




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

OFFICE OF  
INSPECTOR GENERAL

February 6, 2020

**MEMORANDUM**

**SUBJECT:** Notification of Audit:  
Audits of EPA's Fiscal Year 2019 FIFRA and PRIA Financial Statements  
Project No. OA&E-FY20-0114 and OA&E-FY20-0113

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

**TO:** Alexandra D. Dunn, Assistant Administrator  
Office of Chemical Safety and Pollution Prevention

David Bloom, Acting Chief Financial Officer

The Office of Inspector General (OIG) for the U.S. Environmental Protection Agency (EPA) plans to begin our audits of the EPA's fiscal year (FY) 2019 financial statements for the Pesticide Reregistration and Expedited Processing Fund, which is known as the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and the Pesticide Registration Improvement Act (PRIA) fund. These audits are statutorily required and are 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. More details about our respective responsibilities are listed 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 Guillermo Mejia at [mejia.guillermo@epa.gov](mailto:mejia.guillermo@epa.gov), and Demetrios Papakonstantinou at [papakonstantinou.demetrios@epa.gov](mailto:papakonstantinou.demetrios@epa.gov). Attachment 3, *Key Milestones*, highlights critical dates that must be met to complete these audits in a timely manner and prevent delays once the FY 2020 EPA Financial Statement Audit begins in the spring.

These audits are being conducted to express an opinion on the financial statements for the FIFRA and PRIA funds. Our 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 audits. We would also be particularly interested in any areas of concern that you may have. We will answer any questions that 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 audits. Throughout the audits, 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 FIFRA and PRIA funds 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 materials 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 audits, and the Project Manager will be Demetrios Papakonstantinou. Please address any questions concerning the projects to me at (202) 566-2523 or [curtis.paul@epa.gov](mailto:curtis.paul@epa.gov), or to Demetrios Papakonstantinou at (617) 918-1451 or [papakonstantinou.demetrios@epa.gov](mailto:papakonstantinou.demetrios@epa.gov).

Attachments (3)

cc: Henry Darwin, Assistant Deputy Administrator  
Doug Benevento, Associate Deputy Administrator  
Ryan Jackson, Chief of Staff  
Michael Molina, Deputy Chief of Staff  
Kevin DeBell, Acting Deputy Chief of Staff  
Carol Terris, Associate Chief Financial Officer, Office of the Chief Financial Officer (OCFO)  
Nancy Beck, Principal Deputy Assistant Administrator, Office of Chemical Safety  
and Pollution Prevention (OCSPP)  
David Fischer, Deputy Assistant Administrator, OCSPP  
Lek Kadeli, Acting Deputy Assistant Administrator, OCSPP  
Louise Wise, Acting Associate Administrator for Management, OCSPP  
Tom Tyler, Chief of Staff, OCSPP

Donna Vizian, Principal Deputy Assistance Administrator, Office of Mission Support  
Wesley Carpenter, Deputy Assistant Administrator for Administration and Resources  
Management, Office of Mission Support  
Rick Keigwin Jr., Acting Director, Office of Pesticide Programs, OCSPP  
Edward Messina, Deputy Office Director for Programs, Office of Pesticide Programs, OCSPP  
Arnold Layne, Deputy Director for Management, Office of Pesticide Programs, OCSPP  
Robert McNally, Director, Biopesticides and Pollution Prevention Division, Office of Pesticide  
Programs, OCSPP  
Elissa Reaves, Acting Director, Pesticide Re-Evaluation Division, Office of Pesticide Programs,  
OCSPP  
Mike Goodis, Director, Registration Division, Office of Pesticide Programs, OCSPP  
Anita Pease, Director, Antimicrobials Division, Office of Pesticide Programs, OCSPP  
Delores Barber, Director, Information Technology and Resource Management Division, Office of  
Pesticide Programs, OCSPP  
Jeanne Conklin, Controller, OCFO  
Meshell Jones-Peeler, Acting Director, Office of Technology Solutions, OCFO  
Eva Ripollone, Deputy Director, Office of Technology Solutions, OCFO  
Maria Williams, Acting Director, Office of Budget, OCFO  
Beth Baden, Acting Deputy Director, Office of Budget, OCFO  
Richard Gray, Acting Deputy Controller, Office of the Controller, OCFO  
Renee Miller, Director, Business Planning and Operations Division, Office of the Controller,  
OCFO  
Dany Lavergne, Director, Accounting and Cost Analysis Division, Office of the Controller,  
OCFO  
Carmelita Chadwick-Gallo, Director, Research Triangle Park Finance Center, OCFO  
Greg Luebbering, Director, Cincinnati Finance Center, OCFO  
Aileen Atcherson, Director, Policy, Training and Accountability Division, Office of the Controller,  
OCFO  
Stacey Church, Chief, Fees and Collections Branch, Office of the Controller, OCFO  
Mara Kamen, Director, Office Human Resources, Office of Mission Support  
OCFO  
Robin Drury, Special Assistant, Office of the Controller, OCFO  
Sheldonna Proctor, Special Assistant, Office of the Controller, OCFO  
Andrew LeBlanc, Agency Follow-Up Coordinator  
Annette Morant, Acting Branch Chief, Management Integrity and Accountability Branch, Office of  
the Chief Financial Officer  
Paige Hanson, Associate Chief Financial Officer for Policy  
Janet Weiner, Audit Follow-Up Coordinator, OCSSP  
Cameo Smoot, Audit Follow-Up Coordinator, Office of Pesticide Programs, OCSSP  
Corry Schiermeyer, Associate Administrator for Public Affairs  
Regional Audit Follow-Up Coordinators, Regions 1-10  
Gabrielle Hanson, Accountant, General Ledger Analysis and Reporting Branch, Office of the  
Controller, OCFO  
James Ekechuku, Accountant, General Ledger Analysis and Reporting Branch, Office of the  
Controller, OCFO  
Andrew Sheeran, Accountant, General Ledger Analysis and Reporting Branch, Office of the  
Controller, OCFO  
Kysha Lebron, Accountant, General Ledger Analysis and Reporting Branch, Office of the  
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Alan Eng, Accountant, General Ledger Analysis and Reporting Branch, Office of the  
Controller, OCFO  
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Sean O'Donnell, Inspector General  
Charles J. Sheehan, Deputy Inspector General  
Edward Shields, Associate Deputy Inspector General  
Eric Hanger, Deputy Counsel to the Inspector General  
Kevin Christensen, Assistant Inspector General for Audit and Evaluation  
Helina Wong, Assistant Inspector General for Investigations  
Stephanie Wright, 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  
Rashmi Bartlett, Deputy Assistant Inspector General for Audit and Evaluation  
Jeffrey Lagda, Acting Deputy Assistant Inspector General for Congressional and Public Affairs  
Tia Elbaum, Congressional and Media Liaison, Office of Inspector General  
Rudolph Brevard, Director, Information Resources Management Directorate,  
Office of Inspector General  
Demetrios Papakonstantinou, Project Manager, Financial Directorate, Office of Inspector General

## ***Audit Expectations***

We will audit the balance sheet of the EPA for the FIFRA Fund and the PRIA Fund as of September 30, 2019, and September 30, 2018; the related statements of net cost, changes in net position and budgetary resources for the years 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 assurances that:
  - a. Financial transactions are executed in compliance with applicable laws, regulations, contracts and grant agreements.
  - 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. Reported accomplishments under applicable performance measures and goals for FIFRA are accurate.
5. The agency complied with the decision time review period requirements for PRIA.
6. The agency complied with specific provisions of FIFRA and PRIA.
7. The information and manner of presentation contained in the Management's Discussion and Analysis, and 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 19-03, *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 that are 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 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 have 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 the 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, regulations, contracts and grant agreements 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:

- Preparing the financial statements in conformity with the federal financial accounting standards and applicable reporting requirements.
- Providing financial records and related data.
- Communicating to the OIG all matters that pertain to the EPA's possible liability on legal matters that might impact the finances and operations of the EPA.
- Providing assurances, to the best of its knowledge and belief, of the absence of fraud involving management and those employees who have a significant role in the entity's internal controls.
- Complying with federal financial management system requirements and other applicable laws and regulations.
- Establishing and maintaining systems of internal controls for both financial and performance data.

### ***Reporting***

We will issue written reports upon completion of our audits of the EPA's FY 2019 FIFRA and PRIA funds 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 19-03, *Audit Requirements for Federal Financial Statements*.

Our reports 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).

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

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David Bloom  
Acting Chief Financial Officer

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Date

## ***List of Deliverables***

### **Information Needed from the Office of Pesticide Programs:**

1. Detailed listings of actions for FIFRA performance measures for FY 2019.
2. Excel spreadsheets of PRIA actions due and completed in FY 2019.
3. FY 2019 Reassessment Count listing and supporting documentation.
4. Documentation including Toxicity Batching Appendices, Requirements Status and Registrant's Responses for Data Call-Ins.
5. Copies of Reregistration Eligibility Decisions, Interim Reregistration, Eligibility Decisions and Tolerance Reassessment Eligibility Decisions documents that are not available on the Office of Pesticide Programs website, and signature pages of those on the website.
6. Information on the systems used to track FIFRA performance measures audits and the controls used to ensure that the data are accurate.
7. Information on the systems used to track PRIA review period compliance and the controls used to ensure that the data are accurate.
8. Draft Federal Register Notice on FY 2019 Pesticide Reregistration Performance Measures and Goals.
9. FY 2019 FIFRA Fee Table & Instructions to Registrants for Filing 2019 Pesticide Registration Maintenance Fees.
10. FY 2019 PRIA Fee Schedule Tables or the website to view the FY 2019 PRIA Fee Schedule Tables.
11. FY 2019 Pesticide Registration Maintenance Fee Filing Form (from the Office of Pesticide Programs) (FIFRA).
12. FY 2019 Registration form with the action code (PRIA).
13. Documentation for OIG samples (OIG to provide sample listings):
  - Documentation of product cancellations in the OIG sample.
  - All files requested for PRIA actions in the OIG sample.
  - All files requested for FIFRA performance actions in the OIG sample.
  - Support for collection samples, which could include registration/reregistration applications or forms, letter with the fee, decision review code, etc.

### **Information Needed from the Office of the Chief Financial Officer:**

14. FY 2019 FIFRA Financial Statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final). The draft FIFRA Financial Statements and footnotes with supporting documentation, including Management's Discussion and Analysis are expected to be provided to the OIG by February 28, 2020.
15. FY 2019 PRIA Financial Statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final). The draft PRIA Financial Statements and footnotes with supporting documentation, including Management's Discussion and Analysis, are expected to be provided to the OIG by February 28, 2020.
16. FIFRA and PRIA Collection documentation for the last 5 days of FY 2019.
17. FIFRA and PRIA Collection documentation for the first 5 days of FY 2020.
18. Overview of the FIFRA and PRIA Collection Process.
19. Overview of the FIFRA and PRIA Funds Balance With Treasury Process.



20. FY 2019 FIFRA and PRIA SF-224s, Monthly Suspense Reports, and Cash Reconciliation Reports (OIG will request months needed only if the support was not provided during the FY 2019 Consolidated Financial Statement Audit).
21. FY 2019 FIFRA and PRIA identification code in the Datamart Payroll file covering Pay Periods 1-26 (October 1, 2018, through September 30, 2019).
22. Listing of FY 2019 Pay Period 26 annual leave and compensatory time balance for FIFRA and PRIA employees, showing employee identification, name, base rate and hours under annual leave and compensatory time.
23. Methodology developed on the computation of (a) accruals for FIFRA and PRIA employees and (b) unfunded annual leave for FIFRA and PRIA employees.
24. Documentation for OIG samples (OIG provided sample listings):
  - Source documentation for obligations, disbursements and journal voucher/standard voucher samples.
  - FIFRA and PRIA collection files with payment data (copy of checks, electronic payment or other payment data) for collection samples.
  - Support for collection samples, which could include correction sheets, refund requests, schedule of collections, collection logs, etc.
25. Management Representation Letter.

Note: This is not an all-inclusive list. Additional documentation may be requested during the audit, as needed.

## ***Key Milestones***

To ensure the success and timely completion of these audits, please see the audit's key milestones below.

<b>Milestones</b>	<b>Date or timeline</b>	<b>Responsible party</b>
Entrance Conference	15 business days after notification memorandum issuance date	All
Draft Financial Statements and Footnotes, including support and Management's Discussion and Analysis	2/28/20*	OCFO**
Management Representation Letter, Final Financial Statements and Footnotes, including support and Management's Discussion and Analysis	3 business days after receipt of Schedule of Audit Differences	OCFO** and the Office of Pesticide Programs

\* To be provided on this date by close of business or before.

\*\* OCFO to coordinate with Office of Pesticide Programs.