting management reviews, limiting funds to site-specific objectives, and reporting fund expenditures, OEPC can ensure accountability to senior management, Congress, and the taxpayer.

Responsibilities:

1. Office of Environmental Policy and Compliance (OEPC):
 - a. Provides policy and guidance for the use of CHF funds and cost recovery
 - b. Manages the CHF appropriated funds
 - c. Manages funds recovered from responsible parties
 - d. Ensures integrity and accountability in expenditures of CHF funds
 - e. Provides support in cost recovery settlements and litigation
 - f. Provides technical assistance to bureaus conducting and overseeing response actions
 - g. Assists in overseeing and reviewing CHF project nomination packages
 - h. Conducts internal control reviews of CHF sites
 - i. Assigns a CHF Program Coordinator as the point of contact for CHF issues
 - j. Chairs the Technical Review Committee
2. Office of the Solicitor (SOL), Environmental Compliance and Response Branch (or Regional SOL Offices as determined by the Solicitor). Duties are to be consistent with delegation of responsibilities detailed in 207DM7:
 - a. Advises bureaus and the Department to ensure that response actions are conducted in a manner consistent with CERCLA, the NCP, and Department policy
 - b. Reviews CHF project nomination claims to ensure NCP compliance

- c. Oversees potentially responsible party (PRP) investigations and the initiation of enforcement activities at CHF-funded sites
 - d. Develops and implements cost recovery/enforcement plans for CHF-funded sites
 - e. Represents the bureaus and the Department in negotiating agreements and settlements with PRPs and agreements with other federal and state agencies
 - f. Represents the bureaus and the Department, and coordinates with the Department of Justice in cost recovery settlement negotiations and litigation
3. Technical Review Committee (TRC):
- a. Provides technical review of CHF project nomination packages and on-going CHF projects; ensures that sound technical approaches are undertaken at each CHF project, and prioritizes projects
 - b. Provides recommendations to the Deputy Assistant Secretary - Policy and International Affairs regarding allocation of CHF funds among bureaus and offices for designated projects
 - c. Assists in policy and guidance development for the CHF Program
 - d. Coordinates implementation of CHF policy and guidance with representative's bureau
4. Bureau Headquarters TRC Representative:
- a. Coordinates data/budget requests between the bureau staff and OEPC
 - b. Provides CHF financial management oversight within their bureau, including the monitoring of expenditures
 - c. Reviews project nominations for completeness and cost estimate accuracy
 - d. Ensures all bureau CHF projects use the CHF Cost Tracking Application, or equivalent, to provide timely cost data
 - e. Coordinates, as requested by SOL, on cost recovery/enforcement strategies, development of cost documentation claims, and settlement agreements at CHF sites on bureau-managed land
 - f. Provides guidance to bureau site/project managers for bureau-specific requirements
5. Site/Project Manager:
- a. Responsible for the management of response action activities at the CHF site. Develops the response action schedule, cost-to-complete estimates, and ensures appropriate resources are utilized for an efficient, cost effective cleanup
 - b. Submits annual project nomination packages for TRC consideration on new or on-going projects
 - c. Utilizes the bureau's financial management system to track project costs within the bureau's accounting structure
 - d. Ensures that bureau project personnel utilize the CHF Cost Tracking Application, or equivalent, to prepare project activity logs, and track travel, contract, and other project-related expenditures to facilitate development of cost documentation claims
 - e. Maintains cost documentation indefinitely to support cost recovery efforts.

- f. Ensures CHF funds are spent in accordance with CHF guidance and the project nomination package requesting funds. Funds not spent in accordance with the plan may require the bureau to return those funds to the CHF
6. National Business Center (NBC):
 - a. Manages the CHF financial account within the Department's Financial and Business Management System (FBMS), Federal Financial System (FFS), or other equivalent system
 - b. Transfers funds from CHF parent accounts (appropriated and recovered) to bureaus' CHF accounts as directed by OEPC
 - c. Records appropriations and costs recovered into the appropriate CHF parent accounts
 - d. Generates financial reports for OEPC

Budgeting

Annual funding requests for CHF projects are submitted by the bureaus to the TRC for review in the form of project nomination packages. CHF project nominations must include cost-to-complete estimates for each project. Estimates should comply with the requirements outlined in the annual nomination request letter. The SOL and bureaus also provide annual recovered funds projections by project. These projections are due to OEPC's CHF Program Coordinator at the same time that nomination packages are due. The cost-to-complete estimates and the recovered funds projections provide the basis upon which OEPC calculates future year, CHF program budget requests. Bureaus should also provide estimates of costs avoided under settlement agreements with PRPs, when possible, for OEPC records.

Distribution of Funds

The TRC reviews the annual CHF project nomination packages and recommends an annual funding amount based on project needs, project prioritization, effective project management, and available funds. Site/project managers and bureau representatives are consulted during the nomination review process to determine if effective management practices are being implemented and to clarify any questions regarding the project needs.

The TRC provides funding recommendations categorized by bureau and project to the Deputy Assistant Secretary - Policy and International Affairs. Upon approval, funds are transferred from the CHF parent account to the bureaus' CHF child accounts as funds are available.

At sites for which settlement agreements provide advance funding for CHF projects from PRPs, these funds are deposited and maintained in site-specific accounts and in accordance with the terms of the settlement agreement; however, the responsible bureau must still provide a nomination package for the project to receive the funds.

Transfer of Funds within Bureaus

A bureau will occasionally request authorization to transfer funds between previously CHF funded projects. In these circumstances, the bureau must submit a transfer request to OEPC detailing the need for the transfer and use of funds. OEPC can authorize such intra-bureau transfers up to \$100,000 per project annually without the review and recommendation of the TRC. For transfers exceeding \$100,000, the TRC will review and provide recommendation prior to OEPC approval. Approval of intra-bureau transfers rests with the OEPC Director. Notification of all approved transfers will be made to the TRC.

CHF Financial Account Structure

The NBC manages the CHF financial accounts in FBMS. The CHF parent financial account has two subaccounts as defined below:

- CH – Appropriations
- CP – Recovered Funds

Each bureau and office maintains a CHF child account for appropriated (CH) and recovered (CP) funds. CHF funds, are transferred from one or both of the parent subaccounts (CH, CP) to the bureaus' child accounts as directed by OEPC upon approval by the Deputy Assistant Secretary - Policy and International Affairs.

Bureaus maintain different project account structures within their financial tracking systems. Each CHF project should have an independent project account structure to track available budget and expenditures. Bureaus transfer approved funding amounts from the bureau's CHF child account to project-specific accounts to establish a functional budget.

To facilitate the cost documentation and recovery process, bureaus must track CHF expenditures to a common work-breakdown structure that parallels activities that are outlined in the NCP or otherwise fall within the definition of a CERCLA response action. The common work-breakdown structure will include three phases of response action activities including: 1) Management (e.g. contract management, cost documentation, administrative record file management), 2) Studies (e.g., remedial investigation, feasibility study, engineering evaluation / cost analysis, remedial design) and 3) Implementation (e.g., remedy construction, operations and maintenance). Because most bureaus' financial management systems are not designed to allow for tracking below the project level, project personnel must track CHF project expenditures at a more detailed level utilizing a cost tracking application outside of their bureau's time card systems and financial tracking systems (see *Cost Tracking* below).

III. PROJECT FINANCIAL MANAGEMENT

Bureau management is responsible for ensuring that CHF funds are allocated to the specific project account approved by the Deputy Assistant Secretary – Policy and International Affairs. Project managers and the bureau's TRC representative are responsible for ensuring that funds are spent in accordance with the work proposed in the project nomination package. Bureaus and

OEPC will monitor expenditure rates by reviewing quarterly reports (*see Reporting below*). Concerns will be reported to OEPC's CHF Program Coordinator.

Project managers, and others who directly support a project, are responsible for tracking and documenting projects costs incurred including, direct labor costs. Project managers and the bureau's TRC representative are responsible for ensuring that project costs are being tracked according to this guidance.

Reporting

Bureaus must report on the status of funding to the CHF Program Coordinator quarterly. The report should detail by project the expenditure by budget object class and amount of available funding. The report should include, at a minimum, the bureau, project site, amount allocated for the year, amount obligated/expended for the quarter by cost element, total amount obligated/expended for the year by cost element, and current available fund balance. Reports may be emailed in MS Excel format. A template is available in the appendix of this document; an electronic version can be found at the DOI intranet website under OEPC/ECLM.

Bureaus may request site-specific reporting exemptions on a case-by-case basis from OEPC (e.g., for a project that is on hold or where there is no activity at a site). All requests must be in writing and approved by the CHF Program Coordinator.

Bureaus must also respond to data calls and additional reporting requirements that are requested by other departmental offices on budget execution regarding CHF funds.

Cost Tracking

Work proposed and executed for CHF projects should follow a common work-breakdown structure that identifies the response action phase of the work and the CERCLA task performed. Appropriate phases include:

- Management
- Study
- Implementation

Applicable CERCLA tasks for the associated phase are presented below:

- Management – Contracts, Enforcement Activities, Community/Public Relations, Administrative Record, or Training
- Studies – Remedial Investigation, Feasibility Study, Human Health Risk Assessment, Ecological Risk Assessment, Engineering Evaluation/Cost Analysis, Proposed Plan/Record of Decision, Remedial Design, or Training
- Implementation – Interim Action, Remedial Action, Long-term Monitoring, Operations and Maintenance, or Training

Bureaus should establish a project account structure that includes the project (highest level), phase (second level), and task (third level) in the financial management system. Costs expended should be reported by phase, task, and cost element (i.e., labor, travel, contracts, equipment, other). However, not all of the bureau's financial management systems allow projects to be tracked by the work-breakdown structure described above. Therefore, at a minimum, CHF projects will track project expenditures by the cost elements (i.e., labor, travel, contracts, equipment, other). OEPC and bureau staff will review the quarterly expenditure reports for appropriate use of CHF funding and to assess the adequacy of the resources utilized.

OEPC has developed an application to assist in tracking CHF costs by the response action phase and cost element. The CHF Cost Tracking Application is web-based for access through the Department's intranet. A stand-alone application is also available for sites without intranet access. Sites without intranet access must have MS Access to use the application. The application will allow cost documents (such as travel vouchers, paid invoices) to be scanned and maintained electronically. The application can also generate cost documentation reports.

All CHF-funded sites must use this application, or an equivalent. At a minimum, CHF sites will track CHF project expenditures by cost elements (i.e., labor, travel, contracts, and equipment, other). Projects managed at locations without MS Access can request an OEPC-formatted MS Excel spreadsheet to track costs.

The following describes the cost elements:

Labor: Bureau timekeeping systems should be designed to track labor costs by project, phase and task, if possible. Labor costs should include personnel, hours, associated costs, and date (or pay period). For bureaus that do not have a timekeeping system that allows project costs to be tracked at the phase and task levels, personnel working on CHF projects should document their time in the CHF Cost Tracking Application that can track project costs at the phase and task level and includes a Personnel Activity Log. Personnel labor reports can be generated from the CHF Cost Tracking Application to support cost documentation. Supporting labor documentation in an electronic format, such as a scanned or electronic time card or time system report, can be attached to the application, maintained in the database, and reports generated to support cost recovery documentation.

Labor hours associated with training can be charged to a CHF account if the training is required for the person to conduct response action activities. Training that is mandatory or required by federal/state laws or regulations is an appropriate use of CHF funding. Such training includes, but is not limited to, Hazardous Waste Operations and Emergency Response (HAZWOPER) initial and refresher training, On Scene Coordinator/Remedial Project Manager (OSC/RPM) training, federal/state required safety training, and site-specific training (Health and Safety, composite sampling, etc.). Bureau-mandated personnel or other training should not be charged to the CHF fund. Supervisory training may be charged to CHF, if it relates directly to duties at the CHF site (i.e. site supervisor training); however, bureau headquarters staff would not be eligible. All training authorizations and vouchers should be collected quarterly. These files will be maintained indefinitely to support CHF cost recovery efforts, where applicable, or for a minimum of five years.

Site/project managers should also obtain the Labor Cost Detail Report (or comparable report) from FBMS (or comparable system) on a quarterly basis (at a minimum), and reconcile the personnel activity log of hours worked with the labor hours recorded in FBMS. Adjustments should be made accordingly. The reconciled FBMS Labor Cost Detail Report should be maintained in the project financial file to support the CHF cost recovery claims, where applicable, or for a minimum of five years.

Travel: On a quarterly basis (at a minimum), the site/project manager will collect, and track all travel authorizations (TAs) and corresponding travel vouchers (TVs) associated with the project. All TAs/TVs must be signed and approved by a designated official and show the amount of payment. These files will be maintained indefinitely to support CHF cost recovery claims, where applicable, or for a minimum of five years. Files may be stored electronically in the Cost Tracking Application.

The CHF Cost Tracking Application includes a Travel documentation function. Costs associated with project travel are recorded for each individual person under the appropriate phase and task, and additional descriptive notes can be added. Electronic versions of travel documents (i.e., scanned signed TAs and TVs) can be attached to the application, maintained in the database, and printed to support cost recovery documentation.

Site/project managers utilizing the CHF Cost Tracking Application should obtain a detailed report from FBMS (or comparable system) on a quarterly basis (at a minimum), and reconcile the travel costs recorded in the application with the travel costs recorded in FBMS. Adjustments should be made accordingly. The reconciled FBMS report should be maintained in the project financial file to support the CHF cost recovery claims, where applicable, or for a minimum of five years.

Contracts: CHF projects that use contract support to accomplish response activities must document these costs. Data should include the contract number and amount, contract modifications (numbers and amounts), invoices (number and amounts), payment documents, and status reports (e.g. monthly reports) prepared by the contractor (redacted when necessary to protect confidential or privileged information).

Some CHF projects use cooperative agreements such as inter or intra-agency agreements, and reimbursable support agreements to acquire specialized services. CHF site/project manager will ensure that all agreement documents are recorded and filed. These include executed agreements numbers and amounts with any modifications or amendments, billings or drawdown vouchers, and evidence of payment.

Contract and agreement documentation should consist of one of each document type, i.e., duplication of documents for each transaction is not necessary. These documents will be maintained in the project contract files indefinitely to support CHF cost recovery efforts, where applicable, or for a minimum of five years after the completion of the contract.

The CHF Cost Tracking Application includes a Contracts documentation function. Contractual agreements (numbers and amounts) are documented under the appropriate phase and task, and additional descriptive notes can be added. As invoices are approved and/or payments made, the site/project manager can record the invoiced or paid amount associated with the defined agreement. The application will track the remaining obligation. Electronic versions of contract documents (i.e., scanned agreements, invoices) can be attached to the application, maintained in the database, and printed to support cost recovery documentation.

Site/project managers utilizing the CHF Cost Tracking Application should obtain a detailed report from FBMS (or comparable system) on a quarterly basis (at a minimum), and reconcile contract payments recorded in the application with payments recorded in FBMS. Adjustments should be made accordingly. The reconciled FBMS report should be maintained in the project financial file to support the CHF cost recovery claims, where applicable, or for a minimum of five years.

Equipment and Purchases/Expendables: Purchase orders associated with equipment and material purchases made during the conduct of the response action should be recorded and filed quarterly (at a minimum). This includes a copy of the purchase order with a description of the work/items purchased, approved invoices, evidence of payment, and the specific activities or purposes for which the equipment was or will be used. Additionally, miscellaneous expenses charged to the CHF project must be recorded and filed. Miscellaneous expense documentation includes, but is not limited to, government charge card statements, Federal Express air bills, telephone billing statements and vehicle expenses. Equipment and materials expense documents will be maintained in the project files indefinitely to support CHF cost recovery efforts, where applicable, or for a minimum of five years after the completion of the purchase order. Bureaus must ensure that all equipment is properly recorded in the bureau's property management system and submit a disposition summary of equipment purchased with CHF funds to OEPC at the end of a project.

The CHF Cost Tracking Application includes an Equipment and Purchases / Expendables documentation function. Purchase orders (numbers and amounts) or receipts are captured under the appropriate phase and task, and additional descriptive notes can be added. As invoices are approved and/or payments made, the site/project manager can record the invoiced or paid amount associated with the equipment or materials. Electronic versions of purchase orders or payment documents (e.g., scanned receipts) can be attached to the application, maintained in the database, and printed to support cost recovery documentation.

Reconciliation

Site/project managers must at a minimum reconcile the tracked costs against the bureau-specific accounting system prior to generating cost documentation claims to ensure financial accountability. OEPC recommends that CHF sites reconcile the tracked costs quarterly, at a minimum, to avoid accounting discrepancies.

On an on-going basis, CHF site/project managers using the CHF Cost Tracking Application will obtain a detailed report from FBMS (or comparable system) and reconcile the equipment and

materials costs tracked in the application with the costs recorded in FBMS. Reconciled FBMS reports will be maintained indefinitely to support CHF cost recovery efforts, where applicable, or for a minimum of five years.

IV. COST DOCUMENTATION

The Department's policy, as stated in the Departmental Manual (518 DM 2.4), is to "aggressively pursue potentially responsible parties" (PRPs) to require them to clean up contamination on Department-managed land (i.e. cost avoidance) or to recover from them response costs incurred by the Department (i.e. cost recovery).

By law, funds recovered from or paid by a PRP in advance of or as reimbursement of response costs incurred by the Department pursuant to CERCLA shall be credited to the CHF and be available until expended. Cost recovery and avoidance preserves the CHF and enhances the Department's ability to clean up Department-managed lands. Agreements with PRPs that provide for the recovery of response costs from, or the performance of response action by, PRPs enable the Department to use its limited resources at CHF sites that do not have viable PRPs.

Cost Recovery/Avoidance Plans

Projects receiving CHF funds must conduct a PRP search early within the response action to identify and determine the viability of PRPs. Attorneys in SOL will work with the project teams to identify and pursue cost recovery/avoidance opportunities. At such sites, a Cost Recovery/Avoidance Plan must be developed that describes the strategy the bureau and SOL will implement to recover or avoid costs, including procedures for capturing and retaining appropriate cost data.

When suitable opportunities are presented, the SOL will negotiate agreements with PRPs for the performance of response actions subject to bureau oversight and approval. If response actions are necessary or appropriate prior to negotiating cost avoidance agreements, then the SOL will seek recovery of such response costs after they are incurred by the bureau. The SOL will also determine when coordination with the Department of Justice is appropriate and will be responsible for maintaining such coordination.

Cost Documentation Requirements

The NCP requires that "[d]uring all phases of response, the lead agency shall complete and maintain documentation to support all actions taken under the NCP and to form the basis for cost recovery" (40 CFR § 300.160(a)(1)). CHF projects vary in complexity, and some CHF projects will not present cost recovery/avoidance opportunities. Nevertheless, all CHF projects must be managed at a level of detail, and documentation must be compiled and maintained, that readily demonstrates that activities for which CHF funds are spent are consistent with the NCP. To meet this objective, CHF project expenditures should be tracked by response action phase and cost elements (i.e., labor, travel, contracts, equipment, other) for easy reporting as described above. At a minimum, CHF sites will track CHF project expenditures by cost elements.

Cost Documentation Claim Format:

Individuals involved with CHF projects should use the following formats found in the Cost Tracking Application to report CHF expenditures:

- Summary Cost Report: Indicate the total costs incurred including both direct and indirect costs and which categories have detailed reports attached.
- Labor Report: A report of labor costs by person detailing dates and hours worked. Personnel Activity Logs (or equivalent) will provide backup documentation on persons, dates and hours spent (and associated costs) on response action activities for the reporting period.
- Travel Report: Report expenses for CHF project-related travel for the reporting period. Attach backup documentation, such as copies of travel vouchers.
- Contractor Expense Report: A summary and associated detailed reports of total contractor costs by vendor for the reporting period. Attach backup documentation, such as copies of contracts, statements of work, invoices, evidence of payment, and monthly or periodic contractor progress reports.
- Equipment and Purchases/Expendables Report: Report expenses for equipment, purchases, and expendables purchased for response action activities during the reporting period. Attach backup documentation, such as purchase orders, invoices, and proofs of payment.

These expenditures must then be reconciled through a comparison of documented spending in reports from financial, payroll, travel and contracts database systems. Review of the reports should ensure that the correct costs have been charged to the correct project and for appropriate activities. If any costs were recorded incorrectly, the appropriate corrections must be made in the financial systems or the forms reporting costs.

Recovered Costs

Response costs recovered from a PRP must be placed in the CHF collections account. Funds recovered as reimbursement of past expenses can be applied to other CHF sites. Funds recovered for future expenses are managed in site-specific accounts established for the applicable site until all response action activities are completed at the site.

INTERNAL CONTROLS

The Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*, OMB Circular A-123, *Management and Accountability Controls*, and DOI's "Program Manager's Guide to Risk Management and Internal Controls" requires the Department to ensure that administrative and management controls are in place for Department programs. As such, OEPC personnel are required to conduct periodic reviews of CHF projects

and bureaus' CHF programs. These reviews will be coordinated with bureau representatives at the beginning of the fiscal year and will comply with the CHF Internal Control Review Plan. The objective of CHF Internal Control Reviews is to ensure that appropriate policies, procedures and applications are available and implemented to meet the CHF program's objectives.

Reviewers assess high risk areas that could affect employees, projects, the program, and/or the public. OEPC submits reports detailing findings and observations identified during reviews to the corresponding bureaus. Bureaus submit corrective action plans to OEPC within 30 days of being notified of findings. Corrective action plans include timelines and processes bureaus have developed to remedy findings. Observations are best management practices that do not have to be incorporated in corrective action plans. OEPC reviews the status of open findings on a quarterly basis. OEPC will close findings upon receipt of documentation that findings have been sufficiently addressed to reduce the likelihood of negative impact to employees, the project, the program, and/or the public.

Feedback

OEPC encourages continuous improvement practices. If you have recommendations to improve the CHF financial management and cost avoidance/recovery process, please provide them to your bureau's TRC representative who will then forward them to the OEPC CHF Program Coordinator.

Appendix 1 –Acronym List

CERCLA - Comprehensive Environmental Response, Compensation and Liability Act of 1980

CHF - Central Hazardous Materials Fund

CH – CHF Appropriations Funds

CP – CHF Recoveries from Responsible Parties

EO - Executive Order

EPA - Environmental Protection Agency

FBMS - Financial and Business Management System

FFS – Federal Financial System

FUDS – Formerly Used Defense Site

MS - Microsoft

NBC - National Business Center

NCP - National Oil and Hazardous Substances Pollution Contingency Plan

OEPC - Office of Environmental Policy and Compliance

OMB - Office of Management and Budget

PA - preliminary assessment

PRP - potentially responsible party

RSA - reimbursable support agreement

SI - Site Inspection

SOL - Office of the Solicitor

TA - travel authorization

TRC - Technical Review Committee

TV - travel voucher