



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Fiscal Years 2011 and 2010 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

Report No. 12-1-0521

June 6, 2012



Scan this mobile
code to learn more
about the EPA OIG.

Report Contributors:

Paul Curtis
Robert Smith
Bill Samuel
Sabrina Jones
Mairim Lopez
Sheila May
Demetrios Papakonstantinou
Cynthia Poteat
Myka Sparrow
Alexandra Zapata-Torres

Abbreviations

EPA	U.S. Environmental Protection Agency
EPM	Environmental Programs and Management
FIFRA	Federal Insecticide, Fungicide, and Rodenticide Act
FMFIA	Federal Managers' Financial Integrity Act
OIG	Office of Inspector General
OMB	Office of Management and Budget

Hotline

To report fraud, waste, or abuse, contact us through one of the following methods:

e-mail: OIG_Hotline@epa.gov
phone: 1-888-546-8740
fax: 202-566-2599
online: <http://www.epa.gov/oig/hotline.htm>

write: EPA Inspector General Hotline
1200 Pennsylvania Avenue NW
Mailcode 2431T
Washington, DC 20460



At a Glance

Why We Did This Review

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

Background

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 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 EPA's progress in reregistering pesticides.

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2012/20120606-12-1-0521.pdf

Fiscal Years 2011 and 2010 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

Opinion

We rendered an unqualified, or clean, opinion on EPA's Pesticides Reregistration and Expedited Processing Fund financial statements for fiscal years 2011 and 2010, meaning they are fairly presented and free of material misstatement.

Internal Control Material Weakness Noted

We noted one material weakness in internal controls. EPA materially understated the FIFRA payroll and benefits payable, and related payroll expenses included in gross costs, in fiscal year 2011. 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 transfer removed the base upon which the leave accrual and benefits payable amounts are calculated. As a result, payroll and benefits payable were materially understated. The fiscal year 2010 accruals for FIFRA were \$2,269,000 while the fiscal year 2011 accruals were \$17,000. Understatements could impact the opinion on the financial statements and reliance on reported FIFRA financial information.

Compliance With Applicable Laws and Regulations

The Agency was in compliance with applicable laws and regulations.

Planned Agency Corrective Actions

The Agency agreed with our findings and recommendations. The Agency corrected the FIFRA financial statements to reflect the proper payroll and benefit payable amounts and indicated it will monitor the FIFRA benefit accrual at year-end. The Agency's complete response is in appendix B to this report. We agree with the Agency's corrective actions taken and proposed and believe the actions adequately address the issues raised.



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

THE INSPECTOR GENERAL

June 6, 2012

MEMORANDUM

SUBJECT: Fiscal Years 2011 and 2010 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund Report No. 12-1-0521

FROM: Arthur A. Elkins, Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins, Jr.", is written over the printed name.

TO: Jim Jones
Acting Assistant Administrator for Chemical Safety and Pollution Prevention

Barbara Bennett
Chief Financial Officer

Attached is our report on the U.S. Environmental Protection Agency's (EPA's) fiscal years 2011 and 2010 financial statements for the Pesticides Reregistration and Expedited Processing Fund, conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This audit report represents the opinion of the OIG, and the findings in this report do not necessarily represent the final EPA position. EPA managers, in accordance with established EPA audit resolution procedures, will make final determinations on the findings in this audit report. Accordingly, the findings described in this audit report are not binding upon EPA in any enforcement proceeding brought by EPA or the Department of Justice. We have no objections to the further release of this report to the public. This report will be available at <http://www.epa.gov/oig>.

In accordance with EPA Manual 2750, we are closing this report on issuance in our tracking system. You should track progress of your corrective actions in the Management Audit Tracking System.

If you or your staff have any questions regarding this report, please contact Melissa Heist at (202) 566-0899 or Heist.Melissa@epa.gov, or Paul Curtis at (202) 566-2523 or Curtis.Paul@epa.gov.

Table of Contents

Inspector General’s Report on the Fiscal Years 2011 and 2010 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

Opinion on the FIFRA Fund Financial Statements.....	1
Evaluation of Internal Controls	1
Tests of Compliance With Laws and Regulations.....	3
Management’s Discussion and Analysis Section of the Financial Statements	3
Prior Audit Coverage.....	4
Agency Comments and OIG Evaluation	4

Attachments

1	Material Weakness	5
	FIFRA Payroll and Benefits Payable Are Understated.....	6
2	Status of Recommendations and Potential Monetary Benefits	8

Appendices

- A** Fiscal Years 2011 and 2010 FIFRA Financial Statements
- B** Agency’s Response to Draft Report
- C** Distribution

Inspector General's Report on the Fiscal Years 2011 and 2010 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

The Administrator
U.S. Environmental Protection Agency

We have audited the Pesticides Reregistration and Expedited Processing Fund (known as the FIFRA Fund) balance sheet as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended. These financial statements are the responsibility of U.S. Environmental Protection Agency (EPA) management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with the generally accepted 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. 07-04, *Audit Requirements for Federal Financial Statements, as Amended*. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

Evaluation of Internal Controls

As defined by OMB, internal control, as it relates to the financial statements, is a process, affected by the Agency's management and other personnel, that is designed to provide reasonable assurance that the following objectives are met:

Reliability of financial reporting – Transactions are properly recorded, processed, and summarized to permit the preparation of the 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, regulations, and government-wide policies – Transactions are executed in accordance with laws governing the use of budget authority, government-wide policies, laws identified by OMB, and other laws and regulations that could have a direct and material effect on the financial statements.

In planning and performing our audit, we considered EPA's internal control over the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) 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. 07-04, *Audit Requirements for Federal Financial Statements, as Amended*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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, in internal controls 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, in internal controls, 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 basis. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted a matter involving the internal controls and their operations that we considered to be a material weakness.

Material Weakness: FIFRA Payroll and Benefits Payable Are Understated

EPA materially understated the FIFRA payroll and benefits payable, and related payroll expense included in gross costs, in fiscal year 2011. The Agency's practice of transferring employees and related expenses and liabilities from FIFRA to the Environmental Programs and Management (EPM) Fund for cash

flow reasons led to the understatement. Just prior to year-end, the Office of Pesticide Programs, in the Office of Chemical Safety and Pollution Prevention, transferred all but one employee from FIFRA to EPM. On average, 141 employees were assigned to FIFRA throughout fiscal year 2011. The transfer removed the base upon which the leave accrual and the benefits payable amounts are calculated. As a result, payroll and benefits payable were materially understated. The fiscal year 2010 accruals for FIFRA were \$2,269,000 while the fiscal year 2011 accruals were \$17,000.

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

OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements, as Amended*, 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 material weaknesses 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 weakness for fiscal year 2011 impacting the FIFRA Fund; however, we identified a material weakness with the Agency's reporting of payroll and benefits payable. Details concerning this material weakness are in attachment 1.

Tests of Compliance With Laws and Regulations

As part of obtaining a reasonable assurance about 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

We reviewed samples of reregistration, amendment, and cancellation actions completed in fiscal year 2011 claimed in FIFRA Performance Measure 2 in the Management's Discussion and Analysis, and found all actions sampled were supported. We also reviewed documentation for the cumulative status of reregistration actions in Performance Measure 2, and found that the reported

cumulative status appears reasonable. There were no claimed fiscal year 2011 accomplishments for the other performance measures shown in the Management's Discussion and Analysis.

Prior Audit Coverage

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

- EPA misapplied federal retirement benefit cost factors in calculating fiscal year 2010 imputed costs related to the Civil Service Retirement System and the Federal Employees Retirement System. Imputed costs are costs that are not fully reimbursed.
- We could not assess the adequacy of the Integrated Financial Management System automated controls.

The Agency has taken action to correct both of these deficiencies by correcting the fiscal year 2010 imputed costs in the FIFRA Fund Financial Statements and by implementing a new accounting system to replace the Integrated Financial Management System in October 2011.

Agency Comments and OIG Evaluation

In a memorandum dated May 1, 2012, the Agency responded to our draft report. The Office of the Chief Financial Officer concurred with our recommendations and provided corrective actions for each specific recommendation. We agree with the Agency's proposed corrective actions and believe that they adequately address the issues raised. 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
June 6, 2012

Material Weakness

Table of Contents

1 – FIFRA Payroll and Benefits Payable Are Understated..... 6

1 – FIFRA Payroll and Benefits Payable Are Understated

EPA materially understated the FIFRA Fund's payroll and benefits payable, and related payroll expense included in gross costs, in the draft financial statements for fiscal year 2011. OMB Circular A-136, *Financial Reporting Requirements*, states, "Liabilities shall be recognized when they are incurred regardless of whether they are covered by available budgetary resources." The Agency's practice of transferring employees and related expenses and liabilities from FIFRA to the EPM Fund for cash flow reasons led to the understatement. The fiscal year 2010 accruals for FIFRA were \$2,269,000 while the fiscal year 2011 accruals were \$17,000. Understatements could impact the opinion on the financial statements and reliance on reported FIFRA financial information.

The annual leave accrual amount is calculated at year-end using the total number of FIFRA employees multiplied by their hourly rates and accrued leave balances. Just prior to year-end, the Office of Pesticide Programs transferred all but one employee from FIFRA to EPM. On average, 141 employees were assigned to FIFRA throughout fiscal year 2011. The transfer removed the base upon which the leave accrual and the benefits payable amounts are calculated. As a result, payroll and benefits payable were materially understated.

EPA uses the EPM appropriation for a broad range of abatement, prevention, and compliance activities, and personnel compensation, benefits, travel, and expenses for all programs of the Agency. Statement of Federal Financial Accounting Standards No. 5 states that liabilities should be recognized for exchange transactions, such as when a federal employee performs services in exchange for compensation, when the services have been provided. OMB Circular No. 136, *Financial Reporting Requirements*, further classifies liabilities of federal agencies as liabilities covered or not covered by budgetary resources (e.g., unfunded).

EPA began the practice of moving payroll expenses from FIFRA to EPM in fiscal year 1996. When FIFRA resources are low, the Agency transfers employees from FIFRA to EPM to keep FIFRA obligations and disbursements within budgetary and cash limits. As FIFRA fees are collected, employees are moved back to the FIFRA appropriation. EPA has regularly disclosed this ongoing practice in prior FIFRA financial statement reports, and this practice is expected to continue throughout fiscal year 2012. Temporarily moving employees for cash flow reasons should not impact accruals as long as those employees are continuing the same work. If the transfers become permanent, FIFRA should recognize a benefit as another appropriation would be covering the accrued payroll debt.

The process of moving employees and the related payroll expenses and liabilities between FIFRA and EPM near year-end contributed to the understatement of the FIFRA payroll and benefits payable, and related payroll expense included in gross costs, in the draft financial statements for fiscal year 2011. The Office of the Chief Financial Officer should have realized that the transfer of employees from FIFRA to EMP was only temporary, and computed the annual leave accrual and payroll benefits payable amounts accordingly.

Recommendations

We recommend that the Office of the Chief Financial Officer:

1. Correct the FIFRA financial statements to reflect the proper payroll and benefits payable amounts.
2. Closely monitor the payroll and benefit accruals for FIFRA at year-end.

Agency Response and OIG Evaluation

The Agency agreed with our findings and recommendations, and has completed corrective actions on recommendation 1. The Office of the Chief Financial Officer corrected the FIFRA financial statements to reflect the proper payroll and benefits payable amounts.

Agency actions on recommendation 2 are pending. The Office of the Chief Financial Officer indicated it will closely monitor the payroll and benefit accruals for FIFRA at year-end. The estimated completion date for this corrective action is September 30, 2012.

The Agency's complete response is included in appendix B to this report. We agree with the Agency's proposed corrective actions and believe they adequately address the issues raised.

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	7	Correct the FIFRA financial statements to reflect the proper payroll and benefits payable amounts.	C	Office of the Chief Financial Officer	03/05/12		
2	7	Closely monitor the payroll and benefit accruals for FIFRA at year-end.	O	Office of the Chief Financial Officer	09/30/12		

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 2011 and 2010 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Agency's Office of Pesticide Programs (OPP) was established to administer the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) to protect public health and the environment. The law requires the Agency to balance public health and environmental concerns with the expected economic benefits derived from pesticides. The guiding principles of the pesticide program are to reduce risks from pesticides in food, the workplace, and other exposure pathways and to prevent pollution by encouraging the use of new and safer pesticides.

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

Tolerance Program Description

As part of its authority to regulate pesticides, EPA is responsible for setting "tolerances." If the pesticide is being considered for use on a food or feed crop or as a food or feed additive, the applicant must petition EPA for establishment of a tolerance (or exemption from a tolerance) under authority of the FFDCA. A tolerance is the maximum legal limit of a pesticide residue on food commodities and animal feed. Tolerances are set at levels that ensure that the public is protected from health risks posed by eating foods that have been treated with pesticides in accordance with label directions.

In 1954, Congress authorized the collection of fees for the establishment of tolerances for raw agricultural commodities (Section 408 of FFDCA). Congress, however, did not authorize the collection of fees for food additive tolerances (Section 409 of FFDCA). EPA, therefore, does not collect fees for food additive tolerances. The Agency also does not collect fees for Agency-initiated actions such as the revocation of tolerances for previously canceled pesticides. Fees collected from tolerances for raw agricultural commodities were deposited to the U.S. Treasury General Fund until 1963 when Congress established the Tolerance Fund.

In 1996, pesticide reform legislation included provisions for additional fees to support reregistration activities. Passage of the Food Quality Protection Act (FQPA) of 1996 requires 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) of 2003 and the Pesticide Registration Improvement Renewal Act in 2007, no additional tolerance petition fees will be deposited to the FIFRA Fund through FY 2012.

Pesticide Reregistration Program Description

As part of its authority to regulate pesticides, EPA is responsible for re-registering existing pesticides. The FIFRA legislation, requiring the registration of pesticide products, was originally passed in 1947. Since then, health and environmental standards have become more stringent and scientific analysis techniques much more precise and sophisticated. In the 1988 amendments to FIFRA (FIFRA '88), Congress mandated the accelerated reregistration of all products registered prior to November 1, 1984. The amendments established a statutory goal of completing reregistration eligibility decisions (REDs) by 1997. The legislation allows for various time extensions which can extend the deadline by three years or more. The statutory requirement for the completion of reregistration food-use (REDs) is 2006, in conjunction with the new tolerance reassessment program. For the non-food-use active ingredient REDs, the current legal deadline under PRIA for completion of reregistration is October 3, 2008.

Congress authorized the collection of two kinds of fees to supplement appropriated funds to support reregistration program: an annual maintenance fee and a one-time reregistration fee. Maintenance fees are assessed on registrants of pesticide products and were structured to collect approximately \$14 million per year. Reregistration fees are assessed on the manufacturers of the active ingredients in pesticide products and are based on the manufacturer's share of the market for the active ingredient. In fiscal years 1992 through 1999, approximately 14% of the maintenance fees collected, up to \$2 million each year, were used for the expedited processing of old chemical and amended registration applications. Fees are deposited into the FIFRA Revolving Fund. By statute, excess monies in the FIFRA Fund may be invested. Waivers and/or refunds are granted for minor use pesticides, antimicrobial pesticides, and small businesses.

In 1996, pesticide reform legislation included provisions for additional fees to support reregistration activities. Passage of the FQPA of 1996 implemented the following changes in the Pesticide Reregistration Program: reauthorized collection of maintenance fees through 2001 to complete the review of older pesticides to ensure they meet current standards (increased annual fees from \$14 million to \$16 million per year for 1998, 1999, and 2000 only) and required all tolerances (over 9,700) to be reassessed by 2006. EPA's 2002 appropriations bill extended authority to collect maintenance fees by one year for 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 PRIA in FY 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 known as PRIA 2) on October 9, 2007 extended the authority to collect maintenance fees through FY 2012 (with annual fee amounts at \$22 million each FY). PRIA 2 includes the provision for use of maintenance fees to offset the costs of registration review beginning in FY 2008.

The reregistration process is being conducted through reviews of groupings of similar active ingredients called cases. There are five major phases of reregistration:

- Phase 1 - Listing of Active Ingredients. EPA publishes lists of active ingredients and asks registrants whether they intend to seek reregistration. (Completed in FY 1989)

- Phase 2 - Declaration of Intent and Identification of Studies. Registrants notify EPA if they intend to reregister and identify missing studies. (Completed in FY 1990)
- Phase 3 - Summarization of Studies. Registrants submit required existing studies. (Completed in FY 1991)
- Phase 4 - EPA Review and Data Call-Ins (DCIs). EPA reviews the studies, identifies and "calls-in" missing studies by issuing a DCI. A "DCI" is a request to a pesticide registrant for scientific data to assist the Agency in determining the pesticide's eligibility for reregistration. (Completed in FY 1994)
- Phase 5 - Reregistration Decisions. EPA reviews all studies and issues a Reregistration Eligibility Decision (RED) for the active ingredient(s). A "RED" is a decision by the Agency defining whether uses of a pesticide active ingredient are eligible or ineligible for reregistration. The registrant complies with the RED by submitting product specific data and new labels. EPA reregisters or cancels the product. Pesticide products are re-registered, based on a RED, when it meets all label requirements. This normally takes 14 to 20 months after issuance of the RED.

Research Program Description

Chemical safety is a major priority of research and decision making at EPA. EPA's new integrated Chemical Safety for Sustainability research program is charged with examining the risks resulting from exposure to pesticides and toxic chemicals. In previous years, this research was performed under EPA's pesticides and toxics research program which will be consolidated in FY 2012 into the Chemical Safety for Sustainability research program. Chemical safety research is improving the protection of human health and the environment by providing scientific approaches and information on chemical exposure, hazard and risk. The research program's major goals are: (1) to evaluate pesticide and toxic chemicals for potential risks to human health and the environment; (2) to research ways to produce, use and dispose of new and existing chemicals using more sustainable methods, (3) emphasizes research efforts targeting nanomaterials and endocrine disrupting chemicals and (4) uses innovative chemical screening technologies such as computational toxicology to generate chemical data on the biological effects of large numbers of chemicals.

The Chemical Safety research program:

- Examines chemical properties (inherency): Chemical inherency is the physico-chemical characteristics of a pesticide or toxic that influences exposure and toxicity potential. Inherency research works to understand the relationships between chemical inherency, toxicity potential and specific disease outcomes.
- Develops systems models to assess the potential toxicity of chemicals: Systems models are developed to research the entire process of how a pesticide or toxic interacts with the biological processes of humans and wildlife. The investigation starts with research on chemical exposures. It then follows the subsequent interactions between chemical exposures and resulting adverse effects to improve the understanding of environmentally caused diseases.

- Evaluates biomarkers: Biomarkers are biological responses that indicate exposure to a pesticide or toxic, an effect from exposure or susceptibility to adverse effects from a chemical. Biomarkers research uses linkages to develop biomarker-based predictive tools to understand chemical exposure events and predict potential outcomes.
- Assesses cumulative risk: Real world chemical exposures are rarely due to a single pesticide or toxic. The research assesses the potential human health and environmental outcomes that may occur due to multiple and continuous exposures to toxics and mixtures, especially those found in consumer products.
- Evaluates Chemical Life Cycle: Life cycle considerations research includes studying the design, manufacture, and use of a pesticide or toxic. By examining the environmental exposures and human and ecological health impacts of a chemical, Life Cycle research provides data to inform the design of more sustainable chemicals.
- Provides methods for extrapolating chemical data: This research uses available pesticide and toxics data to develop approaches that extrapolate possible effects between test organisms and human or ecological responses, test and real-world exposure durations, and from laboratory to field conditions.
- Provides decision makers access to developed databases, tools and models: Using EPA's web-based interactive tools, decision-makers and others interested in pesticide and toxics research data can access information from chemical exposure, hazard data, decision-rules and predictive models. CSS is working to provide more integrative, holistic information for use in pesticide and toxic risk assessment and risk management decisions.

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 Cooperative Agreement priorities for FY 2011 – FY 2013 include reducing chemical risks and protecting the underserved and vulnerable populations. Core program activities include inspections of producing establishments, dealers/distributors/retailers, e-commerce; imports and exports, and pesticide misuse. Additionally, through 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 2, no Tolerance fees were collected and deposited to the FIFRA Fund in FY 2011.

Measure: Tolerance re-evaluations.

Results: The tolerance reassessment program was completed in FY 2007; therefore, no further tolerance reassessment decisions were needed or completed in FY 2011. At the end of FY 2007, EPA had completed 9,721 tolerance reassessment decisions, addressing 100% of the 9,721 tolerances that required reassessment.

Reregistration (FIFRA) Financial Perspective

During FY 2011, the Agency's obligations charged against the FIFRA Fund for the cost of the reregistration programs and other authorized pesticide programs were \$24 million and 136.0 workyears. Of these amounts, OPP obligated \$18.8 million of this cost and funded the 136.0 workyears.

Appropriated funds are used in addition to FIFRA revolving funds. In FY 2011, the Enacted Operating Plan included approximately \$ 38.5 million in appropriated funds for reregistration program activities. The unobligated balance in the Fund at the end of FY 2011 was \$400 thousand.

The Fund has two types of receipts: fee collections and interest earned on investments. Of the \$22.7 million in FY 2011 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 2010 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. No REDs were completed in FY 2011. 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. 613 reregistration cases (100%) had 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 2011, 373 products were reregistered; 460 products were amended; 379 products were cancelled; and 6 products were suspended. Currently, a universe of 24,576 products is undergoing or has completed product reregistration. The status of those products at the end of FY 2011 was as follows: EPA had completed decisions for 16,952 products (specifically, 4,742 products had been reregistered; 1,639 product registrations had been amended; 10,545 products were cancelled; and 26 products were suspended); and 7,624 products had actions/decisions pending. The Agency's goal in FY 2012 is to complete 1,200 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 necessary studies to make reregistration eligibility decisions for all active ingredients subject to reregistration 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 2011.

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. Other Assets – Advances to Working Capital Fund	17
Note 4. General Property, Plant and Equipment	17
Note 5. Other Liabilities	18
Note 6. Payroll and Benefits Payable, non-Federal	18
Note 7. Income and Expenses from Other Appropriations	19
Note 8. Exchange Revenues, Statement of Net Cost	21
Note 9. Intragovernmental Costs and Revenue	21
Note 10. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)	22

**Environmental Protection Agency
FIFRA
Balance Sheet
As of September 30, 2011 and 2010
(Dollars in Thousands)**

	<u>FY 2011</u>	<u>FY 2010</u>
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 3,541	\$ 4,174
Other (Note 3)	0	92
Total Intragovernmental	\$ 3,541	\$ 4,266
Property, Plant & Equipment, Net (Note 4)	657	909
Total Assets	\$ 4,198	\$ 5,175
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities	202	163
Other (Note 5)	326	200
Total Intragovernmental	\$ 528	\$ 363
Accounts Payable & Accrued Liabilities	\$ 270	\$ 265
Payroll & Benefits Payable (Note 6)	3,213	2,269
Other (Note 5)	7,052	7,039
Total Liabilities	\$ 11,063	\$ 9,936
NET POSITION		
Cumulative Results of Operations	(6,865)	(4,761)
Total Net Position	(6,865)	(4,761)
Total Liabilities and Net Position	\$ 4,198	\$ 5,175

The accompanying notes are an integral part of these statements.

**Environmental Protection Agency
FIFRA
Statement of Net Cost
For the Years Ended September 30, 2011 and 2010
(Dollars in Thousands)**

	FY 2011	FY 2010
COSTS		
Gross Costs (Note 9)	\$ 25,141	\$ 25,877
Expenses from Other Appropriations (Note 7)	35,439	36,268
Total Costs	60,580	62,145
Less:		
Earned Revenue (Notes 8, 9)	22,688	23,231
NET COST OF OPERATIONS (Note 10)	\$ 37,892	\$ 38,914

The accompanying notes are an integral part of these statements.

**Environmental Protection Agency
FIFRA
Statement of Changes in Net Position
For the Years Ended September 30, 2011 and 2010
(Dollars in Thousands)**

		<u>FY 2011</u>		<u>FY 2010</u>
Net Position - Beginning of Period		(4,761)		(3,711)
Beginning Balances, as Adjusted	\$	<u>(4,761)</u>	\$	<u>(3,711)</u>
Budgetary Financing Sources:				
Nonexchange Revenue - Securities Investment		2		7
Income from Other Appropriations (Note 7)		35,439		36,268
Total Budgetary Financing Sources	\$	<u>35,441</u>	\$	<u>36,275</u>
Other Financing Sources (Non-Exchange)				
Imputed Financing Sources		347		1,589
Total Other Financing Sources	\$	<u>347</u>	\$	<u>1,589</u>
Net Cost of Operations		(37,892)		(38,914)
Net Change		(2,104)		(1,050)
Cumulative Results of Operations	\$	<u><u>(6,865)</u></u>	\$	<u><u>(4,761)</u></u>

The accompanying notes are an integral part of these statements.

**Environmental Protection Agency
FIFRA
Statement of Budgetary Resources
For the Years Ended September 30, 2011 and 2010
(Dollars in Thousands)**

	<u>FY 2011</u>	<u>FY 2010</u>
BUDGETARY RESOURCES		
Unobligated Balance, Brought Forward, October 1:	\$ 1,746	\$ 4,133
Budgetary Authority:		
Spending Authority from Offsetting Collections		
Earned:		
Collected	22,690	23,237
Change in Unfilled Customer Orders:		
Advance Received	14	(1,151)
Total Spending Authority from Offsetting Collections	<u>22,704</u>	<u>22,086</u>
Total Budgetary Resources	<u>\$ 24,450</u>	<u>\$ 26,219</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Reimbursable	<u>24,046</u>	<u>24,473</u>
Total Obligations Incurred	24,046	24,473
Unobligated Balances:		
Apportioned	<u>404</u>	<u>1,746</u>
Total Unobligated Balances	<u>404</u>	<u>1,746</u>
Total Status of Budgetary Resources	<u>\$ 24,450</u>	<u>\$ 26,219</u>
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 2,427	\$ 2,990
Adjusted Total	<u>2,427</u>	<u>2,990</u>
Total Unpaid Obligated Balance, Net	2,427	2,990
Obligations Incurred, Net	24,046	24,473
Less: Gross Outlays	<u>(23,337)</u>	<u>(25,036)</u>
Total, Change in Obligated Balance	3,136	2,427
Obligated Balance, Net, End of Period:		
Unpaid Obligations	<u>3,136</u>	<u>2,427</u>
Total, Unpaid Obligated Balance, Net, End of Period	<u>\$ 3,136</u>	<u>\$ 2,427</u>
NET OUTLAYS		
Net Outlays:		
Gross Outlays	\$ 23,337	\$ 25,036
Less: Offsetting Collections	<u>(22,704)</u>	<u>(22,086)</u>
Total, Net Outlays	<u>\$ 633</u>	<u>\$ 2,950</u>

The accompanying notes are an integral part of these statements.

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 2011 and 2010 were \$35,439 thousand and \$36,268 thousand, 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 2011 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 2011 and 2010, 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 2011 and 2010 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 2011</u>	<u>FY 2010</u>
Revolving Funds: Entity Assets	\$ <u>3,541</u>	\$ <u>4,174</u>

Note 3. Other Assets – Advances to Working Capital Fund

FIFRA advances funds to the EPA's Working Capital Fund to pay for computer, postage, and other administrative support services. As of September 30, 2011 and 2010, funds advanced that will be applied to future costs as incurred were \$0 and \$92 thousand respectively.

Note 4. General Property, Plant and Equipment

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

As of September 30, 2011 and 2010, General Property, Plant and Equipment consist of the following:

	<u>FY 2011</u>			<u>FY 2010</u>		
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Software	905	(248)	657	909	-	909
Total	\$ 905	\$ (248)	\$ 657	\$ 909	\$ 0	\$ 909

Note 5. Other Liabilities

For FYs 2011 and 2010, the Payroll and Benefits Payable, non-Federal, are presented on a separate line of the Balance Sheet and in a separate footnote (see Note 6).

	<u>FY 2011</u>	<u>FY 2010</u>
Other Intragovernmental Liabilities - Covered by Budgetary Resources		
Employer Contributions - Payroll	\$ 326	\$ 200
Total	\$ 326	\$ 200

	<u>FY 2011</u>	<u>FY 2010</u>
Other Non-Federal Liabilities – Covered by Budgetary Resources		
Advances from Non-Federal Entities	\$ 7,052	\$ 7,039
Total	\$ 7,052	\$ 7,039

Note 6. Payroll and Benefits Payable, non-Federal

	<u>FY 2011</u>	<u>FY 2010</u>
Covered by Budgetary Resources		
Accrued Payroll Payable to Employees	\$ 1,153	\$ 589
Withholdings Payable	180	277
Thrift Savings Plan Benefits Payable	54	32
Total	\$ 1,387	\$ 898
Not Covered by Budgetary Resources		
Unfunded Annual Leave Liability	\$ 1,826	\$ 1,371

At various periods throughout FYs 2011 and 2010, employees with their associated payroll costs were transferred from the FIFRA fund to the Environmental Programs and Management (EPM) appropriation. (See graph in Note 7 below showing trend of hours charged per month to the FIFRA fund for FYs 2011 and 2010.) 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 2012 and probably beyond that period.

This process has led to variations between the year-end liabilities for FYs 2011 and 2010. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll and benefits at year-end. At the end of FY 2011, no employees were charging their salary and benefits to FIFRA compared to 149 employees for the end of FY 2010. As of September 30, 2011 these liabilities were \$326 thousand and \$1,387 thousand for employer contributions and accrued funded payroll and benefits, as compared to FY 2010's balances of \$200 thousand and \$898 thousand, respectively.

In contrast, the unfunded annual leave liability is a longer term liability than the funded liabilities. At various periods throughout FYs 2011 and 2010, approximately 258 and 243 employees, respectively, in total have been under FIFRA's accountability. During the last pay period of FY 2011, all FIFRA employees had been transferred to EPM so the liability was computed based on no employees charging to FIFRA in the last pay periods covering the timeframe from August 28, 2011 through September 30, 2011. Both the September 30, 2011 and 2010 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 \$1,826 thousand and \$1,371 thousand, respectively.

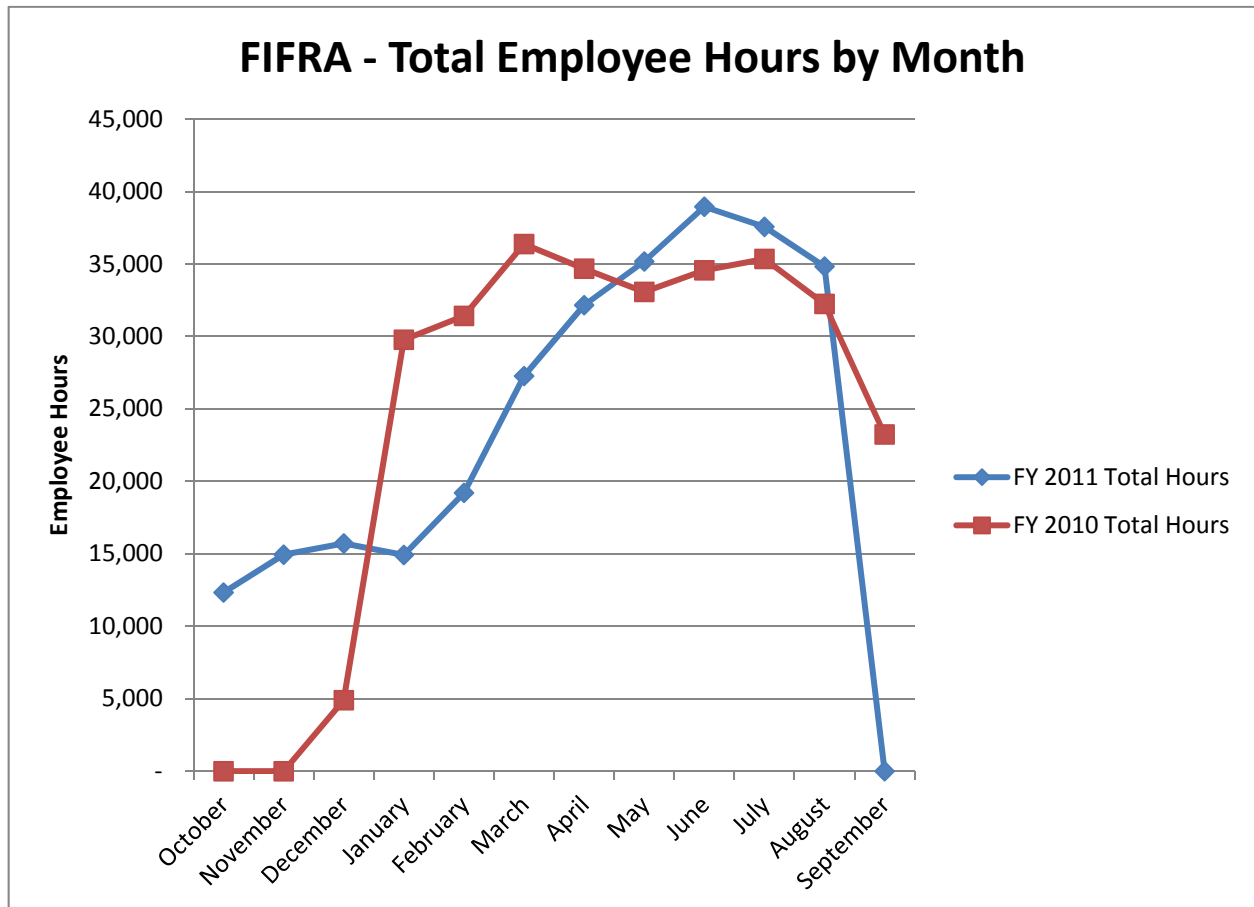
Note 7. Income and Expenses from Other Appropriations

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 2011 and 2010, 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 6 above) resulted in an increase 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 2011 and 2010 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.

	<u>Income From Other Appropriations</u>		<u>Expenses From Other Appropriations</u>		<u>Net Effect</u>
FY 2011 \$	35,439	\$	35,439	\$	0
FY 2010 \$	36,268	\$	36,268	\$	0

Note 8. Exchange Revenues, Statement of Net Cost

For FYs 2011 and 2010, the exchange revenues reported on the Statement of Net Cost include both Federal and non-Federal amounts.

Note 9. Intragovernmental Costs and Exchange Revenue

	<u>FY 2011</u>	<u>FY 2010</u>
COSTS:		
Intragovernmental	\$ 5,822	\$ 8,221
With the Public	19,319	17,656
Expenses from Other Appropriations	<u>35,439</u>	<u>36,268</u>
Total Costs	\$ 60,580	\$ 62,145
REVENUE:		
With the Public	<u>22,688</u>	<u>23,231</u>
Total Revenue	\$ 22,688	\$ 23,231
NET COST OF OPERATIONS	<u><u>\$ 37,892</u></u>	<u><u>\$ 38,914</u></u>

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

Note 10. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)

	<u>FY 2011</u>	<u>FY 2010</u>
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 24,046	\$ 24,473
Less: Spending Authority from Offsetting		
Collections and Recoveries	(22,704)	(22,086)
Obligations, Net of Offsetting Collections	\$ 1,342	\$ 2,387
Other Resources		
Imputed Financing Sources	\$ 347	\$ 1,589
Income from Other Appropriations (Note 7)	35,439	36,268
Net Other Resources Used to Finance Activities	\$ 35,786	\$ 37,857
Total Resources Used To Finance Activities	\$ 37,128	\$ 40,244
RESOURCES USED TO FINANCE ITEMS		
NOT PART OF NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods	\$ 54	\$ (993)
Resources that Fund Prior Period Expenses	-	(343)
Resources that Finance Asset Acquisition	(862)	-
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ (808)	\$ (1,336)
Total Resources Used to Finance the Net Cost of Operations	\$ 36,320	\$ 38,908
COMPONENTS OF NET COST OF OPERATIONS		
THAT WILL NOT REQUIRE OR GENERATE		
RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	455	-
Other	2	6
Total components of Net Cost of Operations that Require or Generate Resources in Future Periods	457	6
Components Not Requiring/Generating Resources		
Depreciation and Amortization	\$ 248	\$ -
Expenses Not Requiring Budgetary Resources	867	-
Total Components of Net Cost that Will Not Require or Generate Resources	\$ 1,115	\$ -
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	\$ 1,572	\$ 6
Net Cost of Operations	\$ 37,892	\$ 38,914

Agency's Response to Draft Report

May 1, 2012

MEMORANDUM

SUBJECT: **Response to Office of Inspector General Draft Report:** *"Fiscal Year 2011 and 2010 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund,"* Assignment No. 12-P-XXXX, dated April 20, 2012

FROM: Barbara J. Bennett /s/ **Original Signed By:**
Chief Financial Officer

TO: Arthur A. Elkins, Jr.
Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. Attention to the issues identified in the draft report should help further strengthen the agency's fiscal integrity. Attached is our corrective action plan in response to the specific recommendations made in the draft report.

If you have any questions regarding this response, please contact Sandy Dickens of the Office of Financial Management on (202) 564-0606.

Attachment

cc: Maryann Froehlich
Joshua Baylson
Steven Bradbury
Marty Monell
Melvin Visnick
Kimberly Dubbs
Jeanne Conklin
Dale Miller
Chris Osborne
Sherri Anthony
Sandy Dickens
Janet Weiner
Janice Kern
Sheldonna Proctor

Elizabeth Leovey
John Street
Michael Hardy
Melissa Heist
Meg Hiatt
Paul Curtis
Robert L. Smith
Art Budelier
Sheila May
Bill Samuel

Attachment

Response to Office of Inspector General Draft Report No. 12-P-XXXX
“Fiscal Year 2011 and 2010 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund,”
dated April 20, 2012

Rec. No.	OIG Recommendation	Proposed Corrective Action	Action Official	Estimated Completion Date
1.	Correct the FIFRA and PRIA financial statements to reflect the proper payroll and benefits payable amounts.	1.1 OCFO/OFM will correct the FIFRA and PRIA financial statements to reflect the proper payroll and benefits payable amounts.	Office of the Chief Financial Officer/Office of Financial Management	03/05/2012 (Completed)
2.	Closely monitor the payroll and benefit accruals for the FIFRA and PRIA at year-end.	2.1 OCFO/OFS will closely monitor the payroll and benefit accruals for the FIFRA and PRIA at year-end.	Office of the Chief Financial Officer/Office of Financial Services	09/30/2012

Distribution

Office of the Administrator
Chief Financial Officer
Acting Assistant Administrator for Chemical Safety and Pollution Prevention
Assistant Administrator for Administration and Resources Management
Deputy Chief Financial Officer
Agency Follow-Up Coordinator
General Counsel
Associate Administrator for Congressional and Intragovernmental Relations
Associate Administrator for External Affairs and Environmental Information
Director, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Deputy Director, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Senior Advisor, PRIA Implementation, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Director, Biopesticides and Pollution Prevention Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Director, Pesticide Re-Evaluation Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Director, Registration Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Director, Antimicrobials Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Director, Information Technology and Resources Management Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Director, Office of Human Resources, Office of Administration and Resources Management
Director, Office of Financial Management, Office of the Chief Financial Officer
Director, Office of Financial Services, Office of the Chief Financial Officer
Director, Reporting and Analysis Staff, Office of the Chief Financial Officer
Acting Director, Financial Policy and Planning Staff, Office of the Chief Financial Officer
Director, Research Triangle Park Finance Center, Office of the Chief Financial Officer
Director, Cincinnati Finance Center, Office of the Chief Financial Officer
Director, Las Vegas Finance Center, Office of the Chief Financial Officer
Director, Payroll Management and Outreach Staff, Office of Financial Services, Office of the Chief Financial Officer
Staff Director, Accountability and Control Staff, Office of Financial Services, Office of the Chief Financial Officer
Audit Follow-Up Coordinator, Office of the Chief Financial Officer
Audit Follow-Up Coordinator, Office of Chemical Safety and Pollution Prevention
Audit Follow-Up Coordinator, Office of Administration and Resources Management
FIFRA Audit Coordinator, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention