



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



Financial Management

Fiscal Years 2013 and 2012 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

Report No. 15-1-0180

July 10, 2015



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Abbreviations

CFO	Chief Financial Officers Act
EPA	U.S. Environmental Protection Agency
FIFRA	Federal Insecticide, Fungicide, and Rodenticide Act
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget

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At a Glance

Why We Did This Review

The Food Quality Protection Act of 1996 requires that we perform an annual audit of the Pesticides Reregistration and Expedited Processing Fund (known as the FIFRA Fund) financial statements.

The U.S. Environmental Protection Agency (EPA) is responsible for reassessing the safety of older pesticide registrations against modern health and environmental testing standards. To expedite this reregistration process, Congress authorized the EPA to collect fees from pesticide manufacturers. The fees are deposited into the FIFRA Fund. Each year, the agency prepares financial statements that present financial information about the fund, along with information about the EPA's progress in reregistering pesticides.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

Send all inquiries to our public affairs office at (202) 566-2391 or visit www.epa.gov/oig.

The full report is at:
www.epa.gov/oig/reports/2015/20150710-15-1-0180.pdf

Fiscal Years 2013 and 2012 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

EPA Receives an Unmodified Opinion

We rendered an unmodified, or clean, opinion on the EPA's Pesticides Reregistration and Expedited Processing Fund financial statements for fiscal years 2013 and 2012, meaning they are fairly presented and free of material misstatement.

Internal Control Material Weakness Noted

We noted a material weakness in internal controls. The EPA could not initially produce accurate, timely and complete financial statements for the FIFRA Fund. The agency was not preparing a complete set of financial statements for fiscal year 2013 because of its view that such statements were not required. This delayed the preparation of the first complete set of fiscal year 2013 FIFRA financial statements until July 2014. Material errors in those statements and subsequent versions delayed the audit.

Compliance With Applicable Laws and Regulations

We did not identify any noncompliances that would result in a material misstatement to the audited financial statements.

Recommendations and Planned Corrective Actions

We recommend that the Chief Financial Officer evaluate its process for preparing FIFRA financial statements and make improvements for submission of accurate, timely and complete financial statements; and develop a systematic method to address all Office of Inspector General comments on the FIFRA financial statements.

The agency agreed with our findings and recommendations. The agency has developed a project plan with new controls and processes to ensure that the financial statement preparation for FIFRA is accurate and submitted timely. We have not confirmed that the new process is effective. The agency will also work with the Office of Inspector General to develop a more formal process for communicating corrections and changes in future FIFRA audits.



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

OFFICE OF
INSPECTOR GENERAL

July 10, 2015

MEMORANDUM

SUBJECT: Fiscal Years 2013 and 2012 Financial Statements for the
Pesticides Reregistration and Expedited Processing Fund
Report No. 15-1-0180

FROM: Paul C. Curtis, Director
Financial Statement Audits

A handwritten signature in black ink, appearing to read "Paul C. Curtis".

TO: Jim Jones, Assistant Administrator
Office of Chemical Safety and Pollution Prevention

David Bloom, Acting Chief Financial Officer
Office of the Chief Financial Officer

This is our report on the U.S. Environmental Protection Agency's (EPA's) fiscal years 2013 and 2012 financial statements for the Pesticides Reregistration and Expedited Processing Fund, conducted by the EPA Office of Inspector General (OIG). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

Action Required

In response to the draft report, the agency provided intended corrective actions and estimated completion dates that addressed the recommendations. Therefore, a response to this report is not required. The agency should track unimplemented corrective actions in the Management Audit Tracking System.

If you submit a response, it will be posted on the OIG's public website, along with our comment on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at <http://www.epa.gov/oig>.

Table of Contents

Inspector General’s Report on the Fiscal Years 2013 and 2012 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

Report on the Financial Statements	1
Evaluation of Internal Controls	2
Tests of Compliance With Laws and Regulations	4
Management’s Discussion and Analysis Section of the Financial Statements	4
Prior Audit Coverage	4
Agency Comments and OIG Evaluation	5

Attachments

1 Material Weakness	6
EPA Should Improve Its FIFRA Financial Statement Preparation Process	7
2 Status of Recommendations and Potential Monetary Benefits	10

Appendices

A Fiscal Years 2013 and 2012 FIFRA Financial Statements	
B Agency’s Response to Draft Report	
C Distribution	

Inspector General's Report on the Fiscal Years 2013 and 2012 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

The Administrator
U.S. Environmental Protection Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the Pesticides Reregistration and Expedited Processing Fund (known as the FIFRA Fund), which comprise the balance sheet as of September 30, 2013, and September 30, 2012, and the related statements of net cost, changes in net position, the statement of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with generally accepted government auditing standards; the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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. In making those risk assessments, the auditor considers internal control relevant to

the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, including the accompanying notes, present fairly, in all material respects, the assets, liabilities, net position, changes in net position, and budgetary resources of the FIFRA Fund, as of and for the years ending September 30, 2013 and 2012, in conformity with accounting principles generally accepted in the United States of America.

Evaluation of Internal Controls

As defined by OMB, internal control is a process effected by “those charged with governance, management, and other personnel” that is designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to financial reporting and operations objectives. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. Consistent with the guidance set forth in OMB Circular No. A-123, *Management's Responsibility for Internal Control*, and Circular A-136, internal control over financial reporting is more narrowly defined and includes:

- **Reliability of financial reporting**—Transactions are properly recorded, processed and summarized to permit the preparation of the basic financial statements in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use or disposition.
- **Compliance with applicable laws and regulations**—Transactions are executed in accordance with laws and regulations, including laws governing the use of budget authority, laws, regulations, and governmentwide policies identified by OMB, and other laws and regulations that could have a direct and material effect on the basic financial statements.

Opinion on Internal Controls. In planning and performing our audit, we considered the EPA's internal controls over financial reporting by obtaining an understanding of the agency's internal controls, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls. We did this as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting nor on management's assertion on internal controls included in Management's Discussion and Analysis. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act (FMFIA) of 1982, such as those controls relevant to ensuring efficient operations.

Material Weakness and Significant Deficiencies. Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants, a significant deficiency is a deficiency, or combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely manner. Because of inherent limitations in internal controls, misstatements, losses or noncompliance may nevertheless occur and not be detected. We noted a matter, discussed below, involving the internal control and its operation, that we consider to be material. This issue is summarized below and detailed in Attachment 1.

Material Weakness

EPA Should Improve Its FIFRA Financial Statement Preparation Process. The U.S. Environmental Protection Agency (EPA) could not initially produce accurate, timely and complete financial statements for the FIFRA fund. The agency was not preparing a complete set of financial statements for fiscal year (FY) 2013 because of its view that such statements were not required. This delayed the preparation of the first complete set of FY 2013 FIFRA financial statements until July 2014. Material errors in those statements and subsequent versions delayed the audit process. Without exercising quality control over the preparation of its financial statements, the agency cannot provide reasonable assurance that financial data provided accurately reflects the agency's financial activities and balances. Details are in Attachment 1.

Comparison of EPA's FMFIA Report With Our Evaluation of Internal Controls

OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, requires us to compare material weaknesses disclosed during the audit with those material weaknesses reported in the agency's FMFIA report that relate to the financial statements and identify material weaknesses disclosed by the audit that were not reported in the agency's FMFIA report.

For financial statement audit and financial reporting purposes, OMB defines a material weakness in internal control as a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. The agency did not report any material weaknesses for FY 2013 impacting the FIFRA Fund; however, we identified a material weakness with the agency's financial statement preparation process. Details concerning this material weakness are in Attachment 1.

Tests of Compliance With Laws and Regulations

As part of obtaining a reasonable assurance as to whether the agency's financial statements are free of material misstatement, we tested compliance with those laws and regulations that could either materially affect the FIFRA financial statements or that we considered significant to the audit. The objective of our audit, including our tests of compliance with applicable laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We did not identify any noncompliances that would result in a material misstatement to the audited financial statements.

Management's Discussion and Analysis Section of the Financial Statements

Our audit work related to the information presented in the Management's Discussion and Analysis of the pesticide program included comparing the overview information with information in the EPA's principal financial statements for consistency. We did not identify any material inconsistencies between the information presented in the two documents.

Prior Audit Coverage

During previous financial statement audits, we reported the following significant deficiencies:

- EPA materially overstated the expenses from other appropriations that support the FIFRA Fund. This occurred because the agency did not have

an effective system to accurately accumulate and report costs incurred by other appropriations in support of FIFRA Fund activities.

- EPA materially understated the FIFRA Fund payroll liabilities covered by budgetary resources, as well as related payroll expense included in gross costs. The agency's practice of transferring employees and expenses and liabilities from FIFRA to the Environmental Programs and Management Fund for cash flow reasons led to the understatement.

The agency has taken action and corrected both deficiencies by correcting the FYs 2012 and 2011 proper expenses paid by other appropriations and the FYs 2012 and 2011 payroll and benefits payable amounts in the FIFRA Fund financial statements. The agency has closely monitored the payroll liability amounts for FIFRA at year-end. The agency also gave the Office of Chemical Safety and Pollution Prevention the opportunity to review the financial statements before submission to the OIG. In addition, the agency, in conjunction with the Office of Chemical Safety and Pollution Prevention and other stakeholders, developed an agencywide process to improve the capture of user fee program costs.

Agency Comments and OIG Evaluation

In a memorandum dated May 13, 2015, the agency responded to our draft report. The agency agreed with our findings and recommendations. The agency's complete response is included as Appendix B to this report.



Paul C. Curtis
Director, Financial Statement Audits
Office of Inspector General
U.S. Environmental Protection Agency
July 8, 2015

Material Weakness

Table of Contents

1 – EPA Should Improve Its FIFRA Financial Statement Preparation Process.....	7
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1 – EPA Should Improve Its FIFRA Financial Statement Preparation Process

The EPA could not initially produce accurate, timely and complete financial statements for the Pesticides Reregistration and Expedited Processing Fund (known as the FIFRA fund). The agency is required by the Chief Financial Officers Act (the “CFO Act,” or Public Law 101-576) to accurately, reliably and timely report financial information. However, the agency was not preparing a complete set of financial statements for FY 2013 because of its view that such statements were not required. This delayed the preparation of the first complete set of FY 2013 FIFRA financial statements until July 2014. Material errors in those statements and subsequent versions delayed the audit process. Without exercising quality control over the preparation of its financial statements, the agency cannot provide reasonable assurance that financial data provided accurately reflects the agency’s financial activities and balances.

The agency each year prepares financial statements that present financial information about the EPA’s progress in reregistering pesticides. Section 902(a)(3)(D)(i) of the CFO Act requires the agency to “develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which provides for complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management.” The Food Quality Protection Act of 1996 mandates that the OIG conduct annual audits of the FIFRA fund’s financial statements.

The Office of the Chief Financial Officer (OCFO) encountered difficulties in preparing timely and reliable financial statements. In OCFO’s draft and initial final set of financial statements, we found a number of errors that we believe the agency should have caught or fixed. These issues highlight the need for the agency to strengthen its quality control processes to ensure accurate data is available on a timely basis to prepare the financial statements and to guarantee key financial statement preparation milestones are met.

At the start of the FY 2013 FIFRA Fund financial statement audit, the agency informed the OIG of its plans to streamline the financial statement process by eliminating separate statements for the FIFRA Fund and making them part of the agency’s consolidated financial statement audit. The agency disputed whether it needed to provide a separate set of financial statements complete with footnote disclosures and supplemental information, and asserted that certain financial data requested by OIG auditors would not be provided. After several communications with the OIG, the agency later provided incomplete financial statements in March 2014 and again in April 2014. Subsequently, the agency informed the OIG that following its discussions with OMB attorneys, stand-alone FIFRA Fund financial statements were required. As a result, OCFO agreed to prepare and provide to the OIG a full set of financial statements for FIFRA. The agency expeditiously worked to provide financial statements to the OIG in July 2014. Due to staff limitations, the OIG agreed to scan those statements for errors and communicate such errors to the agency, but stated that additional audit work would be postponed until completion of the OIG’s audit of the agency’s Annual Consolidated Financial Statements in November 2014. The OIG’s initial review of the FY 2013 FIFRA financial statements found that OCFO had included incorrect FY 2012 dollar amounts, and OCFO acknowledged these errors.

After completion of the Consolidated Financial Statements audit, the OIG review of the supporting data for the revised draft FY 2013 financial statements found incorrect references throughout the financial statements, and errors in the Management Discussion and Analysis, payroll, and Reconciliation of Net Cost of Operations to Budget. In what was to be the final FIFRA financial statements presented in January 2015, the OIG determined considerable Management Discussion and Analysis, Payroll, and Reconciliation of Net Cost of Operations to Budget errors remained. In addition, many of the previously provided comments were not addressed. Accordingly, the statements needed further revision.

We believe that financial statements presented to the OIG should be complete, reviewed by agency management, and free of obvious errors such as incorrect prior-year amounts. Having to continually revise and re-edit the statements delays completion of the mandated OIG audit. The number of errors we found in multiple versions of the financial statements indicate that the agency is not exercising good quality control over the preparation of financial statements or performing a thorough review of its statements prior to submission to the OIG. Without exercising good quality control over the preparation of its financial statements, the agency cannot provide reasonable assurance that financial data provided accurately reflects the agency's financial activities and balances.

The OCFO's current process for preparing financial statements needs to be improved so that the agency can submit accurate financial statements, as required by the Food Quality Protection Act of 1996, in a timely manner. The CFO Act requirement for audited financial statements was enacted so that *complete, reliable, timely, and consistent* financial information is available for use by the executive branch of the government and the Congress in the financing, managing and evaluating of federal programs. When information submitted to OIG is not accurate and reliable for the purpose of issuing an opinion on the financial statements, this is an indication that the agency needs to make further financial management improvements to meet the intent of the CFO Act.

Recommendations

We recommend that the Chief Financial Officer:

1. Evaluate the OCFO's process for preparing the FIFRA financial statements and implement the necessary improvements for submission of accurate, timely and complete financial statements.
2. Develop a systematic method to address all OIG comments on the FIFRA financial statements.

Agency Response and OIG Evaluation

The agency agreed with our findings and recommendations and has completed corrective actions on Recommendation 1. OCFO has developed a project plan with new controls and processes to ensure that the financial statement preparation for FIFRA is accurately and submitted timely. We have not validated the corrective actions.

Agency actions on Recommendation 2 are pending. OCFO will work with the OIG to develop a more formal process for communicating corrections and changes in future FIFRA audits. The estimated completion date for this corrective action is September 30, 2015.

We agree with the agency's proposed corrective actions and estimated completion dates. We believe the planned action adequately address the issues raised.

The agency's complete response is included in Appendix B to this report.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	8	Evaluate the OCFO's process for preparing the FIFRA financial statements and implement the necessary improvements for submission of accurate, timely and complete financial statements.	O	Chief Financial Officer	3/31/15		
2	8	Develop a systematic method to address all OIG comments on the FIFRA financial statements.	O	Chief Financial Officer	9/30/15		

¹ O = Recommendation is open with agreed-to corrective actions pending.
 C = Recommendation is closed with all agreed-to actions completed.
 U = Recommendation is unresolved with resolution efforts in progress.

***FYs 2013 and 2012 PESTICIDES REREGISTRATION
and EXPEDITED PROCESSING FUND (FIFRA)
FINANCIAL STATEMENTS***



*Produced by the U.S. Environmental Protection Agency
Office of the Chief Financial Officer
Office of Financial Management*

TABLE OF CONTENTS

Management's Discussion and Analysis	1
Principal Financial Statements	8

Management's Discussion and Analysis

Under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and the Federal Food, Drug, and Cosmetic Act (FFDCA), as amended by the Food Quality Protection Act (FQPA) of 1996, the EPA's Pesticide Program registers new pesticides and re-evaluates existing pesticides to ensure that they can be used safely and that levels of residue in food and animal feed are safe (there is a reasonable certainty of no harm). The agency must also conclude that, when used in accordance with labeling and common practices, the product will not generally cause unreasonable adverse effects on the environment.

In accordance with FIFRA and the Federal Food, Drug, and Cosmetic Act (FFDCA), the pesticide program administers the Pesticides Reregistration and Expedited Processing Fund (FIFRA Fund). As of 1996, fees for reregistration are deposited to the FIFRA account, which is available to the EPA without further appropriation.

Under the FFDCA EPA sets "tolerances," or maximum residue levels. If a pesticide is intended to be used in a manner that may result in residues in food or animal feed, the applicant must petition EPA for establishment of a tolerance (or exemption from a tolerance). Tolerances are set at levels that ensure a reasonable certainty of no harm from the potential pesticide residues in food combined with other non-occupational exposure.

In 1996, passage of the Food Quality Protection Act (FQPA) provided for additional fees to support reregistration activities and required tolerances to be reassessed as part of the reregistration program. Effective January 1997, all fees related to tolerance activities were deposited in the FIFRA Fund. With passage of the Pesticide Registration Improvement Act (PRIA 1) of 2003 and amendments in 2007 and 2012, no additional tolerance petition fees are to be deposited to the FIFRA Fund through FY 2017.

The Pesticide Re-registration and Registration Review Programs

EPA is responsible for re-registering existing pesticides. Since the original pesticide legislation of 1947, scientific analysis techniques have grown much more precise and sophisticated and health and environmental standards have become more stringent. With the 1988 amendments to FIFRA (FIFRA '88), Congress mandated the accelerated reregistration of all products registered prior to November 1, 1984. The statute required completion of Reregistration Eligibility Decisions (REDs) and tolerance reassessment for all food-use active ingredients in 2006. Non-food-use active ingredient REDs were to be complete by October 3, 2008.

The Food Quality Protection Act introduced a new program called **registration review to** replace EPA's pesticide reregistration and tolerance reassessment programs as those programs were completed. Unlike earlier review programs, registration review is applied to all registered pesticides. EPA reviews each registered pesticide every 15 years to determine whether it still meets the FIFRA standard for registration. In this way, the Agency ensures that all registered pesticides do not cause unreasonable risks to human health, workers, or the environment when used as directed on product labeling.

Congress authorized the collection of maintenance fees from manufacturers to supplement appropriated funds to support reregistration and registration review programs. Maintenance fees

were structured under PRIA 3 to collect approximately \$27.8 million per year for five years (FY'13 – FY'17). Maintenance fees are assessed on a product-by-product basis with caps on the maximum number of products that fees have to be paid on for any single company, as well as fee reductions for qualified small businesses. Registrations for minor use registrations and public health pesticides are also eligible for waivers and/or refunds of maintenance fees. Fees are deposited into the FIFRA Revolving Fund. By statute, excess monies in the FIFRA Fund may be invested. Between 1/9 and 1/8 of collected maintenance fees each year are used to support inert ingredient clearances as well as expedited processing of fast track amendments. \$800,000 of collected maintenance fees each year are used to enhance specified IT systems.

In 1996, legislation reauthorized collection of maintenance fees through 2001 to complete the review of older pesticides to ensure they meet current standards (increasing annual fees from \$14 million to \$16 million per year through 2000) and required all tolerances (over 9,700) to be reassessed by 2006. The 2002 appropriations bill extended maintenance fees to \$17 million for another year, and the 2003 appropriations extended them to \$21.5 million for that year. Passage of PRIA 1 in FY 2004 extended maintenance fees through FY 2008 (with annual fees totaling \$26 million in FY 2004; \$27 million in FY 2005-2006; \$21 million in FY 2007; and \$15 million in FY 2008). Passage of the Pesticide Registration Improvement Renewal Act (PRIA 2) in October 2007 extended maintenance fees through FY 2012 (\$22 million each FY). PRIA 2 provided for maintenance fees to offset the costs of registration review beginning in FY 2008.

All Reregistration Eligibility Decisions (RED) for the active ingredients have been completed. A "RED" is a decision by the Agency defining whether uses of a pesticide active ingredient are eligible or ineligible for reregistration. Following the issuance of the RED, the registrant must comply with the RED by submitting product specific data and new labels for each product containing that active ingredient, or cancel the product. Based on its review of the data, if the product has met all the requirements, the EPA then reregisters the product.

Research Program Description

EPA's Chemical Safety for Sustainability (CSS) research program is leading the sustainable development, use, and assessment of chemicals and materials by advancing integrated chemical evaluation strategies and decision support tools that promote human and environmental health and are protective of vulnerable species and populations. The research is focused on providing integrated solutions in support of the Agency's efforts to manage chemical (including pesticides and toxics) risks. The data, methods and tools developed will guide the prioritization and testing process, from screening approaches through more complex testing and assessments. The research program's major goals are: (1) to build the knowledge infrastructure to support scientific discovery and sustainable decisions, (2) to develop and apply rapid, efficient, and effective methods for improved chemical prioritization, screening, and testing, (3) to provide models and tools necessary to make decisions supporting safe use across the chemical lifecycle. Current testing and assessment approaches are resource intensive and lack data sufficient to meet decision-making needs posed by the large and growing number of chemicals. The CSS ToxCast Program performs cost-effective, state-of-the-art chemical screening to assess how chemicals may affect human health. ToxCast simultaneously tests thousands of chemicals using hundreds of high-throughput and high-content approaches. This allows the EPA to directly examine

environmental chemicals' role in human disease processes, cell systems, and pathway targets. The ToxCast program has moved beyond the proof-of-concept phase focus on pesticide actives. Results of Phase II of this program, which covers 1,860 chemicals, are available at <http://www.epa.gov/ncct/toxcast/data.html>.

In providing research on methods, models, and data to support decision-making regarding specific individual or classes of pesticides and toxic substances that are of high priority, the program will continue to develop:

- Predictive biomarkers, quantitative structure activity relationships, and alternative test methods for prioritizing and screening chemicals for a number of adverse effects (e.g., neurotoxicity, reproductive toxicity) that will lead to a reduction in and more efficient use of whole animals in toxicity testing; and
- Approaches for applying high-throughput screening and computational models developed under the ToxCast program to support prioritization of chemicals for further testing under EPA's Endocrine Disruptor Screening Program.
- Data and protocols on the impact of waste water treatment technologies on pesticides and their products of transformation.

To support the development of probabilistic risk assessments to protect endangered populations of birds, fish, other wildlife, and non-target plants from pesticides while making sure farmers and communities have the pest control tools they need, this program has four key research components:

- Extrapolation among wildlife species and exposure scenarios of concern;
- Population biology to improve population dynamics in spatially-explicit habitats;
- Models for assessing the relative risk of chemical and non-chemical stressors; and
- Models to define geographical regional/spatial scales for risk assessment.

Methods for characterization of population-level risks of toxic substances to aquatic life and wildlife also are being developed as part of the Agency's long-term goal of developing scientifically valid approaches for assessing spatially-explicit, population-level risks to wildlife populations and non-target plants and plant communities from pesticides, toxic chemicals and multiple stressors while advancing the development of probabilistic risk assessment.

The program anticipates that the Agency will be better positioned to perform its mission of protecting human health and the environment as scientific information becomes digitized and readily available, methods and models to capture the complexities of chemical exposure and hazard in toxicity testing are developed and approaches focused on development of more sustainable alternatives are provided to decision-makers.

Enforcement and Compliance Assurance Program Description

The Pesticide Enforcement and Compliance Assurance Program focuses on pesticide product and user compliance. These include problems relating to pesticide worker safety, certification and training of applicators, ineffective antimicrobial products, food safety, adverse effects, risks of pesticides to endangered species, pesticide containers and containment facilities, and e-commerce and misuse. The enforcement and compliance assurance program provides

compliance assistance to the regulated community through its National Agriculture Compliance Assistance Center, seminars, guidance documents, brochures, and other forms of communication to ensure knowledge of and compliance with environmental laws.

EPA's grant support to states' and tribes' pesticide programs emphasizes its commitment to maintaining a strong compliance and enforcement presence. Agency FIFRA Cooperative Agreement priorities for FY2015 - FY2017 include the enforcement of worker protection standards and pesticide applicator certification; compliance monitoring and enforcement activities related to the pesticide container and containment rules, the revised soil fumigant labels, compliance of supplemental distributor products, contact manufacturing and program performance reporting. Core program activities include inspections of producing establishments; dealers/distributors/retailers; e-commerce; imports and exports, and pesticide misuse. Additionally, through the Cooperative Agreement resources we support inspector training and training for state/tribal senior managers, scientists, and supervisors.

Highlights and Accomplishments

Tolerance Performance Measures

As mandated by PRIA 3, no Tolerance fees were collected and deposited to the FIFRA Fund in FY 2013.

Measure: Tolerance re-evaluations.

Results: The tolerance reassessment program was completed in FY 2007. EPA completed 9,721 tolerance reassessment decisions, addressing 100% of the 9,721 tolerances that required reassessment. Therefore, no further tolerance reassessment decisions were needed or completed in FY 2013.

Reregistration (FIFRA) Financial Perspective

During FY 2013, the Agency's obligations charged against the FIFRA Fund for the cost of the reregistration programs and other authorized pesticide programs were \$28.852 million and 112.3 work-years. Of this amount, OPP obligated \$15.9 million for PC&B.

Appropriated funds are used in addition to FIFRA revolving funds. In FY 2013, the Enacted Operating Plan included approximately \$ 33.2 million in appropriated funds for reregistration program activities. The unobligated balance in the Fund at the end of FY 2013 was \$7.6 million.

The Fund has two types of receipts: fee collections and interest earned on investments. Of the \$27.142 million in FY 2013 receipts, more than 99.9% were fee collections.

Reregistration Program (FIFRA) Performance Measures

The following measures support the program's strategic goals of Healthy Communities and Ecosystems as contained in the FY 2013 President's budget.

Measure 1: Number of Reregistration Eligibility Documents (REDs) completed.

Results: All Reregistration Eligibility Decisions (REDs) were completed by the end of FY 2008. Of the 613 chemical cases (representing approximately 1,150 pesticide active ingredients) that initially were subject to reregistration, 384 cases have completed REDs. An additional 229 reregistration cases were voluntarily canceled before EPA invested significant resources in developing REDs. All 613 reregistration cases (100%) completed the reregistration eligibility decision making process by the end of FY 2008.

Measure 2: Number of products reregistered, canceled, or amended. Over 20,000 products are or eventually will be subject to product reregistration. Many products, however, contain more than one active ingredient. Since products are reassessed separately for each active ingredient, EPA will conduct approximately 38,000 product reviews.

Results: In FY 2013, 85 products were reregistered; 455 products were amended; 147 products were cancelled; and 2 products were suspended. Currently, a universe of 24,583 products is undergoing or has completed product reregistration. The status of those products at the end of FY 2013 was as follows: EPA had completed decisions for 18,912 products (specifically, 5,015 products had been reregistered; 3,062 product registrations had been amended; 10,793 products were cancelled; and 42 products were suspended); and 5,671 products had actions/decisions pending. The Agency's goal in FY 2014 is to complete 900 product reregistration actions.

Measure 3: Progress in Reducing the Number of Unreviewed, Required Reregistration Studies.

Results: EPA completed the last REDs in 2008, so all studies necessary to make reregistration eligibility decisions have been reviewed. At this time, the Agency does not plan to spend additional resources examining these records.

Measure 4: Number and Type of DCIs Issued to Support Product Reregistration by Active Ingredient.

Results: Regarding Data Call-In notices (DCIs) under FIFRA section 3(c)(2)(B) to support product reregistration for pesticide active ingredients included in REDs, EPA completed the last remaining REDs and reported DCI information for those REDs in FY 2008. There is no further activity to report for FY 2013.

Measure 5: Future Schedule for Reregistrations.

The last REDs were completed in FY 2008, therefore there are no remaining candidates for future decisions.

**PRINCIPAL
FINANCIAL STATEMENTS**

TABLE OF CONTENTS

Financial Statements

Balance Sheet	10
Statement of Net Cost	11
Statement of Changes in Net Position	12
Statement of Budgetary Resources	13

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies	14
Note 2. Fund Balance with Treasury	17
Note 3. General Property, Plant and Equipment	17
Note 4. Other Liabilities	18
Note 5. Payroll and Benefits Payable, non-Federal	18
Note 6. Income and Expenses from Other Appropriations	19
Note 7. Exchange Revenues, Statement of Net Cost	21
Note 8. Intragovernmental Costs and Revenue	21
Note 9. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)	22

Environmental Protection Agency
FIFRA
Balance Sheet
As of September 30, 2013 and 2012
(Dollars in Thousands)

	FY 2013	FY 2012
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 11,791	\$ 4,778
Total Intragovernmental	\$ 11,791	\$ 4,778
Property, Plant & Equipment, Net (Note 3)	459	559
Total Assets	\$ 12,250	\$ 5,337
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities	10	52
Other (Note 4)	363	92
Total Intragovernmental	\$ 373	\$ 144
Accounts Payable & Accrued Liabilities	407	277
Payroll & Benefits Payable (Note 5)	4,066	2,458
Other (Note 4)	14,787	9,494
Total Liabilities	\$ 19,633	\$ 12,373
NET POSITION		
Cumulative Results of Operations	(7,383)	(7,036)
Total Net Position	(7,383)	(7,036)
Total Liabilities and Net Position	\$ 12,250	\$ 5,337

**Environmental Protection Agency
FIFRA
Statement of Net Cost
For the Years Ended September 30, 2013 and 2012
(Dollars in Thousands)**

	FY 2013	FY 2012
COSTS		
Gross Costs (Note 8)	\$ 22,585	\$ 19,824
Expenses from Other Appropriations (Note 6)	17,999	24,368
Total Costs	40,584	44,192
Less:		
Earned Revenue (Note 8)	21,767	19,554
NET COST OF OPERATIONS (Note 9)	\$ 18,817	\$ 24,638

**Environmental Protection Agency
FIFRA
Statement of Changes in Net Position
For the Years Ended September 30, 2013 and 2012
(Dollars in Thousands)**

	FY 2013	FY 2012
Cumulative Results of Operations:		
Net Position - Beginning of Period	<u>(7,036)</u>	<u>(6,865)</u>
Beginning Balances, as Adjusted	\$ (7,036)	\$ (6,865)
Budgetary Financing Sources:		
Nonexchange Revenue - Securities Investment	1	1
Income from Other Appropriations (Note 6)	<u>17,999</u>	<u>24,368</u>
Total Budgetary Financing Sources	\$ 18,000	\$ 24,369
Other Financing Sources (Non-Exchange)		
Imputed Financing Sources	<u>470</u>	<u>98</u>
Total Other Financing Sources	\$ 470	\$ 98
Net Cost of Operations	(18,817)	(24,638)
Net Change	(347)	(171)
Cumulative Results of Operations	<u><u>\$ (7,383)</u></u>	<u><u>\$ (7,036)</u></u>

**Environmental Protection Agency
FIFRA
Statement of Budgetary Resources
For the Years Ended September 30, 2013 and 2012
(Dollars in Thousands)**

	<u>FY 2013</u>	<u>FY 2012</u>
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1:	\$ 1,703	\$ 404
Unobligated Balance Brought Forward, October 1, as adjusted	1,703	404
Recoveries of prior year unpaid obligations	7	9
Unobligated balance from prior year budget authority, net	1,710	413
Spending Authority from offsetting collection (discretionary and mandatory)	27,142	22,011
Total Budgetary Resources	<u>28,852</u>	<u>22,424</u>
 STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	\$ 21,213	\$ 20,721
Unobligated Balance, end of year:		
Apportioned	6,992	1,703
Unapportioned	647	-
Total Unobligated balance, end of period	7,639	1,703
Total Status of Budgetary Resources	<u>28,852</u>	<u>22,424</u>
 CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	\$ 3,077	\$ 3,137
Obligations incurred, net	21,213	20,721
Outlays (gross)	(20,132)	(20,771)
Recoveries of prior year unpaid obligations	(7)	(9)
Obligated balance, end of period		
Unpaid obligations, end of year (gross)	4,151	3,078
Obligated balance, end of period (net)	<u>4,151</u>	<u>3,078</u>
 BUDGET AUTHORITY AND OUTLAYS, NET:		
Budget authority, gross (discretionary and mandatory)	\$ 27,142	\$ 22,011
Actual offsetting collections (discretionary and mandatory)	(27,142)	(22,011)
Budget Authority, net (discretionary and mandatory)	0	-
Outlays, gross (discretionary and mandatory)	20,132	20,771
Actual offsetting collections (discretionary and mandatory)	(27,142)	(22,011)
Outlays, net (discretionary and mandatory)	(7,010)	(1,240)
Agency outlays, net (discretionary and mandatory)	<u>(7,010)</u>	<u>(1,240)</u>

Environmental Protection Agency
FIFRA
Notes to Financial Statements
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Environmental Protection Agency (EPA or Agency) was created in 1970 by executive reorganization from various components of other Federal agencies in order to better marshal and coordinate Federal pollution control efforts. The Agency is generally organized around the media and substances it regulates -- air, water, land, hazardous waste, pesticides and toxic substances.

The FIFRA Revolving Fund was authorized in 1988 by amendments to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). The 1988 amendments mandated the accelerated re-registration of all products registered prior to November 1, 1984. Congress authorized the collection of maintenance fees to supplement appropriations to fund re-registration and to fund expedited processing of pesticides. Maintenance fees are assessed on registrants of pesticide products. FIFRA also includes provisions for the registration of new pesticides (funded in part from the PRIA or Pesticide Registration Fund), monitoring the distribution and use of pesticides, issuing civil or criminal penalties for violations, establishing cooperative agreements with the states, and certifying training programs for users of restricted chemicals. Appropriated funds, with the exception of partial funding of registration from Pesticide Registration Service Fees in the Pesticide Registration Fund, pay for these activities. The FIFRA Revolving Fund is accounted for under Treasury symbol number 68X4310.

The FIFRA fund may charge some administrative costs directly to the fund and charge the remainder of the administrative costs to Agency-wide appropriations. Costs funded by Agency-wide appropriations for FYs 2013 and 2012 were \$18.351 million and \$24.368 million, respectively. These amounts are included as Income from Other Appropriations on the Statement of Changes in Net Position and as Expenses from Other Appropriations on the Statement of Net Cost.

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the EPA for the Reregistration and Expedited Processing (FIFRA) Revolving Fund as required by the Chief Financial Officers Act of 1990. The reports have been prepared from the books and records of the EPA in accordance with Office of Management and Budget (OMB) Circular A-136 *Financial Reporting Requirements*, and the EPA's accounting policies which are summarized in this note. These statements are therefore different from the financial reports also

prepared by the EPA pursuant to OMB directives that are used to monitor and control the EPA's use of budgetary resources. The balances in these reports have been updated from the EPA consolidated financial statements to reflect the use of FY 2013 cost factors for calculating imputed costs for Federal civilian benefits programs. These updates impact the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position.

C. Budgets and Budgetary Accounting

Funding of the FIFRA Revolving Fund is provided by fees collected from industry to offset costs incurred by the EPA in carrying out these programs. Each year the EPA submits an apportionment request to OMB based on the anticipated collections of industry fees.

D. Basis of Accounting

Generally Accepted Accounting Principles (GAAP) for Federal entities is the standard prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard setting body for the federal government. The financial statements are prepared in accordance with GAAP for federal entities.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. All interfund balances and transactions have been eliminated.

E. Revenues and Other Financing Sources

The EPA's 2002 appropriations bill extended authority to collect maintenance fees by one year in the amount of \$17 million and the FY 2003 appropriations extended the authority to collect fees again by one year in the amount of \$21.5 million. Passage of the Pesticide Registration Improvement Act (PRIA) in 2004 extended the authority to collect maintenance fees through FY 2008 (with annual fee amounts at \$26 million in FY 2004; \$27 million in FY 2005-2006; \$21 million in FY 2007; and \$15 million in FY 2008). Passage of the Pesticide Registration Improvement Renewal Act (commonly referred to as PRIA II) in 2007 extended the authority to collect maintenance fees through FY 2012 (with annual fee amounts set at \$22 million each year from 2008-2012). For FYs 2013 and 2012, the FIFRA Revolving Fund received funding from maintenance fees collected on existing registered pesticide products and from interest collected on investments in U.S. Government securities. For FYs 2013 and 2012 revenues were recognized from fee collections to the extent that expenses are incurred during the fiscal year.

F. Funds with the Treasury

The FIFRA fund deposits receipts and processes disbursements through its operating account maintained at the U.S. Department of Treasury. Cash funds in excess of immediate needs are invested in U.S. Government securities.

G. Investments in U. S. Government Securities

Investments in U. S. Government securities are maintained by Treasury (Bureau of Public Debt) and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the investments and reported as interest income. FIFRA holds the investments to maturity, unless needed to finance operations of the fund. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

H. General Property, Plant and Equipment

General property, plant and equipment for FIFRA consists of software in development. All funds (except for the Working Capital Fund) capitalize software if those investments are considered Capital Planning and Investment Control (CPIC) or CPIC Lite systems with the provisions of SFFAS No. 10, "Accounting for Internal Use Software." Once software enters the production life cycle phase, it is depreciated using the straight-line method over the specific asset's useful life ranging from two to 10 years.

I. Accounts Receivable and Interest Receivable

FIFRA receivables are mainly for interest receivable on investments.

J. Liabilities

Liabilities represent the amount of monies or other resources that are likely than not to be paid by the Agency as the result of an Agency transaction or event that has already occurred and can be reasonably estimated. However, no liability can be paid by the Agency without an appropriation or other collections. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities, and there is no certainty that the appropriations will be enacted. For FIFRA, liabilities are liquidated from fee receipts and interest earnings, since FIFRA receives no appropriation. Liabilities of the Agency, arising from other than contracts can be abrogated by the Government acting in its sovereign capacity.

K. Accrued Unfunded Annual Leave

Annual, sick and other leave is expensed as taken during the fiscal year. Sick leave earned but not taken is not accrued as a liability. Annual leave earned but not taken as of the end of the fiscal year is accrued as an unfunded liability. Accrued unfunded annual leave is included in the Balance Sheet as a component of "Payroll and Benefits Payable."

L. Retirement Plan

There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1987, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect, pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Agency automatically contributes one percent of pay and matches any employee contributions up to an additional four percent of pay. The Agency also contributes the employer's matching share for Social Security.

With the issuance of SFFAS No. 5, "Accounting for Liabilities of the Federal Government," accounting and reporting standards were established for liabilities relating to the federal employee benefit programs (Retirement, Health Benefits, and Life Insurance). SFFAS No. 5 requires that the employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires that the Office of Personnel Management (OPM), as administrator of the CSRS and FERS, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, provide federal agencies with the actuarial cost factors to compute the liability for each program.

M. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Fund Balance with Treasury

	<u>FY 2013</u>	<u>FY 2012</u>
Revolving Funds: Entity Assets	<u>\$ 11,791</u>	<u>\$ 4,778</u>

Note 3. General Property, Plant and Equipment

General property, plant and equipment consists of software and software in development.

As of September 30, 2013 and 2012, General Property, Plant and Equipment consist of the following:

	FY 2013			FY 2012		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
Software	1,001	(542)	459	949	(390)	559
Total	\$ 1,001	(542)	459	\$ 949	(390)	559

Note 4. Other Liabilities

For FYs 2012 and 2011, the Payroll and Benefits Payable, non-Federal, are presented on a separate line of the Balance Sheet and in a separate footnote (see Note 5).

	FY 2013	FY 2012
Other Intragovernmental Liabilities - Covered by Budgetary Resources		
Employer Contributions - Payroll	\$ 363	\$ 92
Total	<u>\$ 363</u>	<u>\$ 92</u>
Other Non-Federal Liabilities - Covered by Budgetary Resources		
Advances from Non-Federal Entities	\$ 14,787	\$ 9,494
Total	<u>\$ 14,787</u>	<u>\$ 9,494</u>

Note 5. Payroll and Benefits Payable, non-Federal

	FY 2013	FY 2012
Covered by Budgetary Resources		
Accrued Payroll Payable to Employees	\$ 1,704	\$ 502
Withholdings Payable	\$ 212	\$ 33
Thrift Savings Plan Benefits Payable	\$ 79	\$ 21
Total	<u>\$ 1,995</u>	<u>\$ 556</u>
Not Covered by Budgetary Resources		
Unfunded Annual Leave Liability	<u>\$ 2,071</u>	<u>\$ 1,902</u>

At various periods throughout FYs 2013 and 2012, employees with their associated payroll costs were transferred from the FIFRA fund to the Environmental Programs and Management (EPM) appropriation. (See graph in Note 6 below showing trend of hours charged per month to the FIFRA fund for FYs 2013 and 2012.) These employees were transferred in order to keep FIFRA's obligations and disbursements within budgetary and cash limits. When resources became available, the employees charging to FIFRA increased in order to utilize resources as much as possible. The Agency expects that the practice of transferring employees when FIFRA's resources are low, and restoring employees when funds become available, will continue throughout FY 2013 and probably beyond that period.

This process has led to variations between the year-end liabilities for FYs 2013 and 2012. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll and benefits at year-end. At the end of FY 2013 and FY 2012, 53 and zero employees were charging their salary and benefits to FIFRA, respectively. As of September 30, 2013 these liabilities were \$363 thousand and \$1,995 thousand for employer contributions and accrued funded payroll and benefits, as compared to FY 2012's balances of \$92 thousand and \$556 thousand, respectively.

In contrast, the unfunded annual leave liability is a longer term liability than the funded liabilities. At various periods throughout FYs 2013 and 2012, approximately 223 and 255 employees, respectively, in total have been under FIFRA's accountability. During the 25th pay period of FY 2013, the liability was computed based on 53 employees charging to FIFRA in the last pay periods. Both the September 30, 2013 and 2012 liability balances for unfunded annual leave were accrued to cover the employees charged to FIFRA close to the end of the fiscal year for a total of \$2,071 thousand and \$1,902 thousand, respectively.

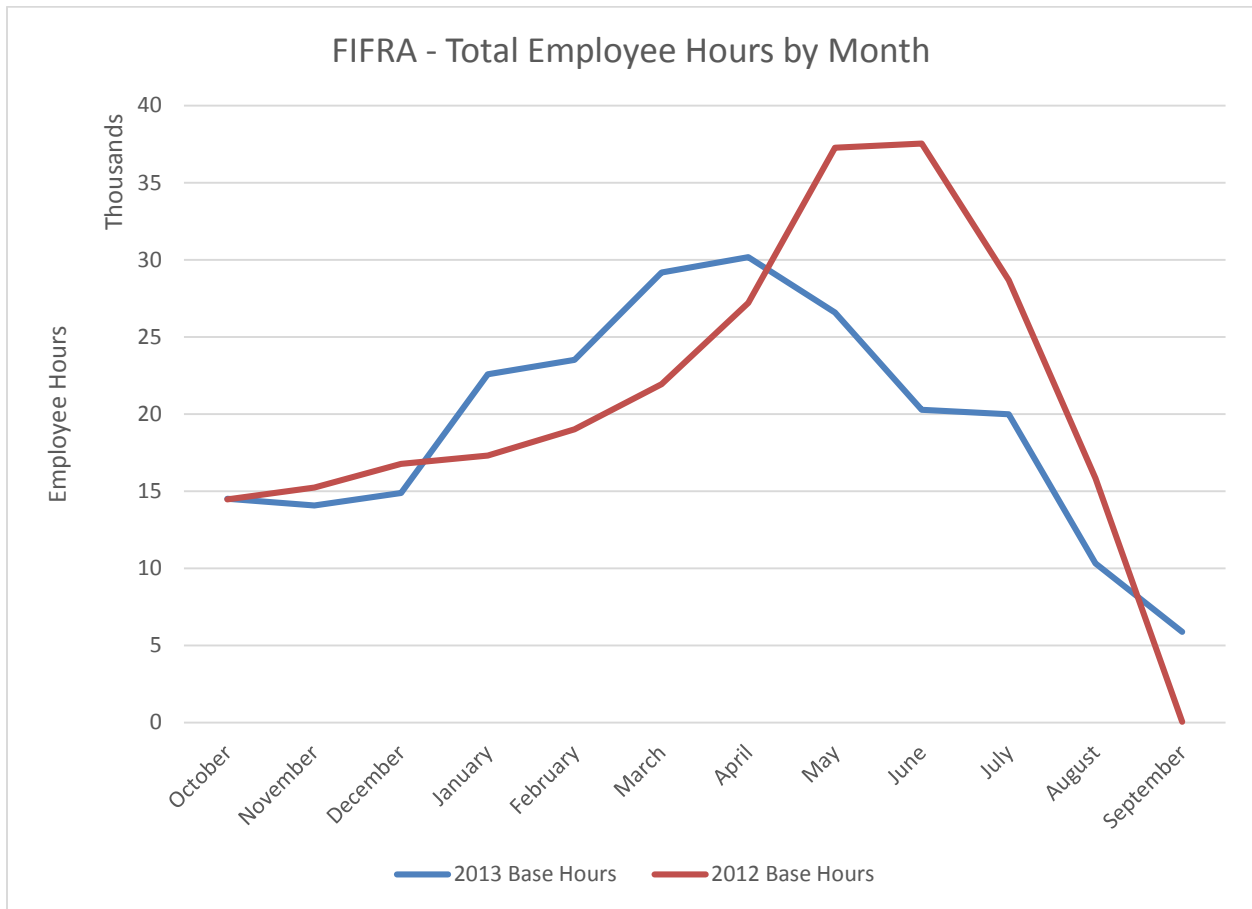
Note 6. Income and Expenses from Other Appropriations

The Statement of Net Cost reports program costs that include the full costs of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to program outputs.

During FYs 2013 and 2012, the EPA had two appropriations which funded a variety of programmatic and non-programmatic activities across the Agency, subject to statutory requirements. The EPM appropriation was created to fund personnel compensation and benefits, travel, procurement, and contract activities. Transfers of employees from FIFRA to EPM at various times during these years (see Note 5 above) resulted in a decrease in payroll expenses in EPM, and these costs financed by EPM are reflected as an increase in the Expenses from Other Appropriations on the Statement of Net Cost. The increased financing from EPM is reported on the Statement of Changes in Net Position as Income from Other Appropriations.

In terms of hours charged to FIFRA each month, the transfers of employees and their associated costs, during FYs 2013 and 2012 are shown below. Note that a decrease in hours charged to FIFRA normally signifies an increase in EPM's payroll costs, and vice versa. In addition,

Pesticide registration was separated from FIFRA starting with FY 2004 and Pesticide has its own set of financial statements.



EPM costs related to FIFRA are allocated based on specific EPM program codes which have been designated for Pesticide activities. As illustrated below, there is no impact on FIFRA’s Statement of Changes in Net Position.

	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect
FY 2013	<u>\$ 17,999</u>	<u>\$ 17,999</u>	<u>\$ -</u>
FY 2012	<u>\$ 24,368</u>	<u>\$ 24,368</u>	<u>\$ -</u>

Note 7. Exchange Revenues, Statement of Net Cost

For FYs 2013 and 2012, the exchange revenues reported on the Statement of Net Cost include both Federal and non-Federal amounts.

Note 8. Intragovernmental Costs and Exchange Revenue

COSTS:	FY 2013	FY 2012
Intragovernmental	\$ 5,104	\$ 3,839
With the Public	\$ 17,480	\$ 15,985
Expenses from Other Appropriations	<u>\$ 17,999</u>	<u>\$ 24,368</u>
Total Costs	\$ 40,583	\$ 44,192
REVENUE		
With the Public	<u>\$ 21,766</u>	<u>\$ 19,554</u>
Total Revenue	\$ 21,766	\$ 19,554
NET COST OF OPERATIONS	<u>\$ 18,817</u>	<u>\$ 24,638</u>

Intragovernmental costs relate to the source of the goods or services not the classification of the related revenue.

Note 9. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)

RESOURCES USED TO FINANCE ACTIVITIES:	<u>FY 2013</u>	<u>FY 2012</u>
Budgetary Resources Obligated		
Obligations Incurred	\$ 21,213	\$ 20,721
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(27,149)</u>	<u>(22,020)</u>
Obligations, Net of Offsetting Collections	\$ (5,936)	\$ (1,299)
Less: Offsetting Receipts	<u>(3)</u>	<u>3</u>
Net Obligations	\$ (5,939)	\$ (1,296)
Other Resources		
Imputed Financing Sources	471	98
Income from Other Appropriations	<u>17,999</u>	<u>24,368</u>
Net Other Resources Used to Finance Activities	\$ 18,470	\$ 24,466
 Total Resources Used To Finance Activities	 \$ 12,531	 \$ 23,170
 RESOURCES USED TO FINANCE ITEMS		
NOT PART OF THE NET COST OF OPERATIONS:		
Change in Budgetary Resources Obligated	\$ 6,073	\$ 1,292
Offsetting Receipts Not Affecting Net Cost	3	(3)
Resources that Finance Asset Acquisition	<u>(52)</u>	<u>(45)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ 6,024	\$ 1,244
 Total Resources Used to Finance the Net Cost of Operations	 \$ 18,555	 \$ 24,414
 Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	\$ 169	\$ 77
Increase in Public Exchange Revenue Receivables	(58)	3
Other	<u>-</u>	<u>1</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	\$ 111	\$ 81
 Components Not Requiring/Generating Resources:		
Depreciation and Amortization	\$ 151	\$ 143
Total Components of Net Cost that Will Not Require or Generate Resources	\$ 151	\$ 143
 Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	 <u>\$ 262</u>	 <u>\$ 224</u>
 Net Cost of Operations	 <u><u>\$ 18,817</u></u>	 <u><u>\$ 24,638</u></u>

Agency's Response to Draft Report

May 13, 2015

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Report No. OA-FY14-0125
“Fiscal Years 2013 and 2012 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund,” dated April 29, 2015

FROM: David A. Bloom */Signed/*
 Acting Chief Financial Officer

TO: Paul Curtis, Director
 Financial Statement Audits
 Office of Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. Following is a summary of the agency's position on each of the report recommendations, including high-level intended corrective actions and estimated completion dates.

AGENCY'S RESPONSE TO REPORT RECOMMENDATIONS

The agency concurs with the two draft report recommendations.

Agreements

No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion by Quarter and FY
1	Evaluate the OCFO's process for preparing the FIFRA financial statements and implement the necessary improvements for submission of accurate, timely and complete financial statements.	OCFO has developed a project plan with new controls and processes to ensure that the financial statement preparation for FIFRA is accurate and timely submitted.	3/31/2015 (complete)

2	Develop a systematic method to address all OIG comments on the FIFRA financial statements.	OCFO will work with the OIG to develop a more formal process for communicating and addressing corrections and changes in future FIFRA audits.	9/30/2015
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CONTACT INFORMATION

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