



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

OFFICE OF  
INSPECTOR GENERAL

May 7, 2015

**MEMORANDUM**

**SUBJECT:** Project Notification:  
Audit of EPA's Fiscal Year 2014 Hazardous Waste Electronic Manifest System Fund  
Financial Statements  
Project No. OA-FY15-4521

**FROM:** Paul C. Curtis, Director   
Financial Statement Audits (2422T)

**TO:** David Bloom, Acting Chief Financial Officer  
Office of the Chief Financial Officer (2710A)

Mathy Stanislaus, Assistant Administrator,  
Office of Solid Waste and Emergency Response (5101T)

The U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) plans to begin the audit of the EPA's Fiscal Year 2014 Hazardous Waste Electronic Manifest System (e-Manifest) Fund Financial Statements. This audit is statutorily required and is included in the OIG's Annual Plan.

The purpose of this memorandum is to confirm our mutual understanding on the objectives and scope for the audit, as well as responsibilities of the agency and the OIG during the project. We include more details about our respective responsibilities in Attachment 1, *Audit Expectations*. To ensure the success and timely completion of this audit, please provide us with the requested information noted in Attachment 2, *List of Deliverables*, within 2 weeks of the date of this notification memorandum.

Our audit will be conducted to express an opinion on the financial statements for the e-Manifest system fund. Our audit 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 controls over financial reporting were in place.
3. EPA management complied with applicable laws and regulations.
4. The EPA complied with EPA guidance in the development of the e-Manifest system.

Audit work will be performed at all EPA Finance Centers and at other financial and program offices in both headquarters and the regions, as needed. We will contact the offices where audit work will be performed to let them know when we will be performing audit work in their offices. For those offices where we do not plan to perform on-site work, we may contact those offices to obtain information.

We evaluated the EPA's internal controls during the consolidated financial statement audit we had conducted. We may perform additional tests of controls and accounts of the EPA's e-Manifest fund financial statements. In making 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate 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.

We will contact the appropriate personnel to arrange a mutually agreeable time for the entrance conference to discuss the objectives and purpose of our project. We are particularly interested in any areas of concern that you may have. We will answer any questions you may have about the audit process, reporting procedures, methods used to gather and analyze data, and what we should expect from each other during the course of the project.

We respectfully note that the OIG is authorized by the Inspector General Act of 1978 to have timely access to personnel and all materials necessary to complete its objectives. We will request your resolution if an agency employee or contractor refuses to provide requested records to the OIG, 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.

The project will be supervised by myself and the Project Manager will be Wanda Arrington. Any information related to the project should be addressed to Paul Curtis at (202) 566-2523 or [curtis.paul@epa.gov](mailto:curtis.paul@epa.gov), or Wanda Arrington at (202) 566-2533 or [arrington.wanda@epa.gov](mailto:arrington.wanda@epa.gov).

#### Attachments

cc: Steve Silzer, Director, Office of Financial Management, Office of the Chief Financial Officer (OCFO)  
Meshell Jones-Peeler, Acting Deputy Director, Office of Financial Management, OCFO  
Jeanne Conklin, Director, Office of Financial Services, OCFO  
Richard Gray, Deputy Director, Operations, Office of Financial Services, OCFO  
Carol Terris, Acting Director, Office of Budget, OCFO  
Maria Williams, Acting Deputy Director, Office of Budget, OCFO  
Quentin Jones, Director, Office of Technology Solutions, OCFO  
Robert Hill, Deputy Director, Office of Technology Solutions, OCFO  
John O'Connor, Acting Director, Reporting and Analysis Staff, Office of Financial Management, OCFO  
Sherri Anthony, Acting Director, Payroll Management and Outreach Staff, Office of Financial Services, OCFO  
Leo Gueriguan, Director, Accountability and Control Staff, Office of Financial Services, OCFO  
Carmelita Chadwick-Gallo, Director, Research Triangle Park Finance Center, OCFO  
Dany Lavergne, Director, Las Vegas Finance Center, OCFO  
Greg Luebbering, Director, Cincinnati Finance Center, OCFO  
Barry Breen, Principal Deputy Assistant Administrator, Office of Solid Waste and Emergency Response (OSWER)  
Nitin Natarajan, Deputy Assistant Administrator, OSWER

Barnes Johnson, Director, Office of Resource Conservation and Recovery, OSWER  
Kathleen Salyer, Deputy Director, Office of Resource Conservation and Recovery, OSWER  
Tricia Buzzell, Acting Branch Chief, Permits Branch, Office of Resource Conservation and Recovery, OSWER  
Richard LaShier, Chair, Fee Rule Workgroup, Office of Resource Conservation and Recovery, OSWER  
Nic Grzegozewski, Agency Audit Follow-Up Coordinator  
Lorna Washington, Audit Follow-Up Coordinator, OCFO  
Kecia Thornton, Audit Follow-Up Coordinator, OSWER  
Janice Kern, Audit Follow-Up Coordinator, Office of Financial Services, OCFO  
Bobbi Trent, Audit Follow-Up Coordinator, Office of Budget, OCFO  
Susan Lindenblad, Audit Follow-Up Coordinator, Office of Technology Solutions, OCFO  
Arthur A. Elkins Jr., Inspector General  
Charles Sheehan, Deputy Inspector General  
Aracely Nunez-Mattocks, Chief of Staff, OIG  
Alan Larsen, Counsel to the Inspector General  
Kevin Christensen, Assistant Inspector General for Audit  
Carolyn Copper, Assistant Inspector General for Program Evaluation  
Patrick Sullivan, Assistant Inspector General for Investigations  
Richard Eyermann, Deputy Assistant Inspector General for Audit  
Jennifer Kaplan, Deputy Assistant Inspector General for Congressional and Public Affairs  
Jeffrey Lagda, Congressional and Media Liaison, OIG  
Rudolph Brevard, Director, Information Resources Management Audits, OIG

## ***Audit Expectations***

We will audit the balance sheet of the U.S. Environmental Protection Agency (EPA) for the Hazardous Waste Electronic Manifest System (e-Manifest) Fund as of September 30, 2014, and the related statements of net cost, changes in net position and custodial activity; the statement of budgetary resources for the year 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 letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements. Our audit 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 controls over financial reporting were in place.
3. EPA management complied with applicable laws and regulations.
4. The EPA complied with EPA guidance in the development of the e-Manifest system.

### ***Auditor's Responsibilities***

We will conduct our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to the financial audits contained in the *Government Auditing Standards* (2011 Revision), issued by the Comptroller General of the United States; and Office of Management and Budget's Bulletin 14-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free of material misstatement. Accordingly, a material misstatement may remain undetected. Our audit is not designed to detect errors or fraud that are immaterial to the financial statements that might exist due to error, fraudulent financial reporting or misappropriation of assets. The standards call for the audit organization and the individual auditor to be free both in fact and appearance from personal, external and organizational impairments to independence. Accordingly, we are limited in the support we can extend to you in the preparation and analysis of your accounts and financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures 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 EPA 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 U.S. generally accepted auditing standards.

In making 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate 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 EPA management acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with federal financial accounting standards and applicable reporting requirements.
2. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. To provide us with:
  - a. Access to all information of which EPA 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 EPA management for the purpose of the audit.
  - c. Unrestricted access to persons within the EPA from whom we determine it is necessary to obtain audit evidence.

As in past financial statement audits, we will request that key senior managers provide us Management Representation Letters at the conclusion of our fieldwork. Among other things, the letters will confirm management's responsibility for: (1) preparing the financial statements in conformity with the federal financial accounting standards and applicable reporting requirements; (2) providing financial records and related data; (3) communicating to us all matters that pertain to the EPA's possible liability on legal matters that might impact on the finances and operations of the EPA; (4) providing assurances, to the best of their knowledge and belief, of the absence of fraud involving management or those employees who have a significant role in the entity's internal controls; (5) complying with federal financial management system requirements and other applicable laws and regulations; and (6) establishing and maintaining systems of internal controls for both financial and performance data.

### ***Reporting***

We will issue a written report upon completion of our audit of EPA's Fiscal 2014 e-Manifest fund financial statements in accordance with U.S. generally accepted auditing standards; the standards applicable to the financial audits contained in the *Government Auditing Standards* (2011 Revision), issued by the Comptroller General of the United States; and Office of Management and Budget, Bulletin 14-02, *Audit Requirements for Federal Financial Statements*. Our report will be addressed to your offices. 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).

## ***List of Deliverables***

1. FY 2014 Financial Statements and footnotes with supporting documentation, including Management's Discussion and Analysis.
2. List of program and/or financial databases and other resources used for e-Manifest system project.
3. List of contracts, interagency agreements and/or grants entered into as part of the e-Manifest system project.
4. Management-identified internal controls over the e-Manifest system project.
5. List of FY 2013 disbursements, purpose of use, and source of funding (prior to M3 appropriation) for e-Manifest system project.
6. System Life Cycle Documentation as required by the System Life Cycle Management Policy and Procedures, including:
  - Segment Architecture
  - Segment Architecture
  - Segment Performance Measures
  - Control Gate 1 Decision Memo
  - Feasibility Study
  - Alternatives Analysis
  - Cost-Benefit Analysis
  - Functional Requirements Document
  - Mobile Access Review Committee Approval
  - Application Deployment Checklist
  - Concept of Operations
  - Conceptual Solution Architecture
  - IT Investment Business Case (Exhibit 300)
  - Project Management Plan
  - Integrated Project/Program Team Charter
  - Project Risk Management Plan
  - Security Categorization
  - Security Risk Assessment (Initial)
  - Privacy Impact Assessment
  - Control Gate #2 Decision Memo
7. Procurement Package provided to Office of Acquisition Management.
8. Minutes from the quarterly progress meetings.