



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

OFFICE OF  
INSPECTOR GENERAL

February 9, 2017

**MEMORANDUM**

**SUBJECT:** Project Notification:  
Audit of EPA's Fiscal Year 2016 Hazardous Waste Electronic Manifest System Fund  
Financial Statements  
Project No. OA-FY17-0146

**FROM:** Paul C. Curtis, Director  
Financial Statement Audits 

**TO:** David Bloom, Acting Chief Financial Officer  
Office of the Chief Financial Officer

Barry Breen, Acting Assistant Administrator  
Office of Land and Emergency Management

The U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) plans to begin the audit of the EPA's Fiscal Year 2016 Hazardous Waste Electronic Manifest System (e-Manifest) Fund Financial Statements. This audit is statutorily required and is included in the OIG's Annual Plan.

The purpose of this memorandum is to confirm our mutual understanding on the objectives and scope for the audit, as well as responsibilities of the agency and the OIG during the project. We include more details about our respective responsibilities in Attachment 1, *Audit Expectations*. Please provide the requested information noted in Attachment 2, *List of Deliverables*, within 2 weeks of the date of this notification memorandum, to Mairim Lopez at [lopez.mairim@epa.gov](mailto:lopez.mairim@epa.gov) and Wanda Arrington at [arrington.wanda@epa.gov](mailto:arrington.wanda@epa.gov).

This audit is being conducted to express an opinion on the financial statements for the e-Manifest system fund. Our audit objectives are to determine whether:

1. The financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. The EPA's internal controls over financial reporting were in place.
3. EPA management complied with applicable laws and regulations.

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

We evaluated the EPA's internal controls during the consolidated financial statement audit we had conducted. We may perform additional tests of controls and accounts of the EPA's e-Manifest fund financial statements. In making our risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements, to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

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

We respectfully note that the OIG is authorized by the Inspector General Act of 1978 to have timely access to personnel and all materials necessary to complete its objectives. We will request your resolution if an agency employee or contractor refuses to provide requested records to the OIG, or otherwise fails to cooperate with the OIG. We may report unresolved access matters to the Administrator and include the incident in the Semiannual Report to Congress.

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

#### Attachments

cc: Howard Osborne, Associate Chief Financial Officer  
Jeanne Conklin, Acting Controller, Office of the Controller, Office of the Chief Financial Officer (OCFO)  
Meshell Jones-Peeler, Acting Deputy Controller, Office of the Controller, OCFO  
Carol Terris, Director, Office of Budget, OCFO  
Maria Williams, Deputy Director, Office of Budget, OCFO  
Quentin Jones, Director, Office of Technology Solutions, OCFO  
Robert Hill, Deputy Director, Office of Technology Solutions, OCFO  
John O'Connor, Director, Accounting & Cost Analysis Division, Office of the Controller, OCFO  
Renee Miller, Acting Director, Business Planning & Operations Division, Office of the Controller, OCFO  
Richard Gray, Director, Financial Services Division, Office of the Controller, OCFO  
Istanbul Yusuf, Acting Director, Policy, Training & Accountability Division, Office of the Controller, OCFO  
Carmelita Chadwick-Gallo, Director, Research Triangle Park Finance Center, OCFO  
Dany Lavergne, Director, Las Vegas Finance Center, OCFO  
Greg Luebbering, Director, Cincinnati Finance Center, OCFO  
Lorna Washington, Acting Chief, General Ledger Analysis & Reporting Branch, Office of the Controller, OCFO

Nigel Simon, Acting Principal Deputy Assistant Administrator, Office of Land and Emergency Management (OLEM)

Barnes Johnson, Director, Office of Resource Conservation and Recovery, OLEM

Kathleen Salyer, Deputy Director, Office of Resource Conservation and Recovery, OLEM

Mimi Guernica, Associate Director, Program Implementation and Information Division, Office of Resource Conservation and Recovery, OLEM

Amanda Kohler, Acting Branch Chief, Permits Branch, Office of Resource Conservation and Recovery, OLEM

David Charbonneau, Branch Chief, Information Collection and Analysis Branch, Office of Resource Conservation and Recovery, OLEM

Richard LaShier, Chair, e-Manifest Fee Rule Workgroup, Office of Resource Conservation and Recovery, OLEM

Stephen Donnelly, e-Manifest Program Manager, Office of Resource Conservation and Recovery, OLEM

Donna Vizian, Acting Assistant Administrator, Office of Administration and Resources Management (OARM)

Kimberly Patrick, Director, Office of Acquisition Management, OARM

Benita Deane, Agency Audit Follow-Up Coordinator, OCFO

Brian Webb, Audit Follow-Up Coordinator, Office of the Controller, OCFO

Kecia Thornton, Audit Follow-Up Coordinator, OLEM

Brandon McDowell, Audit Follow-Up Coordinator, OARM

Lisa Maass, Audit Follow-Up Coordinator, Office of Acquisition Management, OARM

George Hull, Acting Associate Administrator for Public Affairs

Julia Valentine, Acting Director, Office of Media Relations, Office of Public Affairs

Regional Audit Follow-Up Coordinators, Regions 1-10

Arthur A. Elkins Jr., Inspector General

Charles Sheehan, Deputy Inspector General

Alan Larsen, Counsel to the Inspector General

Kevin Christensen, Assistant Inspector General for Audit

Carolyn Copper, Assistant Inspector General for Program Evaluation

Patrick Sullivan, Assistant Inspector General for Investigations

Edward Shields, Acting Assistant Inspector General for Management

Richard Eyermann, Deputy Assistant Inspector General for Audit

Jennifer Kaplan, Deputy Assistant Inspector General for Congressional and Public Affairs

Jeffrey Lagda, Congressional and Media Liaison, OIG

Rudolph Brevard, Director, Information Resources Management Audits, OIG

Wanda Arrington, Project Manager, OIG

## ***Audit Expectations***

We will audit the balance sheet of the U.S. Environmental Protection Agency (EPA) Hazardous Waste Electronic Manifest System (e-Manifest) as of September 30, 2016, and September 30, 2015, and the related statements of net cost, changes in net position, and the statement of budgetary resources for the periods then ended; and related notes to the financial statements. We confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements and to determine whether:

1. The financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. The EPA's internal control structure over financial reporting related to the financial statements is in place and provides reasonable assurance that:
  - a. Financial transactions are executed in compliance with applicable laws and regulations.
  - b. Assets are safeguarded against loss from unauthorized acquisition, use or disposition.
  - c. Transactions are properly recorded, processed and summarized to permit the preparation of reliable financial statements.
3. The agency complied with laws and regulations that would have a direct and material effect on the financial statements.
4. The information and manner of presentation contained in the Management's Discussion and Analysis and any other accompanying information is materially consistent with the information contained in the principal statements.

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

We will conduct our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget's (OMB) Bulletin 15-02, *Audit Requirements for Federal Financial Statements*. The standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by EPA's management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with the standards.

In making our risk assessments, we consider internal control relevant to the EPA's preparation and fair presentation of the financial statements, including its Federal Managers' Financial Integrity Act process, in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of EPA's internal control.

We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

### ***Management's Responsibilities***

The financial statements are the responsibility of the EPA's management. Management is also responsible for:

1. The preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. The selection and application of the accounting policies.
3. The design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
4. To provide us with:
  - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that we may request from management for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
5. Making sure all financial records and related information are available to us in a timely manner.
6. Identifying and ensuring that the EPA complies with the laws and regulations applicable to its activities.

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

## ***Reporting***

We will issue a written report upon completion of our audit of EPA's Fiscal Year 2016 Hazardous Waste Electronic Manifest System Fund financial statements in accordance with U.S. generally accepted auditing standards; the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin 15-02, *Audit Requirements for Federal Financial Statements*. Our report will be addressed to the EPA's management. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, or add an emphasis-of-matter or other-matter paragraph(s).

## ***List of Deliverables***

1. Fiscal year 2016 financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis.
2. List of new contracts, interagency agreements and/or grants entered into as part of the e-Manifest project. Provide supporting documentation as well.
3. Statement of work, under existing contracts, for any new task orders or work assignments entered into during fiscal year 2016.
4. Management-identified internal controls over the e-Manifest project.
5. List of employees working on the e-Manifest project during fiscal year 2016.
6. The e-Manifest implementation budget plan.
7. List of all fiscal year 2016 costs incurred for the e-Manifest project using other appropriated funds (excluding the M3 appropriation), including the purpose of use and source of funding.