



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

OFFICE OF
INSPECTOR GENERAL

February 12, 2019

MEMORANDUM

SUBJECT: Project Notification:
Audit of EPA's Fiscal Year 2018 Hazardous Waste Electronic Manifest System Fund
Financial Statements
Project No. OA&E-FY19-0120

FROM: Paul C. Curtis, Director, Financial Audits
Office of Audit and Evaluation

A handwritten signature in black ink, appearing to read "Paul C. Curtis".

TO: Holly Greaves, 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 2018 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 of the audit objectives and scope, as well as the 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 2 weeks of the date of this notification memorandum. Your Attachment 2 information should be sent to Robert Hairston at hairston.robert@epa.gov and Mairim Lopez at lopez.mairim@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 are in place.
3. EPA management has complied with applicable laws and regulations.

Planning and Coordination of Audit Work

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 audit. Throughout the audit, we will provide updates on a regular basis via email and/or meetings as necessary.

Audit work will be performed at all EPA finance centers, as well as 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. We may also contact offices where we do not plan to perform on-site work to obtain information.

We evaluated the EPA's internal controls during the consolidated financial statement audit that 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, not to express 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 identified during the audit.

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 that you resolve the situation 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 Mairim Lopez. Please address any questions concerning the project to me at (202) 566-2523 or curtis.paul@epa.gov, or to Mairim Lopez at (202) 566-1977 or lopez.mairim@epa.gov.

Attachments (2)

cc: Henry Darwin, Acting Deputy Administrator
Ryan Jackson, Chief of Staff
Michael Molina, Special Advisor, Office of the Administrator
Bob Trent, Agency Follow-Up Coordinator
Nancy Grantham, Principal Deputy Associate Administrator for Public Affairs
David Bloom, Deputy Chief Financial Officer
Carol Terris, Acting Associate Chief Financial Officer, Office of the Chief Financial Officer (OCFO)
Jeanne Conklin, Controller, Office of the Controller, OCFO
Richard Gray, Acting Deputy Controller, Office of the Controller, OCFO
Maria Williams, Acting Director, Office of Budget, OCFO
Beth Beden, Acting Deputy Director, Office of Budget, OCFO
Meshell Jones-Peeler, Acting Office of Technology Solutions, OCFO

Eva Ripollone, Acting Deputy Director, Office of Technology Solutions, OCFO
Judi Doucette, Acting 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
Steven Cook, Deputy Assistant Administrator for Land and Emergency Management
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, 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
Kecia Thornton, Audit Follow-Up Coordinator, OLEM
Deana Nisbett, Backup Audit Follow-Up Coordinator, Office of Resource Conservation
and Recovery, OLEM
Regional Audit Follow-Up Coordinators, Regions 1–10
Charles J. Sheehan, Acting Inspector General
Edward Shields, Acting Deputy Inspector General
Eric Hanger, Acting Counsel to the Inspector General
Kevin Christensen, Assistant Inspector General for Audit and Evaluation
Craig Ulmer, Acting Assistant Inspector General for Investigations
James Nussbaumer, Acting Assistant Inspector General for Management
Richard Eyermann, Deputy Assistant Inspector General for Audit and Evaluation
Christine El-Zoghbi, Deputy Assistant Inspector General for Audit and Evaluation
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
Mairim Lopez, 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, 2018 and September 30, 2017; the related statements of net cost, changes in net position, and 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 has 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, as well as any other accompanying information, are 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 (OMB) Bulletin 19-01, *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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 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. We will not express an opinion on the effectiveness of the 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 identified during the audit.

Management's Responsibilities

The financial statements are the responsibility of the EPA's management. Our audit will be conducted on the basis that EPA's management acknowledges and understands that it has responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. For 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.
3. To provide the OIG 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 EPA from whom we determine it necessary to obtain audit evidence.
4. For the selection and application of the accounting policies.
5. To identify and ensure that the EPA complies with the laws and regulations applicable to its activities.
6. To make sure all financial records and related information are available to us in a timely manner.

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 its 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 the completion of our audit of the EPA's fiscal year 2018 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 19-01, *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 2018 Financial Statements and footnotes with supporting documentation, including Management's Discussion and Analysis.

Information Needed from the Office of Land and Emergency Management

2. List of new contracts, interagency agreements and/or grants entered into as part of the e-Manifest project, as well as supporting documentation.
3. Statement of Work, under existing contracts, for any new task orders or work assignments entered during fiscal year 2018.
4. Management-identified internal controls over the e-Manifest project.
5. List of employees working on the e-Manifest project during fiscal year 2018.
6. Fees collected and disbursed during fiscal year 2018.
7. Fee structure in place in fiscal year 2018.
8. Current (as of September 30, 2018) and projected costs of the e-Manifest system.
9. Level of use of the e-Manifest system by users.
10. Assessment of how the e-Manifest system has improved the efficiency of tracking waste shipments and transmitting waste shipment data as of September 30, 2018.