



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 Pesticide Reregistration and Expedited Processing Fund Financial Statements and Audit of the EPA's Fiscal Years 2023 and 2022 Pesticide Registration Fund Financial Statements
Project Nos. OA-FY24-0071 and OA-FY24-0070

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 audits of the EPA's fiscal years 2023 and 2022 financial statements for the Pesticide Reregistration and Expedited Processing Fund pursuant to the Federal Insecticide, Fungicide, and Rodenticide Act, or FIFRA, and the Pesticide Registration Fund pursuant to the Pesticide Registration Improvement Act, or PRIA, known respectively as the FIFRA and PRIA Funds. These audits are part of the OIG's [oversight plan](#) for fiscal year 2024 and are statutorily required by these Acts. These audits also address 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 audits' objectives and scope, as well as the OIG's and Agency's responsibilities during the projects. 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 these audits in a timely manner and to prevent delay once the fiscal year 2024 EPA consolidated financial statement audit begins in the spring.

We are conducting these audits to express an opinion on the financial statements for the FIFRA and PRIA Funds. 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 audits. Applicable generally accepted government auditing standards will be used in conducting our audits. The anticipated benefits of these audits 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 audits. Throughout the audits, 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 FIFRA and PRIA Funds 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 audits.

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

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

Edward Messina, Director, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention

Michael Goodis, Deputy Director, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention

Leo Gueriguian, Acting Deputy Director for Management, Office of Pesticide Programs, 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

Hamaad Syed, Deputy Director, Office of Program Support, Office of Chemical Safety and Pollution Prevention

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 for the FIFRA and PRIA Funds 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 these audit engagements by means of the project notification memorandum. Our audits 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 FIFRA and PRIA.
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.

In addition, the Federal Insecticide, Fungicide, and Rodenticide Act and Pesticide Registration Improvement Act require the annual audits of the financial statements to also include an analysis of:

1. The fees collected and amounts disbursed.
2. Reported accomplishments under applicable performance measures and goals for FIFRA to ensure they are accurate.
3. The Agency's compliance with the decision time review period requirements for PRIA.

4. The amount appropriated to meet requirements for the assessment of fees.
5. The reasonableness of the allocation of the overhead allocation of costs associated with the review and decision-making pertaining to applications.

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 auditors' reports 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 audits in accordance with auditing standards generally accepted in the United States of America, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 funds' 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 audits are properly planned and performed in accordance with the standards.

Management's Responsibilities

The financial statements are the responsibility of the EPA's management. Our audits 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 audits.
 - 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 letters at the conclusion of our fieldwork.

Reporting

We will issue two written reports upon completion of our audits of the EPA's fiscal years 2023 and 2022 FIFRA and PRIA Funds 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 reports will be addressed to EPA management. Circumstances may arise in which our reports may differ from its expected form and content based on the results of our audits. 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 reports.

Please sign and return the attached copy of this memorandum to indicate your acknowledgment of, and agreement with, the arrangements of our audits of the EPA's fiscal years 2023 and 2022 FIFRA and PRIA Funds financial statements, including our respective responsibilities.

Faisal Amin
Chief Financial Officer

Date

List of Deliverables

Information needed from the Office of Pesticide Programs:

1. Detailed listings of actions for FIFRA performance measures for fiscal year 2023.
2. Excel spreadsheets of PRIA actions due and completed in fiscal year 2023.
3. Fiscal year 2023 reassessment count listings and supporting documentation.
4. Documentation including toxicity batching appendixes, requirements status, and registrant's responses for data call-ins.
5. Copies of any reregistration eligibility decisions, interim reregistration, eligibility decisions, and tolerance reassessment eligibility decision documents that are not available on the Office of Pesticide Programs website and signature pages of those on the website.
6. Information on the systems used to track FIFRA performance measures audits and the controls used to ensure that the data are accurate.
7. Information on the systems used to track PRIA review period compliance and the controls used to ensure that the data are accurate.
8. Draft *Federal Register* notice on fiscal year 2023 pesticide reregistration performance measures and goals.
9. Fiscal year 2023 FIFRA fee table and instructions to registrants for filing 2023 pesticide registration maintenance fees.
10. Fiscal year 2023 PRIA fee schedule tables or the website to view the fiscal year 2023 PRIA fee schedule tables.
11. Fiscal year 2023 Pesticide Registration Maintenance Fee Filing Form (from the Office of Pesticide Programs) (FIFRA).
12. Fiscal Year 2023 registration form with the action code (PRIA).
13. Documentation for OIG samples. The OIG will provide sample listings. Documentation shall include:
 - Product cancellations in the OIG sample.
 - All files requested for PRIA actions in the OIG sample.
 - All files requested for FIFRA performance actions in the OIG sample.
 - Support for collection samples, which could include items such as registration or reregistration applications or forms, letters with the fees, or decision review codes.

Information needed from the Office of the Chief Financial Officer:

1. Fiscal year 2023 FIFRA financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final).
2. Fiscal year 2023 PRIA financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final).
3. FIFRA and PRIA collection documentation for the last five days of fiscal year 2023.
4. FIFRA and PRIA collection documentation for the first five days of fiscal year 2024.
5. Overview of the FIFRA and PRIA collection process.
6. Overview of the FIFRA and PRIA Fund Balance with Treasury process.
7. Fiscal year 2023 FIFRA and PRIA statement of transactions, monthly suspense reports, and cash reconciliation reports. The OIG will request months needed only if the support was not provided during the fiscal year 2023 consolidated financial statement audit.

8. Fiscal year 2023 FIFRA and PRIA identification code in the Datamart payroll file covering pay periods 1–26 (October 1, 2022, through September 30, 2023).
9. Methodology developed on the computation of accruals for FIFRA and PRIA employees and unfunded annual leave for FIFRA and PRIA employees.
10. Documentation for OIG samples (the OIG-provided samples listings), to include:
 - Source documentation for obligations, disbursements, and journal voucher and standard voucher samples.
 - FIFRA and PRIA collection files with the payment data, such as copies of checks, electronic payments, or other payment data, for collection samples.
 - Support for collection samples, which could include items such as correction sheets, refund requests, schedule of collections, and collection logs.
11. Management representation letter.

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

Key Milestones

To ensure the success and timely completion of these audits, please see the 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 10 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 Pesticide Programs.