



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

OFFICE OF
INSPECTOR GENERAL

January 25, 2022

MEMORANDUM

SUBJECT: Notification of Audit:
EPA's Fiscal Years 2020 and 2019 Toxic Substances Control Act Service Fee Fund
Financial Statements
Project No. OA-FY21-0349

FROM: Damon Jackson, Director
Financial Directorate
Office of Audit

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

TO: Faisal Amin, Chief Financial Officer

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

The Office of Inspector General for the U.S. Environmental Protection Agency plans to begin our required audit of the EPA's fiscal years 2020 and 2019 financial statements for the Toxic Substances Control Act, or TSCA, Service Fee Fund. This audit is part of the OIG's [oversight plan](#) for FY 2022 and is statutorily required by the Frank R. Lautenberg Chemical Safety for the 21st Century Act. This audit also addresses 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 audit's 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 this audit in a timely manner and to prevent delays once the FY 2022 EPA financial statement audit begins in the spring.

We are conducting this audit to express an opinion on the financial statements for the TSCA Service Fee Fund. 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 audit. 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 audit. Throughout the audit, 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 TSCA Service Fee Fund 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 audit.

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 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

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
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
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
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
Jake Li, Deputy Assistant Administrator, Office of 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
Delores Barber, Director, Information Technology and Resources Management Division, Office of
Program Support, Office of Chemical Safety and Pollution Prevention
Hayley Hughes, Acting Director, Office of Science Coordination and Policy, Office of Program
Support, Office of Chemical Safety and Pollution Prevention
Hamaad Syed, Deputy Director, Information Technology and Resources Management Division,
Office of Program Support
Brian Katz, Chief, Budget Planning and Performance Assessment Branch, Information Technology
and Resources Management Division, Office of Program Support, Office of Chemical Safety
and Pollution Prevention
Mark Hartman, Deputy Director, Office of Pollution Prevention and Toxics, Office of Chemical
Safety and Pollution Prevention
Tala Henry, Deputy Director, Office of Pollution Prevention and Toxics, Office of Chemical Safety
and Pollution Prevention
Susanna Blair, Special Assistant, Office of Pollution Prevention and Toxics, Office of Chemical
Safety and Pollution Prevention
Pam Myrick, Director, Project Management and Operations Division, Office of Pollution
Prevention and Toxics, Office of Chemical Safety and Pollution Prevention
Vickie Richardson, Deputy Director, Project Management and Operations Division, Office of
Pollution Prevention and Toxics, Office of Chemical Safety and Pollution Prevention
Janet Weiner, Senior Audit Advisor, Office of Chemical Safety and Pollution Prevention
Katherine Sleasman, Audit Liaison, Office of Program Support, Office of Chemical Safety and
Pollution Prevention
Andrew LeBlanc, Agency Follow-Up Coordinator

José Kercado, Backup Agency Follow-Up Coordinator
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
Claire McWilliams, Project Manager, Office of Inspector General, Office of Audit, Financial
Directorate

Audit Expectations

We will audit the balance sheet of the EPA's TSCA Service Fee Fund as of September 30, 2020, and September 30, 2019; 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 this audit engagement by means of this memorandum. Our audit 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. The Agency complied with specific provisions of the Frank R. Lautenberg Chemical Safety for the 21st Century Act.
5. 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.

The Frank R. Lautenberg Chemical Safety for the 21st Century Act requires the annual audit of the financial statements also include an analysis of:

1. The fees collected and amounts disbursed.
2. The reasonableness of the fees in place as of the date of the audit to meet current and projected costs of administering the provisions of the law.
3. The number of requests for a risk evaluation made by manufacturers.

Auditor's Responsibilities

We will conduct our audit 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 audit 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 a written report upon completion of our audit of the EPA's FYs 2020 and 2019 TSCA Service Fee Fund 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 report 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 audit of the EPA's FYs 2020 and 2019 TSCA Service Fee Fund financial statements including our respective responsibilities.

Faisal Amin
Chief Financial Officer

Date

List of Deliverables

Information needed from the Office of the Chief Financial Officer:

1. FYs 2020 and 2019 TSCA Service Fee Fund financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final).
2. Methodology for the computation of:
 - a. Income and expenses from other appropriations.
 - b. Accruals and unfunded annual leave for employees.
3. Overview of the TSCA Service Fee Fund collection process.
4. Management representation letter.

Information needed from the Office of Chemical Safety and Pollution Prevention:

1. List of programs and financial databases and other resources used to implement and maintain the TSCA Service Fee Fund.
2. List of new contracts, interagency agreements, and grants entered into to maintain and support TSCA Service Fee Fund activities, as well as any supporting documentation.
3. Statements of work under existing contracts for any new task orders or work assignments entered during FY 2020.
4. Management-identified internal controls over the TSCA Service Fee Fund.
5. List of all employees working on the implementation and maintenance of the TSCA Service Fee Fund during FY 2020. This list should include all employees from any office that charged the TSCA Service Fee Fund during FY 2020.
6. List of disbursements (all costs incurred) for the implementation and maintenance of the TSCA Service Fee Fund using other appropriated funds (excluding the BT fund code) during FY 2020, including the purpose of use and source of funding.
7. Fees collected and disbursed during FY 2020.
8. Fee structure in place in FY 2020 and the methodology for determining fee rates.
9. Costs as of September 30, 2020, and projected costs for administering the provisions of the law.
10. List of requests for a risk evaluation made by manufacturers under section 2605(b)(4)(C)(ii) of the Frank R. Lautenberg Chemical Safety for the 21st Century Act.
11. All TSCA Service Fee Fund biennial reports (required by the Frank R. Lautenberg Chemical Safety for the 21st Century Act) prepared and submitted to Congress during FY 2020.

Note: This is not 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 Chemical Safety and Pollution Prevention.