



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Financial Management

Fiscal Years 2015 and 2014 Financial Statements for the Pesticide Registration Fund

Report No. 17-F-0315

July 10, 2017



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Abbreviations

EPA	U.S. Environmental Protection Agency
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
PRIA	Pesticide Registration Improvement Act
PRIA 3	Pesticide Registration Improvement Extension Act
U.S.C.	United States Code

Cover photo: Pesticides being applied. (EPA photo)

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At a Glance

Why We Did This Review

The Pesticide Registration Improvement Act (PRIA) requires that we perform an annual audit of the Pesticide Registration Fund (known as the PRIA Fund) financial statements.

To expedite the registration of certain pesticides, Congress authorized the U.S. Environmental Protection Agency (EPA) to assess and collect pesticide registration fees. The fees collected are deposited into the PRIA Fund. The agency is required to prepare financial statements that present financial information about the PRIA Fund. PRIA also requires the establishment of decision time review periods for pesticide registration actions, and requires the Office of Inspector General to perform an analysis of the agency's compliance with those review periods.

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](#).

Fiscal Years 2015 and 2014 Financial Statements for the Pesticide Registration Fund

Disclaimer of Opinion

We rendered a disclaimer of opinion on the PRIA Fund financial statements for fiscal years (FYs) 2015 and 2014, meaning that we were unable to obtain sufficient evidence to determine if they were fairly presented and free of material misstatement.

Due to the material weakness in internal controls noted, the agency cannot provide reasonable assurance that financial data provided for the PRIA Fund accurately reflect the agency's financial activities and balances.

Internal Control Material Weakness Noted

We noted a material weakness in that the EPA cannot adequately support its FY 2015 PRIA Fund costs. The EPA's Office of Pesticide Programs receives its funding from both fees paid by pesticide manufacturers and amounts appropriated by Congress. In FY 2015, the EPA allocated its pesticide funding to use appropriated amounts, which would expire, and retained funding received from fees. Therefore, significant payroll amounts paid from appropriations were not charged directly to the PRIA Fund or other pesticide programs. This resulted in the loss of the audit trail for reporting separate costs and liabilities for the PRIA Fund and other pesticide programs. The EPA has taken corrective actions based on what we found during our prior PRIA Fund financial statements audit report; accordingly, we are making no additional recommendations on this issue. In October 2016, the agency implemented a new enhancement for transactions that will commence in FY 2017. However, this does not impact or correct the material weakness for the FY 2015 statements, nor the disclaimer of opinion.

Compliance With Applicable Laws and Regulations

The EPA did not meet the minimum requirement for funding worker protection activities in FY 2015. The EPA used approximately \$480,000 for worker protection activities in FY 2015. However, the Pesticide Registration Improvement Extension Act of 2012 (PRIA 3) requires the EPA to use approximately 1/17 of the amount in the PRIA Fund, but not less than \$1 million, to enhance scientific and regulatory activities relating to worker protection per year. As a result, the EPA did not meet the statutory target set out by PRIA 3 of at least \$1 million.

We recommend that the Assistant Administrator for Chemical Safety and Pollution Prevention develop an adequate plan for funding worker protection activities that would require that the minimum target of \$1 million set out by PRIA 3 is met. The EPA agreed with our finding and recommendation. The recommendation has been resolved with corrective actions pending.



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

OFFICE OF
INSPECTOR GENERAL

July 10, 2017

MEMORANDUM

SUBJECT: Fiscal Years 2015 and 2014 Financial Statements for the Pesticide Registration Fund
Report No. 17-F-0315

FROM: Paul C. Curtis, Director
Financial Statement Audits

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

TO: Wendy Cleland-Hamnett, Acting Assistant Administrator
Office of Chemical Safety and Pollution Prevention

David Bloom, Acting Chief Financial Officer

This is our report on the audit of the U.S. Environmental Protection Agency's (EPA's) fiscal years 2015 and 2014 financial statements for the Pesticide Registration Fund, conducted by the EPA Office of Inspector General (OIG). The project number for this audit was OA-FY16-0079. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position.

The offices with primary jurisdiction over the issues discussed in this report are the Office of Pesticide Programs within the Office of Chemical Safety and Pollution Prevention, and the Office of the Controller within the Office of the Chief Financial Officer.

Action Required

In accordance with EPA Manual 2750, your office provided planned corrective actions in response to the OIG recommendation, and that recommendation is considered resolved. Therefore, you are not required to provide a written response to this final report. Please update the EPA's Management Audit Tracking System as you complete planned corrective actions. Should you choose to provide an additional response, that response 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.

We will post this report to our website at www.epa.gov/oig.

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Inspector General's Report on the Fiscal Years 2015 and 2014 Financial Statements for the Pesticide Registration Fund

The Administrator
U.S. Environmental Protection Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the Pesticide Registration Fund (known as the PRIA Fund), which comprise the balance sheet as of September 30, 2015, and September 30, 2014, and the related statements of net cost, changes in net position, and statement of budgetary resources for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the 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 15-02, *Audit Requirements for Federal Financial Statements*. Because of the matter described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The U.S. Environmental Protection Agency (EPA) cannot adequately support payroll liabilities on the PRIA Fund's Balance Sheet as of September 30, 2015 and 2014; and Income/Expense from other appropriations on the statements of the PRIA Fund's Net Costs and Changes in Net Position for the years ended September 30, 2015 and 2014.

In fiscal years (FY) 2015 and 2014, the EPA allocated its pesticides appropriated funding to pay for payroll costs. By paying significant payroll amounts from appropriations versus from fees collected by the PRIA Fund, the EPA lost the audit trail to properly support how much of the PRIA payroll expenses were paid for by appropriations. We were unable to satisfy ourselves by other audit procedures concerning the adequacy of the amounts allocated, consistency of application, or reasonableness of the payroll expenses between the PRIA Fund and the EPA's other pesticide programs, including payroll accruals, as of and for the years ended September 30, 2015 and 2014. As a result, we were unable to determine whether any adjustments were necessary relating to payroll and related accounts, income/expense from other appropriations, and payroll liabilities.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section above, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the PRIA Fund's financial statements, and the related accompanying notes as of and for the years ended September 30, 2015 and 2014.

Report on Internal Control Over Financial Reporting

Opinion on Internal Control. In planning and performing our audit, we considered the EPA's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal control 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 control 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. 15-02, *Audit Requirements for Federal Financial Statements*. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

Material Weakness and Significant Deficiencies. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is 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 in a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Because of inherent limitations in internal control, misstatements, losses or noncompliance may nevertheless occur and not be detected. We noted a certain matter discussed below and detailed in Attachment 1 and Prior Audit Coverage, involving the internal control and its operation that we consider to be material.

Material Weakness

The EPA cannot adequately support its FY 2015 PRIA Fund costs. OMB policy states that basic financial statements include a Balance Sheet and Statement of Net Costs, and that the statement of net costs should include the net costs of operations. The EPA's Office of Pesticide Programs receives its funding from both fees paid by pesticide manufacturers and from amounts appropriated by Congress. In FY 2015, the EPA allocated its pesticide funding to use appropriated amounts, which would expire, and retained funding received from fees. Therefore, significant payroll amounts paid from appropriations were not charged directly to the PRIA Fund or other pesticide programs. This resulted in the loss of the audit trail for reporting separate costs and liabilities for the PRIA Fund and other pesticide programs. The EPA developed an allocation methodology to distribute costs funded by EPA appropriations back to the PRIA Fund, but the methodology is based upon inconsistent charging of payroll costs between the PRIA Fund and EPA appropriations.

Because the EPA cannot adequately support total FY 2015 PRIA Fund costs and liabilities, and because we were unable to determine by other audit procedures the adequacy of amounts allocated, consistency of application, or reasonableness of net costs and liabilities, we disclaimed an opinion on the PRIA Fund's FY 2015 financial statements. We consider the EPA's inability to support the PRIA Fund payroll costs a material weakness.

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

OMB Bulletin No. 15-02, *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. The agency's FMFIA report is prepared and submitted at the consolidated level, of which the PRIA Fund is a component.

The agency did not report any material weaknesses at the consolidated level for FY 2015 that would impact the PRIA Fund.

Tests of Compliance With Laws, Regulations, Contracts and Grant Agreements

The EPA management is responsible for complying with laws, regulations, contracts and grant agreements applicable to the agency. As part of obtaining a reasonable assurance as to whether the agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, including those governing the use of budgetary authority, regulations, contracts and grant agreements that have a direct effect on the determination of material amounts and disclosures in PRIA Fund financial statements. The objective of our audit, including our tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements, was not to provide an opinion on compliance with such provisions. Accordingly, we do not express such an opinion. We did not identify any instances of noncompliance that would result in a material misstatement to the audited financial statements. We did notice one noncompliance with the use of funds for worker protection activities.

The EPA did not meet the minimum requirement for funding worker protection activities in FY 2015. The EPA used approximately \$480,000 for worker protection activities in FY 2015. However, the Pesticide Registration Improvement Extension Act of 2012 (PRIA 3) requires the EPA to use approximately 1/17 of the amount in the PRIA Fund, but not less than \$1 million, to enhance scientific and regulatory activities relating to worker protection per year. As a result, the EPA did not meet the statutory target set out by PRIA 3 of at least \$1 million.

Management's Discussion and Analysis Section of the Financial Statements

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

Prior Audit Coverage

During our previous audit of the PRIA financial statements—*Fiscal Years 2014 and 2013 Financial Statements for the Pesticide Registration Fund* (Report No. [16-F-0323](#)), issued September 22, 2016—we reported a material weakness regarding inadequate support of costs. Specifically, the EPA could not adequately

support \$28 million of its FY 2014 PRIA Fund costs. The EPA's Office of Pesticide Programs receives its funding both from fees paid by pesticide manufacturers and from amounts appropriated by Congress. In FY 2014, the EPA allocated its pesticide funding to use appropriated amounts, which would expire, and retained funding received from fees. Therefore, significant payroll amounts paid from appropriations were not charged directly to the PRIA Fund or other pesticide programs. This resulted in the loss of the audit trail for reporting separate costs and liabilities for the PRIA Fund and other pesticide programs.

The agency has taken action to correct this weakness. As noted in the prior report, the agency agreed with our finding and believes that the timekeeping system's cost allocation enhancement will allow for the creation of an audit trail to capture costs incurred by the PRIA Fund and other appropriations that support PRIA-related activities. The agency implemented a new enhancement in October 2016. The enhancement is for transactions commencing in FY 2017, and does not impact or correct the material weakness, and the reason for the disclaimer of opinion for the FY 2015 statements.

Agency Comments and OIG Evaluation

The agency agreed with our finding and recommendation. We concur with the planned corrective action. The agency's full written response is in Appendix B.



Paul C. Curtis
Certified Public Accountant
Director, Financial Statement Audits
Office of Inspector General
U.S. Environmental Protection Agency
July 6, 2017

Material Weakness

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1 – EPA Cannot Adequately Support PRIA Fund Costs

The EPA cannot adequately support its FY 2015 PRIA Fund costs. OMB policy states that basic financial statements include a Balance Sheet and Statement of Net Costs, and that the statement of net costs should include the net costs of operations. The EPA's Office of Pesticide Programs receives its funding from both fees paid by pesticide manufacturers and from amounts appropriated by Congress. In FY 2015, the EPA allocated its pesticide funding to use appropriated amounts, which would expire, and retained funding received from fees. Therefore, significant payroll amounts paid from appropriations were not charged directly to the PRIA Fund or other pesticide programs. This resulted in the loss of the audit trail for reporting separate costs and liabilities for the PRIA Fund and other pesticide programs. The EPA developed an allocation methodology to distribute costs funded by EPA appropriations back to PRIA, but the methodology is based upon inconsistent charging of payroll costs between the PRIA Fund and EPA appropriations. Because the EPA cannot adequately support total FY 2015 PRIA Fund costs and liabilities, and because we were unable to determine by other audit procedures the adequacy of amounts allocated, consistency of application, or reasonableness of net costs and liabilities, we disclaimed an opinion on PRIA's FY 2015 financial statements. We consider the EPA's inability to support the PRIA Fund payroll costs a material weakness.

PRIA requires that a set of financial statements be prepared to provide an annual accounting of expenditures and collections for the PRIA program. OMB Circular A-136 requires that these statements include a Statement of Net Costs, under which net costs of operations are reported. The PRIA Fund's costs of operations are supported by several sources: maintenance fees, registration and reregistration fees, and EPA appropriations.

In FY 2015, the EPA allocated its pesticide funding to use appropriated amounts that would expire, and to retain funding received from fees. Significant payroll amounts were paid from appropriations and not charged directly to PRIA. This resulted in the loss of the audit trail for reporting separate PRIA Fund costs. The EPA adopted an allocation methodology to determine the amount of appropriated dollars used to support the PRIA Fund and the EPA's other pesticide programs. However, this methodology is based upon inconsistent and arbitrary charging of the Office of Pesticide Programs' payroll costs between the PRIA Fund and the EPA's other pesticide programs. The inconsistent and arbitrary charging makes the allocation base unreliable, and the methodology cannot support the PRIA Fund operations costs. We consider the inability of the EPA to support FY 2015 PRIA Fund costs to be a material weakness.

We did not determine overall payroll costs for the EPA's pesticide programs to be inaccurate. Our findings are limited to the specific allocation of appropriated amounts to cover payroll costs of the EPA's pesticide programs and accounting for those costs at the program level. At the program level (specifically, for the PRIA Funds), the agency could not provide adequate support, and we could not audit the payroll costs for those funds paid for by appropriated amounts to opine on the adequacy of such amounts.

We previously reported on this issue in the FY 2014 PRIA Fund Financial Statements audit report, and the agency agreed with this finding. In FY 2015, the EPA indicated it made modifications to its accounting system, which purportedly will address this material weakness. The agency believed that the timekeeping system's cost allocation enhancement, which went live in October 2016, will allow

for the creation of an audit trail to capture costs incurred by the PRIA Fund and by other appropriations that support PRIA-related activities.

We make no recommendations regarding this finding.

Compliance With Laws and Regulations

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2 – EPA Did Not Comply With PRIA for Worker Protection Activities

The EPA did not meet the minimum requirement for funding worker protection activities in FY 2015. The EPA used approximately \$480,000 for worker protection activities in FY 2015. However, the Pesticide Registration Improvement Extension Act of 2012 (PRIA 3) requires the EPA to use approximately 1/17 of the amount in the PRIA Fund, but not less than \$1 million, to enhance scientific and regulatory activities relating to worker protection per year. As a result, the EPA did not meet the statutory target set out by PRIA 3 of at least \$1 million.

PRIA 3 states: “For each of fiscal years 2013 through 2017, the Administrator shall use approximately 1/17 of the amount in the Fund (but not less than \$1 million) to enhance scientific and regulatory activities relating to worker protection.”¹ The approximately \$480,000 the EPA used for this purpose in FY 2015 was \$520,000 less than the established minimum target of \$1 million. The agency indicated this occurred because a grantee withdrew from an EPA-awarded grant related to the PRIA Fund.

Recommendation

We recommend the Assistant Administrator for Chemical Safety and Pollution Prevention:

1. Develop an adequate plan for funding worker protection activities that would require that the minimum target of \$1 million set out by the Pesticide Registration Improvement Extension Act of 2012 is met.

Agency Comments and OIG Evaluation

The agency agreed with our finding and recommendation, and we agree with the planned corrective action.

¹ Codified at 7 U.S.C. § 136w-8(c)(3)(B)(i).

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	10	Develop an adequate plan for funding worker protection activities that would require that the minimum target of \$1 million set out by the Pesticide Registration Improvement Extension Act of 2012 is met.	R	Assistant Administrator for Chemical Safety and Pollution Prevention	9/30/17	

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

**Fiscal Years 2015 and 2014 Pesticide Registration Fund
Financial Statements**



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

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Management's Discussion and Analysis

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

The Pesticide Registration Improvement Act (PRIA) of 2003 established the Pesticide Registration Fund. PRIA authorizes the collection of Registration service fees, which are deposited into the Registration Fund and made available for obligation to the extent provided in appropriation acts, and are available without fiscal year limitation.

Pesticide Registration

Under FIFRA and FFDCA pesticides must be registered by the EPA. The passage of PRIA introduced deadlines for the agency to complete certain registration actions. EPA expedites the registration of reduced-risk pesticide uses, which generally pose lower risks to people and the environment. Accelerated pesticide reviews provide an incentive for industry to develop and register lower risk pesticides, and the availability of these reduced-risk pesticides provides alternatives to older, potentially more harmful products currently on the market.

PRIA prescribed the amount of the registration service fee and the corresponding decision review time for various categories of registration action. The goal is to create a more predictable evaluation process for affected pesticide registrants and couple the collection of individual fees with specific decision-making periods. The legislation also promotes shorter decision review periods for reduced-risk pesticide applications. PRIA 1, effective on March 23, 2004, authorized collection of registration fees through FY 2008. The Pesticide Registration Improvement Renewal Act (PRIA 2), effective on October 1, 2007, authorized collection of registration fees through FY 2012. The Pesticide Registration Improvement Extension Act (PRIA 3) was effective on October 1, 2012, authorized collection of registration fees through FY 2017.

For a pending or a new application covered by PRIA to be deemed complete and subject to the decision review periods, a registrant is required to pay the applicable fee or receive a waiver from the fee. For most applications, the decision review period starts 21 days after submission of the application, provided that the fee has been paid, fee waiver granted or in the case of a 75% or 50% fee waiver under PRIA 3, the waiver has been granted and the remaining fee has been paid. The legislation provides fee waivers for certain categories of small businesses and minor uses¹.

¹ Minor use pesticides are those that produce relatively little revenue for their manufacturers, for a variety of reasons. They may be registered for a seldom seen pest, or for a crop that is not grown by a large number of producers. However, minor crops include some high revenue fruit, vegetable, and ornamental crops.

Exemption from the requirement to pay a registration service fee is continued under PRIA 3 for applications solely associated with IR-4 petitions². Applications from federal and state agencies are also exempt from registration service fees. If the registrant requests a waiver or reduction of the fee, the decision review period will begin when the agency grants such request or in the case of small business fee waivers, no more than 60 days after receipt of the waiver application. If the agency determines that a fee is required and the waiver is not granted, the decision review period starts after the fee is collected.

Applications received prior to October 1, 2007, were covered by PRIA 1. Applications received up to September 30, 2012, were covered by PRIA 2³ and applications received on or after October 1, 2012, are covered by PRIA 3. PRIA 3 contains the same audit provision as PRIA 2. PRIA 3 includes new authority to reject an application if it fails a preliminary technical screen. PRIA 3 also increases the fee categories or types of applications covered by PRIA from 140 to 189 and maintains set-asides to support worker protection and applicator training activities as well as IPM grants at levels comparable to PRIA 2.

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 state and tribal pesticide programs emphasizes its commitment to maintaining a strong compliance and enforcement presence. Agency FIFRA Cooperative Agreement priorities for FY 2015 – FY 2017 include the enforcement of worker protection standards and pesticide applicator certification; compliance monitoring and enforcement activities related to the pesticide container and containment rules, the revised soil fumigant labels, compliance of supplemental distributor products, contact manufacturing and program performance reporting. Core program activities include inspections of producing establishments; dealers/distributors/retailers; e-commerce; imports and exports, and pesticide misuse.

² The IR-4 (Interregional Research Project No.4) program is involved in making sure that pesticides are registered for use on minor crops. IR-4 helps by conducting research on minor use pesticides, pesticides that would not otherwise be profitable to manufacture.

³Out of approximately 7,889 actions completed under PRIA 2, more than 99.0% were completed on or before the PRIA 2 due date.

Additionally, through the Cooperative Agreements we support inspector training and training for state/tribal senior managers, scientists, and supervisors.

Highlights and Accomplishments

Registration Financial Perspective

During FY 2015, the Agency's obligations charged against the PRIA Fund for the cost of registration were \$15.655 million and 69.2 work-years. Of this amount, OPP obligated \$9.8 million in PC&B.

Appropriated funds are used in addition to Registration funds. In FY 2015, the Enacted Operating Plan included approximately \$34.2 million in appropriated funds for registration activities.

The Fund has two types of receipts: fee collections and interest earned on investments. Of the \$17.1 million in FY 2015 net receipts, more than 99.9% were fee collections.

Registration Program Performance Measures

The following measures support the program's strategic goals ensuring the safety of chemicals and Pollution Prevention.

Measure 1: Number of new active ingredients registered.

Results: In FY 2015, EPA registered 17 new active ingredients, including 9 biopesticides, 1 antimicrobial, and 7 conventional pesticides. In addition, EPA approved an import tolerance for 1 new active ingredient. This measure includes both reduced-risk and non-reduced-risk pesticides.

Measure 2: Progress in Registering Reduced-risk Pesticides.

Results: In FY 2015, EPA registered 11 reduced-risk new active ingredients, including 2 conventional pesticides and 9 biopesticides. Biological pesticides are derived from such natural materials as animals, plants, bacteria, and certain minerals. They are usually less toxic and are typically considered safer pesticides than the traditional conventional chemicals; therefore, the 9 biopesticide new active ingredients are counted as reduced-risk pesticides. Conventional "reduced risk" pesticides have one or more of the following advantages over currently registered pesticides: low impact on human health, low toxicity to non-target organisms, low potential for groundwater contamination, lower use rates, low pest resistance potential, and compatibility with integrated pest management strategies.

Measure 3: Number of New Food Uses Registered.

Results: EPA registered 113 new food uses for previously registered active ingredients. Of these new uses, 108 food uses were for conventional pesticides, 1 was for an antimicrobial pesticide, and 4 were for biopesticides.

Measure 4: Progress in Registering Reduced-risk New Uses.

Results: Included in the new food uses registered is a reduced-risk use associated with 1 conventional pesticide (a mosquito adulticide for use across all crops), as well as the 4 biopesticide new uses.

**PRINCIPAL
FINANCIAL STATEMENTS**

Principal Financial Statements

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United States Environmental Protection Agency
PRIA
Balance Sheet
As of September 30, 2015 and 2014
(Dollars in Thousands)

	FY 2015	FY 2014
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 20,658	18,667
Other (Note 3)	6	-
Total Intragovernmental	20,664	18,667
Accounts Receivable, Net	15	-
Property, Plant & Equipment, Net (Note 4)	1,900	2,205
Total Assets	22,579	20,872
 LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities	25	54
Other (Note 5)	204	135
Total Intragovernmental	229	189
Accounts Payable and Accrued Liabilities	555	645
Payroll and Benefits Payable (Note 6)	1,673	850
Other (Note 5)	19,104	17,307
Total Liabilities	21,561	18,991
 NET POSITION		
Cumulative Results of Operations - Funds from Dedicated Collections	1,018	1,881
Total Net Position	1,018	1,881
Total Liabilities and Net Position	\$ 22,579	20,872

The accompanying footnotes are an integral part of these financial statements

**United States Environmental Protection Agency
 PRIA
 Statement of Net Cost
 For the Fiscal Years Ending September 30, 2015 and 2014
 (Dollars in Thousands)**

	FY 2015	FY 2014
COSTS		
Gross Costs (Note 9)	\$ 16,136	16,540
Expenses from Other Appropriations (Note 7)	38,346	27,729
Total Costs	54,482	44,269
Less:		
Earned Revenue (Note 8 and 9)	18,985	18,754
NET COST OF OPERATIONS	\$ 35,497	25,515

The accompanying footnotes are an integral part of these financial statements

United States Environmental Protection Agency
PRIA
Statement of Changes in Net Position
For the Fiscal Years Ending September 30, 2015 and 2014
(Dollars in Thousands)

	FY 2015	FY 2014
Cumulative Results of Operations:		
Net Position - Beginning of Period	\$ 1,881	1,402
Beginning Balances, as Adjusted	1,881	1,402
Budgetary Financing Sources:		
Nonexchange Revenue - Securities Investment	1	1
Nonexchange Revenue - Other	(4,067)	(1,926)
Transfers In/Out	(164)	162
Income from Other Appropriations (Note 7)	38,346	27,729
Total Budgetary Financing Sources	34,116	25,967
Other Financing Sources (Non-Exchange)		
Imputed Financing Sources	518	28
Total Other Financing Sources	518	28
Net Cost of Operations	(35,497)	(25,515)
Net Change	(863)	479
Cumulative Results of Operations	\$ 1,018	1,881

The accompanying footnotes are an integral part of these financial statements

United States Environmental Protection Agency
PRIA
Statement of Budgetary Resources
For the Fiscal Years Ending September 30, 2015 and 2014
(Dollars in Thousands)

	<u>FY 2015</u>	<u>FY 2014</u>
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1:	\$ 12,510	11,719
Unobligated Balance Brought Forward, October 1, as adjusted	12,510	11,719
Recoveries of prior year unpaid obligations	227	15
Unobligated balance from prior year budget authority, net	12,737	11,734
Appropriations (discretionary and mandatory)	16,081	16,817
Spending Authority from offsetting collection (discretionary and mandatory)	(14)	-
Total Budgetary Resources	<u>28,804</u>	<u>28,551</u>
 STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	15,264	16,041
Unobligated Balance, end of year:		
Apportioned	13,540	273
Unapportioned	-	12,237
Total Unobligated balance, end of period	<u>13,540</u>	<u>12,510</u>
Total Status of Budgetary Resources	<u>28,804</u>	<u>28,551</u>
 CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	5,338	5,723
Obligated balance, start of year (net), before adjustments	5,338	5,723
Obligated balance, start of year (net), as adjusted	5,338	5,723
Obligations incurred, net	15,264	16,041
Outlays (gross)	(14,090)	(16,411)
Recoveries of prior year unpaid obligations	(227)	(15)
Obligated balance, end of period		
Unpaid obligations, end of year (gross)	6,285	5,338
Obligated balance, end of period (net)	<u>6,285</u>	<u>5,338</u>
 BUDGET AUTHORITY AND OUTLAYS, NET:		
Budget authority, gross (discretionary and mandatory)	16,067	16,817
Actual offsetting collections (discretionary and mandatory)	14	-
Budget Authority, net (discretionary and mandatory)	<u>16,081</u>	<u>16,817</u>
 Outlays, gross (discretionary and mandatory)	14,090	16,411
Actual offsetting collections (discretionary and mandatory)	14	-
Outlays, net (discretionary and mandatory)	14,104	16,411
Distributed offsetting receipts	(16,081)	(16,674)
Agency outlays, net (discretionary and mandatory)	<u>\$ (1,977)</u>	<u>(263)</u>

The accompanying footnotes are an integral part of these financial statements

Environmental Protection Agency
PRIA
Notes to Financial Statements
For the Fiscal Years Ending September 30, 2015 and 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 Pesticide Registration Fund (PRIA) is authorized under the Pesticide Registration Improvement Act of 2003 (which amended the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA)), and became effective on March 23, 2004. This Act authorizes the EPA to assess and collect pesticide registration service fees on applications submitted to register pesticides covered by this Act, as well as assess and collect fees to register new active ingredients not listed in the Registration Division 2003 Work Plan of the Office of Pesticide Programs. The Pesticide Registration Improvement Renewal Act (commonly referred to as PRIA II) extended the authority to collect pesticide registration service fees through FY 2012. PRIA II became effective October 1, 2007. PRIA II was reauthorized with the passage of the Pesticide Registration Improvement Extension Act (referred to as PRIA III) on September 28, 2012 and became effective 2 days later on October 1, 2012. The PRIA Fund is accounted for under Treasury symbol number 68X5374.

The PRIA 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 2015 and 2014 were \$38,346 thousand and \$27,729 thousand, respectively. This amount was 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 for FYs 2015 and 2014. Costs for FY 2015 reflect a change in accounting principles to full cost, as explained in Paragraph N below.

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the EPA for the Pesticide Registration Fund (PRIA) as required by the Chief Financial Officers Act of 1990 and the Pesticide Registration Improvement Act (PRIA) of 2003. In the prior years, pesticide registration was included in the FIFRA financial statements. 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 2015 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 for PRIA is provided by fees collected from industry to offset costs incurred by 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

For FYs 2015 and 2014, PRIA received funding from fees collected from registrants requesting pesticide registrations. For FYs 2015 and 2014, revenues were recognized from fee collections to the extent that expenses are incurred during the fiscal year.

F. Funds with the Treasury

The PRIA fund deposits receipts and processes disbursements through its operating account maintained at the U.S. Department of the Treasury.

G. Investments in U. S. Government Securities

Investments in U. S. government securities are maintained by Treasury and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the

investments and reported as interest income. PRIA 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

Purchases of the EPA-held personal equipment are capitalized if the equipment is valued at \$25 thousand or more and has an estimated useful life of at least two years. Depreciation is taken on a basic straight-line method over the specific asset's useful life, ranging from two to 15 years. The EPA shows property, plant and equipment at net of depreciation on its audited financial statements.

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 5 years.

I. Liabilities

Liabilities represent the amount of monies or other resources that are likely 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 PRIA, liabilities are liquidated from fee receipts, since PRIA receives no appropriation. Liabilities of the Agency arising from anything other than contracts can be abrogated by the Government acting in its sovereign capacity.

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. Offsetting Receipts

Beginning in FY 2007 OMB Circular A-136, *Financial Reporting Requirements*, requires that the amount of distributed offsetting receipts reported in the Statement of Budgetary Resources (SBR) should equal the amount recorded as offsetting receipts by the Department of the Treasury (Treasury). Pesticide Registration Fees collected under PRIA are considered to be offsetting receipts by Treasury.

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.

N. Prior Period Adjustments and Restatements

Prior period adjustments, if any, are made in accordance with SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting Principles." Specifically, prior period adjustments will only be made for material prior period errors to: (1) the current period financial statements, and (2) the prior period financial statements presented for comparison. Adjustments related to changes in accounting principles will only be made to the current period financial statements, but not to prior period financial statements presented for comparison.

In fiscal year 2014, EPA elected to change an accounting principle and use the full cost of expenses from other appropriations in accordance with SFFAS No. 4, "Managerial Costs Accounting Standards and Concepts". See Note 7 for additional information.

Note 2. Fund Balance with Treasury

	FY 2015	FY 2014
Revolving Funds: Entity Assets	<u>\$ 20,658</u>	<u>18,667</u>

Note 3. Other Assets-Advances to Working Capital Fund

PRIA advances funds to the EPA's Working Capital Fund to pay for computer, postage, and other administrative support services. As of September 30, 2015 and 2014, funds advanced that will be applied to future costs as incurred were \$6 thousand and \$0 respectively.

Note 4. General Property, Plant and Equipment

General property, plant and equipment consists of the EPA-Held personal property, software, and software in development.

As of September 30, 2015 and 2014, General Property, Plant and Equipment consist of the following:

	FY 2015			FY 2014		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
EPA-Held Equipment	\$ 173	(167)	6	411	(372)	39
Software	6,019	(4,125)	1,894	6,019	(3,853)	2,166
Total	<u>\$ 6,192</u>	<u>(4,292)</u>	<u>1,900</u>	<u>6,430</u>	<u>(4,225)</u>	<u>2,205</u>

Note 5. Other Liabilities

For FYs 2015 and 2014, Payroll and Benefits Payable, non-federal, are presented on a separate line of the Balance Sheet and in a separate footnote (see Note 6).

	FY 2015	FY 2014
Other Intragovernmental Liabilities - Covered by Budgetary Resources		
Employer Contributions - Payroll	\$ 204	135
Total	<u>204</u>	<u>135</u>
Other Non-Federal Liabilities - Covered by Budgetary Resources		
Advances from Non-Federal Entities	19,104	17,307
Total	<u>\$ 19,104</u>	<u>17,307</u>

Note 6. Payroll and Benefits Payable, Non-Federal:

	<u>FY 2015</u>	<u>FY 2014</u>
Covered by Budgetary Resources		
Accrued Payroll Payable to Employees	\$ 820	663
Withholdings Payable	191	61
Thrift Savings Plan Benefits Payable	41	30
Total	<u>1,052</u>	<u>754</u>
Not Covered by Budgetary Resources		
Unfunded Annual Leave	621	96
Total	<u>\$ 621</u>	<u>96</u>

At various periods throughout FY 2015 and FY 2014 employees with their associated payroll costs were transferred from PRIA to the Environmental Programs and Management (EPM) appropriation. (See graph in Note 7 below showing trend of hours charged per month to the PRIA fund for FYs 2015 and 2014.) These employees were transferred in order to keep PRIA's obligations and disbursements within budgetary limits.

This process has led to variations between the year-end liabilities of FYs 2015 and 2014. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll and benefits at year-end. For FY 2015 Pay Period 26, eighty six were charging a portion of their salary and benefits to PRIA. As of September 30, 2015, the liabilities were \$204 thousand and \$1,052 thousand for employer contributions and accrued funded payroll and benefits as compared to FY 2014's balances of \$135 thousand and \$754 thousand, respectively.

In contrast, the unfunded annual leave liability is a longer term liability than the funded liabilities. At various periods throughout FY 2015 and FY 2014, approximately 109 and 207 employees, respectively, in total have been under PRIA's accountability. As of September 30, 2015 and 2014 liability balances for unfunded annual leave were accrued to cover these employees for a total of \$621 thousand and \$96 thousand, respectively.

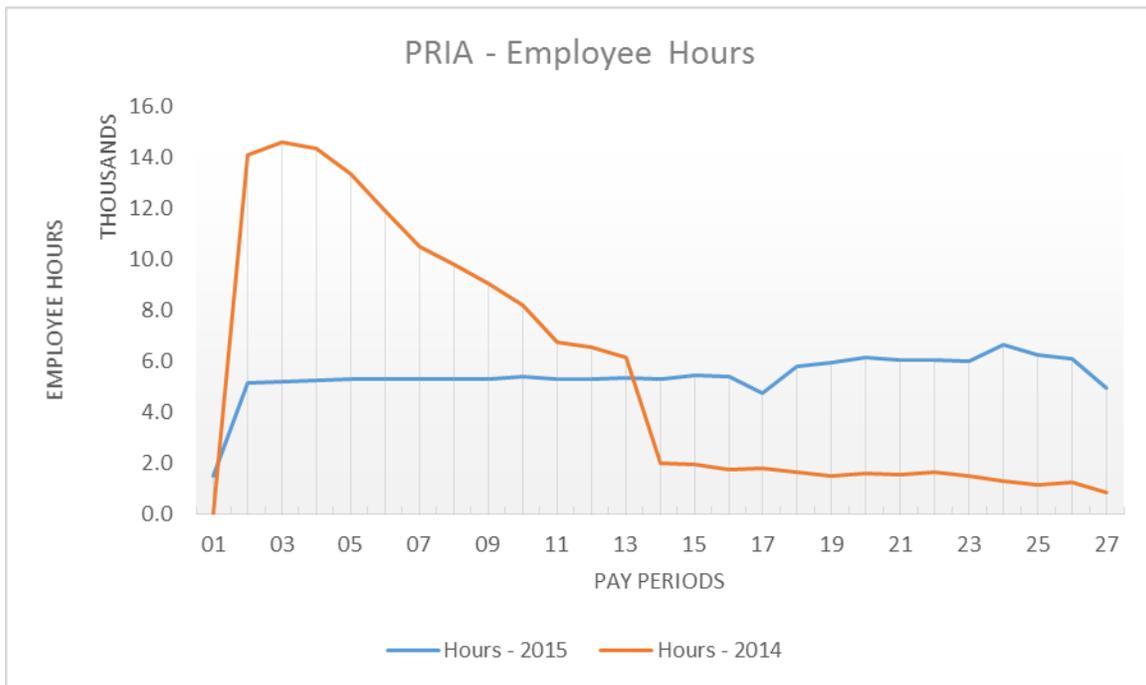
Note 7. Income and Expenses from Other Appropriations:

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 2015 and 2014, 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 PRIA to EPM at various times during FYs 2015 and 2014 (see Note 6) 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 PRIA each month, the transfers of employees and their associated costs during FYs 2015 and 2014 are shown below. Note that a decrease in hours charged to PRIA normally signifies an increase in EPM’s payroll costs, and vice versa.



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

	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect
FY 2015	\$ 38,346	38,346	-
FY 2014	\$ 27,729	27,729	-

Note 8. Exchange Revenues, Statement of Net Cost

For FYs 2015 and 2014, the exchange revenues reported on the Statement of Net Cost consists of non-Federal amounts.

Note 9. Intragovernmental Costs and Exchange Revenue

COSTS:	<u>FY 2015</u>	<u>FY 2014</u>
Intragovernmental	\$ 2,985	3,256
With the Public	13,151	13,284
Expenses from Other Appropriations	<u>38,346</u>	<u>27,729</u>
Total Costs	54,482	44,269
REVENUE		
With the Public	<u>18,985</u>	<u>18,754</u>
Total Revenue	18,985	18,754
NET COST OF OPERATIONS	\$ <u>35,497</u>	<u>25,515</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 2015</u>	<u>FY 2014</u>
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 15,264	16,041
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(213)</u>	<u>(15)</u>
Obligations, Net of Offsetting Collections	15,051	16,026
Less: Offsetting Receipts	<u>(16,081)</u>	<u>(9,257)</u>
Net Obligations	(1,030)	6,769
Other Resources		
Imputed Financing Sources	518	28
Income from Other Appropriations	<u>38,346</u>	<u>27,729</u>
Net Other Resources Used to Finance Activities	38,864	27,757
Total Resources Used To Finance Activities	<u>37,834</u>	<u>34,526</u>
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS:		
Change in Budgetary Resources Obligated	(248)	1,488
Resources that Fund Prior Periods Expenses	-	(522)
Offsetting Receipts Not Affecting Net Cost	16,081	9,257
Resources that Finance Asset Acquisition	<u>-</u>	<u>(1,318)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>15,833</u>	<u>8,905</u>
Total Resources Used to Finance the Net Cost of Operations	<u>53,667</u>	<u>43,431</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	525	(522)
Increase in Public Exchange Revenue Receivables	<u>(18,985)</u>	<u>(18,754)</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	(18,460)	(19,276)
Components Not Requiring/Generating Resources:		
Depreciation and Amortization	305	1,360
Expenses Not Requiring Budgetary Resources	<u>(15)</u>	<u>-</u>
Total Components of Net Cost that Will Not Require or Generate Resources	290	1,360
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	<u>(18,170)</u>	<u>(17,916)</u>
Net Cost of Operations	\$ <u>35,497</u>	<u>25,515</u>

Agency Response to Draft Report



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

JUN 21 2017

MEMORANDUM

SUBJECT: Response to Draft Report, FY 2015 and FY 2014 Financial Statement Audit Report of the Pesticide Registration Fund, OA-FY16-0079

FROM: *Wendy Cleland-Hammett*
Wendy Cleland-Hammett, Acting Assistant Administrator
Office of Chemical Safety and Pollution Prevention

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

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

Thank you for the opportunity to review and provide comments on the Office of Inspector General's draft report, OA-FY16-0079, dated May 15, 2017, that covers fiscal years 2015 and 2014 financial statements for the Pesticide Registration Fund. In response to the draft report, the U.S. Environmental Protection Agency concurs with the recommendation to develop a plan for funding worker protection activities to meet the \$1 million target set by the Pesticide Registration Improvement Extension Act of 2012. The EPA will have a plan developed by September 30, 2017.

We would like to explain why the agency did not meet the PRIA minimum requirement for funding worker protection activities in fiscal year 2015. The EPA uses a mix of appropriations for these activities -- one of the worker protection grants in 2015 was funded mostly with appropriated dollars and a smaller portion with PRIA funds. That same year, a grant to be funded by PRIA did not get processed within the fiscal year and instead was awarded in FY 2016. This delay in the processing of the grant to be funded by PRIA resulted in a proportional reduction in funding for worker protection activities in FY 2015 causing the agency to miss the minimum requirement for funding these activities. However, it is important to note that in FY 2016, the agency spent approximately \$1.5 million in PRIA funding on worker protection grants, exceeding the worker protection set aside requirement of \$1 million.

The EPA also would like to provide an update on the material weakness that the OIG found in its 2014 financial audit, when the OIG pointed out that the EPA could not adequately support PRIA fund costs. Starting on October 1, 2016, the Office of Pesticide Programs, in partnership with the Office of the Chief Financial Officer, developed an approach to account for employee time on PRIA work within the EPA time and attendance system. The agency implemented time accounting codes aligned with accounting standards for PRIA work, trained all OPP employees on the use of these codes, and established requirements for employees and supervisors to ensure proper coding as part of the official timekeeping cycle. This enhancement to time accounting gives the agency the ability to capture better the direct and indirect costs of the PRIA program. The OPP and the OCFO continue to track and

monitor the use of these time accounting codes to ensure consistent coding as well as identify concerns and verify that the OPP complies with the enhanced time accounting.

Thank you once again for your review of the 2015 and 2014 Financial Statements. I appreciate the hard work and dedication of the OIG staff in achieving excellent management and funds control, ultimately supporting our mission to protect human health and the environment through our registration and review of pesticides.

cc: Janet Weiner
Delores Barber
Hamaad Syed
Derek Scott
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Sherri³ L. Anthony
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