



**OFFICE OF INSPECTOR GENERAL**  
U.S. ENVIRONMENTAL PROTECTION AGENCY

March 05, 2024

**MEMORANDUM**

**SUBJECT:** Notification:  
Audit of the EPA's Fiscal Years 2022 and 2021 Toxic Substances Control Act Service Fee Fund Financial Statements  
Project No. OA-FY24-0068

**FROM:** Damon Jackson, Director  
Financial Directorate  
Office of Audit

**TO:** Faisal Amin, Chief Financial Officer  
  
Michal Ilana Freedhoff, Assistant Administrator  
Office of Chemical Safety and Pollution Prevention

The U.S. Environmental Protection Agency Office of Inspector General plans to begin our required audit of the EPA's fiscal years 2022 and 2021 financial statements for the Frank R. Lautenberg Chemical Safety for the 21<sup>st</sup> Century Act, which amended the Toxic Substances Control Act, or TSCA, Service Fee Fund. This audit is part of the OIG's [oversight plan](#) for fiscal year 2024 and is statutory required by TSCA, as amended. This audit also addresses the following fiscal year 2024 [top management challenge](#) for the Agency: managing grants, contracts, and data systems.

The purpose of this memorandum is to confirm our mutual understanding of the audit's objectives and scope, as well as the OIG's and Agency's responsibilities during the project. Attachment 1, "Audit Expectations," provides more details about our respective responsibilities. Please provide the requested information noted in Attachment 2, "List of Deliverables," within two weeks of the date of this notification memorandum or by the deadlines indicated in Attachment 3, "Key Milestones." Attachment 3 highlights critical deadlines that must be met to complete this audit in a timely manner and to prevent delays once the fiscal year 2024 EPA consolidated financial statement audit begins in the spring.

We are conducting this audit to express an opinion on the financial statements for the TSCA Service Fee Fund. Our objectives are to determine whether:

1. The financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.

2. The EPA's internal controls over financial reporting are in place.
3. The EPA's management has complied with applicable laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements.

We expect that our audit work will involve all EPA finance centers, as well as other financial and program offices at EPA headquarters and in the EPA regions, as needed. We will conduct most of our audit work remotely; however, if we need to perform any on-site work, we will coordinate with the relevant offices. We may also contact offices at which we do not plan to perform on-site work to obtain information needed for our audit. Applicable generally accepted government auditing standards will be used in conducting our audit. The anticipated benefits of this audit are improved EPA business practices and accountability.

We will contact you to arrange a mutually agreeable time for the entrance conference to discuss our objectives. We would also be particularly interested in any areas of concerns that you may have. We will answer any questions about the audit process, reporting procedures, methods used to gather and analyze data, and what we should expect of each other during the audit. Throughout the audit, we will provide updates on a regular basis.

Although we evaluated the EPA's internal control over financial reporting when we conducted the fiscal years 2022 and 2021 consolidated financial statement audit, we may perform additional tests of controls and accounts of the EPA's TSCA Service Fee Fund financial statements. In conducting our risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, not to express an opinion on the effectiveness of the entity's internal control. However, we will communicate in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit.

We respectfully note that the Inspector General Act of 1978, as amended, authorizes the OIG to have timely access to personnel and all materials necessary to complete our objectives. Similarly, EPA Manual 6500, *Functions and Activities of the Office of Inspector General* (1994), requires that each EPA employee cooperate with and fully disclose information to the OIG. Also, Administrator Michael S. Regan, in a May 16, 2023 email to EPA employees, stated that the "agency and its employees have a duty to cooperate with OIG" and observed that "full engagement and collaboration between the OIG and EPA provides our agency with the opportunity to improve program performance and efficiency." If an Agency employee or contractor refuses to provide requested materials to the OIG or otherwise fails to cooperate with the OIG, we will request that you immediately resolve the situation. Consistent with the Inspector General Act, we may report unresolved access matters to the administrator and to Congress.

We will post this memorandum on our public website at [www.epa.ig.gov](http://www.epa.ig.gov). Anyone with knowledge of potential fraud, waste, abuse, misconduct, or mismanagement related to this audit should contact the OIG Hotline at (888) 546-8740 or via an electronic form on the "OIG Hotline" [webpage](#).

cc: Janet McCabe, Deputy Administrator  
Dan Utech, Chief of Staff, Office of the Administrator  
Wesley J. Carpenter, Deputy Chief of Staff for Management, Office of the Administrator  
Gregg Trembl, Deputy Chief Financial Officer  
Lek Kadeli, Associate Chief Financial Officer  
Meshell Jones-Peeler, Controller  
Adil Gulamali, Deputy Controller  
Brian Webb, Director, Policy, Training and Accountability Division, Office of the Controller  
Nikki Wood, Chief, Management, Integrity and Accountability Branch; Policy, Training and Accountability Division, Office of the Controller  
Dany Lavergne, Director, Accounting and Cost Analysis Division, Office of the Controller  
Vonda Jennette, Director, Research Triangle Park Finance Center, Office of the Controller  
Greg Luebbering, Director, Cincinnati Finance Center, Office of the Controller  
Simranjeet Jassal, Chief, General Ledger Analysis & Reporting Branch, Office of the Controller  
Jake Li, Deputy Assistant Administrator for Pesticide Programs, Office of Chemical Safety and Pollution Prevention  
Jennie Romer, Deputy Assistant Administrator for Pollution Prevention, Office of Chemical Safety and Pollution Prevention  
Richard Keigwin, Deputy Assistant Administrator for Management, Office of Chemical Safety and Pollution Prevention  
Delores Barber, Director, Information Technology and Resources Management Division, Office of Program Support, Office of Chemical Safety and Pollution Prevention  
Luby Harvey, Senior Budget Officer, Office of Chemical Safety and Pollution Prevention  
Hayley Hughes, Director, Office of Program Support, Office of Chemical Safety and Pollution Prevention  
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Susan Perkins, Agency Follow-Up Coordinator  
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Nick Conger, Associate Administrator for Public Affairs

Terrance Jackson, Acting Director, Office of Administrative and Executive Services, Office of  
the Administrator

Audit Follow-Up Coordinators

Sean W. O'Donnell, Inspector General

Nicole N. Murley, Deputy Inspector General

## ***Audit Expectations***

We will audit the balance sheet of the EPA's TSCA Service Fee Fund as of September 30, 2022, and September 30, 2021; the related statements of net cost, changes in net position, and budgetary resources for the years then ended; and the related notes to the financial statements. We confirm our acceptance and our understanding of this audit engagement by means of the project notification memorandum. Our audit will be conducted with the objective of our expressing an opinion on the financial statements and to determine whether the:

1. Financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. EPA's internal control structure over financial reporting related to the financial statements is in place and provides reasonable assurances that:
  - a. Financial transactions are executed in compliance with applicable laws, regulations, contracts, and grant agreements.
  - b. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
  - c. Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements.
3. Agency has complied with laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements.
4. Agency complied with specific provisions of the Frank R. Lautenberg Chemical Safety for the 21st Century Act.
5. Information and manner of presentation contained in the Management's Discussion and Analysis and any other accompanying information are materially consistent with the information contained in the principal statements.

The Frank R. Lautenberg Chemical Safety for the 21st Century Act requires the annual audit of the financial statements to also include an analysis of:

1. The fees collected and amounts disbursed.
2. The reasonableness of the fees in place as of the date of the audit to meet current and projected costs of administering the provisions of the law.

3. The number of requests for a risk evaluation made by manufacturers.

### ***Auditor's Responsibilities***

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the comptroller general of the United States of America; and Office of Management and Budget Bulletin 24-01, *Audit Requirements for Federal Financial Statements*. *Government Auditing Standards* require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We are required to be independent of the EPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits.

As part of our audit in accordance with auditing standards generally accepted in the United States of America, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the financial statement audit, including the EPA's Federal Managers' Financial Integrity Act of 1982 process, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the

financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with the standards.

### ***Management's Responsibilities***

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

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
3. To provide us with:
  - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that we may request from management for the purpose of the audit.
  - c. Unrestricted access to persons within the EPA from whom we determine it necessary to obtain audit evidence.
4. To comply with laws, regulations, contracts, and grant agreements applicable to the EPA.
5. For maintaining adequate accounting records, selecting and applying appropriate accounting policies, and safeguarding U.S. government assets related to the EPA's operations.
6. To make sure all financial records and related information are available to us in a timely manner.

As part of our audit process, we will request that key senior managers provide us with a management representation letter at the conclusion of our fieldwork.

## ***Reporting***

We will issue a written report upon completion of our audit of the EPA's fiscal years 2022 and 2021 TSCA Service Fee Fund financial statements in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the comptroller general of the United States of America; and Office of Management and Budget Bulletin 24-01, *Audit Requirements for Federal Financial Statements*.

Our report will be addressed to EPA management. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion or add an emphasis-of-matter paragraph or other-matter paragraph to our report.

Please sign and return the attached copy of this memorandum to indicate your acknowledgment of, and agreement with, the arrangements of our audit of the EPA's fiscal years 2022 and 2021 TSCA Service Fee Fund financial statements, including our respective responsibilities.

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Faisal Amin  
Chief Financial Officer

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Date



## ***List of Deliverables***

Information needed from the Office of the Chief Financial Officer:

1. Fiscal years 2022 and 2021 TSCA Service Fee Fund financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final).
2. Methodology for the computation of:
  - a. Income and expenses from other appropriations.
  - b. Accruals and unfunded annual leave for employees.
3. Overview of the TSCA Service Fee Fund collection process.
4. Management representation letter.

Information needed from the Office of Chemical Safety and Pollution Prevention:

1. List of programs and financial databases and other resources used to implement and maintain the TSCA Service Fee Fund, and access to specific systems necessary for the completion of the audit, including Federal Personnel/Payroll System, restricted queries within Compass Data Warehouse, and Electronic Official Personnel Folder.
2. List of new contracts, interagency agreements, and grants entered into to maintain and support TSCA Service Fee Fund activities, as well as any supporting documentation.
3. Statements of work under existing contracts for any new task orders or work assignments entered during fiscal year 2022.
4. Management-identified internal controls over the TSCA Service Fee Fund.
5. List of all employees working on the implementation and maintenance of the TSCA Service Fee Fund during fiscal year 2022. This list should include all employees from any office that charged the TSCA Service Fee Fund during fiscal year 2022.
6. List of employees charging other appropriations that worked on the implementation and maintenance of the TSCA Service Fee Fund during fiscal year 2022.
7. List of all Fund Code BT costs incurred (disbursements) during fiscal year 2022 for the implementation and maintenance of the TSCA Service Fee Fund.
8. List of all costs incurred using other appropriated funds during fiscal year 2022 for the implementation and maintenance of the TSCA Service Fee Fund, including the purpose of use and source of funding.
9. Projected costs for administering the provisions of the law in fiscal year 2022.
10. List of specific fees collected and disbursed during fiscal year 2022.
11. List of specific TSCA section 6 collections for each chemical undergoing an EPA-initiated risk evaluation.
12. Fee structure in place in fiscal year 2022 and the methodology for determining fee rates.

13. List of requests for a risk evaluation made by manufacturers under section 2605(b)(4)(C)(ii) of the Frank R. Lautenberg Chemical Safety for the 21st Century Act.
14. All TSCA Service Fee Fund biennial reports, required by the Frank R. Lautenberg Chemical Safety for the 21st Century Act, prepared and submitted to Congress.

Note: Additional documentation may be requested during the audit, as needed.

## Key Milestones

To ensure the success and timely completion of this audit, please see the key milestones below.

Milestones	Deadlines	Responsible party
Entrance conference	At least 15 business days after notification memorandum issuance date	<b>All</b>
Draft financial statements and footnotes, including support, and Management's Discussion and Analysis  <i>Note: All Agency adjustments are to be included in the draft. No additional adjustments are allowed except from the schedule of audit differences.</i>	No later than 10 business days after notification memorandum issuance date*	Office of the Chief Financial Officer <sup>†</sup>
Final financial statements and footnotes, including support, and Management's Discussion and Analysis	Three business days after receipt of schedule of audit differences*	Office of the Chief Financial Officer <sup>†</sup>
Management representation letter	Five business days after final financial statements are provided to the OIG*	Office of the Chief Financial Officer <sup>†</sup>

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

<sup>†</sup> The Office of the Chief Financial Officer to coordinate with the Office of Chemical Safety and Pollution Prevention.