



OFFICE OF INSPECTOR GENERAL U.S. ENVIRONMENTAL PROTECTION AGENCY

CUSTOMER SERVICE ★ INTEGRITY ★ ACCOUNTABILITY

Operating efficiently and effectively

The EPA's Fiscal Years 2021 and 2020 (Restated) Financial Statements for the Pesticide Registration Fund

Report No. 22-F-0060

September 26, 2022



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Abbreviations

EPA	U.S. Environmental Protection Agency
PRIA	Pesticide Registration Improvement Act
OIG	Office of Inspector General
U.S.C.	United States Code

Cover Image

A tractor sprays pesticides in a field. (EPA photo)

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

22-F-0060
September 26, 2022

Why We Did This Audit

The Pesticide Registration Improvement Act requires that the U.S. Environmental Protection Agency Office of Inspector General perform an annual audit of the financial statements for the Pesticide Registration Fund. To expedite the registration of certain pesticides, the Act requires the EPA to assess and collect pesticide registration fees.

The EPA deposits the fees into the Pesticide Registration Fund. The Agency's Office of the Chief Financial Officer is required to prepare financial statements that present financial information about the fund. The Act also requires the EPA to establish time frames for its review and decision on applications for pesticide registrations, known as decision time review periods. The Act requires that the OIG conduct an annual audit of the Pesticide Registration Fund financial statements, to include an analysis of the fees collected and the Agency's compliance with the decision time review periods.

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.*

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[List of OIG reports.](#)

The EPA's Fiscal Years 2021 and 2020 (Restated) Financial Statements for the Pesticide Registration Fund

The EPA Receives an Unmodified Opinion for Fiscal Years 2021 and 2020 (Restated)

We rendered an unmodified opinion on the EPA's fiscal years 2021 and 2020 (restated) Pesticide Registration Fund, or PRIA Fund, financial statements, meaning that the statements were fairly presented and free of material misstatement.

We found the fund's financial statements to be fairly presented and free of material misstatement.

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

We did not identify any noncompliance that would result in a material misstatement to the audited financial statements. In addition, the Agency was in compliance with the statutory decision time review periods.

The Agency had no comments in response to the draft report. As a result of our findings, we make no recommendations.



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

OFFICE OF
INSPECTOR GENERAL

September 26, 2022

MEMORANDUM

SUBJECT: The EPA's Fiscal Years 2021 and 2020 (Restated) Financial Statements for the Pesticide Registration Fund
Report No. 22-F-0060

FROM: Damon Jackson, Director *Damon M. Jackson*
Financial Directorate
Office of Audit

TO: Faisal Amin, Chief Financial Officer

Michal Ilana Freedhoff, Assistant Administrator
Office of Chemical Safety and Pollution Prevention

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was [OA-FY22-0066](#). This report describes the OIG's findings. 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 has primary responsibility for the issues discussed in the report.

You are not required to respond to this report because this report contains no recommendations. 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.

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Inspector General's Report on the EPA's Fiscal Years 2021 and 2020 (Restated) Financial Statements for the Pesticide Registration Fund

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 Pesticide Registration Fund, also known as the Pesticide Registration Improvement Act, or PRIA, Fund. These statements comprise the balance sheets as of September 30, 2021, and September 30, 2020 (restated); 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.¹ 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.

¹ *Management* means the EPA.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and accompanying notes present fairly, in all material respects, the assets, liabilities, net position, net cost, changes in net position, and budgetary resources of the PRIA Fund as of and for the years ended September 30, 2021, and 2020, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter-Restatement of Fiscal Year 2020

As described in Note 13 to the financial statements, the EPA restated its fiscal year 2020 PRIA Fund financial statements. During fiscal year 2021, the EPA determined that “Transfers In/Out” was materially misstated in fiscal year 2020 as the line should have no balance (netting to zero). The restatement impacted the following line items on the financial statements:

- Statement of Net Cost: earned revenue – statement of net cost and net cost of operations – statement of net cost.
- Statement of Changes in Net Position: Transfers In/Out – statement of changes in net position.

Our opinion is not modified with respect to these corrections.

Report on Internal Control over Financial Reporting

Opinion on Internal Control. In planning and performing our audit of the financial statements of the PRIA Fund as of and for the year ended September 30, 2021, 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 the 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 the effectiveness of the fund’s 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; 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.

Because of inherent limitations in internal control, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

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

Office of Management and Budget Bulletin 21-04 requires us 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. We are also required to 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 PRIA Fund is a component. Accordingly, there are no findings to report at the PRIA 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.

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

Decision Time Review

PRIA, at 7 U.S.C. § 136w-8, requires that the EPA establish time frames for its review and decision-making on applications for pesticide registration, known as decision time review periods. PRIA further requires that the EPA make a schedule of decision review periods for covered pesticide registration actions and the corresponding registration services publicly available.

PRIA additionally requires that the Office of Inspector General conduct an annual audit of the PRIA Fund's financial statements, to include an analysis of the PRIA Fund fees collected and the EPA's compliance with the decision time review periods. Based on our audit, we determined that the Agency was in compliance with the decision time review periods as required by PRIA.

Management’s Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the PRIA Fund financial statements as a whole. The Management’s Discussion and Analysis section is presented for the purpose of providing 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 section, 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 Management’s Discussion and Analysis section. 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 section.

Prior Audit Coverage

During a previous audit of the PRIA Fund’s financial statements—OIG Report No. [22-F-0014](#), *EPA’s Fiscal Years 2020 and 2019 Financial Statements for the Pesticide Registration Fund*, issued December 21, 2021—we reported a material weakness where the EPA materially misstated the PRIA Fund’s income and expenses from other appropriations. We also reported a significant deficiency where the EPA needs to improve its financial statement preparation process.

We recommended that the Agency correct the calculation of the income and expense amounts in the PRIA Fund’s draft financial statements’ footnote 10, “Income and Expenses from Other Appropriations,” and that it document the control activities and procedures for calculating such amounts. The Agency agreed with our recommendations and completed the corrective actions on December 2, 2021.

We also recommended that the Agency develop a plan to strengthen and improve the preparation and management review of the financial statements and adjustments. The Agency agreed with our recommendation and certified completion of the corrective action on January 13, 2022.

In the fund’s fiscal years 2021 and 2020 financial statements, management has made progress in capturing items needed when calculating the income and expenses from other appropriations. Furthermore, management has also made progress in the preparation and review of its financial statements and adjustments.

Agency Comments

There are no recommendations in this report, and the Agency had no comments.

Damon M. Jackson

Damon Jackson
Certified Public Accountant
Director, Financial Directorate
Office of Audit
Office of Inspector General
U.S. Environmental Protection Agency
August 23, 2022

***Fiscal Years 2021 and 2020 (Restated) Pesticide
Registration Fund Financial Statements***

**Fiscal Years 2021 and 2020 (Restated)
Pesticide Registration Fund 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

Under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and the Federal Food, Drug, and Cosmetic Act (FFDCA), as amended by the Food Quality Protection Act (FQPA) of 1996, the EPA's Pesticide Program registers new pesticides and re-evaluates existing pesticides to ensure that they can be used safely and that levels of residue in food and animal feed are safe (there is a reasonable certainty of no harm). The Agency must also conclude that, when used in accordance with labeling and common practices, the product will not generally cause unreasonable adverse effects on the environment.

The Pesticide Registration Improvement Act (PRIA) of 2003 established the Pesticide Registration Fund. PRIA authorizes the collection of Registration service fees, which are deposited into the Pesticide Registration Fund and made available for obligation to the extent provided in appropriation acts and are available without fiscal year limitation.

Pesticide Registration

Under FIFRA and FFDCA pesticides must be registered by the EPA. The passage of PRIA introduced deadlines for the Agency to complete certain registration actions. EPA expedites the registration of reduced-risk pesticide uses, which generally pose lower risks to people and the environment. Accelerated pesticide reviews provide an incentive for industry to develop and register lower risk pesticides, and the availability of these reduced-risk pesticides provides alternatives to older, potentially more harmful products currently on the market.

PRIA prescribed the amount of the registration service fee and the corresponding decision review time for various categories of registration action. The goal is to create a more predictable evaluation process for affected pesticide registrants and couple the collection of individual fees with specific decision-making periods. The legislation also promotes shorter decision review periods for reduced-risk pesticide applications. PRIA 1, effective on March 23, 2004, authorized collection of registration fees through FY 2008. The Pesticide Registration Improvement Renewal Act (PRIA 2), effective on October 1, 2007, authorized collection of registration fees through FY 2012. The Pesticide Registration Improvement Extension Act of 2012 (PRIA 3) was effective on October 1, 2012, authorized collection of registration fees through FY 2017. The PRIA 3 statutory expiration date of September 30, 2017, was extended through fiscal year 2018 and part of fiscal year 2019 by legislative language contained in 2018 and 2019 continuing resolutions as well as the 2018 omnibus spending bill. Effective March 8, 2019, the Pesticide Registration Improvement Extension Act of 2018 (PRIA 4) reauthorized PRIA for five years, through fiscal year 2023.

For a pending or a new application covered by PRIA to be deemed complete and subject to the decision review periods, a registrant is required to pay the applicable fee or receive a waiver from the fee. For most applications, the decision review period starts 21 days after submission of the application, provided that the fee has been paid, fee waiver granted or in the case of a 75% or 50% fee waiver under PRIA 4, the waiver has been granted and the remaining fee has been paid. PRIA 4 legislation provides fee waivers for certain categories of small businesses and minor uses¹. Exemption from the requirement to pay a registration service fee is continued under PRIA 4 for applications solely associated with IR-4 petitions².

¹ Minor use pesticides are those that produce relatively little revenue for their manufacturers, for a variety of reasons. They may be registered for a seldom seen pest, or for a crop that is not grown by a large number of producers. However, minor crops include some high revenue fruit, vegetable, and ornamental crops.

²The IR-4 (Interregional Research Project No.4) program is involved in making sure that pesticides are registered for use on minor crops. IR-4 helps by conducting research on minor use pesticides, pesticides that would not otherwise be profitable to manufacture.

Applications from federal and state agencies are also exempt from registration service fees. If the registrant requests a waiver or reduction of the fee, the decision review period will begin when the Agency grants such request or in the case of small business fee waivers, no more than 60 days after receipt of the waiver application. If the Agency determines that a fee is required and the waiver is not granted, the decision review period starts after the fee is collected.

Applications received prior to October 1, 2007, were covered by PRIA 1. Applications received between October 1, 2007, and September 30, 2012, were covered by PRIA 2 applications received on or after October 1, 2012, through March 7, 2019, are covered by PRIA 3. Effective March 8, 2019, the Pesticide Registration Improvement Extension Act of 2018 (PRIA 4) reauthorized PRIA for five years, through fiscal year 2023. PRIA 4 contains the same audit provision as PRIA 3. PRIA 4 continues authority established under PRIA 3 to reject an application if it fails a preliminary technical screen. PRIA 4 modifies fees for existing categories, creates new fee categories, and in a few cases, amends the category definitions. PRIA 4 increases the fee categories or types of applications covered by PRIA from 189 to 212 and continues PRIA 3 set-asides for farm worker protection activities, partnership grants and pesticide safety education programs. PRIA 4 authorized two 5% fee increases, the first beginning in FY 2020 and the second beginning in FY 2022.

Highlights and Accomplishments

Registration Financial Perspective

During FY 2021, the Agency's obligations charged against the PRIA Fund for the cost of registration were \$20.8 million and 71.5 work-years. Of this amount, OPP obligated \$11.1 million in Personnel Compensation and Benefits (PC&B).

Appropriated funds are used in addition to registration fee funds. In FY 2021, approximately \$12.8 million in appropriated funds were used for pesticide registration activities.

The Pesticide Registration Fund has two types of receipts: fee collections and interest earned on investments. Of the \$20.7 million in FY 2021 net receipts, more than 99.9% were fee collections.

Registration Program Performance Measures

The following measure supports the program's strategic goal: ensuring the safety of chemicals and pollution prevention.

Measure 1: Average number of days to complete PRIA decisions for new active ingredients

Results: The average decision review time frame for new active ingredient decisions completed in FY 2021 was 852 days; the FY 2021 target was 607 days.

Measure 2: Average number of days exceeding PRIA decision timeframes for new active ingredient decisions

Results: In FY 2021, the average number of days by which the decision timeframe for completed new active ingredient actions exceeded the statutory timeframes was 297 days; the FY 2021 target was 263 days.

Measure 3: Percentage of decisions (registration actions) completed on time (on or before PRIA or negotiated due date)

Results: In FY 2021, EPA completed 97% of PRIA actions “on-time”; the FY 2021 target was a 99% on-time completion. Of the 2,556 PRIA decisions completed in the fiscal year, 64 were completed after the original or negotiated due date.

Principal Financial Statements

**U.S. Environmental Protection Agency
PRIA
Balance Sheet
As of September 30, 2021 and 2020
(Dollars in Thousands)**

	2021	2020
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 16,896	\$ 16,675
Advances and Prepayments	42	-
Total Intragovernmental	16,938	16,675
General Property, Plant and Equipment, Net (Note 4)	225	300
Total Assets	\$ 17,163	\$ 16,975
 LIABILITIES		
Intragovernmental:		
Accounts Payable (Note 3)	\$ 137	\$ 140
Other Liabilities (Note 5)	82	60
Total Intragovernmental	219	200
With the Public:		
Advances from Others and Deferred Revenue	15,364	15,255
Federal Employee Benefits Payable (Note 9)	2,959	3,241
Other Liabilities (Note 5)	917	818
Total Liabilities	19,459	19,514
 NET POSITION		
Cumulative Results of Operations - Funds from Dedicated Collections	(2,296)	(2,539)
Total Net Position	(2,296)	(2,539)
Total Liabilities and Net Position	\$ 17,163	\$ 16,975

The accompanying notes are an integral part of these financial statements.
EPA's FY 2021 Annual PRIA Financial Statements

U.S. Environmental Protection Agency
PRIA
Statement of Net Cost
For the Fiscal Years Ended September 30, 2021 and 2020 (Restated)
(Dollars in Thousands)

	2021	Restated 2020
COSTS		
Gross Costs (Note 11)	\$ 20,327	\$ 18,997
Expenses from Other Appropriations (Note 10)	43,767	44,921
Total Costs	64,094	63,918
Less:		
Earned Revenue (Note 11 and 13) (Restated)	19,916	17,841
NET COST OF OPERATIONS (Notes 12 and 13) (Restated)	\$ 44,178	\$ 46,077

The accompanying notes are an integral part of these financial statements.
 EPA's FY 2021 Annual PRIA Financial Statements

5.

U.S. Environmental Protection Agency
 PRIA
 Statement of Changes in Net Position
 For the Fiscal Years Ended September 30, 2021 and 2020 (Restated)
 (Dollars in Thousands)

	2021	Restated 2020
Cumulative Results of Operations:		
Net Position - Balance	\$ (2,539)	\$ (2,098)
Budgetary Financing Sources:		
Nonexchange Revenue - Securities Investment	4	125
Income from Other Appropriations (Note 10)	43,767	44,921
Total Budgetary Financing Sources	43,771	45,046
Other Financing Sources (Non-Exchange)		
Imputed Financing Sources	650	590
Total Other Financing Sources	650	590
Net Cost of Operations (Notes 12 and 13) (Restated)	\$ (44,178)	\$ (46,077)
Net Change	243	(441)
Cumulative Results of Operations	\$ (2,296)	\$ (2,539)
TOTAL NET POSITION	\$ (2,296)	\$ (2,539)

The accompanying notes are an integral part of these financial statements.
 EPA's FY 2021 Annual PRIA Financial Statements

U.S. Environmental Protection Agency
 PRIA
 Statement of Budgetary Resources
 For the Fiscal Years Ended September 30, 2021 and 2020
 (Dollars in Thousands)

	<u>2021</u>	<u>2020</u>
BUDGETARY RESOURCES		
Unobligated Balance From Prior Year Budget Authority, Net (discretionary)	\$ 9,696	\$ 6,426
Appropriations (discretionary)	<u>20,028</u>	<u>19,779</u>
Total Budgetary Resources	<u>\$ 29,724</u>	<u>\$ 26,205</u>
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward adjustments (total)	\$ 21,288	\$ 17,191
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	7,408	7,235
Unapportioned, Unexpired accounts	<u>1,028</u>	<u>1,779</u>
Unobligated Balance, End of Year (total): (Note 7)	<u>8,436</u>	<u>9,014</u>
Total Status of Budgetary Resources	<u>\$ 29,724</u>	<u>\$ 26,205</u>
OUTLAYS, NET		
Outlays, Net (total) (discretionary)	\$ 19,807	\$ 18,655
Distributed Offsetting Receipts (-)	<u>(20,028)</u>	<u>(19,779)</u>
Agency Outlays, Net (discretionary)	<u>\$ (221)</u>	<u>\$ (1,124)</u>

The accompanying notes are an integral part of these financial statements.
 EPA's FY 2021 Annual PRIA Financial Statements

7.

U.S. Environmental Protection Agency
PRIA
Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2021 and 2020
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entities

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, land, water, waste, pesticides, and toxic substances.

The Pesticide Registration Fund (PRIA) is authorized under the Pesticide Registration Improvement Act of 2003 (which amended the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), and became effective on March 23, 2004. This Act authorizes the EPA to assess and collect pesticide registration service fees on applications submitted to register pesticides covered by this Act, as well as assess and collect fees to register new active ingredients not listed in the Registration Division 2003 Work Plan of the Office of Pesticide Programs. The Pesticide Registration Improvement Renewal Act (commonly referred to as PRIA 2) extended the authority to collect pesticide registration service fees through FY 2012. PRIA 2 became effective October 1, 2007. PRIA 2 was reauthorized with the passage of the Pesticide Registration Improvement Extension Act (referred to as PRIA 3) on September 28, 2012. PRIA 3 became effective October 1, 2012, and authorized collection of registration fees through FY 2018. PRIA 4 became effective March 8, 2019 and authorized collection of registration fees through FY 2023. The PRIA Fund is accounted for under Treasury symbol number 68X5374.

The PRIA fund may charge some administrative costs directly to the fund and charge the remainder of the administrative costs to Agency-wide appropriations. See Note 10 Income and Expenses from Other Appropriations for amounts included in 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 Pesticide Registration Fund (PRIA) as required by the Chief Financial Officers Act of 1990 and the Pesticide Registration Improvement Act (PRIA) of 2003. In the prior years, pesticide registration was included in the FIFRA financial statements. 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 FY 2018 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

Funding for PRIA is provided by fees collected from industry to offset costs incurred by EPA in carrying out these programs. Each year, the EPA submits an apportionment request to OMB based on the anticipated collections of industry fees.

U.S. Environmental Protection Agency
PRIA
Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2021 and 2020
(Dollars in Thousands)

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.

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. All interfund balances and transactions have been eliminated.

EPA uses a modified matching principle since federal entities recognize unfunded liabilities (without budgetary resources) in accordance FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 5 *Accounting for Liabilities of the Federal Government*.

E. Revenues and Other Financing Sources

For FYs 2021 and 2020, PRIA received funding from fees collected from registrants requesting pesticide registrations. For FYs 2021 and 2020, revenues were recognized from fee collections to the extent that expenses are incurred during the fiscal year.

F. Funds with the Treasury

The PRIA fund deposits receipts and processes disbursements through its operating account maintained at the U.S. Department of the Treasury.

G. Advances and Prepayments

PRIA advances funds to the EPA's Working Capital Fund to pay for computer, postage, and other administrative support services.

H. Investments in U. S. Government Securities

Investments in U. S. government securities are maintained by Treasury and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the investments and reported as interest income. PRIA holds the investments to maturity, unless needed to finance operations of the fund. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

I. Property, Plant, and Equipment

General property, plant and equipment for PRIA consists of software in production. Internal use software includes purchased commercial off-the-shelf software, contractor developed software and software that was internally developed by Agency employees. In FY 2017, the EPA reviewed its capitalization threshold levels for PP&E. The Agency performed an analysis of the values of software assets and increased the 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

U.S. Environmental Protection Agency
PRIA
Notes to the Financial Statements
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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.

J. 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. 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. For PRIA, liabilities are liquidated from fee receipts, since PRIA receives no appropriation. Fees collected by the Agency are classified as unearned revenue until expended (see Note 5). Liabilities of the Agency arising from anything other than contracts can be abrogated by the Government acting in its sovereign capacity.

K. 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.

L. Advances from Others and Deferred Revenue

Fees collected by the PRIA program that have not yet been expended are considered deferred revenue. Deferred revenue will fluctuate in conjunction with expenses paid from other appropriations and program expenses (see Note 10).

M. 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.

N. Offsetting Receipts

Beginning in FY 2007 OMB Circular A-136, *Financial Reporting Requirements*, requires that the amount of distributed offsetting receipts reported in the Statement of Budgetary Resources (SBR) should equal the

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amount recorded as offsetting receipts by the Department of the Treasury (Treasury). Pesticide Registration Fees collected under PRIA are considered to be offsetting receipts by Treasury.

O. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect reporting amounts of assets, liabilities and the reported amounts of the revenue and expenses during the period. Actual results could differ from those estimates.

P. 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 20, 2021. As a result, the form and content of the Balance Sheet has changed to conform with OMB Circular No. A-136.

Note 2. Fund Balance With Treasury (FBWT)

Fund Balance with Treasury as of September 30, 2021 and 2020 consists of the following:

	<u>2021</u>			<u>2020</u>		
	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>
Other Fund Types:						
PRIA	\$ 16,896	\$ -	\$ 16,896	\$ 16,675	\$ -	\$ 16,675
Total	<u>\$ 16,896</u>	<u>\$ -</u>	<u>\$ 16,896</u>	<u>\$ 16,675</u>	<u>\$ -</u>	<u>\$ 16,675</u>

Status of Fund Balances:	<u>2021</u>	<u>2020</u>
Unobligated Amounts in Fund Balance:		
Available for Obligation	\$ 7,408	\$ 7,235
Unavailable for Obligation	1,028	1,779
Obligated Balance not yet Disbursed	8,460	7,232
Non-Budgetary FBWT	-	429
Total	<u>\$ 16,896</u>	<u>\$ 16,675</u>

Note 3. Accounts Payable

The Accounts Payable are current liabilities and consist of the following amounts as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Intragovernmental:		
Accrued Liabilities	\$ 137	\$ 140
Total	<u>\$ 137</u>	<u>\$ 140</u>

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Note 4. General Property, Plant and Equipment, Net

General property, plant, and equipment (PP&E) consist of software, real property, EPA-held and contractor-held personal property, and capital leases.

As of September 30, 2021, General PP&E Cost consisted of the following:

	EPA- Held <u>Equipment</u>	Software <u>(production)</u>	<u>Total</u>
Balance, Beginning of Year	\$ 202	\$ 5,050	\$ 5,252
Additions	<u>78</u>	<u>-</u>	<u>78</u>
Balance, End of Year	<u>\$ 280</u>	<u>\$ 5,050</u>	<u>\$ 5,330</u>

As of September 30, 2021, General PP&E Accumulated Depreciation consisted of the following:

	EPA- Held <u>Equipment</u>	Software <u>(production)</u>	<u>Total</u>
Balance, Beginning of Year	\$ 1	\$ 4,951	\$ 4,952
Depreciation Expense	<u>54</u>	<u>99</u>	<u>153</u>
Balance, End of Year	<u>\$ 55</u>	<u>\$ 5,050</u>	<u>\$ 5,105</u>

As of September 30, 2021, General PP&E, Net consisted of the following:

	EPA- Held <u>Equipment</u>	Software <u>(production)</u>	<u>Total</u>
Balance, End of Year, Net	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 225</u>

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

	EPA- Held <u>Equipment</u>	Software <u>(production)</u>	<u>Total</u>
Balance, Beginning of Year	\$ -	\$ 5,050	\$ 5,050
Additions	<u>202</u>	<u>-</u>	<u>202</u>
Balance, End of Year	<u>\$ 202</u>	<u>\$ 5,050</u>	<u>\$ 5,252</u>

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

	<u>EPA- Held Equipment</u>	<u>Software (production)</u>	<u>Total</u>
Balance, Beginning of Year	\$ -	\$ 4,936	\$ 4,936
Depreciation Expense	<u>1</u>	<u>15</u>	<u>16</u>
Balance, End of Year	<u>\$ 1</u>	<u>\$ 4,951</u>	<u>\$ 4,952</u>

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

	<u>EPA- Held Equipment</u>	<u>Software (production)</u>	<u>Total</u>
Balance, End of Year, Net	<u>\$ 201</u>	<u>\$ 99</u>	<u>\$ 300</u>

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Note 5. Other Liabilities

Other Liabilities consist of the following as of September 30, 2021:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Current			
Employer Contributions & Payroll Taxes	\$ 82	\$ -	\$ 82
Total Intragovernmental	\$ 82	\$ -	\$ 82
Other Liabilities - Non-Federal			
Current			
Other Accrued Liabilities	\$ 573	\$ -	\$ 573
Accrued Funded Payroll and Benefits	344	-	344
Total Non-Federal	\$ 917	\$ -	\$ 917

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

	Covered by Budgetary Resources	Not Covered by Resources	Total
Current			
Employer Contributions & Payroll Taxes	\$ 60	\$ -	\$ 60
Total Intragovernmental	\$ 60	\$ -	\$ 60
Other Liabilities - Non-Federal			
Current			
Other Accrued Liabilities	\$ 541	\$ -	\$ 541
Accrued Funded Payroll and Benefits	272	-	272
Withholding Payable	5	-	5
Total Non-Federal	\$ 818	\$ -	\$ 818

At various periods throughout FY 2021 and FY 2020 employees with their associated payroll costs were transferred from PRIA to the Environmental Programs and Management (EPM) appropriation. These employees were transferred to keep PRIA's obligations and disbursements within budgetary limits.

This process has led to variations between the year-end liabilities of FYs 2021 and 2020. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll and benefits at year-end.

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Note 6. Recoveries and Resources Not Available, Statement of Budgetary Resources

Recoveries of Prior Year Obligations, Temporarily Not Available, and Permanently Not Available on the Statement of Budgetary Resources consist of the following amounts as of September 30, 2021 and 2020:

	2021	2020
Unobligated Balance Brought Forward, Oct 1.	\$ <u>9,014</u>	\$ <u>6,216</u>
Adjustments to Budgetary Resources Made During the Current Year		
Downward Adjustments of Prior Year Undelivered Orders	734	404
Permanent Reduction Prior Year Balances	-	(257)
Other Adjustments	<u>(52)</u>	<u>63</u>
Total	682	210
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	\$ <u>9,696</u>	\$ <u>6,426</u>
Temporarily Not Available - Rescinded Authority	\$ <u>(833)</u>	\$ <u>(833)</u>

Note 7. Unobligated Balances 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, 2021 and 2020:

	2021	2020
Unexpired Unobligated Balance	\$ 8,436	\$ 9,014
Expired Unobligated Balance	-	-
Total	<u>\$ 8,436</u>	<u>\$ 9,014</u>

Note 8. Undelivered Orders at the End of the Period

Undelivered orders consist of the following as of September 30, 2021 and 2020:

	2021	2020
Intragovernmental:		
Unpaid Undelivered Orders	\$ (1,693)	\$ (1,452)
Paid Undelivered Orders	42	-
With the public:		
Unpaid Undelivered Orders	<u>8,129</u>	<u>7,449</u>
Total	<u>\$ 6,478</u>	<u>\$ 5,997</u>

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Note 9. Federal Employee Benefits Payable

Payroll and benefits payable to the EPA employees for the years September 30, 2021 and 2020 consist of the following:

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
FY 2021 Federal Employee Benefits Payable			
Employer Contributions Payable - Thrift Savings Plan	\$ 40	\$ -	\$ 40
Total - Current	40	-	40
Accrued Unfunded Annual Leave	-	2,919	2,919
Total - Non-Current	-	2,919	2,919
Total	\$ 40	\$ 2,919	\$ 2,959

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
FY 2020 Federal Employee Benefits Payable			
Employer Contributions Payable - Thrift Savings Plan	\$ 27	\$ -	\$ 27
Total - Current	27	-	27
Accrued Unfunded Annual Leave	-	3,214	3,214
Total - Non-Current	-	3,214	3,214
Total	\$ 27	\$ 3,214	\$ 3,241

Note 10. 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 2021 and 2020, the EPA had two appropriations which funded a variety of programmatic and non-programmatic activities across the Agency, subject to statutory requirements. The EPM appropriation was created to fund personnel compensation and benefits, travel, procurement, and contract activities.

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

	<u>2021</u>	<u>2020</u>
Income from Other Appropriations	\$ 43,767	\$ 44,921
Expenses from Other Appropriations	43,767	44,921
Net Effect	<u>\$ -</u>	<u>\$ -</u>

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Note 11. Exchange Revenues, Statement of Net Cost (Restated)

	2021	Restated 2020
Costs:		
Intragovernmental	\$ 4,483	\$ 4,490
With the Public	15,844	14,507
Expenses from Other Appropriations	43,767	44,921
Total Costs	64,094	63,918
 Revenue:		
With the Public (Restated)	19,916	17,841
Total Revenue	19,916	17,841
 Net Cost of Operations:	\$ 44,178	\$ 46,077

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

Note 12. Reconciliation of Net Cost of Operations to Net Outlays (Restated)

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 below illustrates this reconciliation by listing the key differences between net cost and net outlays.

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	<u>Intra- governmental</u>	<u>With the Public</u>	<u>Total 2021</u>
NET COST	\$ 4,483	\$ 39,695	\$ 44,178
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	153	153
Cost Capitalization Offset	-	(78)	(78)
Income from Other appropriations	-	(43,767)	(43,767)
Increase/(Decrease) in Assets:			
Other Assets	42	-	42
(Increase)/Decrease in Liabilities:			
Accounts Payable	20	-	20
Federal Employee Benefits Payable	-	(296)	(296)
Other Liabilities	-	33	33
Other Financing Sources:			
Other Imputed Financing	<u>(649)</u>	<u>-</u>	<u>(649)</u>
Total Components of Net Cost That Are Not Part of Net Outlays	(587)	(43,955)	(44,542)
Components of Net Outlays That Are Not Part of Net Cost:			
Appropriated Receipts for Trust Fund/Special Funds	-	20,028	20,028
Distributed Offsetting Receipts	-	(20,028)	(20,028)
Custodial/Non-exchange revenue	<u>(4)</u>	<u>-</u>	<u>(4)</u>
Total Components of Net Outlays That Are Not Part of Net Cost	(4)	-	(4)
Other Temporary Timing Differences	-	147	147
NET OUTLAYS	\$ <u>3,892</u>	\$ <u>(4,113)</u>	\$ <u>(221)</u>

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	<u>Intra- governmental</u>	<u>With the Public</u>	<u>Restated Total 2020</u>
NET COST	\$ 4,490	\$ 41,587	\$ 46,077
Components of Net Cost That Are Not Part of Net Outlays: (Restated)			
Property, Plant and Equipment Depreciation	-	(225)	(225)
Other	-	(44,510)	(44,510)
Increase/(Decrease) in Assets:			
Other Assets	(17)	-	(17)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(61)	313	252
Payroll and Benefits Payable	-	(432)	(432)
Other Liabilities	54	(1,912)	(1,858)
Other Financing Sources:			
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to the Agency	(550)	-	(550)
Other Imputed Financing	<u>(40)</u>	<u>-</u>	<u>(40)</u>
Total Components of Net Cost That Are Not Part of Net Outlays	3,876	(5,179)	(1,303)
Other Temporary Timing Differences (Restated)	-	179	179
NET OUTLAYS	\$ <u>3,876</u>	\$ <u>(5,000)</u>	\$ <u>(1,124)</u>

Note 13. Restatement

During FY 2021 EPA determined that Transfers In/Out was materially mistated in FY 2020 as the line should have no balance (netting to zero). Statement of Changes in Net Position - Transfers In/Out was overstated by \$389 thousand Statement on Net Cost - Earned Revenue understated by \$389 thousand.

The change impacts the FY 2020 Earned Revenue on the Statement of Net Cost and Transfers In/Out on the Statement of Changes in Net Postition.

	Previously Reported	Restatement	Restated Amount
Earned Revenue - Statement of Net Cost	\$ 17,452	389	\$ 17,841
Net Cost of Operations - Statement of Net Cost	\$ 46,466	(389)	\$ 46,077
Transfers In/Out - Statement of Changes in Net Position	\$ 389	(389)	\$ -

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Audit Follow-Up Coordinator, Office of Pesticide Programs, Office of Chemical Safety and Pollution Prevention

Audit Follow-Up Coordinator, Office of Pollution Prevention and Toxics, Office of Chemical Safety and Pollution Prevention

Audit Follow-Up Coordinators, Regions 1–10