



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

OFFICE OF
INSPECTOR GENERAL

December 18, 2017

MEMORANDUM

SUBJECT: Project Notification:
Audit of EPA's Fiscal Year 2017 Hazardous Waste Electronic Manifest System Fund
Financial Statements
Project No. OA-FY18-0088

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 Office of Inspector General (OIG) for the U.S. Environmental Protection Agency (EPA) plans to begin the audit of the EPA's Fiscal Year 2017 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*. To ensure the success and timely completion of this audit, please provide the requested information noted in Attachment 2, *List of Deliverables*, within 3 weeks from the date of this notification memorandum. Your Attachment 2 information should be sent to Mairim Lopez at lopez.mairim@epa.gov and Wanda Arrington at 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 at EPA headquarters and 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 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 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 the entity's internal control. However, we will communicate in writing about 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 audit. We would also be 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 of each other during the course of the project. Throughout the project, we will provide updates on a regular basis via email and/or meetings as necessary.

We respectfully note that the OIG is authorized by the Inspector General Act of 1978, as amended, 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.

I will supervise the project, and the Project Manager will be Wanda Arrington. Please address any questions concerning the project to me at (202) 566-2523 or curtis.paul@epa.gov, or to Wanda Arrington at (202) 566-2533 or arrington.wanda@epa.gov.

Attachments (2)

cc: Ryan Jackson, Chief of Staff
Henry Darwin, Chief of Staff for Operations
Kevin Chmielewski, Deputy Chief of Staff for Operations
Liz Bowman, Associate Administrator for Public Affairs
Howard Osborne, Associate Chief Financial Officer, Office of the Chief Financial Officer (OCFO)
Jeanne Conklin, Controller, Office of the Controller, 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
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, Chief, General Ledger Analysis & Reporting Branch, Office of the Controller, OCFO
Nigel Simon, 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, 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
Bobbie Trent, Agency Follow-Up Coordinator
Kecia Thornton, Audit Follow-Up Coordinator, OLEM
Deana Nisbett, Backup Audit Follow-Up Coordinator, Office of Resource Conservation and Recovery, OLEM
Lauren Lemley, Audit Follow-Up Coordinator, OARM
Celia Vaughn, Audit Follow-Up Coordinator, Office of Acquisition Management, OARM
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 and Evaluation
Patrick Sullivan, Assistant Inspector General for Investigations
Edward Shields, Assistant Inspector General for Management
Richard Eyerhmann, Deputy Assistant Inspector General for Audit
Jennifer Kaplan, Deputy Assistant Inspector General for Congressional and Public Affairs
Jeffrey Lagda, Congressional and Media Liaison, OIG
Tia Elbaum, 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, 2017 and September 30, 2016, 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 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* (2011 Revision) issued by the Comptroller General of the United States; and Office of Management and Budget's (OMB) Bulletin 17-03, *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 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.
 - 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 EPA 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 the EPA's Fiscal Year 2017 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* (2011 Revision) issued by the Comptroller General of the United States; and OMB Bulletin 17-03, *Audit Requirements for Federal Financial Statements*. Our report will be addressed to EPA 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

Information Needed From the Office of the Chief Financial Officer

1. Fiscal Year 2017 Financial Statements and footnotes with supporting documentation, including Management's Discussion and Analysis.
2. Fiscal Year 2017 Paymerge File for Pay Periods 01 through 26, specifically for the M3 fund.

Information Needed From the Office of Land and Emergency Management

3. List of new contracts, interagency agreements and/or grants entered into as part of the e-Manifest project. Provide supporting documentation as well.
4. Statement of Work, under existing contracts, for any new task orders or work assignments entered into during Fiscal Year 2017.
5. Management-identified internal controls over the e-Manifest project.
6. List of employees working on the e-Manifest project during Fiscal Year 2017.