



OFFICE OF INSPECTOR GENERAL U.S. ENVIRONMENTAL PROTECTION AGENCY

CUSTOMER SERVICE ★ INTEGRITY ★ ACCOUNTABILITY

Operating efficiently and effectively

EPA's Fiscal Years 2020 and 2019 Hazardous Waste Electronic Manifest System Fund Financial Statements

Report No. 22-F-0015

December 29, 2021



Hazardous Waste
Generation



Hazardous Waste
Transportation



Hazardous Waste
Disposal

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Abbreviations:	C.F.R.	Code of Federal Regulations
	e-Manifest	Hazardous Waste Electronic Manifest
	EPA	U.S. Environmental Protection Agency
	FY	Fiscal Year
	OIG	Office of Inspector General
	OLEM	Office of Land and Emergency Management
	U.S.C.	United States Code

Cover Image: The EPA collects user fees to cover the costs of operating the e-Manifest system, which tracks off-site shipments of hazardous waste from their points of generation to their ultimate destinations. (EPA photo)

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Office of Inspector General U.S. Environmental Protection Agency **At a Glance**

22-F-0015
December 29, 2021

Why We Did This Audit

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 the accompanying financial statements of the EPA's Hazardous Waste Electronic Manifest System 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, regulations, contracts, and grant agreements.

The Act also requires the OIG to analyze the fees collected and disbursed, fee structure, level of use of the system, and success of the system in operating on a self-sustaining basis.

This audit supports an EPA mission-related effort:

- *Operating efficiently and effectively.*

This audit addresses a top EPA management challenge:

- *Managing infrastructure funding and business operations.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG_WEBCOMMENTS@epa.gov.

[List of OIG reports.](#)

EPA's Fiscal Years 2020 and 2019 Hazardous Waste Electronic Manifest System Fund Financial Statements

EPA Receives a Qualified Opinion

We rendered a qualified opinion on the EPA's fiscal years 2020 and 2019 Hazardous Waste Electronic Manifest System Fund, known as the e-Manifest Fund, financial statements, meaning that, except for material differences in accounts receivable and earned revenue, the fiscal year 2020 financial statements were fairly presented.

We found the fund's financial statements, except for accounts receivable and earned revenue, to be fairly presented.

Material Weaknesses and Significant Deficiency Noted

We noted the following material weaknesses:

- The EPA continued to make errors in its financial statement preparation process.
- The EPA did not have adequate internal control over accounts receivable and earned revenue.

We noted the following significant deficiency: the EPA misstated its appropriated balances.

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

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

Other Governmental Reporting Requirements

During our user fee analysis, we identified various errors and discrepancies in EPA-provided billing data that limited our ability to perform certain audit requirements of the Hazardous Waste Electronic Manifest Establishment Act.

Recommendations and Planned Agency Corrective Actions

We recommend that the chief financial officer, in coordination with the assistant administrator for Land and Emergency Management, enhance internal control over accounting for expenses recorded under fund codes so that appropriation balances are accurate. The EPA provided acceptable planned corrective actions in response to this recommendation. This recommendation is resolved with corrective actions pending. We also recommend that the chief financial officer correct the expenses recorded in excess of appropriated balances. The EPA completed corrective actions in response to this recommendation. These recommendations address a significant deficiency finding related to misstated appropriation balances.



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

OFFICE OF
INSPECTOR GENERAL

December 29, 2021

MEMORANDUM

SUBJECT: EPA's Fiscal Years 2020 and 2019 Hazardous Waste Electronic Manifest System Fund
Financial Statements
Report No. 22-F-0015

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

A handwritten signature in black ink, appearing to read "Paul C. Curtis", is placed to the right of the "FROM:" field.

TO: Faisal Amin, Chief Financial Officer

This is our report on the subject audit conducted by the Office of the Inspector General of the U.S. Environmental Protection Agency. The project number for this audit was [OA-FY21-0079](#). This report contains findings that describe the problems the OIG has identified and the corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of the Chief Financial Officer is responsible for the issues presented in this report.

In accordance with EPA Manual 2750, your office completed corrective actions for Recommendation 2. Your office also provided acceptable planned corrective actions and estimated milestone dates in response to Recommendation 1. This recommendation is resolved with corrective actions pending. No final response to this report is required. If you submit a response, however, 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.

cc: Barry Breen, Acting Assistant Administrator, Office of Land and Emergency Management

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Inspector General's Report on EPA's Fiscal Years 2020 and 2019 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, 2020, and September 30, 2019; the related statements of net cost and changes in net position; the statement of budgetary resources for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 of America; the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the comptroller general of the United States of America; and Office of Management and Budget Bulletin 21-04, *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 from 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Attachment 1, the EPA made material errors of approximately \$1.7 million (net) in its fiscal year 2020 Accounts Receivable and Earned Revenue financial statement line items. The EPA adjusted its FY 2020 Accounts Receivable and Earned Revenue financial statement line items to correct posting errors by approximately \$3.1 million. The EPA did not adjust for the remaining difference of \$1.4 million. Accordingly, accounts receivable and earned revenue are overstated by approximately \$1.4 million as of and for the year ended September 30, 2020.

Qualified Opinion

In our opinion, except for the effects on the FY 2020 financial statements of the matter described in the Basis for Qualified Opinion paragraph, 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 EPA's e-Manifest Fund as of and for the years ended September 30, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

Opinion on Internal Control. In planning and performing our audit of the financial statements of the e-Manifest Fund as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the fund's internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements and to comply with Office of Management and Budget's audit guidance, but not to express an opinion on the effectiveness of the fund's internal control. Accordingly, we do not express an opinion on internal control over financial reporting.

Material Weaknesses and Significant Deficiencies. Our consideration of the internal control was for the limited purpose of expressing an opinion on the fund's financial statements and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, such deficiencies in internal control may exist that were not identified during the course of our audit. 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.

We noted two matters that we consider to be material weaknesses and one matter that we consider to be a significant deficiency. These issues are summarized below and detailed in Attachments 1 and 2.

Material Weaknesses

EPA Continued to Make Errors in Its Financial Statement Preparation Process

We continued to find multiple errors and misstatements in the fund's financial statements. The Office of Management and Budget requires that information in the financial statements be presented in accordance with generally accepted accounting principles. During their financial statement preparation process, EPA personnel did not detect and correct various errors and misstatements as described in Attachment 1. Not properly recording financial transactions and exercising due diligence in preparing financial statements compromise the accuracy of the financial statements and the reliance on them to be free of material misstatement.

EPA Did Not Have Adequate Internal Controls Over Accounts Receivable and Earned Revenue

We found that the EPA made material errors of \$1,736,348 in its Accounts Receivable and Earned Revenue financial statement line items.

Specifically, the EPA misstated Accounts Receivable and Earned Revenue by:

- Recording September 2019 billings in FY 2020 that should have been recorded in FY 2019 and not recording September 2020 billings in FY 2020.
- Including prior months' outstanding amounts in the current months' billings.
- Preparing an inaccurate billing summary.
- Not analyzing the facility account status and adjustments.

These misstatements occurred due to inadequate internal control, such as a lack of integrated billing and financial systems, reliance on manual workarounds, and ineffective management review and analysis. Federal standards require a system of internal control to ensure accurate recording of transactions and events. The e-Manifest billing system was not integrated with the EPA's financial system used for financial reporting. Based on our analysis of the EPA's e-Manifest billings and the number of errors we found, we do not believe that the billing data can be relied upon to provide accurate information to support the financial statements.

Significant Deficiency

EPA Misstated Its Appropriated Balances

We found that the EPA recorded expenses totaling \$390,842 that misstated its appropriations balance. The EPA attempted to correct these expenses by recording an adjustment that created an abnormal balance—a negative balance that we would not expect to be negative—in the Appropriations Used financial statement line item. Federal standards for internal control require accurate recording of transactions and events. The EPA recorded the transactions as expenses from appropriated amounts, but they were covered by e-Manifest fees, which are not appropriated. If this error had not been corrected, the misstatement would have made it appear that the EPA violated the Antideficiency Act by authorizing expenditures that exceeded the available appropriations.

Attachment 3 contains the status of issues reported in prior years' reports on the fund's financial statements. The issues included in Attachment 3 should be considered among the material weaknesses for FY 2020. We reported less significant internal control matters to the Agency during the course of the audit. We will not issue a separate management letter.

Comparison of EPA's Federal Managers' Financial Integrity Act Report with Our Evaluation of Internal Control

Office of Management and Budget Bulletin 21-04 requires the OIG to compare material weaknesses disclosed during the audit with those material weaknesses reported in the Agency's Federal Managers' Financial Integrity Act report that relate to the financial statements and identify material weaknesses disclosed by the audit that were not reported in the Agency's report. The Agency's report is prepared and submitted at the consolidated level, of which the e-Manifest Fund is a component. Accordingly, there are no findings to report at the e-Manifest Fund level.

Report on 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. However, since this testing was limited in scope, we did not issue a related opinion, as stated below.

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.

Other Governmental Reporting Requirements

Specific Audit Requirements of the Hazardous Waste Electronic Manifest Establishment Act

The Hazardous Waste Electronic Manifest Establishment Act, known as the e-Manifest Act, at 42 U.S.C. § 6939g, requires the OIG to perform 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 EPA received \$24.5 million in fee collections in FY 2020. The EPA is required, under the Further Consolidated Appropriations Act, 2020, to reduce the appropriation provided by Congress for necessary expenses to carry out the e-Manifest system by the amount of offsetting collections. The Agency reimbursed the U.S. Department of the Treasury \$8 million from e-Manifest fees collected in FY 2020 to cover the amount Congress previously appropriated for expenses incurred.

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. Pursuant to 40 C.F.R. § 264.1313(a), the EPA is required to revise the e-Manifest user fees at two-year intervals by using the applicable fee-calculation formula, the most recent program cost, and manifest usage numbers. The EPA is also required to publish the revised fee schedules through the e-Manifest program website by July 1 of each odd-numbered calendar year. Table 1 compares the fees per manifest that were effective during FYs 2019 and 2020.

Table 1: Comparison of FYs 2019 and 2020 fees by manifest type

Manifest type	FY 2019 fee per manifest	FY 2020 fee per manifest	Fee increase percentage
Fully electronic and hybrid	\$5.00	\$8.00	60.00%
Data plus image upload	6.50	14.00	115.38%
Scanned image upload	10.00	20.00	100.00%
Mailed paper	15.00	25.00	66.67%

Source: FY 2020 and FY 2019 fee rates published on the EPA's website. (EPA OIG table)

The fee per manifest increased significantly in FY 2020, and the new rates were effective until FY 2021. The EPA stated that the increase was due to various factors impacting the fee model, such as changes in projected manifest usage and current and projected costs. According to the EPA, it expected a reduction in manifest usage volume during FYs 2020 and 2021 based on changes in state regulation of state wastes manifest requirements. The EPA also anticipated a greater shift from mailed paper manifests toward the other three submission types. As of June 30, 2021, the EPA no longer accepted mailed paper manifests.

Level of Use of the System

When the e-Manifest system was launched on June 30, 2018, the EPA estimated that it would receive approximately three million manifests annually. According to the EPA, actual data on manifest usage were unavailable because, prior to the launch of the e-Manifest system, there was no national collection of manifests. The Agency relied on manifest usage estimates from industry and other data sources. For FY 2020, the EPA revised its estimate to approximately two million manifests annually.

During our analysis of EPA-provided billing data, we identified various errors and discrepancies impacting the total number of manifests billed in FY 2020. As a result, we do not believe that the data

can be relied upon to analyze the level of use of the e-Manifest system. Further details on this finding are in Attachment 1.

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

The e-Manifest Act requires the EPA to recover the full cost of providing system-related services. Based on FY 2020 financial data, the EPA incurred \$25.8 million in program costs. We identified various errors and discrepancies impacting the revenue earned in FY 2020. Attachment 1 contains details on this finding. We could not rely on the billing data to determine the success of the e-Manifest system in operating on a self-sustaining basis and improving the efficiency of tracking waste shipments and transmitting waste shipment data.

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 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is management's responsibility. 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.

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.

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.

Prior Audit Coverage

During our prior year e-Manifest Fund financial statement audit—Report No. [21-F-0045](#), *EPA's Fiscal Years 2019 and 2018 Hazardous Waste Electronic Manifest System Fund Financial Statements*, issued January 5, 2021—we reported three material weaknesses:

- The EPA made errors in its financial statement preparation process.
- The EPA improperly recorded accounts receivable and earned revenue.
- An EPA posting error created the appearance of an Antideficiency Act violation.

The Agency agreed with those findings and recommendations. The estimated completion date for the corrective actions related to the errors made in the financial statement preparation process, as well as the improper recording of receivables and earned revenues, was originally September 30, 2021; subsequently, the Agency revised the estimated completion date to March 31, 2022. The EPA has completed all corrective actions related to the posting error that created the appearance of an Antideficiency Act violation.

A handwritten signature in black ink, appearing to read "Paul C. Curtis". The signature is fluid and cursive, with the first name "Paul" being the most prominent.

Paul C. Curtis
Certified Public Accountant
Director, Financial Directorate
Office of Audit
Office of Inspector General
U.S. Environmental Protection Agency
December 2, 2021

Material Weaknesses

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2	EPA Did Not Have Adequate Internal Control Over Accounts Receivable and Earned Revenue	11

1—EPA Continued to Make Errors in Its Financial Statement Preparation Process

We continued to find multiple errors and misstatements in the fund’s financial statements. The Office of Management and Budget requires that information in the financial statements be presented in accordance with generally accepted accounting principles. During their financial statement preparation process, EPA personnel did not detect and correct various errors and misstatements. Not properly recording financial transactions and exercising due diligence in preparing financial statements compromise the accuracy of the financial statements and the reliance on them to be free of material misstatement.

Office of Management and Budget Circular A-136, *Financial Reporting Requirements*, section II.3.1, requires that information in the financial statements be presented in accordance with generally accepted accounting principles for federal entities issued by the Federal Accounting Standards Advisory Board’s *Statement of Federal Financial Accounting Standards*. The U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government* defines the five components of internal control in government. With respect to the “control activities” component, this document states that “management should design control activities to achieve objectives and respond to risks.” The standard for control activities requires appropriate documentation of transactions and internal controls. Management is to clearly document internal control, all transactions, and other significant events in a manner that allows the documentation to be readily available for examination. The standard for control activities also requires management to design controls for the accurate and timely recording of transactions and events.

We found that the EPA misreported accounts receivable, earned revenue, and appropriations in its financial statements. We reported similar issues in a prior year audit: OIG Report No. [21-F-0045](#), *EPA’s Fiscal Years 2019 and 2018 Hazardous Waste Electronic Manifest System Fund Financial Statements*, dated January 5, 2021. We also found various errors in the financial statements. The EPA:

- **Did not have adequate internal control over accounts receivable and earned revenue.** We found that the EPA made material errors, totaling at least \$1,736,348, in recording Accounts Receivable and Earned Revenue due to inadequate internal control, such as a lack of integrated billing and financial systems, reliance on manual workarounds, and ineffective management review and analysis.
- **Misstated its appropriations balance.** We found that the EPA posted transactions and one adjustment that misstated the appropriations balance, creating the appearance of an Antideficiency Act violation.
- **Made errors in footnote disclosures.** We found that the EPA did not use the correct prior year reported balances in its “Reconciliation of Net Cost of Operations to Budget” footnote. In addition, the FY 2019 indirect cost rate in its “Income and Expenses from Other Appropriations” footnote should have been 15.6 percent instead of 17.0 percent. The EPA also erroneously reported withholdings and employer contributions payable that are not retained by the Agency in its “Payroll and Benefits Payable” footnote.

During their financial statement preparation process, EPA personnel did not detect and correct the errors and misstatements stated above. After we conducted account analyses of the activity and

questioned the Agency, staff stated that the EPA would prepare additional adjustments and revise the current adjustments to correct the material errors and misstatements we found. Had it not been for our inquiries, material errors would have impacted the financial statements. These issues highlight the need for the EPA to strengthen its processes so that amounts and accounts are accurate and properly posted and comply with federal accounting standards.

Failure to properly record accounting transactions and exercise due diligence in the preparation and management review of the financial statements compromises the accuracy of the financial statements and the reliance on them to be free of material misstatement.

We reported similar findings regarding the EPA making errors in its financial statements process in OIG Report No. [21-F-0045](#), *EPA's Fiscal Years 2019 and 2018 Hazardous Waste Electronic Manifest System Fund Financial Statements*, dated January 5, 2021. In that report, we recommended that the chief financial officer:

- Strengthen and improve the preparation and management review of the financial statements so that errors and misstatements are detected and corrected.
- Analyze adjustments and corrections to the financial statements so that such adjustments are appropriate, accurate, and properly supported by documentation.

The EPA concurred with those recommendations and provided acceptable planned corrective actions. The EPA's estimated completion date for corrective actions was originally September 30, 2021; subsequently, the Agency revised the estimated completion date to March 31, 2022. Because the EPA is working on completing its corrective actions, we are not issuing additional recommendations regarding the findings outlined above.

2—EPA Did Not Have Adequate Internal Control Over Accounts Receivable and Earned Revenue

We found that the EPA made material errors of \$1,736,348 in its Accounts Receivable and Earned Revenue financial statement line items. Specifically, the EPA misstated Accounts Receivable and Earned Revenue by:

- Recording September 2019 billings in FY 2020 that should have been recorded in FY 2019 and not recording September 2020 billings in FY 2020.
- Including prior months' outstanding amounts in the current months' billings.
- Preparing an inaccurate billing summary.
- Not analyzing the facility account status and adjustments.

These misstatements occurred due to inadequate internal control, such as a lack of integrated billing and financial systems, reliance on manual workarounds, and ineffective management review and analysis. Federal standards require a system of internal control to ensure accurate recording of transactions and events. The e-Manifest billing system was not integrated with the EPA's financial system used for financial reporting. Based on our analysis of the EPA's e-Manifest billings and the number of errors we found, we do not believe that the billing data can be relied upon to provide accurate information to support the financial statements.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* defines the five components of internal control in government. Per the standard for control activities, "management designs control activities so that all transactions are completely and accurately recorded." It also states:

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

Statement of Federal Financial Accounting Standards 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, (e.g., taxes not received by the date they are due), or goods or services provided. If the exact amount is unknown, a reasonable estimate should be made.

Statement of Federal Financial Accounting Standards 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, states:

Exchange revenues arise when a Government entity provides goods and services to the public or to another Government entity for a price. Another term for "exchange revenue" is "earned revenue."

The e-Manifest system is not integrated with Compass Financials, the EPA's financial system. In order to facilitate recording e-Manifest billings in its Compass Financials, the EPA has implemented a manual journal-entry process. The Office of Land and Emergency Management compiles monthly aggregate billings on a manually prepared spreadsheet to summarize monthly billings. The OLEM then provides the billing summary to the Office of the Chief Financial Officer to post to Compass Financials. The OLEM bills those facilities with an active account status based on total manifests processed through the e-Manifest system during the month prior to the billings. Such bills include current fees owed; outstanding fees; and late fees, if any. The OLEM does not submit invoices to facilities with an inactive account status. The facility account status is determined by the states.

During our audit work, we found that the EPA made the following material errors:

- The EPA improperly recorded \$1,338,204 of September 2019 billings in October 2019 that it should have recorded in FY 2019. Further, it did not record \$1,911,761 of September 2020 billings until October 2020. The two errors resulted in misstatements in Accounts Receivable and Earned Revenue of approximately \$573,557. The EPA did not analyze the billings and did not detect the misstatement during its review process.
- The EPA compounded its monthly billings. The EPA recorded entire invoice amounts, which included prior months' outstanding fees, instead of recording only current fees owed. It did not analyze and reconcile the billings to determine the appropriate amount to record in its Accounts Receivable and Earned Revenue. Recording the entire invoice amount on the bills each month overstated FY 2020 Accounts Receivable and Earned Revenue.
- The EPA misstated its February 2020 Accounts Receivable by approximately \$1,162,791. The OLEM mistakenly submitted its monthly billing summary spreadsheet with an inaccurate amount of \$2,191,801 for February 2020 billings to the Office of the Chief Financial Officer for recording the accounts receivable. The OLEM stated the amount should have been \$3,354,592.
- The EPA did not bill all applicable facilities, and its billing summary spreadsheet was not reliable. The OLEM provided us with inconsistent e-Manifest data about account statuses for some facilities and billing adjustments. Our analysis revealed that the billings for some facilities were different from the amounts due per the OLEM. The OLEM initially informed us that the discrepancies we identified were due to an omission of the billings for inactive facilities that it should have billed and recorded in the accounts receivable. Upon several inquiries, the OLEM modified its response stating that it had billed the majority of the inactive facilities and collected fees except for one facility. The omission of the billings for the active facilities could misstate the Accounts Receivable and Earned Revenue if not detected. Prior to our inquiries, the EPA did not detect that it had not billed all applicable facilities. In addition, the OLEM stated that some differences identified in our analysis were due to the adjustments given to the facilities that it did not initially identify in the information it provided to us. The OLEM provided explanations regarding some of the differences but we continued to find additional discrepancies.

Based on our analysis of the EPA's e-Manifest billings and the errors described above, we conclude that the billing spreadsheet cannot be relied upon to provide accurate information to support the financial statements. Also, without adequate controls over (1) recording billings in the appropriate fiscal years, (2) recording the correct billing amount each month, (3) providing an accurate billing summary to the Office of the Chief Financial Officer, and (4) analyzing facility account statuses and adjustments, the EPA

distorted its accounts receivable and earned revenue. Inadequate internal control over financial reporting could decrease reliability in the financial statements.

We reported findings about recording the Accounts Receivable in the inappropriate fiscal year and inaccurate billings in OIG Report No. [21-F-0045](#). We recommended that the chief financial officer record Accounts Receivable and Earned Revenue in the appropriate fiscal year. We also recommended that the chief financial officer, in coordination with the assistant administrator for Land and Emergency Management, analyze e-Manifest billings so that Accounts Receivable and Earned Revenue are recorded accurately. The EPA concurred with our recommendations and provided acceptable planned corrective actions. The EPA's estimated completion date for corrective actions was originally September 30, 2021; subsequently, the Agency revised the estimated completion date to March 31, 2022. Part of the Agency's corrective action plan included the integration of the e-Manifest billing system and Compass Financials. The EPA indicated that the integration of these systems will not be complete until March 2022.

We are not reporting new recommendations for this finding since our earlier recommendations to correct errors in Accounts Receivable and Earned Revenue misstatements remain outstanding.

Significant Deficiency

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1—EPA Misstated Its Appropriated Balances

We found that the EPA recorded expenses totaling \$390,842 that misstated its appropriations balance. The EPA attempted to correct these expenses by recording an adjustment that created an abnormal balance—a negative balance that we would not expect to be negative—in the Appropriations Used financial statement line item. Federal standards for internal control require accurate recording of transactions and events. The EPA recorded the transactions as expenses from appropriated amounts, but they were covered by e-Manifest fees, which are not appropriated. If this error had not been corrected, the misstatement would have made it appear that the EPA violated the Antideficiency Act by authorizing expenditures that exceeded the available appropriations.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* defines the five components of internal control in government. The standard for control activities requires accurate and timely recording of transactions and events.

The Antideficiency Act, at 31 U.S.C. § 1341(a)(1)(A), states:

[A]n officer or employee of the United States Government ... may not ... make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.

We found that the EPA misstated e-Manifest appropriations by processing transactions totaling \$390,842 over the appropriated balance. The EPA recorded an adjustment in its financial statements to remove the impact of these transactions. However, this adjustment created a negative balance in the Appropriations Used financial statement line item. The Appropriations Used line item represents the balance of expended appropriations for the year presented. When the Appropriations Used balance is negative, it indicates that the EPA made erroneous charges or violated the Antideficiency Act by exceeding the Agency's available appropriations.

According to the Agency, the purpose of the adjustment was to remove spending in excess of appropriated balances of \$390,842 in the general ledger. EPA staff stated that expenses did not exceed the available funding for e-Manifest, but that the adjustment was needed to correct the general ledger account balances. These expenses, according to EPA staff, were covered through e-Manifest fees that the Agency collects from the public. The e-Manifest fees are not appropriated, and the EPA records them under general ledger accounts that do not impact the appropriated amounts. Also, the EPA uses fund code "M" to track spending from appropriated amounts and fund code "M3F" to track spending from e-Manifest fees. Upon further analysis, we found that the EPA recorded expenses in its financial system under fund code "M" that, according to the EPA, were covered by e-Manifest fees.

The EPA also stated that its staff identified an abnormal balance in the Appropriations Used financial statement line item and believed it to be a result of trying to adjust multiple years of activity in FY 2020. The Agency made the decision to submit the financial statements to the OIG with the abnormal balance in the Appropriations Used line item. Based on our analysis, the transactions included in the adjustment that caused the abnormal balance were expenses recorded in FY 2020.

By not properly recording e-Manifest expenses and tracking balances at the fund level, the EPA misstated its appropriations balance. The negative balance in the Appropriations Used financial statement line item, if it had not been corrected, makes it appear that the EPA violated the Antideficiency Act by authorizing expenditures that exceeded the available appropriations.

We reported findings about errors in the EPA's financial statements preparation process, as well as posting errors that create the appearance of an Antideficiency Act violation in OIG Report No. [21-F-0045](#). At that time, we recommended that the chief financial officer:

- Strengthen and improve the preparation and management review of the financial statements so that errors and misstatements are detected and corrected.
- Analyze adjustments and corrections to the financial statements so that such adjustments are appropriate, accurate, and properly supported by documentation.

The recommendations described above address our FY 2020 e-Manifest financial statements audit findings. The EPA concurred with our recommendations and provided acceptable planned corrective actions. The EPA's estimated completion date for corrective actions was originally September 30, 2021; subsequently, the Agency revised the estimated completion date to March 31, 2022.

Recommendations

We recommend that the chief financial officer, in coordination with the assistant administrator for Land and Emergency Management:

1. Enhance internal controls over accounting for expenses recorded under fund codes so that appropriation balances are accurate. Specifically, the EPA needs to implement preventative controls, so fund expenses are properly coded when processed, and implement detective controls at the fund level to ensure fee-based expenses and appropriations-based expenses are properly segregated, reconciled, and recorded in the general ledger.

We recommend that the chief financial officer:

2. Correct the expenses recorded in excess of appropriated balances.

Agency Response and OIG Assessment

The Agency concurred with our recommendations and provided acceptable planned corrective actions with an estimated completion date of September 30, 2022, in response to Recommendation 1. This recommendation is resolved. The EPA completed corrective actions in response to Recommendation 2.

The Agency's response to our draft report is in Appendix B.

Status of Prior Audit Report Recommendations

We identified material weaknesses in our financial statement audit that remain outstanding. Table 3-1 describes the recommendations from a previous financial statement audit for which agreed-to corrective actions have not been completed.

Table 3-1: Material weaknesses resolved with corrective action pending

<p>EPA Made Errors in Its Financial Statement Preparation Process</p> <p>During our FY 2019 audit, we found multiple instances in which the EPA had major misstatements of its financial transactions and financial statements.</p> <p>We recommended that the chief financial officer (1) strengthen and improve the preparation and management review of the financial statements so that errors and misstatements are detected and corrected and (2) analyze adjustments and corrections to the financial statements so that such adjustments are appropriate, accurate, and properly supported by documentation.</p> <p>The EPA agreed with our findings and recommendations. The EPA's estimated completion date for corrective actions was originally September 30, 2021; subsequently, the Agency revised the estimated completion date to March 31, 2022. We continued to find material errors in the EPA's financial statement preparation process during our FY 2020 audit. Attachment 1 contains further details on our findings.</p>
<p>EPA Improperly Recorded Accounts Receivable and Earned Revenue</p> <p>During our FY 2019 audit, we found that the Agency made two material errors in recording accounts receivable and earned revenue. The Agency improperly recorded \$1.187 million in billings during FY 2019. We also found that the Agency did not record \$1.338 million of September 2019 billings until October 2019. The Agency recorded accounts receivable and earned revenue without analyzing the e-Manifest bills, erroneously compounding its monthly billings. Also, the Agency believed that the September 2019 billings represented FY 2020 accounts receivable and earned revenue. While the two errors offset to only approximately \$151,000, the compounding effect of the errors, if left undetected, could materially distort e-Manifest accounts receivable and earned revenue, as well as decrease confidence in the quality of the fund's financial statements.</p> <p>We recommended that the chief financial officer record accounts receivable and earned revenue in the appropriate fiscal year. We also recommended that the chief financial officer, in coordination with the assistant administrator for Land and Emergency Management, analyze e-Manifest billings so that accounts receivable and earned revenue are recorded accurately.</p> <p>The EPA agreed with our findings and recommendations. The Agency's estimated completion date for corrective actions was originally September 30, 2021; subsequently, the EPA revised the estimated completion date to March 31, 2022. We continued to find material errors in the EPA's recording of accounts receivable and earned revenue during our FY 2020 audit. Attachment 1 contains further details on our findings.</p>

Source: OIG analysis of prior year recommendations, findings, and Agency corrective actions. (EPA OIG table)

Status of Recommendations

RECOMMENDATIONS					
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date
1	16	In coordination with the assistant administrator for Land and Emergency Management, enhance internal controls over accounting for expenses recorded under fund codes so that appropriation balances are accurate. Specifically, the EPA needs to implement preventative controls, so fund expenses are properly coded when processed, and implement detective controls at the fund level to ensure fee-based expenses and appropriations-based expenses are properly segregated, reconciled, and recorded in the general ledger.	R	Chief Financial Officer	9/30/22
2	16	Correct the expenses recorded in excess of appropriated balances.	C	Chief Financial Officer	6/2/21

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, 2020
and 2019 Hazardous Waste Electronic Manifest
System Fund (e-Manifest) Financial Statements***

**For the Fiscal Years Ending September 30, 2020 and 2019
Hazardous Waste Electronic Manifest System Fund (e-Manifest)
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, \$50 million annually, once electronic manifests are widely adopted. In FY 2020, EPA received ~1.8 million manifests.

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 on 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 the 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 Administration's (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.

In September 2015, as part of the agile development focus, 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 has 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, 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 2020

- September 2015– initial system functionality completed.
- Spring of 2016 – minimal viable product development.
- Spring through fall of 2016 – early full-scale development.
- Fall of 2016 through winter of 2018 – rolling iterative releases/testing of system.
- Winter 2018 – finalize user fee rule
- June 30, 2018 System Launch
- Continued development, enhancements and user outreach
- Summer 2019 – update user fees
- Winter 2020 – deployed updated electronic signature approach
- Summer 2021 – update user fees

Principal Financial Statements

U.S. Environmental Protection Agency
Hazardous Waste Electronic Manifest System Fund
Balance Sheet
As of September 30, 2020 and 2019
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 10,790	\$ 8,029
Other (Note 4)	<u>11</u>	<u>55</u>
Total Intragovernmental	10,801	8,084
Accounts Receivable, Net (Note 3)	6,167	1,338
General Property, Plant and Equipment, Net (Note 6)	<u>3,624</u>	<u>5,008</u>
Total Assets	<u>\$ 20,592</u>	<u>\$ 14,430</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities (Note 5)	\$ 57	\$ 58
Other (Note 7)	<u>9</u>	<u>3</u>
Total Intragovernmental	66	61
Accounts Payable and Accrued Liabilities (Note 5)	2,948	748
Payroll and Benefits Payable (Note 10)	<u>318</u>	<u>143</u>
Total Liabilities	<u>\$ 3,332</u>	<u>\$ 952</u>
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections	\$ 94	\$ 186
Cumulative Results of Operations - Funds from Dedicated Collections	<u>17,166</u>	<u>13,292</u>
Total Net Position	17,260	13,478
Total Liabilities and Net Position	<u>\$ 20,592</u>	<u>\$ 14,430</u>

The accompanying notes are an integral part of these financial statements
EPA's FY 2020 e-Manifest Financial Statements

6.

U.S. Environmental Protection Agency
Hazardous Waste Electronic Manifest System Fund
Statement of Net Cost
For the Fiscal Years Ended September 30, 2020 and 2019
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
COSTS		
Gross Costs	\$ 25,818	\$ 13,896
Expenses from Other Appropriations (Note 11)	4,379	2,139
Less:		
Earned Revenue	<u>29,374</u>	<u>15,265</u>
NET COST OF OPERATIONS (Notes 13 and 14)	\$ <u>823</u>	\$ <u>770</u>

The accompanying notes are an integral part of these financial statements
EPA's FY 2020 e-Manifest Financial Statements

7.

U.S. Environmental Protection Agency
Hazardous Waste Electronic Manifest System Fund
Statement of Changes in Net Position
For the Fiscal Years Ended September 30, 2020 and 2019
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Cumulative Results of Operations:		
Net Position - Beginning of Period	\$ 13,292	\$ 8,060
Budgetary Financing Sources:		
Appropriations Used	92	3,665
Transfers In/Out	23	8
Income from Other Appropriations (Note 11)	<u>4,379</u>	<u>2,139</u>
Total Budgetary Financing Sources	4,494	5,812
Other Financing Sources (Non-Exchange)		
Imputed Financing Sources	<u>203</u>	<u>190</u>
Total Other Financing Sources	203	190
Net Cost of Operations	\$ (823)	\$ (770)
Net Change	<u>3,874</u>	<u>5,232</u>
Cumulative Results of Operations	<u>\$ 17,166</u>	<u>\$ 13,292</u>
	<u>2020</u>	<u>2019</u>
Unexpended Appropriations:		
Net Position - Beginning of Period	\$ 186	\$ 3,851
Budgetary Financing Sources:		
Appropriations Used	<u>(92)</u>	<u>(3,665)</u>
Total Budgetary Financing Sources	(92)	(3,665)
Total Unexpended Appropriations	<u>94</u>	<u>186</u>
TOTAL NET POSITION	<u>\$ 17,260</u>	<u>\$ 13,478</u>

The accompanying notes are an integral part of these financial statements
EPA's FY 2020 e-Manifest Financial Statements

8.

U.S. Environmental Protection Agency
Hazardous Waste Electronic Manifest System Fund
Statement of Budgetary Resources
For the Fiscal Years Ended September 30, 2020 and 2019
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
BUDGETARY RESOURCES		
Unobligated Balance From Prior Year Budget Authority, Net (discretionary and mandatory)	\$ 2,104	\$ 931
Spending Authority from Offsetting Collections (discretionary and mandatory)	<u>24,551</u>	<u>15,581</u>
Total Budgetary Resources	<u>\$ 26,655</u>	<u>\$ 16,512</u>
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward adjustments (total)	\$ 20,465	\$ 14,486
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	5,909	1,764
Expired Unobligated Balance, End of Year	<u>281</u>	<u>262</u>
Unobligated Balance, End of Year (total): (Note 8)	<u>6,190</u>	<u>2,026</u>
Total Status of Budgetary Resources	<u>\$ 26,655</u>	<u>\$ 16,512</u>
OUTLAYS, NET		
Outlays, Net (total) (discretionary and mandatory)	\$ <u>(2,761)</u>	\$ <u>(4,147)</u>
Agency Outlays, Net (discretionary and mandatory)	<u>\$ (2,761)</u>	<u>\$ (4,147)</u>

The accompanying notes are an integral part of these financial statements
EPA's FY 2020 e-Manifest Financial Statements

9.

U.S. Environmental Protection Agency
Hazardous Waste Electronic Manifest System Fund
Notes to the Financial Statements
Fiscal Years Ended September 30, 2020 and September 30, 2019
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The EPA was created in 1970 by executive reorganization from various components of other federal agencies to better marshal and coordinate federal pollution control efforts. The Agency is generally organized around the media and substances it regulates - air, water, 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 2020 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

For fiscal year 2020 the e-Manifest fund was funded through offsetting collections. For fiscal year 2019 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 is the official standard-setting body for the Federal Government and the American Institute of Certified Public Accountants (AICPA). The financial statements are prepared in accordance with GAAP for federal entities.

U.S. Environmental Protection Agency
Hazardous Waste Electronic Manifest System Fund
Notes to the Financial Statements
Fiscal Years Ended September 30, 2020 and September 30, 2019
(Dollars in Thousands)

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds posted in accordance with OMB directives and the U.S. Treasury regulations.

E. Revenues and Other Financing Sources

For fiscal years 2020 and 2019 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.

G. 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.

H. 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 authorized for retention. 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. Liabilities of the Agency arising from other than contracts can be abrogated by the Government acting in its sovereign capacity.

I. 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.

U.S. Environmental Protection Agency
Hazardous Waste Electronic Manifest System Fund
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J. Retirement Plan

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

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

K. 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, including environmental and grant liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

L. Reclassifications and Comparative Figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised August 27, 2020.

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Note 2. Fund Balance With Treasury (FBWT)

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

	<u>2020</u>			<u>2019</u>		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Revolving Funds:						
E-Manifest	\$ 10,790	\$ -	\$ 10,790	\$ 8,029	\$ -	\$ 8,029
Total	<u>\$ 10,790</u>	<u>\$ -</u>	<u>\$ 10,790</u>	<u>\$ 8,029</u>	<u>\$ -</u>	<u>\$ 8,029</u>

Status of Fund Balances:

	<u>2020</u>	<u>2019</u>
Unobligated Amounts in Fund Balance:		
Available for Obligation	\$ 6,452	\$ 2,580
Obligated Balance not yet Disbursed	<u>4,338</u>	<u>5,449</u>
Total	<u>\$ 10,790</u>	<u>\$ 8,029</u>

Note 3. Accounts Receivable, Net

Accounts Receivable as of September 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Non-Federal:		
Accounts & Interest Receivable	\$ 6,171	\$ 1,338
Less: Allowance for Uncollectible	<u>(4)</u>	<u>-</u>
Total	<u>\$ 6,167</u>	<u>\$ 1,338</u>

Note 4. Other Assets

Other Assets as of September 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Intragovernmental:		
Advances to Working Capital Fund	\$ 11	\$ 55
Total	<u>\$ 11</u>	<u>\$ 55</u>

U.S. Environmental Protection Agency
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Note 5. Accounts Payable and Accrued Liabilities

The Accounts Payable and Accrued Liabilities are current liabilities and consist of the following amounts as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Intragovernmental:		
Accounts Payable	\$ -	\$ 2
Accrued Liabilities	<u>57</u>	<u>56</u>
Total	<u>\$ 57</u>	<u>\$ 58</u>
	<u>2020</u>	<u>2019</u>
Non-Federal:		
Accounts Payable	\$ 1,228	\$ -
Advances Payable	-	(2)
Other Accrued Liabilities	<u>1,720</u>	<u>750</u>
Total	<u>\$ 2,948</u>	<u>\$ 748</u>

Note 6. General Property, Plant and Equipment, Net

As of September 30, 2020, General PP&E Cost consisted of the following:

	<u>2020</u>						
	<u>EPA- Held Equipment</u>	<u>Software (production)</u>	<u>Software (development)</u>	<u>Contractor Held Equipment</u>	<u>Land and Buildings</u>	<u>Capital Leases</u>	<u>Total</u>
Balance, Beginning of Year	\$ -	\$ 6,907	\$ -	\$ -	\$ -	\$ -	\$ 6,907
Balance, End of Year	\$ -	\$ 6,907	\$ -	\$ -	\$ -	\$ -	\$ 6,907

U.S. Environmental Protection Agency
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As of September 30, 2020, General PP&E Accumulated Depreciation consisted of the following:

	2020						
	<u>EPA- Held Equipment</u>	<u>Software (production)</u>	<u>Software (development)</u>	<u>Contractor Held Equipment</u>	<u>Land and Buildings</u>	<u>Capital Leases</u>	<u>Total</u>
Balance, Beginning of Year	\$ -	\$ 1,899	\$ -	\$ -	\$ -	\$ -	\$ 1,899
Depreciation Expense	-	1,384	-	-	-	-	1,384
Balance, End of Year	<u>\$ -</u>	<u>\$ 3,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,283</u>

As of September 30, 2020, General PP&E, Net consisted of the following:

	2020						
	<u>EPA- Held Equipment</u>	<u>Software (production)</u>	<u>Software (development)</u>	<u>Contractor Held Equipment</u>	<u>Land and Buildings</u>	<u>Capital Leases</u>	<u>Total</u>
Balance, End of Year, Net	<u>\$ -</u>	<u>\$ 3,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,624</u>

Note 7. Other Liabilities

Other Liabilities consist of the following as of September 30, 2020:

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
Current			
Employer Contributions & Payroll Taxes	\$ 9	\$ -	\$ 9
Total Intragovernmental	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 9</u>

U.S. Environmental Protection Agency
Hazardous Waste Electronic Manifest System Fund
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Other Liabilities consist of the following as of September 30, 2019:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Current			
Employer Contributions & Payroll Taxes	\$ 3	\$ -	\$ 3
Non-Current			
Total Intragovernmental	\$ 3	\$ -	\$ 3

Note 8. Unobligated Balances Available

Unobligated balances are a combination of two lines on the Statement of Budgetary Resources: Apportioned, Unobligated Balances and Unobligated Balances Not Available. Unexpired unobligated balances are available to be apportioned by the OMB for new obligations at the beginning of the following fiscal year. The expired unobligated balances are only available for upward adjustments of existing obligations.

The unobligated balances available consist of the following as of September 30, 2020 and 2019:

	2020	2019
Apportioned, Unexpired Accounts	\$ 5,909	\$ 1,764
Expired Unobligated Balance, End of Year	281	262
Total	\$ 6,190	\$ 2,026

Note 9. Undelivered Orders at the End of the Period

Budgetary resources obligated for undelivered orders at September 30, 2020 and 2019, were \$1,485 and \$4,654, respectively.

Note 10. Payroll and Benefits Payable

Payroll and benefits payable to the EPA employees for the years September 30, 2020, and 2019, consist of the following:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
FY 2020 Payroll and Benefits Payable			
Accrued Funded Payroll and Benefits	\$ 202	\$ -	\$ 202
Accrued Unfunded Annual Leave	-	116	116
Total - Current	\$ 202	\$ 116	\$ 318

U.S. Environmental Protection Agency
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	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
FY 2019 Payroll and Benefits Payable			
Accrued Funded Payroll and Benefits	\$ 47	\$ -	\$ 47
Accrued Unfunded Annual Leave	-	96	96
Total - Current	\$ 47	\$ 96	\$ 143

Note 11. Income and Expenses from Other Appropriations

The Statement of Net Cost reports the program costs that include the full cost of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to program outputs.

During FYs 2020 and 2019, the indirect rate was 17.00% and 15.60%, respectively.

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

	2020	2019
Income from Other Appropriations	\$ 4,379	\$ 2,139
Expenses from Other Appropriations	4,379	2,139
Net Effect	\$ -	\$ -

Note 12. Exchange Revenues, Statement of Net Cost

For FYs 2020 and 2019, the exchange revenues reported on the Statement of Net Cost include both Federal and non-Federal amounts.

Note 13. Intragovernmental Costs and Exchange Revenue

	2020	2019
Costs:		
Intragovernmental	\$ 1,970	\$ 2,837
With the Public	23,848	11,059
Expenses from Other Appropriations	4,379	2,139
Total Costs	\$ 30,197	\$ 16,035
Revenue:		
With the Public	29,374	15,265
Total Revenue	29,374	15,265
Net Cost of Operations:	\$ 823	\$ 770

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

U.S. Environmental Protection Agency
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Notes to the Financial Statements
Fiscal Years Ended September 30, 2020 and September 30, 2019
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Note 14. Reconciliation of Net Cost of Operations to Net Outlays

For the Fiscal Year Ended FY2020:

	Intra- governmental	With the Public	Total 2020
	\$ 1,971	\$ (1,148)	\$ 823
NET COST			
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	(1,384)	(1,384)
Expenses from Other Appropriations	-	(4,379)	(4,379)
Increase/(Decrease) in Assets:			
Accounts Receivable	-	4,981	4,981
Other Assets	(45)	-	(45)
(Increase)/Decrease in Liabilities:			
Accounts Payable and Accrued Liabilities	-	(2,380)	(2,380)
Payroll and Benefits Payable	-	(261)	(261)
Other Liabilities	(7)	-	(7)
Other Financing Sources:			
Transfer Out (In) Without Reimbursement	23	-	23
Other Imputed Financing	<u>203</u>	<u>-</u>	<u>203</u>
Total Components of Net Cost That Are Not Part of Net Outlays	2,145	(4,571)	(2,426)
Other Temporary Timing Differences	-	(335)	(335)
NET OUTLAYS	\$ <u>2,145</u>	\$ <u>(4,906)</u>	\$ <u>(2,761)</u>

U.S. Environmental Protection Agency
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For the Fiscal Year Ended FY2019:

	Intra- governmental	With the Public	Total 2019
NET COST	\$ 2,837	\$ (2,067)	\$ 770
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	(1,381)	(1,381)
Expenses from Other Appropriations	-	(2,140)	(2,140)
Increase/(Decrease) in Assets:			
Accounts Receivable	-	(443)	(443)
Other Assets	16	-	16
(Increase)/Decrease in Liabilities:			
Accounts Payable and Accrued Liabilities	12	(353)	(341)
Payroll and Benefits Payable	-	(26)	(26)
Other Liabilities	7	-	7
Other Financing Sources:			
Transfer Out (In) Without Reimbursement	8	-	8
Other Imputed Financing	190	-	190
Total Components of Net Cost That Are Not Part of Net Outlays	3,070	(6,410)	(3,340)
Other Temporary Timing Differences	-	(807)	(807)
NET OUTLAYS	\$ 3,070	\$ (7,217)	\$ (4,147)

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The reconciliation explains the relationship between the net cost of operations and net outlays by presenting components of net cost that are not part of net outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities), components of net outlays that are not part of net cost (e.g. acquisition of capital assets), other temporary timing difference (e.g. prior period adjustments due to correction of errors). The analysis above illustrates this reconciliation by listing the key differences between net cost and net outlays.

Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

November 12, 2021

OFFICE OF THE
CHIEF FINANCIAL OFFICER

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA-FY21-0079, "EPA's Fiscal Years 2020 and 2019 Hazardous Waste Electronic Manifest System Fund Financial Statements," dated October 25, 2021

FROM: Faisal Amin, Chief Financial Officer
Office of the Chief Financial Officer

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

Digitally signed by Amin, Faisal
Date: 2021.11.12 18:12:06
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Thank you for the opportunity to respond to the issues and recommendations in the subject draft report. The following is a summary of the U.S. Environmental Protection Agency's overall position along with its position on the report's recommendations.

AGENCY'S OVERALL POSITION

The draft report contains two recommendations for the Office of the Chief Financial Officer. The OCFO does not agree with the categorization of the issue presented by the Office of Inspector General as a significant deficiency but concurs with the recommendations and has provided corrective actions.

AGENCY RESPONSE TO OIG STATEMENTS

OIG Statement: We found that EPA recorded expenses totaling \$390,842 that misstated its appropriations balance. EPA attempted to correct these expenses by recording an adjustment that created an abnormal balance—a negative balance that we would not expect to be negative—in the Appropriations Used financial statement line item. Federal standards for internal control require accurate recording of transactions and events. EPA recorded the transactions as expenses from appropriated amounts, but they were covered by e-Manifest fees which are not appropriated. If this error is not corrected, the misstatement makes it

appear that EPA violated the Antideficiency Act by authorizing expenditures that exceeded

the available appropriations.

Agency Response

The agency believes more clarity is needed to capture accurately the issue raised by the OIG. As noted in the draft report, the Antideficiency Act states:

[A]n officer or employee of the United States Government . . . may not . . . make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.

The Antideficiency Act does not apply at the level of the internal fund codes used by the EPA. At no point in FY 2020 did the agency spend in excess of its appropriations received for any Treasury Symbol for the e-Manifest program. From the period of the inception of the e-Manifest program to the end of FY 2020, the e-Manifest program has had several different types of legislatively mandated funds. The types of funds included are appropriated three-year funds, appropriated no-year funds, and non-appropriated funds from fees. As the lifecycle of these funds and the amount of fees collected have evolved, so has the accounting for the program.

FY 2020 was the first year that the e-Manifest program completely used the carryover balance previously received from appropriated funds as well as the full \$8 million advance appropriation it received for FY 2020. Any spending in excess of the amount of advanced appropriations received would be considered allowable. The EPA reconciled its spending at year end and made the appropriate adjustment to remove the impact of any funds recorded in excess of the appropriated amount received. When preparing this adjustment, the agency did not consider the reversal of a prior-year financial statement accrual that impacted appropriations used. The EPA has prepared an updated adjustment, which will be reflected in the final financial statements, but disagrees that the abnormal balance in the “appropriations used” account represents a significant deficiency in internal controls. Nevertheless, the agency will seek to implement additional safeguards to enhance the controls.

AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATIONS

No.	Recommendation	High-Level Corrective Action(s)	Estimated Completion Date
1	In coordination with the assistant administrator for Land and Emergency Management, enhance internal controls over accounting for expenses recorded under fund codes so that appropriation balances are accurate. Specifically, EPA needs to implement preventative controls, so fund expenses are properly coded when processed, and implement detective controls at the fund level to ensure fee-based expenses and appropriations-based expenses are properly segregated, reconciled, and recorded in the general ledger.	Concur. As the accounting for e-Manifest continues to evolve, the agency will continue to review and implement appropriate safeguards in its financial system to ensure the appropriate accounting models are used. The OCFO's Office of Budget will work with the EPA's financial system contractor to implement additional funds control measures. In addition, the OCFO's Office of the Controller will complete a full review of posting models after implementation of the new e-Manifest interface with Compass.	September 30, 2022
2	Correct the expenses recorded in excess of appropriated balances.	Concur. The agency has corrected its adjustment in Compass.	Completed June 2, 2021

CONTACT INFORMATION

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

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