




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

OFFICE OF
INSPECTOR GENERAL

February 26, 2020

MEMORANDUM

SUBJECT: Notification of Audit:
Audit of EPA's Toxic Substances Control Act Service Fee Fund Financial Statements for the Period from Inception, June 22, 2016, to September 30, 2018
Project No. OA&E-FY20-0127

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

TO: David Bloom, Acting Chief Financial Officer

Alexandra Dapolito Dunn, Assistant Administrator
Office of Chemical Safety and Pollution Prevention

The Office of Inspector General for the U.S. Environmental Protection Agency plans to begin our audit of the EPA's Toxic Substances Control Act Service Fee Fund financial statements for the period from inception, June 22, 2016, to September 30, 2018. This audit is statutorily required by the Frank R. Lautenberg Chemical Safety for the 21st Century Act and is included in the OIG's Annual Plan.

The purpose of this memorandum is to confirm our mutual understanding of the audit objectives and scope, as well as the responsibilities of the Agency and the OIG during the project. Attachment 1, Audit Expectations, contains more details about our respective responsibilities. Please provide the requested information noted in Attachment 2, List of Deliverables, within two weeks of the date of this notification memorandum or by the date indicated in Attachment 3, Key Milestones, to Claire McWilliams at mcwilliams.claire@epa.gov, and Wanda Arrington, project manager, at arrington.wanda@epa.gov. Attachment 3 highlights critical dates that must be met to complete this audit in a timely manner and prevent delays once the fiscal year 2020 EPA Financial Statement Audit begins in the spring.

This audit is being conducted to express an opinion on the financial statements for the TSCA Service Fee Fund. Our audit objectives are to determine whether:

1. The financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. The EPA's internal controls over financial reporting are in place.
3. EPA management has complied with applicable laws and regulations.

Planning and Coordination of Audit Work

We will contact the appropriate personnel to arrange a mutually agreeable time for the entrance conference to discuss the objectives and purpose of our audit. We would also be particularly interested in any areas of concern that you may have. We will answer any questions you may have about the audit process, reporting procedures, methods used to gather and analyze data, and what we should expect of each other during the audit. Throughout the audit, we will provide updates on a regular basis via email and meetings as necessary.

Audit work will be performed at all EPA finance centers, as well as at other financial and program offices at EPA headquarters and regions, as needed. We will contact the offices where audit work will be performed to let them know when we will be performing audit work in their offices. We may also contact offices where we do not plan to perform on-site work to obtain information.

We evaluated the EPA's internal controls during the consolidated financial statement audit that we conducted. We may perform additional tests of controls and accounts of the EPA's TSCA Service Fee fund financial statements. In making our risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, not to express an opinion on the effectiveness of the entity's internal control. However, we will communicate in writing about any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identified during the audit.

We respectfully note that the OIG is authorized by the Inspector General Act of 1978, as amended, to have timely access to personnel and all materials necessary to complete its objectives. We will request that you resolve the situation if an Agency employee or contractor refuses to provide requested materials to the OIG or otherwise fails to cooperate with the OIG. We may report unresolved access matters to the Administrator and include the incident in the *Semiannual Report to Congress*.

I will supervise the audit. Please address any questions concerning the project to me at (202) 566-2523 or curtis.paul@epa.gov, or to Wanda Arrington at (202) 566-2533 or arrington.wanda@epa.gov.

Attachments (3)

cc: Henry Darwin, Assistant Deputy Administrator
Doug Benevento, Associate Deputy Administrator
Michael Molina, Acting Chief of Staff
Kevin DeBell, Acting Deputy Chief of Staff
Andrew LeBlanc, Agency Follow-Up Coordinator
Corry Schiermeyer, Associate Administrator for Public Affairs
Carol Terris, Associate Chief Financial Officer
Paige Hanson, Associate Chief Financial Officer for Policy
Jeanne Conklin, Controller, Office of the Controller, Office of the Chief Financial Officer
Richard Gray, Associate Deputy Controller, Office of the Controller, OCFO
Maria Williams, Acting Director, Office of Budget, OCFO
Beth Baden, Acting Deputy Director, Office of Budget, OCFO
Hamilton Humes, Audit Follow-up Coordinator, Office of Budget, OCFO

Kathy Sedlak O'Brien, Director, Office of Planning, Analysis and Accountability, OCFO
Ruth Alene Soward, Director, Office of Resource and Information Management, OCFO
Meshell Jones-Peeler, Acting Director, Office of Technology Solutions, OCFO
Eva Ripollone, Deputy Director, Office of Technology Solutions, OCFO
Larisha McKnight, Audit Follow-up Coordinator, Office of Technology Solutions, OCFO
Robert Shields, Audit Follow-up Coordinator, Office of Technology Solutions, OCFO
Dany Lavergne, Director, Accounting & Cost Analysis Division, Office of the Controller, OCFO
Renee Miller, Director, Business Planning & Operations Division, Office of the Controller, OCFO
Aileen Atcherson, Director, Policy Training and Accountability Division, OCFO
Carmelita Chadwick-Gallo, Director, Research Triangle Park Finance Center, OCFO
Greg Luebbering, Director, Cincinnati Finance Center, OCFO
Annette Morant, Acting Branch Chief, Management Integrity and Accountability Branch, OCFO
Lek Kadeli, Acting Deputy Assistant Administrator for Management, Office of Chemical Safety
and Pollution Prevention
Mark Hartman, Acting Director, Office of Pollution Prevention and Toxics
Tala Henry, Deputy Director, OPPT
John Latham, Audit Follow-Up Coordinator, OPPT
Susanna Blair, Special Assistant, OPPT
Pam Myrick, Director, Environmental Assistance Division, OPPT
Vickie Richardson, Deputy Director, Environmental Assistance Division, OPPT
Mike Burns, Chief, Planning and Assessment Branch, OPPT
Leslie Jarvenpaa, Program Analyst, Planning and Assessment Branch, OPPT
Janet Weiner, Audit Follow-Up Coordinator, OCSPP
Regional Audit Follow-Up Coordinators, Regions 1–10
Sean W. O'Donnell, Inspector General
Charles J. Sheehan, Deputy Inspector General
Edward Shields, Associate Deputy Inspector General
Eric Hanger, Deputy Counsel to the Inspector General
Kevin Christensen, Assistant Inspector General for Audit and Evaluation
Christine El-Zoghbi, Acting Assistant Inspector General for Audit and Evaluation
Helina P. Wong, Assistant Inspector General for Investigations
Stephanie Wright, Acting Deputy Assistant Inspector General for Management
Richard Eyermann, Deputy Assistant Inspector General for Audit and Evaluation
Rashmi Bartlett, Deputy Assistant Inspector General for Audit and Evaluation
Jeffrey Lagda, Acting Deputy Assistant Inspector General for Congressional and Public Affairs
Tia Elbaum, Congressional and Media Liaison, Office of Inspector General
Rudolph Brevard, Director, Information Resources Management Directorate, Office of
Inspector General
Wanda Arrington, Project Manager, Office of Inspector General

Audit Expectations

We will audit the balance sheet of the EPA's TSCA Service Fee Fund as of September 30, 2018; the related statements of net cost, changes in net position, and budgetary resources for the period from inception, June 22, 2016, to September 30, 2018; and related notes to the financial statements. We confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements and to determine whether:

1. The financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. The EPA's internal control structure over financial reporting related to the financial statements is in place and provides reasonable assurance that:
 - a. Financial transactions are executed in compliance with applicable laws, regulations, contracts, and grant agreements.
 - b. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
 - c. Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements.
3. The Agency has complied with laws and regulations that would have a direct and material effect on the financial statements.
4. The information and manner of presentation contained in the Management's Discussion and Analysis, and any other accompanying information, are materially consistent with the information contained in the principal statements.

The Frank R. Lautenberg Chemical Safety for the 21st Century Act requires the annual audit of the financial statements also include:

1. An analysis of the fees collected and amounts disbursed.
2. The reasonableness of the fees in place as of the date of the audit to meet current and projected costs of administering the provisions of the law.
3. The number of requests for a risk evaluation made by manufacturers.

However, since fees have not been collected, we do not anticipate work in this area for the financial statements for the period from inception, June 22, 2016, to September 30, 2018.

Auditor's Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in government auditing standards, issued by the Comptroller General of the United States; and the Office of Management and Budget Bulletin 19-03, Audit Requirements for Federal Financial Statements. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures that are 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 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 EPA management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with the standards.

In making our risk assessments, we consider internal control relevant to the EPA's preparation and fair presentation of the financial statements, including its Federal Managers' Financial Integrity Act process to design audit procedures that are appropriate in the circumstances. We will not express an opinion on the effectiveness of the EPA's internal control. We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Management's Responsibilities

The financial statements are the responsibility of the EPA's management. Our audit will be conducted on the basis that the EPA's management acknowledges and understands that it has responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
3. To provide the OIG with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters..
 - b. Additional information that we may request from management for the purpose of the audit.
 - c. Unrestricted access to persons within the EPA from whom we determine it necessary to obtain audit evidence.
4. For the selection and application of the accounting policies.
5. To identify and ensure that the EPA complies with the laws, regulations, contracts, and grant agreements applicable to its activities.

6. To make sure all financial records and related information are available to us in a timely manner.

We will request that key EPA senior managers provide us a Management Representation Letter at the conclusion of our fieldwork. Among other things, the letter will confirm management's responsibility for:

- Preparing the financial statements in conformity with the federal financial accounting standards and applicable reporting requirements.
- Providing financial records and related data.
- Communicating to the OIG all matters that pertain to the EPA's possible liability on legal matters that might impact the finances and operations of the EPA.
- Providing assurances, to the best of its knowledge and belief, of the absence of fraud involving management and those employees who have a significant role in the entity's internal controls.
- Complying with federal financial management system requirements and other applicable laws and regulations.
- Establishing and maintaining systems of internal controls for both financial and performance data.

Reporting

We will issue a written report upon completion of our audit of the EPA's TSCA Service Fee Fund financial statements in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in government auditing standards, issued by the Comptroller General of the United States; and the Office of Management and Budget Bulletin 19-03, Audit Requirements for Federal Financial Statements.

Our report will be addressed to EPA management. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s).

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

David Bloom
Acting Chief Financial Officer

Date

List of Deliverables

Information Needed from the OCFO:

1. TSCA financial statements and footnotes with supporting documentation, including Management's Discussion and Analysis (draft and final).
2. Methodology for the computation of income and expenses from other appropriations.
3. Methodology for the computation of accruals and unfunded annual leave for employees.
4. Management Representation Letter.

Information Needed from the OCSSP:

5. List of programs and financial databases and other resources used to implement and maintain the TSCA Service Fee Fund.
6. List of contracts, interagency agreements, and grants entered into as part of implementing and maintaining the TSCA Service Fee Fund, as well as supporting documentation.
7. Management-identified internal controls over the TSCA Service Fee Fund.

List of all employees working on the implementation and maintenance of the TSCA Service Fee Fund each fiscal year from inception, June 22, 2016, through September 30, 2018.

8. List of disbursements (all costs incurred) for the implementation and maintenance of the TSCA Service Fee Fund using other appropriated funds (excluding the BT fund code) each fiscal year from inception, June 22, 2016, through September 30, 2018, including the purpose of use and source of funding.
9. List of requests for a risk evaluation made by manufacturers under section 2605(b)(4)(C)(ii) of the Frank R. Lautenberg Chemical Safety for the 21st Century Act.
10. All TSCA Service Fee Fund biennial reports (required by the Frank R. Lautenberg Chemical Safety for the 21st Century Act) prepared and submitted to Congress as of September 30, 2018.

Note: This is not an all-inclusive list. Additional documentation may be requested during the audit, as needed.

Key Milestones

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

Milestones	Date or timeline	Responsible party
Entrance Conference	At least 15 days after notification memorandum issuance date	All
Draft Financial Statements and Footnotes, including support and Management's Discussion and Analysis	1/31/20*	OCFO** OCSP
Management Representation Letter, Final Financial Statements and Footnotes, including support and Management's Discussion and Analysis	Three business days after receipt of Schedule of Audit Differences	OCFO** OCSP

*FY 2018 draft financial statements were provided.

** The OCFO to coordinate with the OCSSP.