



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Operating efficiently and effectively

EPA's Fiscal Years 2018 and 2017 Hazardous Waste Electronic Manifest System Fund Financial Statements

Report No. 20-F-0244

August 10, 2020



Report Contributors:

Paul Curtis
Mairim Lopez
Robert Hairston

Abbreviations

e-Manifest Act	Hazardous Waste Electronic Manifest Establishment Act
EPA	U.S. Environmental Protection Agency
FMFIA	Federal Managers Financial Integrity Act of 1982
FY	Fiscal Year
OIG	Office of Inspector General
SFFAS	Statement of Federal Financial Accounting Standards

Cover Image: Picture of a truck. (EPA photo)

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At a Glance

Why We Did This Project

We performed this audit pursuant to the Hazardous Waste Electronic Manifest Establishment Act. The Act requires the U.S. Environmental Protection Agency to prepare and the Office of Inspector General to audit each year the accompanying financial statements of the EPA's Hazardous Waste Electronic Manifest System fund, known as the e-Manifest fund. Our primary objectives were to determine whether:

- The financial statements were fairly stated in all material respects.
- The EPA's internal controls over financial reporting were in place.
- EPA management complied with applicable laws and regulations.

The e-Manifest system has been designed to track off-site shipments of hazardous waste from a generator's site to the site of the receipt, and disposition of the hazardous waste. The system was launched on June 30, 2018.

This report addresses the following:

- *Operating efficiently and effectively.*

This report relates to a key EPA management challenge:

- *Fulfilling mandated reporting requirements.*

Address inquiries to our public affairs office at (202) 566-2391 or [OIG WEBCOMMENTS@epa.gov](mailto:OIG_WEBCOMMENTS@epa.gov).

List of [OIG reports](#).

EPA's Fiscal Years 2018 and 2017 Hazardous Waste Electronic Manifest System Fund Financial Statements

EPA Receives an Unmodified Opinion

We rendered an unmodified opinion on the EPA's fiscal years 2018 and 2017 e-Manifest fund financial statements, meaning that the statements were fairly presented and free of material misstatement.

We found the fund's financial statements to be fairly presented and free of material misstatement.

Significant Deficiencies Noted

We noted the following significant deficiencies:

- The EPA improperly recorded e-Manifest receivables and earned revenue.
- The EPA misclassified e-Manifest user fee revenue.

The EPA agreed to update the accounting posting models for receivables and earned revenue. The estimated completion date for the improper recordings corrective actions is September 30, 2021. The EPA corrected the misclassified fees during the audit. We originally reported on these findings in [OIG Report No. 20-F-0033, EPA's Fiscal Years 2019 and 2018 \(Restated\) Consolidated Financial Statements](#), issued November 19, 2019.

Compliance with Applicable Laws and Regulations

We did not identify any instances of noncompliance that would result in a material misstatement to the audited financial statements.

OIG Analysis of e-Manifest Fees

We found that the EPA did not properly calculate e-Manifest fees and underbilled users by approximately \$260,128.

We recommended that the EPA correct the current fee model to properly calculate e-Manifest fees. We also recommended that the EPA determine the effect of underbilling on the fund's ability to recover full cost. The EPA agreed with our recommendations related to e-Manifest fees and completed corrective actions.



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

OFFICE OF
INSPECTOR GENERAL

August 10, 2020

MEMORANDUM

SUBJECT: EPA's Fiscal Years 2018 and 2017 Hazardous Waste Electronic Manifest System Fund
Financial Statements
Report No. 20-F-0244

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

A handwritten signature in black ink, appearing to read "Paul C. Curtis", is written over the typed name of the sender.

TO: David Bloom, Deputy Chief Financial Officer

Peter Wright, Assistant Administrator
Office of Land and Emergency Management

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 of this audit was OA&E-FY19-0120. 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 and the Office of Land and Emergency Management are responsible for the recommendations presented in this report.

In accordance with EPA Manual 2750, the Office of the Chief Financial Officer provided acceptable corrective actions and milestones in response to OIG recommendations. Those recommendations are resolved. The Office of Land and Emergency Management completed acceptable corrective actions in response to the OIG recommendations. 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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C	Distribution

Inspector General's Report on EPA's Fiscal Years 2018 and 2017 Hazardous Waste Electronic Manifest System Fund Financial Statements

The Administrator
U.S. Environmental Protection Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Environmental Protection Agency's Hazardous Waste Electronic Manifest System fund, known as the e-Manifest 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; the statement of budgetary resources for the years then ended; and related notes to the financial statements.

Management's Responsibilities 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 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 referred to above, 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 Hazardous Waste Electronic Manifest System fund as of and for the years ended September 30, 2018 and 2017, in conformity with accounting principles generally accepted in the United States of America.

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 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 the 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 fund's Management's Discussion and Analysis.

Report on Internal Control over Financial Reporting

Opinion on Internal Control. In planning and performing our audit, we considered the fund'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 audit procedures for the purpose of expressing an opinion on the financial statements and to comply with the Office of Management and Budget's 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, known as FMFIA.

Material Weaknesses 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 over financial reporting 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 over financial reporting that is less severe than a material weakness yet 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.

We did not note any matters that we consider to be material weaknesses. However, we noted two significant deficiencies impacting the e-Manifest fund. These issues are summarized below and detailed in Attachment 1.

Significant Deficiencies

EPA Improperly Recorded e-Manifest Receivables and Earned Revenue

We found that the EPA did not properly record \$2.1 million of e-Manifest receivables during fiscal year 2018. Federal accounting standards require federal entities to recognize accounts receivable when a legal claim exists, as well as to recognize exchange revenue when goods or services are provided to the public or another government entity at a price. The EPA did not establish proper accounting models to record account receivables for e-Manifest fees, interest, and penalties, or to recognize earned revenue from federal versus nonfederal sources at the transaction level. As a result, the EPA is noncompliant with accounting standards because account receivables and earned revenue are understated during the year. Consequently, interest, penalties, and federal revenue could be misstated in the financial statements.

EPA Misclassified e-Manifest User Fee Revenue

We found that the EPA misclassified \$2.1 million of user fees for services provided in FY 2018 as nonexchange revenue instead of exchange revenue. Federal accounting standards require the recognition of exchange revenue

when a government entity provides goods or services to the public or another government entity and when each party sacrifices value and receives value in return. However, the Agency recognized \$2.1 million as nonexchange revenue because it had not updated its accounting posting model. As a result, there was a high risk that the EPA would continue to misclassify user fee revenues and potentially overstate its net cost of operations. Further, such overstatement inaccurately presented the EPA's ability to sustain program operation costs through user fee revenues.

Comparison of EPA's FMFIA 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 FMFIA report that relate to the financial statements, and identify material weaknesses disclosed by the audit that were not reported in the Agency's FMFIA report. The Agency's FMFIA report is prepared and submitted at the consolidated level, of which the e-Manifest 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 and the fund. As part of obtaining reasonable assurance about whether the 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 fund's financial statements.

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

Providing an opinion on compliance with certain provisions of laws, regulations, contracts, and grant agreements was not an objective of our audit and, 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.

Specific Audit Requirements of the Hazardous Waste Electronic Manifest Establishment Act

The Hazardous Waste Electronic Manifest Establishment Act, known as the e-Manifest Act, 42 U.S.C. § 6939g, requires the OIG to include an analysis,

which is included below, of (1) the fees collected and disbursed, (2) the reasonableness of the fee structure in place as of the date of the audit to meet current and projected costs of the system, (3) the level of use of the system by users, and (4) the success to date of the system in operating on a self-sustaining basis and improving the efficiency of tracking waste shipments and transmitting waste shipment data.

Fees Collected and Disbursed. The EPA began collecting e-Manifest user fees in August 2018. As required by the e-Manifest Act, the EPA deposited fee collections into the e-Manifest fund. The total collections (\$436,703) received in FY 2018 did not exceed the amount appropriated to the e-Manifest fund in the Consolidated Appropriations Act, 2018. The EPA is required under the Consolidated Appropriations Act to reduce the appropriation from the general fund by the amount of offsetting collections. The Agency reimbursed the U.S. Department of the Treasury for e-Manifest fee collections totaling \$436,703 in FY 2018.

Reasonableness of the Fee Structure to Meet Current and Projected Costs. The EPA established fees for each manifest type (fully electronic, hybrid, data plus image upload, scanned image upload, and mailed paper) based on a fee model that focuses on the marginal labor cost of processing each manifest type. Additionally, the EPA made a management decision to adjust the raw output of this formula to distribute the costs across manifest types. Table 1 lists the fees per manifest effective during FY 2018.

Table 1: FY 2018 fees by manifest type

Manifest type	Fee per manifest
Fully electronic and hybrid	\$5.00
Data plus image upload	6.50
Scanned image upload	10.00
Mailed paper	15.00

Source: FY 2018 fee rates published on EPA's website.

We found that the EPA did not properly calculate e-Manifest fees and underbilled users by approximately \$260,128 in FY 2018. The e-Manifest Act requires the EPA to establish a fee structure that allows the Agency to recover the full cost of providing system-related services. Due to a mathematical error in the fee structure, the EPA underestimated the fee for data plus image upload manifests. By not establishing appropriate fees, the EPA risks its ability to recover the full cost as required by the e-Manifest Act. Further details on this finding are in Attachment 2.

Level of Use of the System. The EPA launched the e-Manifest system on June 30, 2018. The system had 9,117 registered users as of September 30, 2018. Of these registered users, 423 submitted a total of 280,762 manifests through the e-Manifest system in FY 2018 (Table 2). In FY 2018, the EPA received funding adequate to establish a paper processing center for mailed paper manifests but not

adequate to process such manifests. The EPA received 26,448 mailed paper manifests in FY 2018. These were processed during the third quarter of FY 2019, following the EPA’s receipt of additional e-Manifest funds appropriated in the Consolidated Appropriations Act, 2019.

Table 2: Total manifests submitted through the e-Manifest system in FY 2018

Manifest type	Total manifests	Percentage
Fully electronic and hybrid	910	0.33%
Data plus image upload	203,225	72.38
Scanned image upload	76,627	27.29
Total	280,762	100.00%

Source: OIG analysis.

The EPA estimated that it would receive approximately three million manifests annually.

Success to Date of the System in Operating on a Self-Sustaining Basis. The system had not been in place for enough time to determine whether it is operating on a self-sustaining basis as of FY 2018. However, we found that the EPA underestimated the fee for data plus image upload manifests. This could impact the EPA’s ability to operate the e-Manifest system on a self-sustaining basis. Additional details on this finding are in Attachment 2.

Prior Audit Coverage

In our prior year e-Manifest financial statement audit report—*EPA’s Fiscal Years 2017 and 2016 Hazardous Waste Electronic Manifest System Fund Financial Statements* (Report No. [19-F-0086](#)), issued March 29, 2019—we reported two significant deficiencies:

1. The EPA overstated the e-Manifest fund’s accrued liabilities.
2. The EPA did not provide adequate support for an e-Manifest contract payment.

The Agency agreed with our audit findings and recommendations and completed all corrective actions related to prior year deficiencies.

Agency Comments and OIG Assessment

The Agency agreed with our recommendations, as discussed below. The estimated completion date for the corrective actions related to the improper recording of receivables and earned revenues is September 30, 2021. The EPA

corrected the misclassified fees during the audit and completed all corrective actions related to the e-Manifest fee calculation error.

A handwritten signature in black ink, appearing to read "Paul C. Curtis". The signature is fluid and cursive, with a large initial "P" and "C".

Paul C. Curtis
Certified Public Accountant
Director, Financial Audits
Office of Inspector General
U.S. Environmental Protection Agency
July 24, 2020

Significant Deficiencies

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1 - EPA Improperly Recorded e-Manifest Receivables and Earned Revenue

We found that the EPA did not properly record \$2.1 million of e-Manifest receivables during FY 2018. Federal accounting standards require federal entities to recognize accounts receivable when a legal claim exists, as well as to recognize exchange revenue when goods or services are provided to the public or another government entity at a price. The EPA did not establish proper accounting models to record account receivables for e-Manifest fees, interest, and penalties or to recognize earned revenue from federal versus nonfederal sources at the transaction level. As a result, the EPA is noncompliant with accounting standards because account receivables and earned revenue are understated during the year. Consequently, interest, penalties, and federal revenue could be misstated in the financial statements.

Statement of Federal Financial Accounting Standards 1, known as SFFAS 1, *Accounting for Selected Assets and Liabilities*, states:

A receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, ... or goods or services provided. ... [Further,] [r]eceivables from federal entities are intragovernmental receivables, and should be reported separately from receivables from nonfederal entities.

In addition:

Interest [receivable] also should be recognized on outstanding accounts receivable and other U.S. government claims against persons and entities in accordance with provisions in 31 U.S.C. 3717, Interest and Penalty Claims. ... Interest receivable from federal entities should be accounted for and reported separately from interest receivable from the public.

SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, states:

Exchange revenue and gains are inflows of resources to a Government entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. That is, exchange revenue arises when a Government entity provides something of value to the public or another Government entity at a price.

The EPA did not create appropriate accounting models to record \$2.1 million e-Manifest accounts receivable or to recognize revenue when earned. Collection transactions reduced accounts receivable in general ledger account 13100044, "Billed Emanifest [sic] Receipts Public." However, no prior receivable had been recorded for these transactions. In addition, the EPA recorded accounts receivable corresponding to FY 2018 bills for the months of July, August, and September 2018 by posting one overall standard voucher in October 2018.

The Office of Land and Emergency Management compiles invoice data based on the electronic manifest documents received from waste handlers and transmits invoices from the e-Manifest system to individual facilities. However, the e-Manifest system is not integrated with Compass Financials; therefore, no financial data for the invoiced amounts or earned revenue for services provided are recorded in Compass at the transaction level. Facilities receive the invoices and remit payments, which are recorded in Compass. The EPA recorded a standard voucher in October 2018 to record receivables and recognize revenue, but this standard voucher was recorded solely for financial reporting purposes, not to record individual receivable and earned revenue transactions. Although the standard voucher, combined with the collection entries, offsets the receivables and recognizes earned revenue, the receivables and earned revenue are still not recorded at the transaction level. The EPA is, therefore, not compliant with federal accounting standards during the year, and accounts are misstated until the standard voucher is posted.

We also found that the EPA did not have a posting model in place to properly record e-Manifest penalties, interest, and federal revenue. According to the Office of Land and Emergency Management, interest and penalties are assessed automatically within the e-Manifest system and are combined with the amount of fees due in invoices. The EPA does not differentiate between federal and nonfederal sources in its reporting of earned revenue. According to information provided by Office of Land and Emergency Management, e-Manifest collections are from both federal and nonfederal vendors. However, this activity was not accounted for separately in the Agency's accounting system, which misstates earned revenue.

By not creating proper accounting models for e-Manifest transactions to record accounts receivable and earned revenue at the transaction level, accounts receivable and earned revenue were understated during the year, and interest, penalties, and federal revenue could be misstated in the financial statements. Furthermore, the EPA is not in compliance with either SFFAS 1, which requires the recognition of a receivable when a legal claim exists, or SFFAS 7, which requires revenue recognition when the goods or services were provided.

We reported on these findings in OIG Report No. [20-F-0033](#), *EPA's Fiscal Years 2019 and 2018 (Restated) Consolidated Financial Statements*, dated November 19, 2019. We recommended that the chief financial officer:

- Update the accounting models to properly record collections and not reduce an account receivable account.
- Establish accounting models to properly record e-Manifest account receivables and recognize earned revenue at the transaction level.
- Establish accounting models to properly classify and record interest, fines, penalties, and fees.
- Establish accounting models to properly record receivables, collections, and earned revenue from federal versus nonfederal vendors.

These recommendations address our FY 2018 e-Manifest financial statements audit findings. The EPA agreed with our recommendations and provided acceptable corrective actions. The completion date for corrective actions is September 30, 2021.

2 - EPA Misclassified e-Manifest User Fee Revenue

We found that the EPA misclassified \$2.1 million of user fees for services provided in FY 2018 as nonexchange revenue instead of exchange revenue. Federal accounting standards require the recognition of exchange revenue when a government entity provides goods or services to the public or another government entity and when each party sacrifices value and receives value in return. However, the Agency recognized \$2.1 million as nonexchange revenue because it had not updated its accounting posting model. As a result, there was a high risk that the EPA would continue to misclassify user fee revenues and would potentially overstate its net cost of operations. Further, such overstatement inaccurately presented the EPA's ability to sustain program operation costs through user fee revenues.

SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states:

Exchange revenue and gains are inflows of resources to a Government entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. That is, exchange revenue arises when a Government entity provides something of value to the public or another Government entity at a price.

This standard also states that “[e]xchange revenue includes most user charges other than taxes.” In addition, according to the e-Manifest Act, the EPA is required to recover the full cost of providing system-related services through established user fees.

In FY 2018, the EPA misclassified a voucher with a total of \$2.1 million of e-Manifest user fees for services provided as nonexchange revenue instead of exchange revenue. According to EPA staff, they initially believed that the revenue from the e-Manifest user fees was not equal in value to the services the Agency provided to the public. Upon further discussions with EPA staff, they agreed that the fees should have been recorded as exchange revenue. In response to our finding, the staff said that they will change their accounting posting model to correctly record the e-Manifest user fees as exchange revenue.

If the Agency did not change the accounting posting model, the EPA could have continued to misclassify user fee revenues and potentially overstate its net cost of operations. Further, such overstatement would inaccurately present the EPA's ability to sustain the program's operations and recover its full cost through user fee revenues, as required by the e-Manifest Act.

Based on our finding, the EPA updated the voucher posting model to record e-Manifest user fees as exchange revenue. In addition, the EPA reclassified the \$2.1 million as exchange revenue. Since the Agency has already acted on our finding, we make no recommendations.

Compliance with Laws and Regulations

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1 - EPA Did Not Properly Calculate e-Manifest Fees

We found that the EPA did not properly calculate e-Manifest fees and underbilled users by approximately \$260,128 in FY 2018. The e-Manifest Act requires the EPA to establish a fee structure that allows the Agency to recover the full cost of providing system-related services. Due to a mathematical error in the fee structure, the EPA underestimated the fee for data plus image upload manifests. By not establishing appropriate fees, the EPA risks its ability to recover the full cost, as required by the e-Manifest Act.

The e-Manifest Act states that the EPA may impose reasonable service fees as necessary to pay costs incurred in developing, operating, and maintaining the system. It also requires the EPA to determine the fee structure that is necessary to recover the full cost of providing system-related services.

The EPA established fees for each manifest type: electronic, hybrid, data plus image upload, scanned image upload, and mailed paper. The EPA calculated the fees using a marginal cost differentiated fee model. This model focuses on the marginal labor cost of processing each manifest type. The EPA also adjusts the raw output of this formula to distribute the costs across manifest types.

We analyzed the fee structure in place during FY 2018 and found one exception. Our analysis resulted in a lower fee, by \$1.28 per manifest, for the data plus image upload manifest type, which indicates that the EPA underbilled users by approximately \$260,128. See Table 2-A for further details.

Table 2-A: OIG’s analysis of current fees based on FY 2018 total manifests

Manifest type	Current fee	Total manifests	Estimated revenue using current fee	OIG-calculated fee	Estimated revenue using OIG-calculated fee	Difference
Data plus image upload	\$6.50	203,225	\$1,320,962.50	\$7.78	\$1,581,090.50	(\$260,128.00)

Source: OIG analysis.

Due to an error in the fee calculation, the EPA underestimated the fee for data plus image upload manifests. The established fee model is the following:

$$Manifest_i = \left(\frac{System\ Setup\ Cost}{Years \times N_t} \right) + \left(Marginal\ Cost_i + \frac{O\&M\ Cost}{N_t} \right) \times (1 + Indirect\ Cost\ Factor)$$

In which, i = manifest type

N_t = total annual manifests

O&M Cost = Operations and Maintenance Cost

However, the EPA calculated the FY 2018 fees by applying the indirect cost factor only to the operations and maintenance cost as illustrated below:

$$Manifest_i = \left(\frac{System\ Setup\ Cost}{Years \times N_t} \right) + Marginal\ Cost_i + \left(\frac{O\&M\ Cost(1 + Indirect\ Cost\ Factor)}{N_t} \right)$$

By not establishing appropriate fees, the EPA puts its ability to recover full cost at risk and could delay the system's likelihood to operate on a self-sustaining basis, as required by the e-Manifest Act.

Recommendations

We recommend that the assistant administrator for Land and Emergency Management:

1. Correct the current fee model to properly calculate Hazardous Waste Electronic Manifest fees.
2. Determine the effect of underbilling for data plus image manifests on the fund's ability to recover full cost.

Agency Comments and OIG Assessment

The EPA agreed with our recommendations and completed all corrective actions. Appendix B contains the Agency's response to our draft report.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	14	Correct the current fee model to properly calculate Hazardous Waste Electronic Manifest fees.	C	Assistant Administrator for Land and Emergency Management	6/4/2020	
2	14	Determine the effect of underbilling for data plus image manifests on the fund's ability to recover full cost.	C	Assistant Administrator for Land and Emergency Management	2/13/2020	

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

***For the Fiscal Years Ending September 30, 2018 and
2017 Hazardous Waste Electronic Manifest System
(e-Manifest) Fund Financial Statements***

**For the Fiscal Years Ending September 30, 2018 and 2017
Hazardous Waste Electronic Manifest System (e-Manifest) 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

Introduction

The Hazardous Waste Electronic Manifest System fund (e-Manifest) was established as a result of the Hazardous Waste Manifest Establishment Act (Public Law 112-195, October 5, 2012). The e-Manifest Act requires the United States Environmental Protection Agency ('EPA' or 'the Agency') to establish and own a hazardous waste electronic manifest program information technology ('IT') system that will enable electronic manifesting as a means to augment or replace the use of paper manifests for tracking hazardous waste shipments. The e-Manifest Act requires that the e-Manifest system:

1. Meets the needs of the user community.
2. Attracts sufficient user participation and service revenues to ensure the viability of the system (the e-Manifest Act authorizes EPA to collect reasonable user fees).
3. Decreases the administrative burden on the user community.

Current EPA RCRA Manifest Program

The EPA Office of Land and Emergency Management (OLEM) provides policy, guidance and direction for the Agency's emergency response and waste programs. The Office of Resource Conservation and Recovery (ORCR) within OLEM works to protect human health and the environment by ensuring responsible national management of hazardous and nonhazardous waste. Working with delegated state waste programs, ORCR implements the 1976 Resource Conservation and Recovery Act (RCRA), and ensures that the resource conservation, recovery and waste management goals of RCRA are met. All states with the exception of Iowa and Alaska have been delegated RCRA authority, meaning that states implement many if not all aspects of RCRA policy.

The manifest program as implemented by EPA and the states ensures that hazardous waste shipments are consistently tracked, and that hazardous wastes in fact arrive at permitted waste management facilities. The manifest program is based on both RCRA and Department of Transportation (DOT) hazardous materials law (The Hazardous Materials Transportation Act (HMTA)). These laws together require uniformity in the content and use of the hazardous waste manifest form.

Launched at the end of June of 2018, e-Manifest now receives about 5,000 hazardous waste manifests a day and generates more than \$1 million in fees each month to support the system. EPA estimates that e-Manifest will save state and industry users, on average, \$90 million annually, once electronic manifests are widely adopted.

e-Manifest System Planning Activities

Discussion of the e-Manifest system itself has taken place over many years; beginning back in the 1990's when the concept of an electronic manifest system was first taking shape. Further activities continued over the years to envision the e-Manifest system through various stakeholder discussions and pilots. For more information EPA's efforts prior to the passage of the e-Manifest Act in 2012, please visit <http://www.epa.gov/osw/hazard/transportation/manifest/e-man-pastmeetings.htm>.

In early calendar year (CY) 2013, EPA conducted various stakeholder requirements meetings to reengage with the user community. The purpose of these meetings was to build on past e-Manifest work to determine high level system functional requirements. Following this, a system alternatives analysis was conducted to look at various system implementation approaches, all assuming (among other things) a full electronic mobile workflow. The alternatives analysis recommended that EPA leverage cloud hosting for initial system development and system launch, and for long term operations and maintenance (O&M), consider re-negotiating the cloud contract model or potentially migrate to an on premise hosting model to keep costs down.

Also as a part of the planning work, a system Concept of Operations (CONOPS) was completed that, at a high level, outlines both what the current manifest process entails for highway and rail transporters as well as what the future system may look like. The CONOPS document provides a process and conceptual model for how data will flow from stakeholder to stakeholder and through the system during the manifest workflow.

The technical architecture for e-Manifest was completed in FY 2015. This architecture includes the specific components and data flows as currently defined to illustrate a technical solution for the e-Manifest system. In doing so, it defines the specific boundaries of the e-Manifest system and how the different parts of the system work together to provide the required services based on current requirements. For example, areas such as system Cross-Media Electronic Reporting Regulation (CROMERR) integration, paper manifest processing and manifest data quality assurance (QA) were analyzed as a part of this effort.

As a part of this technical architecture planning work, EPA conducted targeted meetings with states and industry separately in order to further flesh out current processes as well as expectations for the above areas. The meetings were more detailed than previous discussions, and provided critical information to inform system requirements.

The technical architecture work completed in FY 2015 serves as baseline for the current manifest program and provides very strong foundation for future system buildout. It meets user needs and provides flexibility for future iterations of the system.

Building on FY 2015, in FY 2016 the e-Manifest program realized significant progress while leveraging existing ORCR software applications. EPA initially conceived e-Manifest as a standalone system and allowed the system architects to consider a broad range of approaches

without inherent constraints from an existing system design. However, as designs matured, it was recognized that the e-Manifest technical solution aligned closely with RCRAInfo in terms of end user functionality, data integration, and required technical infrastructure. These factors led to the decision to implement e-Manifest as a unique module of RCRAInfo.

Many of the new capabilities of e-Manifest can be implemented in RCRAInfo using the existing modular architecture present in RCRAInfo. In addition, some of the more innovative design aspects of e-Manifest could also be incorporated into RCRAInfo, improving both systems. Furthermore, by leveraging e-Manifest and RCRAInfo modules, opportunities for reuse of existing technology investments were present, reducing the burden of e-Manifest implementation.

These factors led to the decision to develop e-Manifest and RCRAInfo modules as distinct, but interrelated entities which will meet the current and future needs of Industry, Government and Public.

Acquisition Strategy Change

The EPA's system development work is focused on ensuring user needs are met from day one of national system deployment. To accomplish this, the agency is conducting user-centered design and development, and is utilizing agile software development methodologies. This approach embodies continuous improvement through pilots and testing, using iterative processes, and continued regular engagement with users and stakeholders throughout the process to provide on-going opportunities for input.

Instead of locking in on one source, the new e-Manifest Program services contract (multi-vendor indefinite delivery/indefinite quantity (IDIQ)) will utilize a variety of vehicles for the following segments of the system:

- Project management including integration services.
- Paper manifest processing.
- User help desk and User training.
- Quality assurance for manifest data amongst industry, states, and the EPA.
- Services to calculate, collect, and support reporting of user fees for paper and electronic manifest processing.
- Support for stakeholder communication, including outreach and meeting support.

Research has shown that using this type of lean start-up methodology, with agile techniques, lowers the cost of system development by addressing uncertainties promptly, and by ensuring that the work being completed brings real value to users.

The agency will continue to work closely with users, adding more functionality in an incremental manner and providing continuous improvement for the lifetime of the system. By taking this iterative approach the EPA will refine remaining uncertainties from our architecture planning work in the most cost effective manner.

e-Manifest System Development

As a follow-on to the completed technical and conceptual architecture, e-Manifest embarked on a pilot to create initial system functionality with the General Service Administrations (GSA) 18F consulting shop. 18F provided the IT expertise to create the foundation of e-Manifest and also provided agile project management support. Specifically, 18F:

- Introduced user-centered design/development, which engages industry/state users in the early phases of development.
- Created the development platform and hosting environment for e-Manifest.
- Leveraged open source technologies (Trello, GitHub, biweekly online meetings showcasing recent system updates) to allow users and other stakeholders to follow and participate in system development.

As part of the agile development focus, in September 2015, EPA, in partnership with 18F, completed an initial system demonstration. This focused on a key aspect of the system: the transaction at the end of the chain-of-custody when the hazardous waste arrives at the designated waste management facility, and that facility signs the electronic manifest to verify that all the hazardous waste types and quantities were received. Getting the system to properly electronically execute this all-important manifest transaction was a critical first step. EPA worked with several industry users to complete this initial system functionality.

Although not as straightforward as standard government IT development projects, this course correction from traditional lifecycle system development (“waterfall”) methodology to agile will ultimately deliver a better system in a quicker, more value-added method going forward.

Starting with this initial system, EPA has been adding more functionality in an incremental manner. Research has shown that using this type of lean start-up methodology with agile techniques lowers the cost of current and future system development by addressing uncertainties sooner rather than later. Therefore, EPA has been conducting user-centered design and development, starting with the small scale demonstration phase. Open source code and project engages industry and state users in the early phases of development, creation of development platform, and hosting environment. EPA will expand engagement efforts to all users over time (e.g., states with no systems, large and small generators, etc.).

The agile software development methodology embodies continuous improvement through iterative development and delivers software in sprints. Agile embraces change, continuous and regular feedback and improvement, value-driven delivery, full-team collaboration, and learning

through discovery. Agile techniques cannot eliminate the challenges intrinsic to high-discovery software development but by focusing on continuous delivery of incremental value and shorter feedback cycles, they expose challenges as early as possible to allow for immediate correction. EPA has adopted the lean start-up product development strategies with agile, user-centered software design/development methodologies and as implemented the following:

- Two-week sprint intervals.
- Using modular development practices, relying heavily on available off-the-shelf software modules, by building individual working pieces of the system and integrating them into the whole.
- Addressing uncertainties that arose during the initial architecture planning work, and engaging early with users and stakeholders.
- Bringing down the cost of current and future development by addressing risk upfront and ensuring that the work being completed brings actual value to stakeholders and users.
- Continuously improving, using iterative processes, and engaging regularly with users and stakeholders throughout the life of the program.

EPA has made every effort to involve industry users in the development process to build the strongest possible system. During the system development phase, the e-Manifest team is working alongside industry, states, and other stakeholders, by focusing on issues raised and addressing the issues, including the following:

- How the national e-Manifest system will connect with state and industry systems.
- User testing of the web application.
- Addressing state data access needs.

The e-Manifest team communicates regularly with states, industry, and related stakeholders about ongoing developments (i.e., continued release and testing of system iterations), updates on e-Manifest related rules (i.e., user fees for the e-Manifest system and amendments to manifest regulations), and the national launch of the e-Manifest system.

Our primary methods of communication include the following:

- The e-Manifest website
- User testing
- Conferences
- Site visits
- Regional implementation working groups
- Listserv (general interest and development-focused)
- Public webinars
- Blog posts
- GitHub – code repository and project management
- FACA Meetings
- Meetings with stakeholders.

e-Manifest will follow this path of milestones to system launch and beyond in 2018

- Winter 2018 – finalize user fee rule
- June 30, 2018 System Launch
- Continued development, enhancements and user outreach
- Summer 2019 – update user fees

Principal Financial Statements:

**Environmental Protection Agency
e-Manifest
BALANCE SHEET
As of September 30, 2018 and 2017
(Dollars in Thousands)**

	<u>FY 2018</u>	<u>FY 2017</u>
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 4,294	\$ 5,430
Other (Note 3)	<u>39</u>	<u>5</u>
Total Intragovernmental	4,333	5,435
Accounts Receivable, Net (Note 4)	1,781	-
Property, Plant & Equipment, Net (Note 5)	<u>6,389</u>	<u>3,088</u>
Total Assets	\$ <u>12,503</u>	\$ <u>8,523</u>
Liabilities:		
Intragovernmental:		
Accounts Payable and Accrued Liabilities	\$ 72	\$ 6
Other (Note 6)	<u>10</u>	<u>20</u>
Total Intragovernmental	82	26
Accounts Payable & Accrued Liabilities	393	187
Payroll & Benefits Payable (Note 7)	<u>117</u>	<u>142</u>
Total Liabilities	\$ <u>592</u>	\$ <u>355</u>
Net Position:		
Unexpended Appropriations	3,851	5,143
Cumulative Results of Operations	<u>8,060</u>	<u>3,025</u>
Total Net Position	<u>11,911</u>	<u>8,168</u>
Total Liabilities and Net Position	\$ <u>12,503</u>	\$ <u>8,523</u>

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

Environmental Protection Agency
e-Manifest
STATEMENT OF NET COST
For the Fiscal Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	FY 2018	FY 2017
Costs:		
Gross costs	\$ 1,799	\$ 1,030
Expenses from Other Appropriations (Note 8)	281	214
Less:		
Earned revenue	2,192	-
Net cost of operations	\$ (112)	\$ 1,244

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

Environmental Protection Agency
e-Manifest
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	<u>FY 2018</u>	<u>FY 2017</u>
Cumulative Results of Operations:		
Net Position - Beginning of Period	\$ 3,025	\$ 876
Budgetary Financing Sources:		
Appropriations Used	4,529	3,121
Income from Other Appropriations (Note 8)	<u>281</u>	<u>214</u>
Total Budgetary Financing Sources	4,810	3,335
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	<u>113</u>	<u>58</u>
Total Other Financing Sources	113	58
Net Cost of Operations	<u>112</u>	<u>(1,244)</u>
Net Change	5,035	2,149
Cumulative Results of Operations	<u>\$ 8,060</u>	<u>\$ 3,025</u>
Unexpended Appropriations:		
Net Position - Beginning of Period	\$ 5,143	\$ 5,086
Budgetary Financing Sources:		
Appropriations Received	3,237	3,178
Appropriations Used	<u>(4,529)</u>	<u>(3,121)</u>
Total Budgetary Financing Sources	(1,292)	57
Total Unexpended Appropriations	<u>3,851</u>	<u>5,143</u>
Net Position	<u>\$ 11,911</u>	<u>\$ 8,168</u>

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

Environmental Protection Agency
e-Manifest
STATEMENT OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	<u>FY 2018</u>	<u>FY 2017</u>
BUDGETARY RESOURCES		
Unobligated Balance From Prior Year Budget Authority, Net (discretionary and mandatory)	\$ 2,539	\$ 4,562
Appropriations (discretionary and mandatory)	3,237	3,178
Spending Authority From Offsetting Collection (discretionary and mandatory)	437	-
Total Budgetary Resources	<u>\$ 6,213</u>	<u>\$ 7,740</u>
MEMORANDUM (non-add) entries		
Net Adjustments to Unobligated Balance Brought Forward, Oct. 1	264	597
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward adjustments (total)	\$ 5,379	\$ 5,465
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	659	2,250
Unapportioned, Unexpired accounts	(4)	-
Expired Unobligated Balance, End of Year	179	25
Unobligated Balance, End of Year (total):	<u>834</u>	<u>2,275</u>
Total Status of Budgetary Resources	<u>\$ 6,213</u>	<u>\$ 7,740</u>
OUTLAYS, NET		
Outlays, Net (total) (discretionary and mandatory)	\$ 4,785	\$ 2,978
Distributed Offsetting Receipts	-	-
Agency Outlays, Net (discretionary and mandatory)	<u>\$ 4,785</u>	<u>\$ 2,978</u>

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

Environmental Protection Agency
e-Manifest
Notes to Financial Statements
For the Fiscal Years Ended 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 Hazardous Waste Electronic Manifest System Fund (e-Manifest) was authorized by the establishment of the Hazardous Waste Electronic Manifest System Act. The act mandates that the Agency, within three years, establish a hazardous waste electronic manifest system that can be accessed by any user. The act authorized the administrator to impose users' fees to pay the costs incurred in developing, operating, maintaining, and upgrading the system, including any costs incurred in collecting and processing data from paper manifests submitted to the system after the date on which the system enters operations.

The e-Manifest fund charges some administrative costs directly to the fund, and charges the remainder of the indirect administrative costs to Agency-wide appropriations. 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 e-Manifest Fund in accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. 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 fiscal year 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 of the e-Manifest fund will be provided by fees collected from users to offset costs incurred by the EPA in carrying out these programs. Since inception on October 5, 2012 through fiscal year 2017, e-Manifest was funded from appropriated funds. EPA did not collect fees from inception of the fund through fiscal year 2017. For fiscal year 2018 the e-Manifest fund was funded through appropriations and offsetting collections.

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 issues standards 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.

E. Revenues and Other Financing Sources

In fiscal year 2017, EPA did not collect any user fees for the e-Manifest fund, as the Hazardous Waste Electronic Manifest System was still in development. For fiscal year 2018 EPA received funding from fees collected and recognized revenues from collections to the extent that expenses were incurred during the fiscal year.

F. Funds with the Treasury

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

H. General Property, Plant and Equipment

General property, plant and equipment for e-Manifest consists of software in development. Internal use software includes purchased commercial off-the-shelf software, contractor developed software and software that was internally developed by Agency employees. In fiscal year 2017, EPA reviewed its capitalization threshold levels for PP&E. The Agency performed an analysis of the values of software assets and increased 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. The Hazardous Waste Electronic Manifest System was placed into production August 23, 2018.

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.

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, 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.

L. 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 may differ from those estimates.

Note 2. Fund Balance with Treasury

	<u>FY 2018</u>	<u>FY 2017</u>
Entity Assets	\$ <u>4,294</u>	\$ <u>5,430</u>

Note 3. Other Assets

	<u>FY 2018</u>	<u>FY 2017</u>
Other Intragovernmental Assets:		
Advance to Working Capital Fund	\$ <u>39</u>	\$ <u>5</u>

Note 4. Accounts Receivable, Net

The Accounts Receivable as of September 30, 2018, and September 30, 2017, consist of the following:

	<u>FY 2018</u>	<u>FY 2017</u>
Intragovernmental:		
Accounts & Interest Receivable	\$ -	\$ -
Less: Allowance for Uncollectables	-	-
Total	\$ <u>-</u>	\$ <u>-</u>
Non-Federal:		
Unbilled Accounts Receivable	\$ -	\$ -
Accounts & Interest Receivable	1,781	-
Less: Allowance for Uncollectables	-	-
Total	\$ <u>1,781</u>	\$ <u>-</u>

Note 5. General Property, Plant and Equipment

The e-Manifest system was moved into production August 23, 2018 with a total capitalized cost of \$6,907.

	<u>FY 2018</u>			<u>FY 2017</u>		
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Software (production)	6,907	(518)	6,389	-	-	-
Software (development)	-	-	-	3,088	-	3,088
Total	\$ 6,907	(518)	\$ 6,389	\$ 3,088	-	\$ 3,088

Note 6. Other Liabilities

The Payroll and Benefits Payable, non-Federal, are presented on a separate line of the Balance Sheet and in a separate footnote (see Note 7).

	<u>FY 2018</u>	<u>FY 2017</u>
Other Intragovernmental Liabilities:		
Covered by Budgetary Resources Employer Contribution- Payroll	\$ <u>10</u>	\$ <u>20</u>

Note 7. Payroll and Benefits Payable, non-Federal

	<u>FY 2018</u>	<u>FY 2017</u>
Covered by Budgetary Resources:		
Accrued Payroll Payable	\$ 34	\$ 77
Thrift Savings Plan Benefits payable	-	2
Total	<u>34</u>	<u>79</u>
Not Covered by Budgetary Resources:		
Unfunded Annual Leave Liability	\$ 83	\$ 63
Total	\$ <u>117</u>	\$ <u>142</u>

Note 8. 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.

For fiscal years 2018 and 2017 the indirect rate was 15.60% and 20.79% respectively. As illustrated below, there is no impact on e-Manifest's Statement of Changes in Net Position.

	<u>FY 2018</u>	<u>FY 2017</u>
Income from Other Appropriations	\$ 281	\$ 214
Expenses from Other Appropriations	<u>(281)</u>	<u>(214)</u>
Net Effect	<u>\$ -</u>	<u>\$ -</u>

Note 9. Reconciliation of Net Cost of Operations to Budget

	<u>FY 2018</u>	<u>FY 2017</u>
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 5,379	\$ 5,465
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(281)</u>	<u>(597)</u>
Obligations, Net of Offsetting Collections	5,098	4,868
Other Resources		
Imputed Financing Sources	158	58
Income from Other Appropriations	<u>281</u>	<u>214</u>
Net Other Resources Used to Finance Activities	439	272
Total Resources Used To Finance Activities	\$ 5,537	\$ 5,140
RESOURCES USED TO FINANCE ITEMS		
NOT PART OF THE NET COST OF OPERATIONS:		
Change in Budgetary Resources Obligated	\$ <u>20</u>	\$ <u>(871)</u>
Resources that Fund Prior Periods Expenses		
Resources that Finance Asset Acquisition	(3,932)	(3,088)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(3,912)	(3,959)
Total Resources Used to Finance the Net Cost of Operations	\$ <u>1,625</u>	\$ <u>1,181</u>
	<u>FY 2018</u>	<u>FY 2017</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	\$ (63)	\$ 63
Increase in Public Exchange Revenue Receivables	<u>(2,192)</u>	<u>-</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	(2,255)	63
Components Not Requiring/Generating Resources:		
Depreciation and Amortization	<u>518</u>	<u>-</u>
Total Components of Net Cost that Will Not Require or Generate Resources	518	-
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	<u>(1,737)</u>	<u>63</u>
Net Cost of Operations	\$ <u>(112)</u>	\$ <u>1,244</u>

Agency Response to Draft Report



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

MAY 21 2020

OFFICE OF
LAND AND EMERGENCY
MANAGEMENT

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Report No. OA&E-FY19-0120
 “EPA’s Fiscal Years 2018 and 2017 Hazardous Waste Electronic Manifest System
 Fund Financial Statements,” dated April 22, 2020

PETER
Digitally signed by PETER
 WRIGHT
 Date: 2020.05.21
 17:40:41 -04'00'

FROM: Peter C. Wright **WRIGHT**
 Assistant Administrator

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

Thank you for the opportunity to respond to the issues and recommendations in the draft 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 recommendations.

AGENCY’S OVERALL POSITION

The Office of Land and Emergency Management (OLEM) agrees with the recommended actions in the draft report and has completed corrective actions to address the findings. These corrective actions have been reviewed and agreed upon by the Office of the Chief Financial Officer (OCFO).

AGENCY’S RESPONSE TO REPORT RECOMMENDATIONS

Agreements

No.	Recommendation	High-Level Intended Corrective Action(s)	Completion Dates
1	Correct the current fee model to properly calculate e-Manifest fees.	1.1 Corrected e-Manifest master user fee workbook	February 13, 2020

2	Determine the effect of underbilling for data plus image manifests on the fund's ability to recover full cost.	2.1 Performed review of fee implications of the published fee formula compared to the version used to develop the fees	February 13, 2020
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CONTACT INFORMATION

If you have any questions regarding this response, please contact Kecia Thornton, OLEM's Audit Follow-Up Coordinator at thornton.kecia@epa.gov or (202) 566-1913 or Andrew LeBlanc, the Agency Audit Follow-Up Coordinator at LeBlanc.Andrew@epa.gov or (202) 564-1761.

Attachments

Fiscal Year 2018 e-Manifest Fee Calculation
 User Fees for the Electronic Hazardous Waste Manifest (e-Manifest) System

- cc: David Bloom, OCFO
 Carol Terris, OCFO
 Paige Hanson, OCFO
 Charlie Dankert, OCFO
 Jeanne Conklin, OCFO
 Barry Breen, OLEM
 Steven Cook, OLEM
 Nigel Simon, OLEM
 Kathleen Salyer, OLEM
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 Mimi Guernica, OLEM
 David Charbonneau, OLEM
 Stephen Donnelly, OLEM
 Jennifer Wilbur, OLEM
 David Nicholas, OLEM
 Kecia Thornton, OLEM
 Andrew LeBlanc, OCFO

Distribution

The Administrator
Assistant Deputy Administrator
Associate Deputy Administrator
Chief of Staff
Deputy Chief of Staff/Operations
Chief Financial Officer
Agency Follow-Up Coordinator
General Counsel
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for Public Affairs
Director, Office of Continuous Improvement, Office of the Administrator
Assistant Administrator for Land and Emergency Management
Principal Deputy Assistant Administrator for Land and Emergency Management
Deputy Assistant Administrator for Land and Emergency Management
Deputy Chief Financial Officer
Associate Chief Financial Officer
Associate Chief Financial Officer for Policy
Controller
Deputy Controller
Associate Deputy Controller
Director, Accounting and Cost Analysis Division, Office of the Chief Financial Officer
Director, Policy, Training, and Accountability Division, Office of the Controller
Branch Chief, Management, Integrity and Accountability Branch, Policy, Training, and
Accountability Division, Office of the Controller
Director, Office of Program Management, Office of Land and Emergency Management
Director, Office of Resource Conservation and Recovery, Office of Land and
Emergency Management
Associate Director, Program Implementation and Information Division, Office of Resource
Conservation and Recovery, Office of Land and Emergency Management
Branch Chief, Permits Branch, Office of Resource Conservation and Recovery, Office of Land
and Emergency Management
Branch Chief, Information Collection and Analysis Branch, Office of Resource Conservation
and Recovery, Office of Land and Emergency Management
Associate Branch Chief, Information Collection and Analysis Branch, Office of Resource
Conservation and Recovery, Office of Land and Emergency Management
Audit Follow-Up Coordinator, Office of the Administrator
Audit Follow-Up Coordinator, Office of the Chief Financial Officer
Audit Follow-Up Coordinator, Office of Land and Emergency Management
Audit Follow-Up Coordinator, Office of the Controller
Audit Follow-Up Coordinator, Office of Resource Conservation and Recovery, Office of Land
and Emergency Management