



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

*Operating efficiently and effectively*

# Fiscal Years 2018 and 2017 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund

Report No. 20-F-0184

June 1, 2020



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## Abbreviations

|         |   |
|---------|---|
| EPA     | U.S. Environmental Protection Agency                |
| FIFRA   | Federal Insecticide, Fungicide, and Rodenticide Act |
| FY      | Fiscal Year   |
| OIG     | Office of Inspector General                         |
| Pub. L. | Public Law  |

**Cover Photo:** Pesticides being applied. (EPA photo)

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# At a Glance

## Why We Did This Project

The Food Quality Protection Act requires that the U.S. Environmental Protection Agency's Office of Inspector General perform an annual audit of the financial statements for the Pesticides Reregistration and Expedited Processing Fund, also known as the Federal Insecticide, Fungicide, and Rodenticide Act, or FIFRA, Fund.

The EPA is responsible for reassessing the safety of older pesticide registrations against modern health and environmental testing standards. To expedite the reregistration process, Congress authorized the EPA to collect fees from pesticide manufacturers. These fees are deposited into the FIFRA Fund. Each year, the Agency prepares financial statements that present information about the fund, along with information about the EPA's progress in reregistering pesticides.

### This report addresses the following:

- *Operating efficiently and effectively.*

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List of [OIG reports](#).

## ***Fiscal Years 2018 and 2017 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund***

### **EPA Receives an Unmodified Opinion for FY 2018**

We rendered an unmodified opinion on the FIFRA Fund financial statements for fiscal year 2018, meaning they were fairly presented and free of material misstatement.

We rendered a qualified opinion on the FIFRA Fund financial statements for FY 2017, meaning that except for the possible effects of the Agency's inability to support FIFRA's payroll accruals and related expenses, the FY 2017 financial statements were fairly presented.

**We rendered an unmodified opinion on the EPA's FY 2018 FIFRA Fund financial statements and a qualified opinion on the EPA's FY 2017 FIFRA Fund financial statements.**

### **Compliance with Applicable Laws and Regulations**

In FY 2018, the EPA exceeded the statutory target set out in FIFRA. FIFRA required the EPA to collect pesticide maintenance fees, "to the extent practicable," of \$27.8 million for each fiscal year from FY 2013 through FY 2018. In FY 2018, the EPA collected \$28.4 million, \$600,000 over the established target.

### **Recommendation and Planned Agency Corrective Action**

We recommend that the assistant administrator for Chemical Safety and Pollution Prevention adjust or monitor the annual pesticides maintenance fees so that the fees collected do not exceed the statutory targets for each fiscal year. The Agency agreed with our recommendation and completed the corrective action.




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

OFFICE OF  
INSPECTOR GENERAL

June 1, 2020

**MEMORANDUM**

**SUBJECT:** Fiscal Years 2018 and 2017 Financial Statements for the Pesticides  
Reregistration and Expedited Processing Fund  
Report No. 20-F-0184

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

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

David Bloom, Deputy Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General of the U.S. Environmental Protection Agency. The project number for this audit was OA&E-FY19-0122. This report contains a finding that describes the problem the OIG identified and the corrective action the OIG recommended. Final determination on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of Chemical Safety and Pollution Prevention is responsible for the recommendation presented in this report.

In accordance with EPA Manual 2750, the Office of Chemical Safety and Pollution Prevention completed acceptable corrective actions in response to the OIG recommendation. The recommendation is resolved, and no final response to this report is required. However, if you submit a response, it will be posted on the OIG's 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](http://www.epa.gov/oig).

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# **Inspector General's Report on the Fiscal Years 2018 and 2017 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund**

The Administrator  
U.S. Environmental Protection Agency

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the Pesticides Reregistration and Expedited Processing Fund, known as the Federal Insecticide, Fungicide, and Rodenticide Act, or FIFRA, Fund. These statements comprise the balance sheets as of September 30, 2018, and September 30, 2017; related statements of net cost and changes in net position; statement of budgetary resources for the years then ended; and 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 auditing standards generally accepted in the United States; 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 Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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 misstatements 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Qualified Opinion in 2017***

The EPA could not support payroll accruals for the FIFRA Fund, as of and for the year ended September 30, 2016. The EPA's inability to support FIFRA's payroll accruals, and related expenses in FY 2016, had a direct impact on the Agency's ability to determine the proper balance of FIFRA payroll expenses for FY 2017. As a result, we were unable to obtain sufficient, appropriate audit evidence about the proper amount of FIFRA payroll expenses incurred for the year ended September 30, 2017, and we were unable to determine whether any adjustments to these amounts were necessary.

### ***Qualified Opinion in 2017***

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion in 2017" paragraph, the FIFRA Fund's financial statements referred to above present fairly, in all material respects, the assets, liabilities, net position, net cost, changes in net position, and budgetary resources as of and for the year ended September 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinion in 2018***

In our opinion, the FIFRA Fund financial statements, including the accompanying notes, present fairly, in all material respects, the assets, liabilities, net position, net cost, changes in net position, and budgetary resources of the EPA as of and for the year ended September 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

## **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 controls, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls. We did this as a basis of designing our auditing procedures for the purpose of expressing an opinion on the financial statements and to comply with the Office of Management and Budget 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 controls

included in the “Management’s Discussion and Analysis” section of the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in Office of Management and Budget Bulletin 19-03. We did not test all internal controls relevant to operating objectives, as broadly defined by the Federal Managers’ Financial Integrity Act of 1982.

**Material Weakness and Significant Deficiencies.** Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in this area 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 a 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 on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet it is 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.

### ***Comparison of EPA’s Federal Managers’ Financial Integrity Act Report with Our Evaluation of Internal Control***

Office of Management and Budget Bulletin 19-03 requires the Office of Inspector General to compare material weaknesses disclosed during the audit with those material weaknesses reported in the Agency’s Federal Managers’ Financial Integrity Act report that relate to the financial statements and identify material weaknesses disclosed by the audit that were not reported in the Agency’s report. The Agency’s report is prepared and submitted at the consolidated level, of which the FIFRA Fund is a component.

## **Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements**

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 the FIFRA Fund’s financial statements. The objective of our audit, including our tests of compliance with 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 collection of fees.

In FY 2018, the EPA exceeded the statutory target set out in FIFRA. FIFRA requires the EPA to collect pesticide maintenance fees, “to the extent practicable,” of \$27.8 million for each fiscal year from FY 2013 through FY 2018. In FY 2018, the EPA collected \$28.4 million, \$600,000 over the established target.

## **Management’s Discussion and Analysis Section of the Financial Statements**

For our audit work related to the pesticide program information presented in the “Management’s Discussion and Analysis” section of the financial statements, we compared the overview 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 a previous audit of the FIFRA Fund’s financial statements—*Fiscal Years 2017 and 2016 (Restated) Financial Statements for the Pesticides Reregistration and Expedited Processing Fund* (Report No. [19-F-0214](#)), issued June 28, 2019—we did not identify any noncompliance that would result in a material misstatement to the audited financial statements. We did not have any recommendations in that report.

## **Agency Response and OIG Assessment**

The Agency agreed with our recommendation and completed the corrective action.



Paul C. Curtis  
Certified Public Accountant  
Director, Financial Directorate  
Office of Audit and Evaluation  
Office of Inspector General  
U.S. Environmental Protection Agency  
March 23, 2020

## ***Compliance with Laws and Regulations***

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## **1 – EPA Exceeded the Pesticide Maintenance Fee Collection Target**

In FY 2018, the EPA exceeded the statutory target set by FIFRA. FIFRA requires the EPA to collect pesticide maintenance fees, “to the extent practicable,” of \$27.8 million for each fiscal year from FY 2013 through FY 2018. In FY 2018, the EPA collected \$28.4 million, \$600,000 over the established target.

FIFRA, Section 4, subsection(i)(1)(C), as extended by Pub. L. 115-141 (March 23, 2018), required that “to the extent practicable,” the administrator shall adjust the maintenance fees to a level that will result in the fiscal year 2018 collection of an aggregate amount of \$27.8 million.

In FY 2018, the EPA collected approximately \$28.4 million in pesticide maintenance fees, \$600,000 over the FIFRA’s maintenance fee target. The Office of Pesticide Programs stated that the following factors contributed to the excess of the collection target:

1. The EPA was anticipating large company mergers to occur in FY 2018, resulting in the loss of one or two maximum cap fee payments in that fiscal year. Instead, the mergers were not finalized in FY 2018, and as a result, there were four companies making the maximum maintenance fee payments in FY 2018.
2. The EPA underestimated the number of registered products for which the per-product fee would be paid.

While FIFRA allows an aggregate amount of \$27.8 million for each fiscal year from FY 2013 through FY 2018, we did not find anything in FIFRA that allows the EPA to collect an amount of fees that exceeds the \$27.8 million target.

### **Recommendation**

We recommend the assistant administrator for Chemical Safety and Pollution Prevention:

1. Adjust or monitor the annual pesticides maintenance fees so that fees collected do not exceed the statutory targets for each fiscal year.

### **Agency Comments and OIG Evaluation**

The Office of Chemical Safety and Pollution Prevention agreed with our recommendation and completed the corrective action. Appendix B contains the Agency’s response to our draft report.

## ***Status of Recommendation and Potential Monetary Benefits***

RECOMMENDATIONS

| Rec. No. | Page No. | Subject   | Status <sup>1</sup> | Action Official  | Planned Completion Date | Potential Monetary Benefits (in \$000s) |
|----------|----------|---|---------------------|--|-------------------------|---|
| 1        | 6        | Adjust or monitor the annual pesticides maintenance fees so that fees collected do not exceed the statutory targets for each fiscal year. | C                   | Assistant Administrator for Chemical Safety and Pollution Prevention | 12/31/19                |   |

<sup>1</sup> C = Corrective action completed.  
 R = Recommendation resolved with corrective action pending.  
 U = Recommendation unresolved with resolution efforts in progress.

**Fiscal Years 2018 and 2017**  
**Pesticides Reregistration and Expedited Processing Fund**  
**Financial Statements**



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

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EPA's FY 2018 Annual FIFRA Financial Statements

## **Management's Discussion and Analysis**

EPA's FY 2018 Annual FIFRA Financial Statements

2

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.

In accordance with FIFRA and FFDCA, the pesticide program administers the Pesticides Reregistration and Expedited Processing Fund (FIFRA Fund). As of 1996, fees for reregistration are deposited to the FIFRA account, which is available to the EPA without further appropriation.

Under the FFDCA, EPA sets "tolerances", or maximum residue levels. If a pesticide is intended to be used in a manner that may result in residues in food or animal feed, the applicant must petition EPA for establishment of a tolerance (or exemption from a tolerance). Tolerances are set at levels that ensure a reasonable certainty of no harm from the potential pesticide residues in food combined with other non-occupational exposure.

The passage of the Food Quality Protection Act (FQPA) in 1996 provided for additional fees to support reregistration activities and required tolerances to be reassessed as part of the reregistration program. Effective January 1997, all fees related to tolerance activities were deposited in the FIFRA Fund. With passage of the Pesticide Registration Improvement Act (PRIA 1) of 2003 and amendments in 2007 and 2012, no additional tolerance petition fees are to be deposited to the FIFRA Fund through FY 2017. The second amendment to PRIA, the Pesticide Registration Improvement Enhancement Act of 2012 (PRIA 3), had a statutory expiration date of September 30, 2017. This expiration date was extended through fiscal year 2018 by legislative language contained in continuing resolutions and the 2018 omnibus spending bill, and therefore, the tolerance fee collection prohibition was also extended through fiscal year 2018 and no additional tolerance petition fees were deposited to the FIFRA Fund in FY 2018.

### *The Pesticide Reregistration and Registration Review Programs*

EPA is responsible for re-evaluating the safety of existing pesticides. Since the original pesticide legislation of 1947, scientific analysis techniques have grown much more precise and sophisticated and health and environmental standards have become more stringent. With the 1988 amendments to FIFRA (FIFRA '88), Congress mandated the accelerated reregistration of all products registered prior to November 1, 1984. The statute required completion of Reregistration Eligibility Decisions (REDs) and tolerance reassessment for all food-use active ingredients by 2006. The last REDs were completed in FY 2008.

All REDs for the active ingredients have been completed. A RED is a decision by the Agency defining whether products containing the pesticide active ingredient are eligible or ineligible for reregistration. Following the issuance of the RED, the registrant must comply with the RED by



submitting product-specific data and revised labels for each product containing that active ingredient or cancel the product registration. Based on its review of the data, if the product has met all the requirements, the EPA then reregisters the product.

The FQPA introduced a new program called Registration Review which replaced EPA's Pesticide Reregistration and Tolerance Reassessment programs as those programs were completed. Unlike earlier review programs, Registration Review applies to all registered pesticides. EPA reviews each registered pesticide every 15 years to determine whether it still meets the FIFRA standard for registration. In this way, the Agency ensures that all registered pesticides do not pose unreasonable risks to human health or the environment when used as directed on product labeling.

For pesticides registered before October 1, 2007, EPA has a statutory mandate to make Registration Review decisions by October 1, 2022. There is a total of 725 such cases. For each case, the steps in this process include, in this order, opening dockets, developing work plans, completing risk assessments, and making decisions regarding any risk management measures. It is important to open dockets and develop work plans for as many cases as possible early in the process so that there is time to complete the risk assessments and make decisions by the 2022 deadline. In addition to completing its obligation for opening all 725 dockets in 2017, in 2018 EPA completed all preliminary and most final work plans and shifted its focus to completing risk assessments and making decisions to meet its statutory deadline by 2022.

Congress authorized the collection of maintenance fees from manufacturers to supplement appropriated funds to support reregistration and registration review programs. Maintenance fees were structured under PRIA 3 to generate approximately \$27.8 million per year for five years (FY '13 – FY '17). Maintenance fee collection authority at the \$27.8 million per year level was extended through fiscal year 2018 by legislative language contained in continuing resolutions and the 2018 omnibus bill. Maintenance fees are assessed on a product-by-product basis with caps on the maximum number of products for which any single company would have to pay fees, as well as fee reductions for qualified small businesses. Registrations for minor use registrations and public health pesticides are also eligible for waivers and/or refunds of maintenance fees. Fees are deposited into the FIFRA Registration and Expedited Processing Fund. By statute, excess monies in the FIFRA Reregistration and Expedited Revolving Processing Fund may be invested. Between 11.1% and 12.5% of collected maintenance fees each year are used to support inert ingredient clearances as well as expedited processing of fast track amendments. PRIA 3 also set aside approximately \$800,000 of the collected maintenance fees for fiscal years 2013 through 2017 to enhance specified IT systems.

FQPA also reauthorized collection of maintenance fees through 2001 to complete the review of older pesticides to ensure they meet current standards (increasing annual fees from \$14 million to \$16 million per year through 2000) and required all tolerances (over 9,700) to be reassessed by 2006. The 2002 appropriations bill extended maintenance fees to \$17 million for another year, and the 2003 appropriations extended them to \$21.5 million for that year. Passage of PRIA 1 in FY 2004 extended maintenance fees through FY 2008 (with annual fees totaling \$26 million in FY 2004; \$27 million in FY 2005-2006; \$21 million in FY 2007; and \$15 million in FY 2008).

Passage of the Pesticide Registration Improvement Renewal Act (PRIA 2) in October 2007 extended maintenance fees through FY 2012 (\$22 million each FY). PRIA 2 provided for maintenance fees to offset the costs of registration review beginning in FY 2008.

### *Highlights and Accomplishments*

#### **Reregistration and Expedited Processing Fund (FIFRA) Financial Perspective**

During FY 2018, the Agency's obligations charged against the Registration and Expedited Processing Revolving Fund for the cost of the reregistration, registration review and other FIFRA activities authorized by 7 U.S.C. 136(k)(2)(A) were approximately \$18.3 million and 89.9 work-years. Of this amount, OPP obligated \$12.9 million for Personnel Compensation and Benefits (PC&B).

Appropriated funds are used in addition to FIFRA revolving funds. In FY 2018, the total appropriations that funded registration review, reregistration and other FIFRA activities authorized by 7 U.S.C. 136(k)(2)(A) were approximately \$18.6 million.

The Fund has two types of receipts: fee collections and interest earned on investments. Of the \$28.4 million in FY 2018 receipts, more than 99.9% were fee collections. Total unobligated balance in the fund at the end of FY 2018 was \$44.0 million.

#### **Registration Review Program (FIFRA) Performance Measures**

The following measures support the program's strategic goals: ensuring the safety of chemicals and pollution prevention.

##### **Measure 1: Number of FIFRA Decisions completed through pesticide registration review.**

*Results: EPA completed 63 registration review decisions for FY 2018, exceeding the target of 58 decisions, and is on track for completing registration review for all pesticide cases by October 1, 2022.*

##### **Measure 2: Number of FIFRA registration review draft risk assessments completed.**

*Results: In FY 2018, EPA completed 100 draft risk assessments, exceeding the FY 2018 target of 70 draft risk assessments.*

**PRINCIPAL  
FINANCIAL STATEMENTS**

EPA's FY 2018 Annual FIFRA Financial Statements

## Principal Financial Statements

### Financial Statements

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**United States Environmental Protection Agency**  
**FIFRA**  
**Balance Sheet**  
**As of September 30, 2018 and 2017**  
**(Dollars in Thousands)**

|   | <u>FY 2018</u>          | <u>FY 2017</u>          |
|---|-------------------------|-------------------------|
| <b>ASSETS</b>   |                         |                         |
| Intragovernmental:  |                         |                         |
| Fund Balance With Treasury (Note 2)                                 | \$ 47,864               | \$ 43,614               |
| Other (Note 3)  | <u>149</u>              | <u>27</u>               |
| Total Intragovernmental   | 48,013                  | 43,641                  |
| Property, Plant & Equipment, Net (Note 4)                           | <u>445</u>              | <u>499</u>              |
| <b>Total Assets</b>   | <b>\$ <u>48,458</u></b> | <b>\$ <u>44,140</u></b> |
| <b>LIABILITIES</b>  |                         |                         |
| Intragovernmental:  |                         |                         |
| Accounts Payable and Accrued Liabilities                            | \$ 57                   | \$ 126                  |
| Other (Note 5)  | <u>1</u>                | <u>360</u>              |
| Total Intragovernmental   | 58                      | 486                     |
| Accounts Payable & Accrued Liabilities                              | 470                     | 601                     |
| Payroll & Benefits Payable (Note 6)                                 | 3,047                   | 4,918                   |
| Other (Note 5)  | <u>49,369</u>           | <u>47,342</u>           |
| Total Liabilities   | <u>\$ 52,944</u>        | <u>\$ 53,347</u>        |
| <b>NET POSITION</b>   |                         |                         |
| Unexpended Appropriations - Funds from Dedicated Collections        | (1,075)                 | (1,072)                 |
| Cumulative Results of Operations - Funds from Dedicated Collections | <u>(3,411)</u>          | <u>(8,135)</u>          |
| Total Net Position  | (4,486)                 | (9,207)                 |
| <b>Total Liabilities and Net Position</b>                           | <b>\$ <u>48,458</u></b> | <b>\$ <u>44,140</u></b> |

The accompanying notes are an integral part of these financial statements.

EPA's FY 2018 Annual FIFRA Financial Statements

**United States Environmental Protection Agency**  
**FIFRA**  
**Statement of Net Cost**  
**For the Fiscal Years Ending September 30, 2018 and 2017**  
**(Dollars in Thousands)**

|   | <u>FY 2018</u>          | <u>FY 2017</u>          |
|---|-------------------------|-------------------------|
| <b>COSTS</b>                                |                         |                         |
| Gross Costs (Note 9)                        | \$ 24,515               | \$ 18,892               |
| Expenses from Other Appropriations (Note 7) | <u>49,302</u>           | <u>47,443</u>           |
| Total Costs                                 | 73,817                  | 66,335                  |
| Less:                                       |                         |                         |
| Earned Revenue (Note 8 and 9)               | <u>28,247</u>           | <u>16,835</u>           |
| <b>NET COST OF OPERATIONS</b>               | <b><u>\$ 45,570</u></b> | <b><u>\$ 49,500</u></b> |

The accompanying notes are an integral part of these financial statements.

EPA's FY 2018 Annual FIFRA Financial Statements

United States Environmental Protection Agency  
FIFRA  
Statement of Changes in Net Position  
For the Fiscal Year Ending September 30, 2018 and 2017  
(Dollars in Thousands)

|   | <u>FY 2018</u>    | <u>FY 2017</u>    |
|---|-------------------|-------------------|
| <b>Cumulative Results of Operations:</b>      |                   |                   |
| <b>Net Position - Beginning of Period</b>     | \$ (8,135)        | \$ (6,637)        |
| Beginning Balances                            | (8,135)           | (6,637)           |
| <b>Budgetary Financing Sources:</b>           |                   |                   |
| Appropriations Used                           | 3                 | 9                 |
| Nonexchange Revenue - Securities Investment   | 503               | 148               |
| Income from other Appropriations (Note 7)     | <u>49,302</u>     | <u>47,443</u>     |
| Total Budgetary Financing Sources             | 49,808            | 47,600            |
| <b>Other Financing Sources (Non-Exchange)</b> |                   |                   |
| Imputed Financing Sources                     | <u>486</u>        | <u>402</u>        |
| Total Other Financing Sources                 | 486               | 402               |
| Net Cost of Operations                        | (45,570)          | (49,500)          |
| Net Change                                    | 4,724             | (1,498)           |
| <b>Cumulative Results of Operations</b>       | <u>\$ (3,411)</u> | <u>\$ (8,135)</u> |
|   |                   |                   |
|   | <u>FY 2018</u>    | <u>FY 2017</u>    |
| <b>Unexpended Appropriations:</b>             |                   |                   |
| <b>Net Position - Beginning of Period</b>     | \$ (1,072)        | \$ (1,063)        |
| <b>Budgetary Financing Sources:</b>           |                   |                   |
| Appropriations Received                       | <u>(3)</u>        | <u>(9)</u>        |
| Total Budgetary Financing Sources             | (3)               | (9)               |
| <b>Total Unexpended Appropriations</b>        | (1,075)           | (1,072)           |
| <b>TOTAL NET POSITION</b>                     | <u>\$ (4,486)</u> | <u>\$ (9,207)</u> |

The accompanying notes are an integral part of these financial statements.

EPA's FY 2018 Annual FIFRA Financial Statements

**United States Environmental Protection Agency**  
**FIFRA**  
**Statement of Budgetary Resources**  
**For the Fiscal Years Ending September 30, 2018 and 2017**  
**(Dollars in Thousands)**

|  | <u>FY 2018</u>           | <u>FY 2017</u>           |
|--|--------------------------|--------------------------|
| <b>BUDGETARY RESOURCES</b>                                     |                          |                          |
| Unobligated balance from prior year budget authority, net      | \$ 37,471                | \$ 27,206                |
| Spending Authority from offsetting collection                  | <u>28,931</u>            | <u>27,454</u>            |
| <b>Total Budgetary Resources</b>                               | <b>\$ <u>66,402</u></b>  | <b>\$ <u>54,660</u></b>  |
| <br>   |                          |                          |
| <b>MEMORANDUM (non add) entries</b>                            |                          |                          |
| Net Adjustments to unobligated balance brought forward, Oct. 1 | \$ 1,873                 | \$ 1,842                 |
| <br>   |                          |                          |
| <b>STATUS OF BUDGETARY RESOURCES</b>                           |                          |                          |
| New obligations and upward adjustments (total)                 | \$ 22,376                | \$ 19,062                |
| Unobligated Balance, end of year:                              |                          |                          |
| Apportioned, unexpired accounts                                | 42,895                   | 35,598                   |
| Unapportioned, unexpired accounts                              | <u>1,131</u>             | <u>-</u>                 |
| Unobligated balance, end of period (total)                     | <u>44,026</u>            | <u>35,598</u>            |
| <b>Total Status of Budgetary Resources</b>                     | <b>\$ <u>66,402</u></b>  | <b>\$ <u>54,660</u></b>  |
| <br>   |                          |                          |
| <b>OUTLAYS, NET</b>  |                          |                          |
| Outlays, net (discretionary and mandatory)                     | \$ (6,628)               | \$ (9,583)               |
| Distributed offsetting receipts                                | <u>-</u>                 | <u>-</u>                 |
| Agency outlays, net (discretionary and mandatory)              | <b>\$ <u>(6,628)</u></b> | <b>\$ <u>(9,583)</u></b> |

The accompanying notes are an integral part of these financial statements.

EPA's FY 2018 Annual FIFRA Financial Statements



**United States Environmental Protection Agency**  
**FIFRA**  
**Notes to Financial Statements**  
**For the Fiscal Years Ending September 30, 2018 and 2017**  
**(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 FIFRA Revolving Fund was authorized in 1988 by amendments to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). The 1988 amendments mandated the accelerated re-registration of all products registered prior to November 1, 1984. Congress authorized the collection of maintenance fees to supplement appropriations to fund re-registration and to fund expedited processing of pesticides. Maintenance fees are assessed on registrants of pesticide products. FIFRA also includes provisions for the registration of new pesticides (funded in part from the PRIA or Pesticide Registration Fund), monitoring the distribution and use of pesticides, issuing civil or criminal penalties for violations, establishing cooperative agreements with the states, and certifying training programs for users of restricted chemicals. Appropriated funds, with the exception of partial funding of registration from Pesticide Registration Service Fees in the Pesticide Registration Fund, pay for these activities. The FIFRA Revolving Fund is accounted for under Treasury symbol number 68X4310.

The FIFRA 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 FY 2018 and FY 2017 were \$49,302 thousand and \$47,443 thousand, respectively. These amounts are 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.

**B. Basis of Presentation**

These financial statements have been prepared to report the financial position and results of operations of the EPA for the Reregistration and Expedited Processing (FIFRA) Revolving Fund as required by the Chief Financial Officers Act of 1990. 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

EPA's FY 2018 Annual FIFRA Financial Statements

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 2018 and FY 2017 cost factors for calculating imputed costs for Federal civilian benefits programs, respectively. These updates impact the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position.

### **C. Budgets and Budgetary Accounting**

Funding of the FIFRA Revolving Fund is provided by fees collected from industry to offset costs incurred by the 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**

The EPA's 2002 appropriations bill extended authority to collect maintenance fees by one year in the amount of \$17 million and the FY 2003 appropriations extended the authority to collect fees again by one year in the amount of \$21.5 million. Passage of the Pesticide Registration Improvement Act (PRIA) in 2004 extended the authority to collect maintenance fees through FY 2008 (with annual fee amounts at \$26 million in FY 2004; \$27 million in FY 2005-2006; \$21 million in FY 2007; and \$15 million in FY 2008). Passage of the Pesticide Registration Improvement Renewal Act (commonly referred to as PRIA II) in 2007 extended the authority to collect maintenance fees through FY 2012 (with annual fee amounts set at \$22 million each year from 2008-2012). For FYs 2018 and 2017, the FIFRA Revolving Fund received funding from maintenance fees collected on existing registered pesticide products and from interest collected on investments in U.S. Government securities. For FYs 2018 and 2017, revenues were recognized from fee collections to the extent that expenses are incurred during the fiscal year.

### **F. Funds with the Treasury**

The FIFRA fund deposits receipts and processes disbursements through its operating account maintained at the U.S. Department of Treasury. Cash funds in excess of immediate needs are invested in U.S. Government securities.

EPA's FY 2018 Annual FIFRA Financial Statements

### **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. FIFRA 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**

General property, plant and equipment for FIFRA includes software in production. Internal use software includes purchased commercial off-the-shelf software, contractor developed software and software that was internally developed by Agency employees. In FY 2017, the EPA reviewed its capitalization threshold levels for PP&E. The Agency performed an analysis of the values of software assets, reviewed capitalization threshold from \$250 thousand to \$5 million to better align with major software acquisition investments. The \$5 million threshold will be applied prospectively to software acquisitions and modifications/enhancements placed into service after September 30, 2016. Software assets placed into service prior to October 1, 2016 were capitalized at the \$250 thousand threshold. Internal use software is capitalized at full cost (direct and indirect) and amortized using the straight-line method over its useful life, not exceeding five years.

### **I. Accounts Receivable and Interest Receivable**

FIFRA receivables are mainly for interest receivable on investments.

### **J. Liabilities**

Liabilities represent the amount of monies or other resources that are likely than not 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 FIFRA, liabilities are liquidated from fee receipts and interest earnings, since FIFRA receives no appropriation. Fees collected by the Agency are classified as unearned revenue until expended (see Note 5). Liabilities of the Agency, arising from other than contracts can be abrogated by the Government acting in its sovereign capacity.

### **K. 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."

**L. 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.

**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. Reclassifications and Comparative Figures**

Certain reclassifications have been made to the prior year’s financial statements to enhance comparability with the current year’s financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-126, *Financial Reporting Requirements* revised July 30, 2018. As a result, certain line items have been amended in the Statement of Budgetary Resources.

**Note 2. Fund Balance with Treasury**

|                                |                |                |
|--------------------------------|----------------|----------------|
|                                | <u>FY 2018</u> | <u>FY 2017</u> |
| Revolving Funds: Entity Assets | \$ 47,864      | \$ 43,614      |

**Note 3. Other Assets-Advances to Working Capital Fund**

FIFRA advances funds to the EPA’s Working Capital Fund to pay for computer, postage, and other administrative support services. As of September 30, 2018, and 2017, funds advanced that will be applied to future costs as incurred were \$149 thousand and \$27 thousand, respectively.

**Note 4. Property, Plant and Equipment**

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

In FY 2015, the Agency initiated an intensive remediation effort to address the material weakness of accounting for software. The Agency disclosed a material weakness through its internal control review of software capitalization processes in FY 2014. The material weakness was cited in the “Audit of the EPA’s Fiscal Year’s 2014 and 2013 (Restated) Consolidated Financial Statements” report, dated November 17, 2014. The Agency resolved this material weakness in FY 2018.

As of September 30, 2018, and 2017, General Property, Plant and Equipment consist of the following:

|                    | FY 2018           |                          |                | FY 2017           |                          |                |
|--------------------|-------------------|--------------------------|----------------|-------------------|--------------------------|----------------|
|                    | Acquisition Value | Accumulated Depreciation | Net Book Value | Acquisition Value | Accumulated Depreciation | Net Book Value |
| EPA-Held Equipment | \$ 489            | (93)                     | 396            | \$ 489            | (60)                     | 429            |
| Software           | 330               | (281)                    | 49             | 330               | (260)                    | 70             |
| Total              | \$ 819            | (374)                    | 445            | \$ 819            | (320)                    | 499            |

**Note 5. Other Liabilities**

For FYs 2018 and 2017, the Payroll and Benefits Payable, non-Federal, are presented on a separate line of the Balance Sheet and in a separate footnote (see Note 6).

|  | <u>FY 2018</u>   | <u>FY 2017</u>   |
|--|------------------|------------------|
| Other Intragovernmental Liabilities - Covered by Budgetary Resources |                  |                  |
| Employer Contributions - Payroll                                     | \$ 1             | \$ 360           |
| Total  | <u>\$ 1</u>      | <u>\$ 360</u>    |
| Other Non-Federal Liabilities - Covered by Budgetary Resources       |                  |                  |
| Unearned Advances from Fee Collections*                              | \$ 49,369        | \$ 47,342        |
| Total  | <u>\$ 49,369</u> | <u>\$ 47,342</u> |

\*Fees collected by the FIFRA program that have not yet been expended are considered unearned revenue. Unearned revenue will fluctuate in conjunction with expenses paid from other appropriations and program expenses (see Note 7).

**Note 6. Payroll and Benefits Payable, non-Federal**

|   | <u>FY 2018</u>  | <u>FY 2017</u>  |
|---|-----------------|-----------------|
| <b>Covered by Budgetary Resources</b>     |                 |                 |
| Accrued Payroll Payable to Employees      | \$ 7            | \$ 1,734        |
| Withholdings Payable                      | -               | 78              |
| Thrift Savings Plan Benefits Payable      | -               | 76              |
| Total                                     | <u>\$ 7</u>     | <u>\$ 1,888</u> |
| <b>Not Covered by Budgetary Resources</b> |                 |                 |
| Unfunded Annual Leave Liability           | <u>\$ 3,040</u> | <u>\$ 3,030</u> |

At various periods throughout FYs 2018 and 2017, employees with their associated payroll costs were transferred from the FIFRA fund to the Environmental Programs and Management (EPM) appropriation. These employees were transferred to keep FIFRA's obligations and disbursements within budgetary and cash limits. When resources became available, the employees charging to FIFRA increased to utilize resources as much as possible.

This process has led to variations between the year-end liabilities for FYs 2018 and 2017. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll and benefits at year-end. As of September 30, 2018, these liabilities were \$1 thousand and \$7 thousand for employer contributions and accrued funded payroll and benefits, as compared to FY 2017's balances of \$360 thousand and \$1,888 thousand, respectively.

In contrast, the unfunded annual leave liability is a longer-term liability than the funded liabilities. The liability balance for unfunded annual leave accrued to cover the employees charged to FIFRA at the end of FY 2018 and FY 2017 was \$3,040 thousand and \$3,030 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 2018 and 2017, 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.

In FY 2017, EPA implemented a new methodology to capture direct and indirect costs for FIFRA. Improvements to the costing methodology include a project schema that designates expenses paid by other appropriations as FIFRA related activities. As illustrated below, there is no impact on FIFRA’s Statement of Changes in Net Position.

|                | Income from Other<br>Appropriations | Expenses from Other<br>Appropriations | Net Effect |
|----------------|-------------------------------------|---------------------------------------|------------|
| <b>FY 2018</b> | \$ <u>49,302</u>                    | <u>49,302</u>                         | <u>-</u>   |
| <b>FY 2017</b> | \$ <u>47,443</u>                    | <u>47,443</u>                         | <u>-</u>   |

**Note 8. Exchange Revenues, Statement of Net Cost**

For FYs 2018 and 2017, the exchange revenues reported on the Statement of Net Cost include both Federal and non-Federal amounts.

**Note 9. Intragovernmental Costs and Exchange Revenue**

|                                    | <u>FY 2018</u>   | <u>FY 2017</u>   |
|------------------------------------|------------------|------------------|
| <b>Costs:</b>                      |                  |                  |
| Intragovernmental                  | \$ 5,427         | \$ 6,202         |
| With the Public                    | 19,088           | 12,690           |
| Expenses from Other Appropriations | <u>49,302</u>    | <u>47,443</u>    |
| Total Costs                        | 73,817           | 66,335           |
| <b>Revenue:</b>                    |                  |                  |
| With the Public                    | <u>28,247</u>    | <u>16,835</u>    |
| Total Revenue                      | 28,247           | 16,835           |
| <b>Net Cost of Operations</b>      | <u>\$ 45,570</u> | <u>\$ 49,500</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**

|  | <u>FY 2018</u>   | <u>FY 2017</u>   |
|--|------------------|------------------|
| <b>Resources Used To Finance Activities:</b>   |                  |                  |
| Budgetary Resources Obligated  |                  |                  |
| Obligations Incurred   | \$ 22,376        | \$ 19,062        |
| Less: Spending Authority from Offsetting Collections and Recoveries  | <u>(28,967)</u>  | <u>(27,506)</u>  |
| Obligations, Net of Offsetting Collections   | <u>(6,591)</u>   | <u>(8,444)</u>   |
| Net Obligations  | (6,591)          | (8,444)          |
| Other Resources  |                  |                  |
| Transfers In/Out Without Reimbursement, Property   |                  | -                |
| Imputed Financing Sources  | 486              | 402              |
| Income from Other Appropriations   | <u>49,302</u>    | <u>47,443</u>    |
| Net Other Resources Used to Finance Activities   | 49,788           | 47,845           |
| Total Resources Used To Finance Activities   | <u>\$ 43,197</u> | <u>\$ 39,401</u> |
| <b>Resources Used To Finance Items</b>   |                  |                  |
| <b>Not Part Of The Net Cost Of Operations:</b>   |                  |                  |
| Change in Budgetary Resources Obligated  | \$ (520)         | \$ 6,963         |
| Resources that Finance Asset Acquisition   | <u>185</u>       | <u>466</u>       |
| Total Resources Used to Finance Items Not Part of the Net Cost of Operations                                 | <u>(335)</u>     | <u>7,429</u>     |
| Total Resources Used to Finance the Net Cost of Operations   | <u>\$ 42,862</u> | <u>\$ 46,830</u> |
| <b>Components Of The Net Cost Of Operations That Will</b>  |                  |                  |
| <b>Not Require Or Generate Resources in the Current Period:</b>  |                  |                  |
| Components Requiring or Generating Resources in Future Periods:  |                  |                  |
| Increase in Annual Leave Liability   | \$ 3,040         | \$ 2,603         |
| Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods              | 3,040            | 2,603            |
| Components Not Requiring/Generating Resources:   |                  |                  |
| Depreciation and Amortization  | 54               | 67               |
| Expenses Not Requiring Budgetary Resources   | <u>(386)</u>     | <u>-</u>         |
| Total Components of Net Cost that Will Not Require or Generate Resources                                     | <u>(332)</u>     | <u>67</u>        |
| Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period | <u>2,708</u>     | <u>2,670</u>     |
| <b>Net Cost of Operations</b>  | <u>\$ 45,570</u> | <u>\$ 49,500</u> |

## Agency Response to Draft Report



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

May 8, 2020

OFFICE OF CHEMICAL SAFETY  
AND POLLUTION PREVENTION

### MEMORANDUM

**SUBJECT:** Response to Draft Report entitled “Fiscal Years 2018 and 2017 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund.”

**FROM:** Alexandra Dapolito Dunn  
Assistant Administrator

ALEXANDRA  
DAPOLITO DUNN

Digitally signed by  
ALEXANDRA DAPOLITO DUNN  
Date: 2020.05.08 16:59:35  
-0400'

**TO:** Sean W. O’Donnell  
Inspector General

This memorandum responds to the OIG’s Draft Report entitled “Fiscal Years 2018 and 2017 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund,” Project No. OA&E-FY19-0122, dated April 8, 2020.

#### **I. General Comments:**

The Office of Chemical Safety and Pollution Prevention (OCSPP) appreciates the OIG’s effort in performing this annual audit of the financial statements for the Pesticides Reregistration and Expedited Processing Fund, also known as the Federal Insecticide, Fungicide, and Rodenticide Act, or FIFRA, Fund.

As you know, the OIG rendered an unmodified opinion on the FIFRA Fund financial statements for fiscal year (FY) 2018, meaning they were fairly presented and free of material misstatement. There was also a finding that in FY 2018, the EPA exceeded the statutory target set out in FIFRA. FIFRA requires the EPA to collect pesticide maintenance fees, to the extent practicable, of \$27.8 million for each of fiscal year from FY 2013 through FY 2018. In FY 2018, the EPA collected \$28.4 million, \$600,000 over the established target.

As the Draft Report states, there were two key reasons for the Agency’s over-collection of funds

in 2018:

1. A larger number of companies than projected made the maximum maintenance fee payments in FY 2018. In making the projections, the Agency anticipated several large company mergers to occur in FY 2018, which would have resulted in the loss of one or two maximum cap fee payments in that fiscal year. Instead, the mergers were not finalized in FY 2018.
2. EPA underestimated the number of registered products for which the per-product fee would be paid.

It should be noted that the Pesticide Registration Improvement Extension Act of 2018 (PRIA 4), which was enacted on March 8, 2019, raised the maintenance fee collection target to \$31 million. It also includes a provision allowing EPA to average collections across fiscal years FY 2019 through FY 2023 to account for over- or under-collection of maintenance fees within a given fiscal year. Specifically, Section 4(i)(1)(C)<sup>1</sup> states that the annual maintenance fee amount “shall be adjusted by the Administrator to a level that will result in the collection under this paragraph of, to the extent practicable, an average amount of \$31,000,000 for each of fiscal years 2019 through 2023.” As such, for the duration of the PRIA 4 authorization, EPA now has the ability to adjust the target each year to address over- or under-collection of maintenance fees in previous years such that the average amount of \$31 million is achieved. As a result of this averaging provision in PRIA 4, the yearly targeted collection amounts will be adjusted to compensate for any overage or under collection of fees for prior years under PRIA 4.

With the above new statutory framework in mind, OCSPP proposes the corrective action below to address the OIG’s recommendation.

## II. OCSPP’s Response to the Recommendation:

**Recommendation:** We recommend the Assistant Administrator for Chemical Safety and Pollution Prevention adjust or monitor the annual pesticides maintenance fees so that fees collected do not exceed the statutory targets for each fiscal year.

**Proposed Corrective Action:** Utilizing the ability provided under PRIA 4 to adjust maintenance fee targets to account for over- or under-collection of maintenance fees, EPA will adjust the annual pesticide maintenance fees such that the fees collected do not exceed the statutory target of an average collection amount of \$31 million for fiscal years 2019 through 2023.

EPA has already begun utilizing this provision. In December 2019, EPA adjusted the FY 2020 maintenance fee target to account for under-collection of the \$31 million target in FY 2019 (when maintenance fees were invoiced in December 2018 under PRIA 3 authority and at the \$27.8 million collection target). The PRIA Annual Reports, posted onto the EPA Website in PDF format each year, will document this target adjustment.

- **Target Completion Date:** Completed December 2019.

<sup>1</sup>7 U.S.C. 136a-1(i)(1)(C).

cc: All OCSPP DAAs/AAA  
Program Office OD, DODs  
Janet L. Weiner, OCSPP Audit Liaison  
Carol Terris, OCFO  
Jeanne Conklin, OCFO  
Paul Curtis, OIG  
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