



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

January 25, 2022

MEMORANDUM

SUBJECT: Notification of Audits:
EPA's Fiscal Years 2021 and 2020 Federal Insecticide, Fungicide, and Rodenticide Act
and Pesticide Registration Improvement Act Financial Statements
Project Nos. OA-FY22-0067 and OA-FY22-0066

FROM: Damon Jackson, Director
Financial Directorate
Office of Audit

TO: Faisal Amin, Chief Financial Officer

Michal Ilana Freedhoff, Assistant Administrator
Office of Chemical Safety and Pollution Prevention

DAMON JACKSON
Digitally signed by DAMON JACKSON
Date: 2022.01.25 14:58:07 -05'00'

The Office of Inspector General for the U.S. Environmental Protection Agency plans to begin our required audits of the EPA's fiscal years 2021 and 2020 financial statements for the Pesticide Reregistration and Expedited Processing Fund, which is known as the Federal Insecticide, Fungicide, and Rodenticide Act, or FIFRA, Fund, and the Pesticide Registration Improvement Act, or PRIA, Fund. These audits are part of the OIG's [oversight plan](#) for FY 2022 and are statutorily required by these Acts. These audits also address the following FY 2022 [top management challenge](#) for the Agency: managing infrastructure funding and business operations.

The purpose of this memorandum is to confirm our mutual understanding of the audits' objectives and scope, as well as the Agency's and OIG's responsibilities during the project. Attachment 1, "Audit Expectations," provides more details about our respective responsibilities. Please provide the requested information noted in Attachment 2, "List of Deliverables," within two weeks of the date of this notification memorandum or by the date indicated in Attachment 3, "Key Milestones." Attachment 3 highlights critical dates that must be met to complete these audits in a timely manner and to prevent delays once the FY 2022 EPA financial statement audit begins in the spring.

We are conducting these audits to express an opinion on the financial statements for the FIFRA and PRIA Funds. Our objectives are to determine whether:

1. The financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. The EPA's internal control over financial reporting is in place.
3. The EPA's management has complied with applicable laws and regulations.

We will contact the appropriate personnel to arrange a mutually agreeable time for the entrance conference to discuss the objectives and purpose of our audits. We would also be particularly interested in any areas of concern that you may have. We will answer any questions that you may have about the audit process, reporting procedures, methods used to gather and analyze data, and expectations that we should have of each other during the audits. Throughout the audits, we will provide updates on a regular basis.

We expect that our audit work will involve all EPA finance centers, as well as other financial and program offices at EPA headquarters and in the EPA regions, as needed. Audit work will be performed remotely until the mandatory telework caused by the coronavirus pandemic ends and the staff members return to their offices. Even after most EPA offices reopen to staff, we expect to conduct most of our work remotely; however, if we need to perform any on-site work, we will coordinate with the relevant offices. We may also contact offices at which we do not plan to perform on-site work to obtain information needed for our audit.

We evaluated the EPA's internal control over financial reporting when we conducted the FYs 2021 and 2020 (restated) consolidated financial statement audit. We may perform additional tests of controls and accounts of the EPA's FIFRA and PRIA Funds financial statements. In conducting our risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, not to express an opinion on the effectiveness of the entity's internal control. However, we will communicate in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audits.

We respectfully note that the OIG is authorized by the Inspector General Act of 1978, as amended, to have timely access to personnel and all materials necessary to complete its objectives. Similarly, EPA Manual 6500, *Functions and Activities of the Office of Inspector General* (1994), requires that each EPA employee cooperate with and fully disclose information to the OIG. Also, Administrator Michael S. Regan, in an April 28, 2021 email message to EPA employees, conveyed his "expectation that EPA personnel provide OIG timely access to records or other information" and observed that "full cooperation with the OIG is in the best interest of the public we serve." We will request that you immediately resolve the situation if an Agency employee or contractor refuses to provide requested materials to or otherwise fails to cooperate with the OIG. We may report unresolved access matters to the administrator and include the incident in the *Semiannual Report to Congress*.

We will post this memorandum on our public website at www.epa.gov/oig.

Attachments (3)

cc: Janet McCabe, Deputy Administrator
Dan Utech, Chief of Staff, Office of the Administrator
Wesley J. Carpenter, Deputy Chief of Staff, Office of the Administrator
Jake Li, Deputy Assistant Administrator for Chemical Safety and Pollution Prevention
Jennie Romer, Deputy Assistant Administrator for Pollution Prevention, Office of Chemical Safety and Pollution Prevention
Richard Keigwin, Deputy Assistant Administrator for Management, Office of Chemical Safety and Pollution Prevention
Tom Tyler, Chief of Staff, Office of Chemical Safety and Pollution Prevention

Catie Diaz, Special Assistant, Office of Chemical Safety and Pollution Prevention
 Janet Weiner, Senior Audit Advisor, Office of Chemical Safety and Pollution Prevention
 Edward Messina, Acting Director, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Michael Goodis, Acting Deputy Director for Programs, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Arnold Layne, Deputy Director for Management, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Anita Pease, Director, Antimicrobials Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Kimberly Nesci, Director, Biological and Economic Analysis Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Charles Smith, Acting Director, Biopesticides and Pollution Prevention, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Jan Matuszko, Acting Director, Environmental Fate and Effects Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Dana Vogel, Director, Health Effect Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Elissa Reaves, Division Director, Pesticide Re-Evaluation Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Marietta Echeverria, Acting Division Director, Registration Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Delores Barber, Director, Information Technology and Resource Management Division, Office of Program Support, Office of Chemical Safety and Pollution Prevention
 Hamaad Syed, Deputy Director, Information Technology and Resource Management Division, Office of Program Support, Office of Chemical Safety and Pollution Prevention
 Brian Katz, Chief, Budget Management Branch, Information Technology and Resource Management Division, Office of Program Support, Office of Chemical Safety and Pollution Prevention
 David Bloom, Deputy Chief Financial Officer
 Carol Terris, Associate Chief Financial Officer
 Lek Kadeli, Senior Advisor, Office of the Chief Financial Officer
 Jeanne Conklin, Controller
 Meshell Jones-Peeler, Deputy Controller
 Richard Gray, Associate Deputy Controller
 Michael Clanton, Director, Office of Technology Solutions, Office of the Chief Financial Officer
 Derek David, Director, Office of Technology Solutions, Office of the Chief Financial Officer
 Maria Williams, Director, Office of Budget, Office of the Chief Financial Officer
 Angel Robinson, Deputy Director, Office of Budget, Office of the Chief Financial Officer
 Brian Webb, Director, Policy, Training and Accountability Division, Office of the Controller
 Nikki Wood, Chief, Management, Integrity and Accountability Branch; Policy, Training, and Accountability Division, Office of the Controller
 Renee Miller, Director, Business, Planning and Operations Division, Office of the Controller
 Dany Lavergne, Director, Accounting and Cost Analysis Division, Office of the Controller
 Vonda Jennette, Deputy Director, Accounting and Cost Analysis Division, Office of the Controller
 Carmelita Chadwick-Gallo, Director, Research Triangle Park Finance Center, Office of the Chief Financial Officer
 Greg Luebbering, Director, Cincinnati Finance Center, Office of the Chief Financial Officer
 Stacey Church, Chief, Fees and Collections Branch, Office of the Chief Financial Officer

Robin Drury, Special Assistant, Office of the Controller
 Sheldonna Proctor, Special Assistant, Office of the Controller
 Simranjeet Jassal, Chief, General Ledger Analysis and Reporting Branch, Office of the Controller
 Gabrielle Hanson, Team Lead, General Ledger Analysis and Reporting Branch, Office of the Controller
 Andrew Sheeran, Team Lead, General Ledger Analysis and Reporting Branch, Office of the Controller
 Andrew LeBlanc, Agency Follow-Up Coordinator
 José Kercado, Backup Agency Follow-Up Coordinator
 Cameo Smoot, Audit Follow-Up Coordinator, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Katherine Sleasman, Audit Follow-Up Coordinator, Office of Pollution Prevention and Toxics, Office of Chemical Safety and Pollution Prevention
 Alana Maye, Audit Liaison, Office of Technology Solutions, Office of the Chief Financial Officer
 Hamilton Humes, Office of Budget, Office of the Chief Financial Officer
 Lindsay Hamilton, Associate Administrator for Public Affairs
 Lance McCluney, Director, Office of Administrative and Executive Services, Office of the Administrator
 Regional Audit Follow-Up Coordinators, Regions 1–10
 Sean W. O'Donnell, Inspector General
 Charles J. Sheehan, Deputy Inspector General
 Edward S. Shields, Associate Deputy Inspector General
 Benjamin May, Counsel to the Inspector General
 Stephanie Wright, Assistant Inspector General for Management
 Kellie J. Walker, Acting Deputy Chief of Staff, Office of Inspector General
 Katherine Trimble, Assistant Inspector General for Audit
 Paul H. Bergstrand, Acting Assistant Inspector General for Special Review and Evaluation
 Marc Perez, Acting Assistant Inspector General for Investigations
 Jee Kim, Deputy Assistant Inspector General for Management
 Tom Collick, Deputy Counsel to the Inspector General
 Laura B. Nicolosi, Principal Deputy Assistant Inspector General for Audit
 Erin Barnes-Weaver, Deputy Assistant Inspector General for Evaluation
 Susan Barvenik, Associate Deputy Counsel to the Inspector General
 James Hatfield, Associate Deputy Assistant Inspector General for Audit
 Jennifer Kaplan, Deputy Assistant Inspector General for Congressional and Public Affairs
 Jeffrey Lagda, Congressional and Media Liaison, Office of Inspector General
 Lori Hoffman, Congressional and Media Liaison, Office of Inspector General
 Demetrios Papakonstantinou, Project Manager, Office of Inspector General, Office of Audit, Financial Directorate

Audit Expectations

We will audit the balance sheet of the EPA for the FIFRA and PRIA Funds as of September 30, 2021, and September 30, 2020; the related statements of net cost, changes in net position, and budgetary resources for the years then ended; and the related notes to the financial statements. We confirm our acceptance and our understanding of these audit engagements by means of this memorandum. Our audits will be conducted with the objective of our expressing an opinion on the financial statements and to determine whether:

1. The financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. The EPA's internal control structure over financial reporting related to the financial statements is in place and provides reasonable assurances that:
 - a. Financial transactions are executed in compliance with applicable laws, regulations, contracts, and grant agreements.
 - b. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
 - c. Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements.
3. The Agency has complied with laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements.
4. Reported accomplishments under applicable performance measures and goals for FIFRA are accurate.
5. The Agency complied with the decision time review period requirements for PRIA.
6. The Agency complied with specific provisions of FIFRA and PRIA.
7. The information and manner of presentation contained in the Management's Discussion and Analysis and any other accompanying information are materially consistent with the information contained in the principal statements.

Auditor's Responsibilities

We will conduct our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the comptroller general of the United States of America; and Office of Management and Budget Bulletin 21-04, *Audit Requirements for Federal Financial Statements*. The standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures that are selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with the standards.

In making our risk assessments, we consider internal control relevant to the EPA's preparation and fair presentation of the financial statements, including the EPA's Federal Managers' Financial Integrity Act of 1982 process to design audit procedures that are appropriate in the circumstances. We will not express an opinion on the effectiveness of the EPA's internal control. We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Management's Responsibilities

The financial statements are the responsibility of the EPA's management. Our audits will be conducted on the basis that the EPA's management acknowledges and understands that it has responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
3. To provide the OIG with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records documentation, and other matters.
 - b. Additional information that we may request from management for the purpose of the audit.
 - c. Unrestricted access to persons within the EPA from whom we determine it necessary to obtain audit evidence.
4. For the selection and application of the accounting policies.
5. To identify and ensure that the EPA complies with the laws, regulations, contracts, and grant agreements applicable to its activities.
6. To make sure all financial records and related information are available to us in a timely manner.

We will request that key senior managers provide us with a management representation letter at the conclusion of our fieldwork.

Reporting

We will issue written reports upon completion of our audits of the EPA's FYs 2021 and 2020 FIFRA and PRIA Funds financial statements in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the comptroller general of the United States of America; and Office of Management and Budget Bulletin 21-04, *Audit Requirements for Federal Financial Statements*.

Our reports will be addressed to EPA management. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s).

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements of our audits of the EPA's FYs 2021 and 2020 FIFRA and PRIA Funds financial statements including our respective responsibilities.

Faisal Amin
Chief Financial Officer

Date

List of Deliverables

Information needed from the Office of Pesticide Programs:

1. Detailed listings of actions for FIFRA performance measures for FY 2021.
2. Excel spreadsheets of PRIA actions due and completed in FY 2021.
3. FY 2021 reassessment count listings and supporting documentation.
4. Documentation including toxicity batching appendixes, requirements status, and registrant's responses for data call-ins.
5. Copies of any reregistration eligibility decisions, interim reregistration, eligibility decisions, and tolerance reassessment eligibility decision documents that are not available on the Office of Pesticide Programs website and signature pages of those on the website.
6. Information on the systems used to track FIFRA performance measures audits and the controls used to ensure that the data are accurate.
7. Information on the systems used to track PRIA review period compliance and the controls used to ensure that the data are accurate.
8. Draft *Federal Register* notice on FY 2021 pesticide reregistration performance measures and goals.
9. FY 2021 FIFRA fee table & instructions to registrants for filing 2021 pesticide registration maintenance fees.
10. FY 2021 PRIA fee schedule tables or the website to view the FY 2021 PRIA fee schedule tables.
11. FY 2021 Pesticide Registration Maintenance Fee Filing Form (from the Office of Pesticide Programs) (FIFRA).
12. FY 2021 registration form with the action code (PRIA).
13. Documentation for OIG samples. The OIG will provide sample listings. Documentation shall include:
 - Product cancellations in the OIG sample.
 - All files requested for PRIA actions in the OIG sample.
 - All files requested for FIFRA performance actions in the OIG sample.
 - Support for collection samples, which could include items such as registration/reregistration applications or forms, letters with the fees, or decision review codes.

Information needed from the Office of the Chief Financial Officer:

1. FY 2021 FIFRA financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final).
2. FY 2021 PRIA financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final).
3. FIFRA and PRIA collection documentation for the last five days of FY 2021.
4. FIFRA and PRIA collection documentation for the first five days of FY 2022.
5. Overview of the FIFRA and PRIA collection process.
6. Overview of the FIFRA and PRIA Fund Balance with Treasury process.
7. FY 2021 FIFRA and PRIA statement of transactions, monthly suspense reports, and cash reconciliation reports. (The OIG will request months needed only if the support was not provided during the FY 2021 consolidated financial statement audit.)
8. FY 2021 FIFRA and PRIA identification code in the Datamart payroll file covering Pay Periods 1–26 (October 1, 2020, through September 30, 2021).
9. Listing of FY 2021 Pay Period 26 annual leave and compensatory time balances for FIFRA and PRIA employees that shows each employee's identification, name, base rate, and hours under annual leave and compensatory time.
10. Methodology developed on the computation of accruals for FIFRA and PRIA employees and unfunded annual leave for FIFRA and PRIA employees.
11. Documentation for OIG samples (the OIG-provided sample listings), to include:
 - Source documentation for obligations, disbursements, and journal voucher and standard voucher samples.
 - FIFRA and PRIA collection files with payment data (copies of checks, electronic payments, or other payment data) for collection samples.
 - Support for collection samples, which could include items such as correction sheets, refund requests, schedule of collections, and collection logs.
12. Management representation letter.

Note: This is not an all-inclusive list. Additional documentation may be requested during the audit, as needed.

Key Milestones

To ensure the success and timely completion of these audits, please see the key milestones below.

Milestones	Date or timeline	Responsible party
Entrance conference	At least 15 business days after notification memorandum issuance date	All
Draft financial statements and footnotes, including support, and Management's Discussion and Analysis <i>Note: All Agency adjustments are to be included in the draft. No additional adjustments are allowed except from the schedule of audit differences.</i>	No later than 10 business days after notification memorandum issuance date*	Office of the Chief Financial Officer**
Final financial statements and footnotes, including support, and Management's Discussion and Analysis	Three business days after receipt of schedule of audit differences*	Office of the Chief Financial Officer**
Management representation letter	Five business days after final financial statements are provided to the OIG*	Office of the Chief Financial Officer**

* To be provided by close of business or before.

** The Office of the Chief Financial Officer to coordinate with the Office of Pesticide Programs.