



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Operating efficiently and effectively

Fiscal Years 2019 and 2018 Financial Statements for the Pesticide Registration Fund

Report No. 20-F-0328

September 23, 2020



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Abbreviations

EPA U.S. Environmental Protection Agency
OIG Office of Inspector General
PRIA Pesticide Registration Improvement Act

Cover Photo: Pesticides being applied. (EPA photo)

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At a Glance

Why We Did This Project

The Pesticide Registration Improvement Act requires that the U.S. Environmental Protection Agency's Office of Inspector General perform an annual audit of the financial statements for the Pesticide Registration Fund, which is also known as the PRIA Fund.

To expedite the registration of certain pesticides, Congress authorized the EPA to assess and collect pesticide registration fees. The fees collected are deposited into the PRIA Fund. The Agency is required to prepare financial statements that present financial information about the fund.

PRIA also requires that decision-time review periods be established for pesticide registration actions and that the OIG perform an analysis of the Agency's compliance with those review periods.

This report addresses the following:

- *Operating efficiently and effectively.*

This report relates to a top EPA management challenge:

- *Fulfilling mandated reporting requirements.*

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List of [OIG reports](#).

Fiscal Years 2019 and 2018 Financial Statements for the Pesticide Registration Fund

EPA Receives an Unmodified Opinion

We rendered an unmodified opinion on the Pesticide Registration Fund financial statements for fiscal years 2019 and 2018, meaning they were fairly presented and free of material misstatement.

We found the EPA's PRIA Fund financial statements to be fairly presented and free of material misstatements.

Internal Controls Material Weakness—Financial Statement Preparation

We noted a material weakness in internal control regarding the preparation process for the financial statements, which we initially reported in OIG Report No. [20-F-0033](#), *EPA's Fiscal Years 2019 and 2018 (Restated) Consolidated Financial Statements*, issued November 19, 2019. We are rereporting this material weakness for the PRIA Fund financial statements.

We found multiple instances where the Agency had misstatements of its adjustments and financial statements. The Office of Management and Budget requires that information in the financial statements be presented in accordance with generally accepted accounting principles. Agency personnel initially failed to make the appropriate adjustments to the financial statements, believing their accounting was accurate. Failure to properly record accounting adjustments and exercise due diligence in the preparation of the Agency's financial statements compromises the accuracy of the financial statements and the reliance on them to be free of material misstatements. These errors were corrected when we brought them to the attention of management.

Compliance with Applicable Laws and Regulations, Contracts, and Grant Agreements

We did not identify any instances of noncompliance that would result in a material misstatement to the audited financial statements. In addition, the Agency was in substantial compliance with the statutory decision-time review periods.

Recommendations and Planned Agency Corrective Action

We recommend that the chief financial officer improve the management review of financial statements prior to providing them to OIG auditors, so that we receive timely and accurate financial statements, as well as accurate and reliable supporting documentation for adjustments and corrections to the financial statements. The Agency agreed with our recommendations and has provided an estimated time frame for completion.



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

OFFICE OF
INSPECTOR GENERAL

September 23, 2020

MEMORANDUM

SUBJECT: Fiscal Years 2019 and 2018 Financial Statements for the Pesticide Registration Fund
Report No. 20-F-0328

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

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-FY20-0113. This report contains findings that describes the problems the OIG identified and the corrective actions 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 the Chief Financial Officer is responsible for the recommendations presented in this report.

In accordance with EPA Manual 2750, the Office of the Chief Financial Officer completed acceptable corrective actions in response to OIG recommendations. All recommendations are 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.

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Inspector General's Report on the Fiscal Years 2019 and 2018 Financial Statements for the Pesticide Registration Fund

The Administrator
U.S. Environmental Protection Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the Pesticide Registration Fund, also known as the Pesticide Registration Improvement Act, or PRIA, Fund. These statements comprise the balance sheets as of September 30, 2019, and September 30, 2018; 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. This includes the design, implementation, and maintenance of internal control 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 our audit. We conducted our 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 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 in order 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.

Opinion

In our opinion, the 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 Pesticide Registration Fund as of and for the years ended September 30, 2019 and 2018, in accordance with accounting principles generally accepted in the United States.

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 for 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. 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 control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting, 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 occur and not be detected.

Material Weakness

FINANCIAL STATEMENTS

EPA Needs to Improve Its Financial Statement Preparation Process

We found multiple instances where the Agency had misstatements of its adjustments and financial statements. The Office of Management and Budget requires that information in the financial statements be presented in accordance with generally accepted accounting principles. Agency personnel initially failed to make the appropriate adjustments to the financial statements, believing their accounting was accurate. Failure to properly record accounting adjustments and exercise due diligence in the preparation of the Agency's financial statements compromises the accuracy of the financial statements and the reliance on them to be free of material misstatement. These errors were corrected when we brought them to the attention of management.

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 PRIA Fund is a component. Accordingly, there are no findings to report at the PRIA level.

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 and the fund. As part of obtaining a reasonable assurance as to whether the PRIA Fund's financial statements are free of material misstatement, we performed tests of the Agency's 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 PRIA Fund's financial statements.

Opinion on Compliance with Laws, Regulations, Contracts, and Grant Agreements

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.

In addition, the PRIA Fund was in substantial compliance with the statutory decision-review periods.

Management's Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. We obtained information from the PRIA Fund's management about its methods for preparing the Management's Discussion and Analysis, and we reviewed this information for consistency with the financial statements.

We did not identify any material inconsistencies between the information presented in PRIA Fund's financial statements and the information presented in the Management's Discussion and Analysis.

Our audit was not designed to express an opinion and, accordingly, we do not express an opinion on the PRIA Fund's Management's Discussion and Analysis.

Prior Audit Coverage

During a previous audit of the PRIA Fund's financial statements—*Fiscal Years 2018 and 2017 Financial Statements for the Pesticide Registration Fund* (Report No. [20-F-0135](#)), issued April 14, 2020—we did not identify any instances of 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 recommendations, as discussed in Attachment 1. The estimated completion date for the corrective actions is December 31, 2020.



Paul C. Curtis
Certified Public Accountant
Director, Financial Directorate
Office of Audit
Office of Inspector General
U.S. Environmental Protection Agency
July 21, 2020

Material Weakness

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1 - EPA Needs to Improve Its Financial Statement Preparation Process

We found multiple instances where the Agency had misstatements of its adjustments and financial statements. The Office of Management and Budget requires that information in the financial statements be presented in accordance with generally accepted accounting principles. Agency personnel initially failed to make the appropriate adjustments to the financial statements, believing their accounting was accurate. Failure to properly record accounting adjustments and exercise due diligence in the preparation of the Agency's financial statements compromises the accuracy of the financial statements and the reliance on them to be free of material misstatement. These errors were corrected when we brought them to the attention of management.

Office of Management and Budget Circular A-136, *Financial Reporting Requirements*, Section II.3.1, requires that information in financial statements be presented in accordance with generally accepted accounting principles, which include the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* defines the five components of internal control in government. Management should design control activities to achieve objectives and respond to risks. The standards for control activities require appropriate documentation of transactions and internal controls. Management is to clearly document internal control, all transactions, and other significant events in a manner that allows the documentation to be readily available for examination. The standards for control activities additionally require accurate and timely recording of transactions and events.

We found multiple instances where the Agency had misstatements of its adjustments and financial statements. Specifically, we found that the Agency misreported payroll accrual, contract expenses, and statement of budgetary resources:

- *Payroll Accrual.* During our analysis of the payroll accrual adjustment, we noticed that the accrual was incorrectly calculated. The Agency based its calculation for the accrual using amounts from the Federal Insecticide, Fungicide, and Rodenticide Act Fund instead of the PRIA Fund. We also noticed that the adjustment was reviewed and approved with the incorrect information. We brought this to the Agency's attention and received an updated adjustment with the correct amounts.
- *Contract Expenses.* The Agency did not prepare an adjustment for the final financial statements in an amount of \$156,311 to accrue for the PRIA portion of the contract expenses. We brought this to the Agency's attention, and the Agency created an adjustment for this amount and provided us with updated financial statements.
- *Statement of Budgetary Resources.* We found that general ledger account 48020024 (undelivered orders—obligated, prepaid/advanced accrued, nonfederal), with an ending balance of \$48,210, was not included in the net outlays line item. Based on the United States Standard General Ledger crosswalk, this account should be included in the line item. We brought this to the Agency's attention during our analysis of the PRIA Fund draft financial statements; however, the Agency failed to correct the issue on the final financial statements dated June 1, 2020. On June 19, 2020, the Agency provided

updated financial statements, which included this general ledger account in the net outlays line item.

Agency personnel initially failed to make the appropriate adjustments to the financial statements, believing their accounting was accurate. It was only after we conducted our analysis of the financial statements and questioned the Agency's actions that staff made adjustments to correct the errors. Had the errors not been detected and corrected, material errors would have impacted the financial statements. These issues highlight the need for the Agency to strengthen its processes so that data are accurate, comply with federal accounting standards, and are readily available on a timely basis to prepare the financial statements. Failure to properly exercise due diligence in the preparation of the Agency's financial statements compromises the accuracy of the financial statements and the reliance on them to be free of material misstatement.

Recommendations

We recommend that the chief financial officer:

1. Improve the management review of financial statements prior to providing them to OIG auditors, so that timely and accurate financial statements are provided.
2. Provide accurate and reliable supporting documentation for adjustments and corrections to the financial statements.

Agency Comments and OIG Assessment

The Agency agreed with our recommendations and has provided an acceptable estimated completion date for corrective actions. Appendix B contains the Agency's response to our draft report.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS							Potential Monetary Benefits (in \$000s)
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date		
1	7	Improve the management review of financial statements prior to providing them to OIG auditors, so that timely and accurate financial statements are provided.	R	Chief Financial Officer	12/31/20		
2	7	Provide accurate and reliable supporting documentation for adjustments and corrections to the financial statements.	R	Chief Financial Officer	12/31/20		

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

**Fiscal Years 2019 and 2018
Pesticide Registration Fund Financial Statements**



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

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Management's Discussion and Analysis

EPA's FY 2019 Annual PRIA 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.

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

Pesticide Registration

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

PRIA prescribed the amount of the registration service fee and the corresponding decision review time for various categories of registration action. The goal is to create a more predictable evaluation process for affected pesticide registrants and couple the collection of individual fees with specific decision-making periods. The legislation also promotes shorter decision review periods for reduced-risk pesticide applications. PRIA 1, effective on March 23, 2004, authorized collection of registration fees through FY 2008. The Pesticide Registration Improvement Renewal Act (PRIA 2), effective on October 1, 2007, authorized collection of registration fees through FY 2012. The Pesticide Registration Improvement Extension Act of 2012 (PRIA 3) was effective on October 1, 2012, authorized collection of registration fees through FY 2017. The PRIA 3 statutory expiration date of September 30, 2017, was extended through fiscal year 2018 and part of fiscal year 2019 by legislative language contained in 2018 and 2019 continuing resolutions as well as the 2018 omnibus spending bill. Effective March 8, 2019, the Pesticide Registration Improvement Extension Act of 2018 (PRIA 4) reauthorized PRIA for five years, through fiscal year 2023.

For a pending or a new application covered by PRIA to be deemed complete and subject to the decision review periods, a registrant is required to pay the applicable fee or receive a waiver from the fee. For most applications, the decision review period starts 21 days after submission of the application, provided that the fee has been paid, fee waiver granted or in the case of a 75% or 50% fee waiver under PRIA 4, the waiver has been granted and the remaining fee has been paid. PRIA 4 legislation provides fee waivers for certain categories of small businesses and minor uses¹. Exemption from the requirement to pay a registration service fee is continued under PRIA 4 for applications solely associated with IR-4 petitions².

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

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

Applications from federal and state agencies are also exempt from registration service fees. If the registrant requests a waiver or reduction of the fee, the decision review period will begin when the Agency grants such request or in the case of small business fee waivers, no more than 60 days after receipt of the waiver application. If the Agency determines that a fee is required and the waiver is not granted, the decision review period starts after the fee is collected.

Applications received prior to October 1, 2007, were covered by PRIA 1. Applications received between October 1, 2007 and September 30, 2012, were covered by PRIA 2 applications received on or after October 1, 2012 through March 7, 2019 are covered by PRIA 3. Effective March 8, 2019, the Pesticide Registration Improvement Extension Act of 2018 (PRIA 4) reauthorized PRIA for five years, through fiscal year 2023. PRIA 4 contains the same audit provision as PRIA 3. PRIA 4 continues authority established under PRIA 3 to reject an application if it fails a preliminary technical screen. PRIA 4 also increases the fee categories or types of applications covered by PRIA from 189 to 212 and continues PRIA 3 set-asides for farm worker protection activities, partnership grants and pesticide safety education programs.

During fiscal year 2019, EPA operated under three different scenarios under PRIA. As mentioned above, up through February 15, 2019, EPA operated under authority provided by the Pesticide Registration Improvement Extension Act of 2012 (PRIA 3), extended by continuing resolution. This authority lapsed while the government was shut down due to a lapse in appropriations that ended on January 28, 2019. Because the government was not open during this time period, all applications submitted during that time period were considered received on or after January 28, 2019, when PRIA authority was reinstated by the continuing resolution.

Starting February 16, 2019, and for the duration of time up until March 8, 2019, EPA operated under the phase out provisions under FIFRA section 33(m)(2)(B) and (D)(ii), in which pesticide registration service fees for applications received during that time frame were reduced by 70% and those applications did not receive a statutory decision review time period. On March 8, 2019, the Pesticide Registration Improvement Extension Act of 2018 or PRIA 4, was signed into law and became effective. Additionally, PRIA 4 modified fees for existing categories, created new fee categories, and in a few cases, amended the category definitions.

Enforcement and Compliance Assurance Program Description

The Pesticide Enforcement and Compliance Assurance Program focuses on pesticide product and user compliance. These include problems relating to pesticide worker safety, certification and training of applicators, ineffective antimicrobial products, food safety, adverse effects, risks of pesticides to endangered species, pesticide containers and containment facilities, and e-commerce and misuse. The Enforcement and Compliance Assurance Program provides compliance assistance to the regulated community through its National Agriculture Compliance Assistance Center, seminars, guidance documents, brochures, and other forms of communication to ensure knowledge of and compliance with environmental laws.

EPA's grant support to state and tribal pesticide programs emphasizes its commitment to maintaining a strong compliance and enforcement presence. Agency FIFRA cooperative agreement priorities for FY 2018 & FY 2019 included the enforcement of worker protection standards and pesticide applicator certification; compliance monitoring and enforcement activities related to the pesticide container and containment rules; the revised soil fumigant labels; compliance of supplemental distributor products; and program performance reporting. Core program activities include inspections of producing establishments; dealers/distributors/retailers; e-commerce; imports and exports, and pesticide misuse. Additionally, through the cooperative agreements we support inspector training and training for state/tribal senior managers, scientists, and supervisors.

Highlights and Accomplishments

Registration Financial Perspective

During FY 2019, the Agency's obligations charged against the PRIA Fund for the cost of registration were \$18.8 million and 69.8 work-years. Of this amount, OPP obligated \$10.4 million in Personnel Compensation and Benefits (PC&B).

Appropriated funds are used in addition to registration fee funds. In FY 2019, approximately \$11.1 million in appropriated funds were used for pesticide registration activities.

The Pesticide Registration Fund has two types of receipts: fee collections and interest earned on investments. Of the \$16.6 million in FY 2019 net receipts, more than 99.9% were fee collections.

Registration Program Performance Measures

The following measure supports the program's strategic goals Ensuring the Safety of Chemicals and Pollution Prevention.

Measure 1: Average number of days to complete PRIA decisions for new active ingredients

Results: The average decision review time frame for new active ingredient decisions completed in FY 2019 was 686 days, and the FY 2019 target was 631 days.

Measure 2: Average number of days exceeding PRIA decision timeframes for new active ingredient decisions

Results: In FY 2019, the average number of days by which the decision timeframe for completed new active ingredient actions exceeded the statutory timeframes was 182 days, bettering the FY 2019 target of 284 days.

Measure 3: Percentage of decisions (registration actions) completed on time (on or before PRIA or negotiated due date)

Results: In FY 2018, EPA completed 97.6% of PRIA actions "on-time"; the FY 2019 target was a 99% on-time completion. Of the 2,085 PRIA decisions completed in the fiscal year, fifty-one were completed after the original or negotiated due date.

Principal Financial Statements

**U.S. Environmental Protection Agency
PRIA
Balance Sheet
As of September 30, 2019 and 2018
(Dollars in Thousands)**

	2019	2018
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 15,246	\$ 19,899
Other (Note 3)	17	132
Total Intragovernmental	15,263	20,031
Property, Plant and Equipment, Net (Note 5)	114	209
Total Assets	\$ 15,377	\$ 20,240
 LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities (Note 4)	\$ 87	\$ 49
Other (Note 6)	114	22
Total Intragovernmental	201	71
Accounts Payable and Accrued Liabilities (Note 4)	844	821
Payroll and Benefits Payable (Note 9)	3,088	2,517
Other (Note 6)	13,342	18,929
Total Liabilities	17,475	22,338
 NET POSITION		
Cumulative Results of Operations - Funds from Dedicated Collections	(2,098)	(2,098)
Total Net Position	(2,098)	(2,098)
Total Liabilities and Net Position	\$ 15,377	\$ 20,240

The accompanying notes are an integral part of these financial statements.
EPA's FY 2019 Annual PRIA Financial Statements

U.S. Environmental Protection Agency
PRIA
Statement of Net Cost
For the Fiscal Years Ended September 30, 2019 and 2018
(Dollars in Thousands)

	2019	2018
COSTS		
Gross Costs (Note 11)	\$ 22,605	\$ 19,378
Expenses from Other Appropriations (Note 10)	39,271	36,638
Total Costs	61,876	56,016
Less:		
Earned Revenue (Note 11)	18,474	18,337
NET COST OF OPERATIONS (Note 12)	\$ 43,402	\$ 37,679

The accompanying notes are an integral part of these financial statements.
EPA's FY 2019 Annual PRIA Financial Statements

7.

**U.S. Environmental Protection Agency
 PRIA
 Statement of Changes in Net Position
 For the Fiscal Years Ended September 30, 2019 and 2018
 (Dollars in Thousands)**

	2019	2018
Cumulative Results of Operations:		
Net Position - Beginning of Period	\$ (2,098)	\$ (2,418)
Budgetary Financing Sources:		
Nonexchange Revenue - Securities Investment	229	169
Nonexchange Revenue - Other	3,471	893
Income from Other Appropriations (Note 10)	39,271	36,638
Total Budgetary Financing Sources	42,971	37,700
Other Financing Sources (Non-Exchange)		
Imputed Financing Sources	431	299
Total Other Financing Sources	431	299
Net Cost of Operations (Note 12)	(43,402)	\$ (37,679)
Net Change	-	320
Cumulative Results of Operations	\$ (2,098)	\$ (2,098)
 TOTAL NET POSITION	 \$ (2,098)	 \$ (2,098)

The accompanying notes are an integral part of these financial statements.
 EPA's FY 2019 Annual PRIA Financial Statements

U.S. Environmental Protection Agency
PRIA
Statement of Budgetary Resources
For the Fiscal Years Ended September 30, 2019 and 2018
(Dollars in Thousands)

	<u>2019</u>	<u>2018</u>
BUDGETARY RESOURCES		
Unobligated Balance From Prior Year Budget Authority, Net (discretionary)	\$ 8,944	\$ 11,310
Appropriations (discretionary)	<u>16,623</u>	<u>17,046</u>
Total Budgetary Resources	<u>\$ 25,567</u>	<u>\$ 28,356</u>
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward adjustments (total)	\$ 19,351	\$ 21,517
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts (Note 7)	<u>6,216</u>	<u>6,839</u>
Unobligated Balance, End of Year (total):	<u>6,216</u>	<u>6,839</u>
Total Status of Budgetary Resources	<u>\$ 25,567</u>	<u>\$ 28,356</u>
OUTLAYS, NET		
Outlays, Net (total) (discretionary)	\$ 21,325	\$ 19,421
Distributed Offsetting Receipts (-)	<u>(16,623)</u>	<u>(17,046)</u>
Agency Outlays, Net (discretionary)	<u>\$ 4,702</u>	<u>\$ 2,375</u>

The accompanying notes are an integral part of these financial statements.
EPA's FY 2019 Annual PRIA Financial Statements

9.

U.S. Environmental Protection Agency
PRIA
Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2019 and 2018
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entities

The EPA was created in 1970 by executive reorganization from various components of other federal agencies to better marshal and coordinate federal pollution control efforts. The Agency is generally organized around the media and substances it regulates - air, land, water, waste, pesticides, and toxic substances.

The Pesticide Registration Fund (PRIA) is authorized under the Pesticide Registration Improvement Act of 2003 (which amended the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), and became effective on March 23, 2004. This Act authorizes the EPA to assess and collect pesticide registration service fees on applications submitted to register pesticides covered by this Act, as well as assess and collect fees to register new active ingredients not listed in the Registration Division 2003 Work Plan of the Office of Pesticide Programs. The Pesticide Registration Improvement Renewal Act (commonly referred to as PRIA 2) extended the authority to collect pesticide registration service fees through FY 2012. PRIA 2 became effective October 1, 2007. PRIA 2 was reauthorized with the passage of the Pesticide Registration Improvement Extension Act (referred to as PRIA 3) on September 28, 2012. PRIA 3 became effective October 1, 2012, and authorized collection of registration fees through FY 2018. PRIA 4 became effective March 8, 2019 and authorized collection of registration fees through FY 2023. The PRIA Fund is accounted for under Treasury symbol number 68X5374.

The PRIA fund may charge some administrative costs directly to the fund and charge the remainder of the administrative costs to Agency-wide appropriations. See Note 10 Income and Expenses from Other Appropriations for amounts included in 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 Pesticide Registration Fund (PRIA) as required by the Chief Financial Officers Act of 1990 and the Pesticide Registration Improvement Act (PRIA) of 2003. In the prior years, pesticide registration was included in the FIFRA financial statements. The reports have been prepared from the books and records of the EPA in accordance with Office of Management and Budget (OMB) Circular A-136 *Financial Reporting Requirements*, and the EPA's accounting policies which are summarized in this note. These statements are therefore different from the financial reports also prepared by the EPA pursuant to OMB directives that are used to monitor and control the EPA's use of budgetary resources. The balances in these reports have been updated from the EPA consolidated financial statements to reflect the use of FY 2018 cost factors for calculating imputed costs for Federal civilian benefits programs. These updates impact the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position.

C. Budgets and Budgetary Accounting

Funding for PRIA is provided by fees collected from industry to offset costs incurred by EPA in carrying out these programs. Each year, the EPA submits an apportionment request to OMB based on the anticipated collections of industry fees.

U.S. Environmental Protection Agency
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Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2019 and 2018
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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 and the American Institute of Certified Public Accountants (AICPA). 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 liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds posted in accordance with OMB directives and the U.S. Treasury regulations. All interfund balances and transactions have been eliminated.

EPA uses a modified matching principle since federal entities recognize unfunded liabilities (without budgetary resources) in accordance FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 5 *Accounting for Liabilities of the Federal Government*.

E. Revenues and Other Financing Sources

For FYs 2019 and 2018, PRIA received funding from fees collected from registrants requesting pesticide registrations. For FYs 2019 and 2018, revenues were recognized from fee collections to the extent that expenses are incurred during the fiscal year.

F. Funds with the Treasury

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

G. Investments in U. S. Government Securities

Investments in U. S. government securities are maintained by Treasury and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the investments and reported as interest income. PRIA holds the investments to maturity, unless needed to finance operations of the fund. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

H. Property, Plant, and Equipment

General property, plant and equipment for PRIA consists of 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 and increased the 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.

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I. Liabilities

Liabilities represent the amount of monies or other resources that are more 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 PRIA, liabilities are liquidated from fee receipts, since PRIA receives no appropriation. Fees collected by the Agency are classified as unearned revenue until expended (see Note 6). Liabilities of the Agency arising from anything other than contracts can be abrogated by the Government acting in its sovereign capacity.

J. Accrued Unfunded Annual Leave

Annual, sick and other leave is expensed as taken during the fiscal year. Annual leave earned but not taken at 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." Sick leave earned but not taken is not accrued as a liability. It is expensed as it is used.

K. Retirement Plan

There are two primary retirement systems for federal employees. Employees hired prior to January 1, 1987, may participate in the Civil Service Retirement System (CSRS). On January 1, 1987, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1986, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1987, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Agency automatically contributes one percent of pay and matches any employee contributions up to an additional four percent of pay. The Agency also contributes the employer's matching share for Social Security.

With the issuance of SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, accounting and reporting standards were established for liabilities relating to the federal employee benefit programs (Retirement, Health Benefits, and Life Insurance). SFFAS No. 5 requires that the employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires that the Office of Personnel Management (OPM), as administrator of the CSRS and FERS, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, provide federal agencies with the actuarial cost factors to compute the liability for each program.

L. Offsetting Receipts

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

M. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect reporting amounts of assets, liabilities and the reported amounts of the revenue and expenses during the period. Actual results could differ from those estimates.

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PRIA
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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-136, *Financial Reporting Requirements* revised June 28, 2019. As a result, Net Adjustments to Unobligated Balance Brought Forward, Oct. 1 has been omitted in the Statement of Budgetary Resources.

Note 2. Fund Balance With Treasury (FBWT)

Fund Balance with Treasury as of September 30, 2019 and 2018 consists of the following:

	2019			2018		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Other Fund Types:						
PRIA	\$ 15,246	\$ -	\$ 15,246	\$ 19,899	\$ -	\$ 19,899
Total	\$ 15,246	\$ -	\$ 15,246	\$ 19,899	\$ -	\$ 19,899

Status of Fund Balances:

Unobligated Amounts in Fund Balance:

	2019	2018
Available for Obligation	\$ 6,216	\$ 6,839
Obligated Balance not yet Disbursed	9,030	13,060
Total	\$ 15,246	\$ 19,899

Note 3. Other Assets

Other Assets as of September 30, 2019 and 2018 consist of the following:

Intragovernmental:

	2019	2018
Advances to Federal Agencies	\$ 17	\$ 132
Total	\$ 17	\$ 132

PRIA advances funds to the EPA's Working Capital Fund to pay for computer, postage, and other administrative support services.

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Note 4. Accounts Payable and Accrued Liabilities

The Accounts Payable and Accrued Liabilities are current liabilities and consist of the following amounts as of September 30, 2019 and 2018:

	2019	2018
Intragovernmental:		
Accounts Payable	\$ 8	\$ 1
Accrued Liabilities	<u>79</u>	<u>48</u>
Total	<u>\$ 87</u>	<u>\$ 49</u>
	2019	2018
Non-Federal:		
Accounts Payable	\$ 8	\$ 168
Advances Payable	(8)	-
Other Accrued Liabilities	<u>844</u>	<u>653</u>
Total	<u>\$ 844</u>	<u>\$ 821</u>

Note 5. General Property, Plant and Equipment, Net

General property, plant, and equipment (PP&E) consist of software, real property, EPA-held and contractor-held personal property, and capital leases.

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, 2019 and 2018, General PP&E consisted of the following:

	2019			2018		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
EPA-Held Equipment	\$ -	\$ -	\$ -	\$ 35	\$ (35)	\$ -
Software (production)	<u>5,050</u>	<u>(4,936)</u>	<u>114</u>	<u>5,050</u>	<u>(4,841)</u>	<u>209</u>
Total	<u>\$ 5,050</u>	<u>\$ (4,936)</u>	<u>\$ 114</u>	<u>\$ 5,085</u>	<u>\$ (4,876)</u>	<u>\$ 209</u>

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Note 6. Other Liabilities

Other Liabilities consist of the following as of September 30, 2019:

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
Current			
Employer Contributions & Payroll Taxes	\$ 114	\$ -	\$ 114
Total Intragovernmental	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 114</u>
Other Liabilities - Non-Federal			
Current			
Unearned Advances, Non-Federal	\$ 13,342	\$ -	\$ 13,342
Total Non-Federal	<u>\$ 13,342</u>	<u>\$ -</u>	<u>\$ 13,342</u>

Other Liabilities consist of the following as of September 30, 2018:

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Resources</u>	<u>Total</u>
Current			
Employer Contributions & Payroll Taxes	\$ 22	\$ -	\$ 22
Total Intragovernmental	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 22</u>
Other Liabilities - Non-Federal			
Current			
Unearned Advances from Fee Collections*, Non-Federal	\$ 18,929	\$ -	\$ 18,929
Total Non-Federal	<u>\$ 18,929</u>	<u>\$ -</u>	<u>\$ 18,929</u>

*Fees collected by the PRIA 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 10).

**U.S. Environmental Protection Agency
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Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2019 and 2018
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Note 7. Unobligated Balances Available

Unexpired unobligated balances are available to be apportioned by the OMB for new obligations at the beginning of the following fiscal year. The expired unobligated balances are only available for upward adjustments of existing obligations.

The unobligated balances available consist of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unexpired Unobligated Balance	\$ 6,216	\$ 6,839
Expired Unobligated Balance	-	-
Total	<u>\$ 6,216</u>	<u>\$ 6,839</u>

Note 8. Undelivered Orders at the End of the Period

Budgetary resources obligated for undelivered orders at September 30, 2019 and 2018, was \$9,017 and \$12,555.

Note 9. Payroll and Benefits Payable

Payroll and benefits payable to the EPA employees for the years September 30, 2019 and 2018 consist of the following:

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
FY 2019 Payroll and Benefits Payable			
Accrued Funded Payroll and Benefits	\$ 554	\$ -	\$ 554
Withholdings Payable	4	-	4
Employer Contributions Payable - Thrift Savings Plan	<u>62</u>	<u>-</u>	<u>62</u>
Total - Current	620	-	620
Accrued Unfunded Annual Leave	<u>-</u>	<u>2,468</u>	<u>2,468</u>
Total - NonCurrent	-	2,468	2,468
Total	<u>\$ 620</u>	<u>\$ 2,468</u>	<u>\$ 3,088</u>

U.S. Environmental Protection Agency
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	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
FY 2018 Payroll and Benefits Payable			
Accrued Funded Payroll and Benefits	\$ 116	\$ -	\$ 116
Withholdings Payable	1	-	1
Employer Contributions Payable - Thrift Savings Plan	<u>12</u>	<u>-</u>	<u>12</u>
Total - Current	129	-	129
Accrued Unfunded Annual Leave	<u>-</u>	<u>2,388</u>	<u>2,388</u>
Total - Non-Current	-	2,388	2,388
 Total	 <u>\$ 129</u>	 <u>\$ 2,388</u>	 <u>\$ 2,517</u>

At various periods throughout FY 2019 and FY 2018 employees with their associated payroll costs were transferred from PRIA to the Environmental Programs and Management (EPM) appropriation. These employees were transferred to keep PRIA's obligations and disbursements within budgetary limits.

This process has led to variations between the year-end liabilities of FYs 2019 and 2018. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll and benefits at year-end. As of September 30, 2019, the liabilities were \$114 thousand and \$620 thousand for employer contributions and accrued funded payroll and benefits as compared to FY 2018's balances of \$22 thousand and \$129 thousand, respectively.

In contrast, the unfunded annual leave liability is a longer term liability than the funded liabilities.

Note 10. Income and Expenses from Other Appropriations

The Statement of Net Cost reports the program costs that include the full cost 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 2019 and 2018, 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.

As illustrated below there is no impact on EPA's Statement of Changes in Net Position.

	<u>2019</u>	<u>2018</u>
Income from Other Appropriations	\$ 39,271	\$ 36,638
Expenses from Other Appropriations	<u>39,271</u>	<u>36,638</u>
Net Effect	<u>\$ -</u>	<u>\$ -</u>

U.S. Environmental Protection Agency
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Note 11. Exchange Revenues, Statement of Net Cost

	2019	2018
Costs:		
Intragovernmental	\$ 3,906	\$ 3,183
With the Public	18,699	16,195
Expenses from Other Appropriations	39,271	36,638
Total Costs	61,876	56,016
Revenue:		
With the Public	18,474	18,337
Total Revenue	18,474	18,337
Net Cost of Operations:	\$ 43,402	\$ 37,679

Intragovernmental costs relate to the source of the goods or services not the classification of the related revenue.

U.S. Environmental Protection Agency
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Notes to the Financial Statements
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Note 12. Reconciliation of Net Cost of Operations to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The reconciliation explains the relationship between the net cost of operations and net outlays by presenting components of net cost that are not part of net outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities), components of net outlays that are not part of net cost (e.g. acquisition of capital assets), other temporary timing difference (e.g. prior period adjustments due to correction of errors). The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

	<u>Intra- governmental</u>	<u>With the Public</u>	<u>Total 2019</u>
NET COST	\$ 3,906	\$ 39,496	\$ 43,402
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	(95)	(95)
Other	-	(39,271)	(39,271)
Increase/(Decrease) in Assets:			
Other Assets	(115)	-	(115)
(Increase)/Decrease in Liabilities:			
Accounts Payable and Accrued Liabilities	(37)	(24)	(61)
Payroll and Benefits Payable	-	(570)	(570)
Other Liabilities	(91)	5,587	5,496
Other Financing Sources:			
Other Imputed Financing	<u>431</u>	<u>-</u>	<u>431</u>
Total Components of Net Cost That Are Not Part of Net Outlays	4,094	5,123	9,217
Other Temporary Timing Differences	-	(4,515)	(4,515)
NET OUTLAYS	<u>\$ 4,094</u>	<u>\$ 608</u>	<u>\$ 4,702</u>

Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

September 9, 2020

OFFICE OF THE
CHIEF FINANCIAL OFFICER

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA&E-FY20-0113 “*Fiscal Years 2019 and 2018 Financial Statements for the Pesticide Registration Fund,*” dated August 12, 2020

FROM: David A. Bloom, Deputy Chief Financial Officer
Office of the Chief Financial Officer

TO: Paul C. Curtis
Financial Directorate
Office of Audit and Evaluation
Office of Inspector General

**DAVID
BLOOM**

Digitally signed by
DAVID BLOOM
Date: 2020.09.09
14:55:40 -04'00'

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. The following is a summary of the U.S. Environmental Protection Agency’s overall position, along with its position on each of the report’s recommendations. The draft report contained two recommendations for the Office of the Chief Financial Officer and no recommendations for the Office of Chemical Safety and Pollution Prevention.

AGENCY’S OVERALL POSITION

The OCFO concurs with the Office of Inspector General’s **recommendations** and has provided high-level intended corrective actions and estimated completion dates. The corrective actions have been reviewed by the OCSPP.

RESPONSE TO RECOMMENDATIONS

The OIG noted a material weakness with the internal control regarding the preparation process for financial statements, which was initially reported in OIG Report No. [20-F-0033](#), *EPA’s Fiscal Years 2019 and 2018 (Restated) Consolidated Financial Statements*, issued November 19, 2019. Since the initial reporting, the OCFO has taken numerous corrective actions in FY 2020 to address the finding. These actions include:

- Development of a project plan for the financial statement preparation process. This plan will be updated annually, at a minimum.
- Development of a reviewer checklist and Standard Operating Procedures for financial statement preparation. This will be updated annually, at a minimum.
- Full implementation of CaseWare financial statement preparation software, which increases efficiency and provides additional format controls and footnote cross checks that were not available previously.

- Established a group email to ensure deliverables to the OIG are reviewed and approved by leadership in the Office of the Controller to allow earlier clarification as needed and reduce potentially confusing multiple version/draft exchanges between the OIG and the OC staff on deliverables.
- Established a senior level call bi-weekly between the Deputy Chief Financial Officer, Controller and the OIG's senior management to address concerns early in the audit process.
- Provided staff additional training on CaseWare; this will become an annual requirement.
- Conducting regular financial statements team meetings to cross train, resolve potential issues, and identify improvements.
- Conducted variance analysis training for staff to assist in general ledger account analysis.
- Reviewed with staff the need to include more of the supporting analysis and rationale behind the adjustments made and the accounting basis for them.
- Regular reviews of journal vouchers by management to ensure they are clearly and sufficiently supported.

AGENCY'S RESPONSE TO DRAFT AUDIT RECOMMENDATIONS

Agreements

No.	Recommendation	Assigned to:	High-Level Intended Corrective Action(s)	Estimated Completion Date
1	Improve the management review of financial statements prior to providing them to OIG auditors, so that timely and accurate financial statements are provided.	OCFO	As noted above, the agency has implemented numerous actions in FY 2020 which will improve the preparation and review of financial statements. The agency will continue to review its processes for preparing financial statements and identify additional improvements to further strengthen the preparation process.	12/31/2020
2	Provide accurate and reliable supporting documentation for adjustments and corrections to the financial statements.	OCFO	The agency makes every effort to provide accurate and reliable supporting documentation for adjustments and corrections; however, we will continue to review with staff the need to include more of the supporting analysis and rationale behind the adjustments made and the accounting basis for them. Management reviews of journal vouchers will continue, and additional training provided as needed.	12/31/2020

CONTACT INFORMATION

If you have any questions regarding this response, please contact the OCFO Audit Follow-up Coordinator, Andrew LeBlanc, at leblanc.andrew@epa.gov or (202) 564-1761, or the OCSPP Audit Follow-up Coordinator, Janet Weiner, at weiner.janet@epa.gov or (202) 564-2309.

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 Director, Information Technology and Resources Management Division, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention
 Chief Financial Officer
 Deputy Chief Financial Officer

Associate Chief Financial Officer
Associate Chief Financial Officer for Policy
Controller
Deputy Controller
Director, Office of Technology Solutions, Office of the Chief Financial Officer
Deputy Director, Office of Technology Solutions, Office of the Chief Financial Officer
Director, Office of Budget, Office of the Chief Financial Officer
Deputy Director, Office of Budget, Office of the Chief Financial Officer
Director, Business Planning and Operations Division, Office of the Controller
Director, Accounting and Cost Analysis Division, Office of the Controller
Branch Chief, Fees and Collections Branch, Accounting and Costs Analysis Division, Office of
the Controller
Special Assistant, Office of the Controller
Director, Research Triangle Park Finance Center, Office of the Chief Financial Officer
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Pollution Prevention
Audit Follow-Up Coordinators, Regions 1–10