At a Glance

Audit of the EPA's Fiscal Years 2021 and 2020 Toxic Substances Control Act Service Fee Fund Financial Statements

Why We Did This Audit

To accomplish this objective:

We performed this audit pursuant to the Frank R. Lautenberg Chemical Safety for the 21st Century Act, which amends the Toxic Substances Control Act. The Lautenberg Act requires the U.S. Environmental Protection Agency to prepare and the Office of Inspector General to audit the accompanying financial statements of the Toxic Substances Control Act Service Fee Fund. Our primary objectives were to determine whether:

- The financial statements were fairly stated in all material respects.
- The EPA's internal control over financial reporting was in place.
- The EPA's management complied with applicable laws, regulations, contracts, and grant agreements.

The Toxic Substances Control Act also requires that the fees the EPA charges be sufficient and not more than reasonably necessary to defray approximately 25 percent of the costs of administering specific sections of the Act.

To support this EPA mission-related effort:

- *Operating efficiently and effectively.*

To address this top EPA management challenge:

- *Managing business operations and resources.*

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

List of OIG reports.

The EPA Receives Qualified Opinion

We rendered a qualified opinion on the EPA's fiscal years 2021 and 2020 Toxic Substances Control Act, or TSCA, Service Fee Fund financial statements, meaning that, except for material errors in expenses and income from other appropriations, the statements were fairly presented.

> **We found the fund's financial statements, except for expenses and income from other appropriations, to be fairly presented.**

Material Weakness and Significant Deficiency Noted

We noted the following material weakness: the EPA materially overstated the FY 2021 "Expenses from Other Appropriations" line item in the TSCA Service Fee Fund financial statements by $2.36 million. We noted the following significant deficiency: the EPA did not implement controls to properly record accounts receivable and ensure segregation of duties between payment processing and payment approval.

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

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

Other Governmental Reporting Requirements

During our user fee analysis, we found that the TSCA fee structure in the fees rule for FY 2019 through 2021 appeared reasonable based on the data available when the EPA developed the fees rule. TSCA fees collected adequately offset the actual or projected costs of administering the provisions of TSCA for the three-year period.

The fees collected FYs 2019–2021 met the intent of TSCA to defray 25 percent of the specified costs of carrying out sections 4 and 5, parts of section 6, and section 14.

Recommendations and Planned Agency Corrective Actions

We recommend that the chief financial officer accurately capture the amounts for financial statement line items "Income from Other Appropriations" and "Expenses from Other Appropriations," implement procedures to establish an allowance for doubtful accounts for the TSCA Service Fee Fund to reduce that fund's accounts receivable to its net realizable value, and implement procedures to prevent or detect potential violations of the segregation of duties policy in the Small Purchase Information Tracking System software. We recommend that the assistant administrator for Chemical Safety and Pollution Prevention update the TSCA standard operating procedures to align with the Resource Management Directive System requirement to forward documentation that establishes a receivable to the Office of the Controller within five business days. The EPA agreed with our recommendations and completed all corrective actions.