



U.S. ENVIRONMENTAL PROTECTION AGENCY

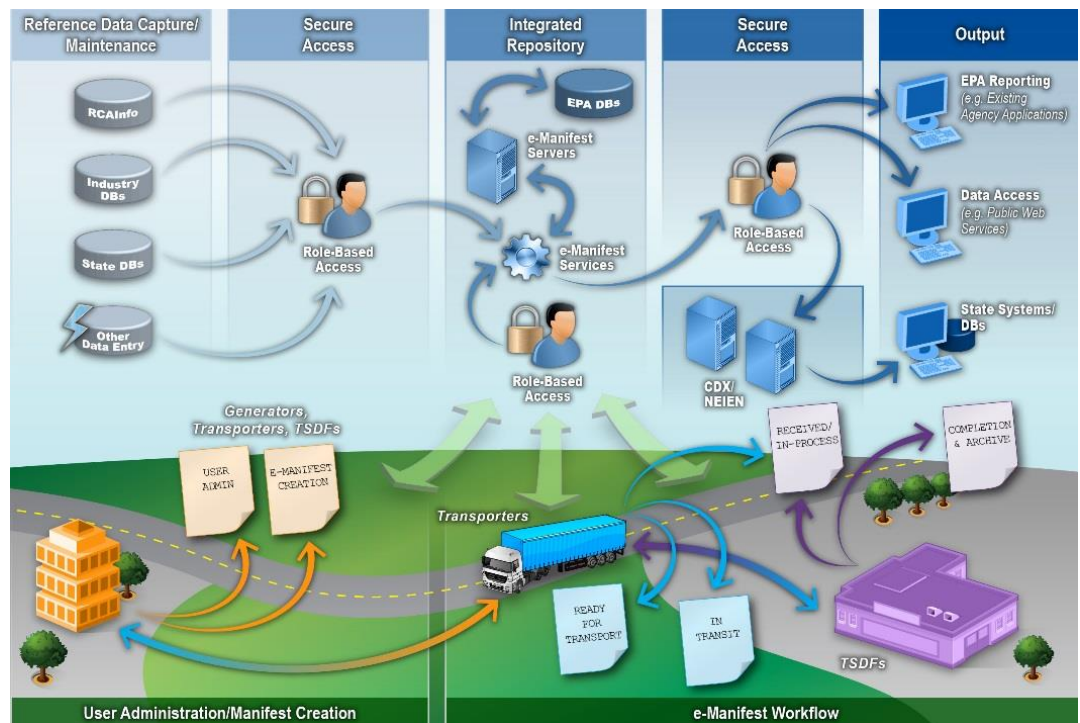
OFFICE OF INSPECTOR GENERAL

Financial Management

Audit of Financial Statements for EPA's Hazardous Waste Electronic Manifest System Fund From Inception (October 5, 2012) to September 30, 2014

Report No. 16-F-0251

August 1, 2016



Report Contributors:

Paul Curtis
Wanda Arrington
Denise Patten
Claire McWilliams
Sabrina Jones

Abbreviations

EPA	U.S. Environmental Protection Agency
FMFIA	Federal Managers' Financial Integrity Act of 1982
OIG	Office of Inspector General
OMB	Office of Management and Budget

Cover image: The EPA's Concept of Operations document for the development of the EPA's Hazardous Waste Electronic Manifest System, September 2013.

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At a Glance

Why We Did This Review

We performed this audit in accordance with the Hazardous Waste Electronic Manifest Establishment Act. The act requires the U.S. Environmental Protection Agency (EPA) to prepare, and the Office of Inspector General (OIG) to audit, the Hazardous Waste Electronic Manifest System Fund financial statements each year. Our primary objectives were to determine whether:

- The financial statements were fairly stated in all material respects.
- The EPA's internal controls over financial reporting were in place.
- EPA management complied with applicable laws and regulations.

This is one of two reports for the financial statements for the period ending September 30, 2014. The e-manifest system is being designed to create a means to track off-site shipments of hazardous waste from a generator's site to the site of the receipt, and disposition of the hazardous waste.

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

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

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Listing of [OIG reports](#).

Audit of Financial Statements for EPA's Hazardous Waste Electronic Manifest System Fund From Inception (October 5, 2012) to September 30, 2014

Financial Statements Receive an Unmodified Opinion

We rendered an unmodified opinion on the EPA's Hazardous Waste Electronic Manifest System Fund financial statements covering the period from the fund's inception on October 5, 2012, to September 30, 2014, meaning that the statements were fairly presented and free of material misstatement.

We found the fund's financial statements to be fairly presented and free of material misstatement.

We did not note any matters that we consider to be material weaknesses or significant deficiencies in the fund.

We identified no significant matters involving compliance with laws and regulations that came to our attention during the course of the audit.

There are no recommendations in this report and the agency had no comments.



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

OFFICE OF
INSPECTOR GENERAL

August 1, 2016

MEMORANDUM

SUBJECT: Audit of Financial Statements for EPA's Hazardous Waste Electronic Manifest System Fund From Inception (October 5, 2012) to September 30, 2014
Report No. 16-F-0251

FROM: Paul C. Curtis, Director
Financial Statement Audits

A handwritten signature in black ink that reads "Paul C. Curtis".

TO: David Bloom, Deputy Chief Financial Officer

Mathy Stanislaus, Assistant Administrator
Office of Land and Emergency Management

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA-FY15-0174. This report contains the OIG's findings. This report represents the opinion of the OIG and does not necessarily represent the final EPA position.

Because this report contains no recommendations, you are not required to respond to this report. However, if you submit a response, it will be posted on the OIG's public website, along with our memorandum commenting 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.

This report will be available at www.epa.gov/oig.

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Inspector General's Report on EPA's Hazardous Waste Electronic Manifest System Fund Financial Statements From Inception (October 5, 2012) to September 30, 2014

The Administrator
U.S. Environmental Protection Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Environmental Protection Agency's (EPA's) Hazardous Waste Electronic Manifest System Fund (known as the e-Manifest fund), which comprise the balance sheet, as of September 30, 2014, and the related statements of net cost and changes in net position; the statement of budgetary resources for the period from inception (October 5, 2012) to September 30, 2014; and the related notes to the financial statements.

Management's Responsibilities 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 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 audit 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 Hazardous Waste Electronic Manifest System Fund financial statements, including the accompanying notes, present fairly, in all material respects, the assets, liabilities, net position, net cost, changes in net position, and budgetary resources of the EPA as of September 30, 2014, for the period from inception (October 5, 2012) to September 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

Specific Audit Requirements of the Hazardous Waste Electronic Manifest Establishment Act

The Hazardous Waste Electronic Manifest Establishment Act requires the Office of Inspector General (OIG) to include an analysis of (1) the fees collected and disbursed, (2) the reasonableness of the fee structure in place, (3) the level of use of the system by users, and (4) the success to date of the system in operating on a self-sustaining basis and improving the efficiency of tracking waste shipments and transmitting waste shipment data. As the fund has not yet established a fee structure and started use of the system, no such analyses were performed.

Management's Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. We obtained information from the fund's management about its methods for preparing the Management's Discussion and Analysis, and reviewed this information for consistency with the financial statements.

We did not identify any material inconsistencies between the information presented in the fund's financial statements and the information presented in the Management's Discussion and Analysis.

Our audit was not designed to express an opinion, and, accordingly, we do not express an opinion on the fund's Management's Discussion and Analysis.

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 governmentwide policies**—Transactions are executed in accordance with laws governing the use of budget authority, governmentwide policies, laws identified by OMB, and other laws and regulations that could have a direct and material effect on the financial statements.

Opinion on Internal Controls. In planning and performing our audit, we considered the fund's internal controls over financial reporting by obtaining an understanding of the agency's internal controls, determining whether internal controls had been placed in operations, assessing control risk, and performing tests of controls. We did this as a basis for designing our audit 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 of 1982 (FMFIA), 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 did not note any matters that we consider to be material weaknesses or significant deficiencies in the fund.

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

OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, requires the OIG 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The agency did not report any material weaknesses impacting the fund as of September 30, 2014, for the period from inception (October 5, 2012) to September 30, 2014.

Tests of Compliance With Laws and Regulations

EPA management is responsible for complying with laws and regulations applicable to the agency and the fund. As part of obtaining reasonable assurance about whether the fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. The OMB guidance requires that we evaluate compliance with federal financial management system requirements, including the requirements referred to in the Federal Financial Management Improvement Act of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to the EPA's Hazardous Waste Electronic Manifest System Fund.

Opinion on Compliance With Laws and Regulations

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

We identified no significant matters involving compliance with laws and regulations that came to our attention during the course of the audit. We will not issue a separate management letter.

Prior Audit Coverage

This is the first time the fund has been audited; therefore, there is no prior audit coverage.

Agency Comments

There are no recommendations in this report and the agency had no comments.



Paul C. Curtis
Certified Public Accountant
Director, Financial Statement Audits
Office of Inspector General
U.S. Environmental Protection Agency
July 22, 2016

**From Inception (October 5, 2012) to
September 30, 2014
Hazardous Waste Electronic Manifest System Fund
Financial Statements**



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

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Management's Discussion and Analysis

The Hazardous Waste Electronic Manifest System fund (e-Manifest) was established as a result of the Hazardous Waste Manifest Establishment Act (Public Law 112-195, October 5, 2012). The e-Manifest Act requires the United States Environmental Protection Agency ('EPA' or 'the Agency') to establish and own a hazardous waste electronic manifest program information technology ('IT') system that will enable electronic manifesting as a means to augment or replace the use of paper manifests for tracking hazardous waste shipments. The e-Manifest Act requires that the e-Manifest system:

1. Meets the needs of the user community;
2. Attracts sufficient user participation and service revenues to ensure the viability of the system (the e-Manifest Act authorizes EPA to collect reasonable user fees); and
3. Decreases the administrative burden on the user community.

Current EPA RCRA Manifest Program

The EPA Office of Land and Emergency Management (OLEM) provides policy, guidance and direction for the Agency's emergency response and waste programs. The Office of Resource Conservation and Recovery (ORCR) within OLEM works to protect human health and the environment by ensuring responsible national management of hazardous and nonhazardous waste. Working with delegated state waste programs, ORCR implements the 1976 Resource Conservation and Recovery Act (RCRA), and ensures that the resource conservation, recovery and waste management goals of RCRA are met. All states with the exception of Iowa and Alaska have been delegated RCRA authority, meaning that states implement many if not all aspects of RCRA policy. The manifest program as implemented by EPA and the states ensures that hazardous waste shipments are consistently tracked, and that hazardous wastes in fact arrive at permitted waste management facilities. The manifest program is based on both RCRA and Department of Transportation (DOT) hazardous materials law (The Hazardous Materials Transportation Act (HMTA)). These laws together require uniformity in the content and use of the hazardous waste manifest form.

E-Manifest System Planning Activities

Discussion of the e-Manifest system itself has taken place over many years; beginning back in the 1990's when the concept of an electronic manifest system was first taking shape. Further activities continued over the years to envision the e-Manifest system through various stakeholder discussions and pilots. For more information EPA's efforts prior to the passage of the e-Manifest Act in 2012, please visit <http://www.epa.gov/osw/hazard/transportation/manifest/e-man-pastmeetings.htm>.

In early calendar year (CY) 2013, EPA conducted various stakeholder requirements meetings to reengage with the user community. These requirements discussions occurred at a high level, with members from all areas of the user community participating in large group discussions comparable to public meetings. The purpose of these meetings was to build on past e-Manifest work to determine high level system functional requirements. Following this, a system alternatives analysis was conducted to look at various system implementation approaches, all assuming (among other things) a full electronic mobile workflow for up front data collection.

EPA's e-Manifest Financial Statements from Inception to September 30, 2014

The alternatives focused on a range of differences in system customization and hosting. The alternatives analysis recommended that EPA leverage cloud hosting for initial system development and system launch, and for long term operations and maintenance (O&M), consider re-negotiating the cloud contract model or potentially migrate to an on premise hosting model to keep costs down.

Also as a part of the planning work, a system Concept of Operations (CONOPS) was completed that, at a high level, outlines both what the current manifest process entails for highway and rail transporters as well as what the future system may look like. The CONOPS defines the areas of interaction the future e-Manifest system is envisioned to have with external and internal systems. The CONOPS document provides a process and conceptual model for how data will flow from stakeholder to stakeholder and through the system during the manifest workflow.

During CY 2013 and 2014, EPA also conducted two Requests for Information (RFIs) as well as targeted market research with the vendor community to explore existing tools and approaches relevant to e-Manifest. For more information about activities conducted in CY 2013 including stakeholder meetings, the CONOPS, and the RFIs, please visit:
<http://www.epa.gov/osw/hazard/transportation/manifest/e-man.htm>.

After receiving an initial e-Manifest appropriation of \$3.647 million in January 2014, EPA embarked on additional system planning work to continue to validate existing functional requirements as well as further define a future system technical architecture. Defining specific current and future manifest business processes that had not been explored in depth became another goal and outcome of the technical architecture work. For example, areas such as system Cross-Media Electronic Reporting Regulation (CROMERR) integration, paper manifest processing and manifest data quality assurance (QA) were analyzed as a part of this effort. Overall, the technical architecture work covered the following areas:

- Business processes, requirements and strategies for industry and states system integration and data sharing;
- Mobile strategies for the electronic manifest workflow;
- Agency shared services integration planning (e.g. integration with EPA's E-Enterprise initiative);
- Analysis of paper manifest processing operations as well as a paper processing cost model;
- Approaches for manifest data quality assurance;
- System performance standards and potential hosting scenarios;
- Helpdesk operations analysis including a helpdesk cost model;
- Security requirements and initial risk assessment planning; and
- Strategies for data access and public reporting.

As a part of this technical architecture planning work, EPA conducted targeted meetings with states and industry separately in order to further flush out current processes as well as expectations for the above areas. The meetings were more detailed than previous discussions, and provided critical information to inform system requirements.

EPA sees the technical architecture work performed over CY 2014 as a further base lining of the current manifest program as well as a deeper look at potential architecture approaches to the future e-Manifest system.

**PRINCIPAL
FINANCIAL STATEMENTS**

EPA's e-Manifest Financial Statements from Inception to September 30, 2014

Principal Financial Statements

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**Environmental Protection Agency
e-Manifest
Balance Sheet
As of September 30, 2014
(Dollars in Thousands)**

ASSETS

Intragovernmental:	
Fund Balance With Treasury (Note 2)	\$ 1,867
Other (Note 3)	17
Total Intragovernmental	<u>1,884</u>
 Total Assets	 \$ <u><u>1,884</u></u>

LIABILITIES

Intragovernmental:	
Accounts Payable and Accrued Liabilities	\$ 2
Other (Note 4)	11
Total Intragovernmental	<u>13</u>
 Accounts Payable & Accrued Liabilities	 159
Payroll & Benefits Payable (Note 5)	<u>125</u>
Total Liabilities	<u>297</u>

NET POSITION

Unexpended Appropriations	1,656
Cumulative Results of Operations	(69)
 Total Net Position	 1,587
 Total Liabilities and Net Position	 \$ <u><u>1,884</u></u>

The accompanying footnotes are an integral part of these financial statements

**Environmental Protection Agency
e-Manifest
Statement of Net Cost
From Inception (October 5, 2012) to September 30, 2014
(Dollars in Thousands)**

COSTS

Gross Costs	\$	2,116
Expenses from Other Appropriations (Note 6)		1,786
Less:		
Earned Revenue		<u>-</u>
NET COST OF OPERATIONS	\$	<u><u>3,902</u></u>

The accompanying footnotes are an integral part of these financial statements

**Environmental Protection Agency
e-Manifest
Statement of Changes in Net Position
From Inception (October 5, 2012) to September 30, 2014
(Dollars in Thousands)**

Cumulative Results of Operations:

Net Position - Inception		\$	-
Budgetary Financing Sources:			
Appropriations Used			2,018
Income from Other Appropriations (Note 6)			1,786
Total Budgetary Financing Sources			<u>3,804</u>
Other Financing Sources (Non-Exchange)			
Imputed Financing Sources			29
Total Other Financing Sources			<u>29</u>
Net Cost of Operations			<u>(3,902)</u>
Net Change			<u>(69)</u>
Cumulative Results of Operations		\$	<u><u>(69)</u></u>

Unexpended Appropriations:

Budgetary Financing Sources:			
Appropriations Received		\$	3,674
Appropriations Used			<u>(2,018)</u>
Total Budgetary Financing Sources			1,656
Total Unexpended Appropriations			1,656
TOTAL NET POSITION		\$	<u><u>1,587</u></u>

The accompanying footnotes are an integral part of these financial statements

**Environmental Protection Agency
e-Manifest
Statement of Budgetary Resources
From Inception (October 5, 2012) to September 30, 2014
(Dollars in Thousands)**

BUDGETARY RESOURCES

Appropriations (discretionary and mandatory)	\$ <u>3,674</u>
Total Budgetary Resources	<u><u>3,674</u></u>

STATUS OF BUDGETARY RESOURCES

Obligations Incurred	2,661
Unobligated Balance, end of year:	
Apportioned	1,013
Unapportioned	<u>-</u>
Total Unobligated balance, end of period	<u>1,013</u>
Total Status of Budgetary Resources	<u><u>3,674</u></u>

CHANGE IN OBLIGATED BALANCE

Unpaid Obligations:

Obligations incurred, net	2,661
Outlays (gross)	<u>(1,807)</u>
Unpaid obligations, end of year (gross)	<u><u>854</u></u>

Memorandum entries:

Obligated balance, start of year	<u>-</u>
Obligated balance, end of year (net)	<u>854</u>

BUDGET AUTHORITY AND OUTLAYS, NET:

Budget authority, net	<u><u>3,674</u></u>
Agency outlays, net	<u><u>\$ 1,807</u></u>

The accompanying footnotes are an integral part of these financial statements

Environmental Protection Agency
e-Manifest
Notes to Financial Statements
From Inception (October 5, 2012) to September 30, 2014
(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 Hazardous Waste Electronic Manifest System Fund (e-Manifest) was authorized by the establishment of the Hazardous Waste Electronic Manifest System Act. The act mandates that the Agency, within three years, establish a hazardous waste electronic manifest system that can be accessed by any user. The act authorized the administrator to impose on users' fees to pay costs incurred in developing, operating, maintaining, and upgrading the system, including any costs incurred in collecting and processing data from a paper manifest submitted to the system after the date on which the system enters operations. For fiscal year 2014, the e-Manifest Fund was accounted for under Treasury symbol number 6814/164330.

In fiscal year 2013 (October 5, 2012, date of inception), after the enactment of the e-Manifest Act but prior to the Agency receiving appropriated funding, costs were incurred for the development of the e-Manifest system. These costs have been captured in the line items 'Expenses from Other Appropriations' on the Statement of Net Cost, and as 'Income from Other Appropriations' on the Statement of Changes in Net Position, and total \$1.786 million for fiscal year 2013.

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the EPA for the e-Manifest Fund in accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. 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 2014 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 e-Manifest Fund will be provided by fees collected from users to offset costs incurred by the EPA in carrying out these programs. For inception (October 5, 2012) through fiscal year 2014, funding for the e-Manifest fund was from appropriated funds. EPA did not collect fees from inception (October 5, 2012) of the fund through FY 2014.

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 issues standards 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.

E. Revenues and Other Financing Sources

For FY 2014, EPA did not collect any user fees for the e-Manifest fund, as the system is still in development.

F. Funds with the Treasury

The e-Manifest Fund did not have any receipts for fiscal year 2014.

G. Investments in U. S. Government Securities

Investments in U. S. Government securities are maintained by Treasury (Bureau of Fiscal Services) and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the investments and reported as interest income. E-Manifest will hold 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. Only fees collected will be invested in U.S. Government securities, and the e-Manifest fund had not collected any fees as of September 30, 2014.

H. General Property, Plant and Equipment

The e-Manifest fund complies with the provisions of SFFAS No. 6 and 10. E-manifest did not have any property as of September 30, 2014.

I. Liabilities

Liabilities represent the amount of monies or other resources that are more 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.

J. 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."

K. 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.

L. 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

Entity Assets	<u>\$ 1,867</u>
---------------	-----------------

Note 3. Other Assets

Other Intragovernmental Assets	
Advances to Working Capital Fund	<u>\$ 17</u>
Total	<u>\$ 17</u>

Note 4. Other Liabilities

For FY 2014, 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).

Other Intragovernmental Liabilities	
- Covered by Budgetary Resources	
Employer Contributions - Payroll	<u>\$ 11</u>
Total	<u>\$ 11</u>

Note 5. Payroll and Benefits Payable, non-Federal

Covered by Budgetary Resources	
Accrued Payroll Payable to Employees	\$ 35
Withholdings Payable	19
Thrift Savings Plan Benefits Payable	<u>2</u>
Total	<u>56</u>
Not Covered by Budgetary Resources	
Unfunded Annual Leave Liability	<u>69</u>
Total	<u>\$ 125</u>

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.

The e-Manifest Fund was authorized in 2013 by the Hazardous Waste Electronic Manifest System Act. The Agency began incurring costs in FY 2013 upon the issuance of the act, but funding for e-Manifest specific appropriation was not received until FY 2014. The costs incurred prior to the appropriation have been captured in the tables below:

Expenses from Other Appropriations

Payroll Costs	\$ 931
Contracts	<u>855</u>
Total	<u>\$ 1,786</u>

Income from Other Appropriations	\$ 1,786
Expenses from Other Appropriations	<u>(1,786)</u>
Net Effect	<u>\$ -</u>

Note 7. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)

**From Inception (October 5, 2012) to September 30, 2014
(Dollars in Thousands)**

RESOURCES USED TO FINANCE ACTIVITIES:	
Budgetary Resources Obligated	
Obligations Incurred	\$ 2,661
Other Resources	
Imputed Financing Sources	29
Income from Other Appropriations	<u>1,786</u>
Net Other Resources Used to Finance Activities	1,815
 Total Resources Used To Finance Activities	 4,476
 RESOURCES USED TO FINANCE ITEMS	
NOT PART OF THE NET COST OF OPERATIONS:	
Change in Budgetary Resources Obligated	<u>(643)</u>
 Total Resources Used to Finance Items Not Part of the Net Cost of Operations	 (643)
 Total Resources Used to Finance the Net Cost of Operations	 <u>\$ 3,833</u>
 COMPONENTS OF THE 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	\$ <u>69</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	69
 Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	 <u>69</u>
 Net Cost of Operations	 \$ <u>3,902</u>

Distribution

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Assistant Administrator for Land and Emergency Management
General Counsel
Agency Audit Follow-Up Coordinator
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for Public Affairs
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Director, Washington Finance Center, Office of the Chief Financial Officer
Chief, General Ledger Analysis and Reporting Branch, Accounting and Cost Analysis Division,
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Deputy Assistant Administrator, Office of Land and Emergency Management
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Emergency Management
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and Recovery, Office of Land and Emergency Management
Associate Branch Chief for e-Manifest, Information Collection and Analysis Branch, Office of
Resource Conservation and Recovery, Office of Land and Emergency Management
Chair, Fee Rule Workgroup, Permits Branch, Office of Resource Conservation and Recovery,
Office of Land and Emergency Management
Program Manager for e-Manifest, Office of Program Management, Office of Land and
Emergency Management
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Audit Follow-Up Coordinator, Office of Land and Emergency Management