



# At a Glance

## Independent Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Toxic Substances Control Act Service Fee Fund Financial Statements

### Why We Did This Audit

#### To accomplish this objective:

We conducted this audit pursuant to the Toxic Substances Control Act, as amended by the Frank R. Lautenberg Chemical Safety for the 21st Century Act, which 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 controls over financial reporting were 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 or \$25 million, whichever is lower.

#### To support this EPA mission-related effort:

- *Operating efficiently and effectively.*

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### The EPA Receives a Qualified Opinion

We rendered a qualified opinion on the EPA's fiscal years 2022 and 2021 Toxic Substances Control Act, or TSCA, Service Fee Fund financial statements, meaning that, except for material errors in expenses and income from other appropriations and earned and unearned revenue, the statements were fairly presented.

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

### Material Weaknesses and Significant Deficiency Noted

We noted the following material weaknesses: the EPA materially understated TSCA income and expenses from other appropriations and the EPA materially misstated TSCA earned and unearned revenue. We noted the following significant deficiency: the EPA needs to improve its financial statement preparation process.

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

We noted the following instance of noncompliance with laws and regulations: the EPA did not publish an annual chemical risk evaluation plan for calendar year 2022.

### Other Governmental Reporting Requirements

During our user fee analysis, we found that the TSCA fee structure in the fees rule for FY 2022 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 2020–2022 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 correct the calculation in the on-top adjustment for income and expenses from other appropriations, provide training for calculating the TSCA income and expenses from other appropriations on-top adjustment, correct the TSCA revenue balances, develop and implement accounting models for TSCA revenue-related activity, develop and implement a plan to strengthen and improve the preparation and management review of the financial statements, and correct other errors in the TSCA financial statements. We recommend the assistant administrator for Chemical Safety and Pollution Prevention develop and implement a plan to publish chemical risk evaluation plans at the beginning of each calendar year. The EPA agreed with our recommendations and provided estimated completion dates for corrective actions.