



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

March 05, 2024

MEMORANDUM

SUBJECT: Notification:
Audit of the EPA's Fiscal Years 2023 and 2022 Hazardous Waste Electronic Manifest System Fund Financial Statements
Project No. OA-FY24-0069

FROM: Damon Jackson, Director
Financial Directorate
Office of Audit

TO: Faisal Amin, Chief Financial Officer

Barry Breen, Principal Deputy Assistant Administrator
Office of Land and Emergency Management

The U.S. Environmental Protection Agency Office of Inspector General plans to begin our required audit of the EPA's fiscal years 2023 and 2022 financial statements for the Hazardous Waste Electronic Manifest System, or e-Manifest, Fund. This audit is part of the OIG's [oversight plan](#) for fiscal year 2024 and is statutorily required by the Hazardous Waste Electronic Manifest Establishment Act. 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 e-Manifest 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 concern that you may have. We will answer any of your 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 2023 and 2022 consolidated financial statement audit, we may perform additional tests of controls and accounts of the EPA's e-Manifest 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.epaoig.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 Treml, 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
Clifford Villa, Deputy Assistant Administrator for Land and Emergency Management
Rick Kessler, Senior Advisor, Office of Land and Emergency Management
Nigel Simon, Director, Office of Program Management, Office of Land and Emergency Management
Carolyn Hoskinson, Director, Office of Resource Conservation and Recovery, Office of Land and Emergency Management
Mark J. Huff, Director, Program Management, Communications, and Analysis Office, Office of Resource Conservation and Recovery, Office of Land and Emergency Management
Sonya Sasseville, Director, Program Implementation and Information Division, Office of Resource Conservation and Recovery, Office of Land and Emergency Management
Stephen Donnelly, e-Manifest Program Manager, Office of Resource Conservation and Recovery, Office of Land and Emergency Management
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David Nicholas, Environmental Protection Specialist, Office of Program Management, Office of Land and Emergency Management
Susan Perkins, Agency Follow-Up Coordinator
Andrew LeBlanc, Agency Follow-Up Coordinator
José Kercado, Agency Follow-Up Coordinator
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 e-Manifest Fund as of September 30, 2023, and September 30, 2022; 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 has complied with specific provisions of the Hazardous Waste Electronic Manifest Establishment 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 Hazardous Waste Electronic Manifest Establishment Act requires the annual audit of the financial statements to also include an analysis 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.

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.

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 an auditor's 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 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 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 a 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 2023 and 2022 e-Manifest 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 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 2023 and 2022 e-Manifest Fund financial statements, including our respective responsibilities.

Faisal Amin
Chief Financial Officer

Date

List of Deliverables

Information needed from the Office of the Chief Financial Officer:

1. Fiscal year 2023 financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis.
2. Management representation letter.
3. List of controls implemented in Compass Financials designed to prevent issues such as compounded billings and duplicated accounts receivable.
4. List of new posting models and description of their use and purpose implemented during fiscal year 2023.

Information needed from the Office of Land and Emergency Management:

1. List of new contracts, interagency agreements, and grants entered into as part of the e-Manifest system program, as well as any supporting documentation.
2. Statements of work, under existing contracts, for any new task orders or work assignments entered during fiscal year 2023.
3. Management-identified internal controls over the e-Manifest system program.
4. List of controls implemented in the e-Manifest system designed to prevent issues such as compounded billing and duplicated accounts receivable.
5. List of the employees working on the e-Manifest system program during fiscal year 2023. This list should include all the employees from any office that charged time to the e-Manifest Fund during fiscal year 2023.
6. Spreadsheet containing all the manifests billed during fiscal year 2023 at the detail level. The spreadsheet should be in the format provided by your office during our prior year audit.
7. Fees collected and disbursed during fiscal year 2023.
8. Costs as of September 30, 2023, and projected costs of the e-Manifest system.
9. Level of use of the e-Manifest system by users as of September 30, 2023.
10. Assessment of how the e-Manifest system has improved the efficiency of tracking waste shipments and transmitting waste shipment data as of September 30, 2023.
11. Copy of the two-fiscal-year-period report to Congress required by the Hazardous Waste Electronic Manifest Establishment Act section (3)(A).
12. Status of paper manifest backlog, if any, as of September 30, 2023.

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

Key Milestones

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

Milestones	Deadlines	Responsible party
Entrance conference	At least 15 business days after notification memorandum issuance date	All
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 ten business days after notification memorandum issuance date*	Office of the Chief Financial Officer†
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†
Management representation letter	Five business days after final financial statements are provided to the OIG*	Office of the Chief Financial Officer†

* To be provided by close of business or before.

† The Office of the Chief Financial Officer to coordinate with the Office of Land and Emergency Management.