

# Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Pesticide Registration Fund Financial Statements

January 18, 2024 | Report No. 24-F-0017



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## Abbreviations

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

## Cover Image

A tractor spraying pesticides in a field. (EPA image)

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# At a Glance

## Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Pesticide Registration Fund Financial Statements

### Why We Did This Audit

#### To accomplish this objective:

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. The Act requires the EPA to assess and collect pesticide registration fees. It also requires the EPA to deposit 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 Pesticide Registration Fund.

The Pesticide Registration Improvement 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, including an analysis of the fees collected and the Agency's compliance with the decision time review periods.

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

- *Operating efficiently and effectively.*

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[List of OIG reports.](#)

### The EPA Received an Unmodified Opinion for Fiscal Years 2022 and 2021 (Restated)

We rendered an unmodified opinion on the EPA's fiscal years 2022 and 2021 (restated) Pesticide Registration Fund—also known as the Pesticide Registration Improvement Act, 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.**

### Significant Deficiency Noted

We noted the following significant deficiency: the EPA miscalculated the restatement balances for Software in Development for the PRIA Fund financial statements note 13, "Restatement," overstating the balance by \$938,948.35.

### 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.

### Recommendation and Agency Corrective Action

We recommended that the chief financial officer correct the restatement amount for the Software in Development to accurately capture the amounts for note 13, "Restatement." The EPA agreed with the recommendation and completed the corrective action.



**OFFICE OF INSPECTOR GENERAL**  
U.S. ENVIRONMENTAL PROTECTION AGENCY

January 18, 2024

**MEMORANDUM**

**SUBJECT:** Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Pesticide Registration Fund  
Financial Statements  
Report No. 24-F-0017

**FROM:** Damon Jackson, Director *Damon 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-FY23-0049](#). This report contains findings that describe the problems the OIG has identified and 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 discussed in the report.

In accordance with EPA Manual 2750, your office completed an acceptable corrective action in response to the OIG's recommendation. The recommendation is closed, and 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 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.epaoig.gov](http://www.epaoig.gov).

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# Inspector General’s Audit Report on the EPA’s Fiscal Years 2022 and 2021 (Restated) Pesticide Registration Fund Financial Statements

The Administrator  
U.S. Environmental Protection Agency

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the 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 consolidated balance sheets, as of September 30, 2022 and 2021 (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.

In our opinion, the financial statements, including the accompanying notes, present fairly, in all material respects, the assets, liabilities, net position, net cost, changes in net position, and combined budgetary resources of the EPA’s PRIA Fund as of and for the years ended September 30, 2022 and 2021 (restated), in accordance with the accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, known as generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are required to be independent of the EPA and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter—Restatement of Fiscal Year 2021*

As described in note 13, “Restatement,” to the financial statements, the EPA restated its fiscal year 2021 PRIA Fund financial statements. During FY 2022, the EPA capitalized Software-in-Development costs that were expensed in FY 2021 and prior. These expenses should have been capitalized in those respective years. As a result, income and expenses from other appropriations were overstated, and the changes also impacted the FY 2021 balance sheet, statement of net cost, and statement of changes in net position.

Our opinion is not modified with respect to these corrections.

## ***Responsibilities of Management for the Financial Statements***

The EPA's 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 and for 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. **Reasonable assurance** is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered **material** if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the EPA's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are also required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identify during the audit.

# Report on Internal Control over Financial Reporting

## *Results of Our Consideration of Internal Control over Financial Reporting*

Our consideration of the internal control over financial reporting 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, deficiencies in internal control may exist that were not identified during 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 one matter that we consider to be a significant deficiency. This issue is summarized below and detailed in Attachment 1.

### *Significant Deficiency*

#### The EPA Miscalculated the Restatement Balances for Software in Development for the PRIA Fund Financial Statements Note 13, “Restatement”

We found that the EPA understated the restated capitalized expenditure balance for the Software in Development in the PRIA Fund restatement footnote by \$938,948.35. The U.S. Government Accountability Office’s [GAO-14-704G](#), *Standards for Internal Control in the Federal Government*, known as the Green Book, requires that federal entities establish internal control activities to ensure that they provide accurate and timely recording of transactions and events. EPA personnel used the obligation fiscal year instead of the actual expenses fiscal year to calculate the restatement. If the EPA does not exercise due diligence when preparing the financial statements, it risks compromising the accuracy of the financial statements and the reliance of the public and other interested parties on them to be free of material misstatement.

### *Basis for Results of Our Consideration of Internal Control over Financial Reporting*

We performed our procedures related to the fund’s internal control over financial reporting in accordance with government auditing standards generally accepted in the United States of America.

## ***Responsibilities of Management for Internal Control over Financial Reporting***

The EPA's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## ***Auditor's Responsibilities for Internal Control over Financial Reporting***

In planning and performing our audit of the PRIA Fund financial statements as of and for the year ended September 30, 2022, in accordance with generally accepted auditing standards, we considered the fund's internal control over financial reporting as a basis for designing 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 Bulletin 22-01, *Audit Requirements for Federal Financial Statements* 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.

## ***Intended Purpose of Report on Internal Control over Financial Reporting***

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 to Our Evaluation of Internal Control***

Office of Management and Budget Bulletin 22-01 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 Federal Managers' Financial Integrity Act 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**

### ***Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements***

Providing an opinion on compliance with 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.

## ***Basis of Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements***

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.

## ***Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements***

The EPA's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency and the fund.

## ***Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements***

We also performed certain other limited procedures as described in the American Institute of Certified Public Accountants' *Codification of Statements on Auditing Standards*, AU-C section 250, "Consideration of Laws and Regulations in an Audit of Financial Statements." Office of Management and Budget Bulletin 22-01 mandates that we evaluate compliance with federal financial statement system requirements, including those referred to in the Federal Financial Management Improvement Act of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to the EPA.

## ***Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements***

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with government auditing standards generally accepted in the United States of America in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

## **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, which are known as ***decision time review periods***. PRIA further requires that the EPA publish in the Federal Register a schedule of decision review periods for covered pesticide registration actions and the corresponding registration services that are publicly available.

PRIA additionally requires that the EPA 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 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. The information in this section 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 Reports

In our previous audit of the PRIA Fund’s financial statements—EPA OIG Report No. [22-F-0060](#), *The EPA’s Fiscal Years 2021 and 2020 (Restated) Financial Statements for the Pesticide Registration Fund*, issued September 26, 2022—there were no issues reported.

*Damon Jackson*

Damon Jackson  
Certified Public Accountant  
Director, Financial Directorate  
Office of Audit  
Office of Inspector General  
U.S. Environmental Protection Agency  
August 18, 2023

# *Significant Deficiency* Table of Contents

**1. The EPA Miscalculated the Restatement Balances for Software in Development for the PRIA Fund Financial Statements Note 13, “Restatement” ..... 8**

# 1 – The EPA Miscalculated the Restatement Balances for Software in Development for the PRIA Fund Financial Statements Note 13, “Restatement”

We found that the EPA understated the restated capitalized expenditure balance for the Software in Development in the PRIA Fund restatement note by \$938,948.35. The Government Accountability Office’s Green Book requires that federal entities establish internal control activities to ensure that they provide accurate and timely recording of transactions and events. EPA personnel used the obligation fiscal year instead of the actual expenses fiscal year to calculate the restatement. If the EPA does not exercise due diligence when preparing the financial statements, it risks compromising the accuracy of the financial statements and the reliance of the public and other interested parties on them to be free of material misstatement.

Statement of Federal Financial Accounting Standards No. 10, *Accounting for Internal Use Software*, requires entities to capitalize the costs of software that meet the criteria for general property, plant, and equipment. The software life cycle includes three phases: planning, development, and operations. Capitalized software costs should include the full costs (direct and indirect) incurred during the development phase. The Software-in-Development general ledger account represents costs incurred only in the development phase and not in the planning and operations phases.

The Green Book requires that federal entities have internal control activities to ensure that they provide accurate and timely recording of transactions and events. The Green Book defines the five components of internal control in government. These components are:

- Monitoring.
- Information and communication.
- Control activities.
- Risk assessments.
- Control environment.

Management should design control activities to achieve objectives and respond to risks. The standards for control activities require appropriate documentation of transactions and internal control. 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 standards for control activities require accurate and timely recording of transactions and events.

During our analysis of the FY 2022 PRIA Fund financial statements, we found that the EPA miscalculated the restated capitalized expenditure balance for Software in Development in note 13, “Restatement.” We noted that the EPA’s total restated balance for the Pesticide Registration Information System Software in Development for FY 2018 through 2021 was as shown in Table 1.

**Table 1: FY 2018 through 2021 Pesticide Registration Information System Software-in-Development costs**

Fund	Capitalized expenditures (\$)	Income and expenses from other appropriations (\$)	Total (\$)
Federal Insecticide, Fungicide, and Rodenticide Act	11,094,186.83	1,123,915.44	12,218,102.27
PRIA	6,638,109.35	833,102.57	7,471,211.92
<b>Total</b>	<b>17,732,296.18</b>	<b>1,957,018.01</b>	<b>19,689,314.19</b>

Source: OIG analysis of the EPA's footnote support. (EPA OIG table)

However, during our FY 2022 consolidated financial statement audit,<sup>1</sup> the EPA provided us support showing a total amount of \$20,561,059.80 covering the Pesticide Registration Information System Software in Development for FY 2019 through 2021. Of this amount, the total cost for the PRIA Fund should have been \$8,410,160.27 and not \$7,471,211.92, an understatement of \$938,948.35.

Per our discussion with the EPA, the difference between the support provided during the PRIA Fund financial statement audit and the consolidated financial statement audit was because of the use of the obligation fiscal year during the PRIA Fund financial statement versus the actual expenses fiscal year used during the consolidated financial statements. However, as provided by Statement of Federal Financial Accounting Standards 10, the Agency should have used the expenses for the costs incurred and not the obligated amounts. As such, the methodology of accumulating the prior year costs provided different total expenses and fiscal years. The EPA is updating the restatement for the FY 2022 PRIA Software-in-Development costs using the fiscal year in which the costs were expended, not by beginning budget fiscal year, as provided in the draft statements submitted to the OIG.

If the EPA does not exercise due diligence when preparing the financial statements, it risks compromising the accuracy of the financial statements and the reliance of the public and other interested parties on them to be free of material misstatement.

## Recommendation

We recommend that the chief financial officer:

1. Correct the restatement amount for Software in Development to accurately capture the amounts for note 13, "Restatement."

## Agency Response and OIG Assessment

The Agency agreed with our finding and recommendation and completed its corrective action on August 23, 2023.

<sup>1</sup> OIG Report No. [23-F-0002](#), *The EPA's Fiscal Years 2022 and 2021 Consolidated Financial Statements*, issued November 15, 2022.

## *Status of Recommendations*

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date
1	9	Correct the restatement amount for Software in Development to accurately capture the amounts for note 13, "Restatement."	C	Chief Financial Officer	8/23/23

\* C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

***Fiscal Years 2022 and 2021 (With Restatements)  
Pesticide Registration Fund Financial Statements***

**Fiscal Years 2022 and 2021 (With Restatements)  
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. On March 8, 2019, the Pesticide Registration Improvement Extension Act of 2018 (PRIA 4) reauthorized PRIA for five years, through fiscal year 2023. The Pesticide Registration Improvement Act of 2022 (PRIA 5) was enacted into law on December 29, 2022, reauthorizing PRIA through FY 2027. As PRIA 5 is effective starting in FY 2023, it does not have bearing for FY 2021 or 2022. PRIA and its reauthorizations can be found on the following webpage (PRIA 5 has not yet been added)- <https://www.epa.gov/pria-fees/about-pesticide-registration-fees-under-pria>.

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 or exemption 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 uses<sup>1</sup>. Exemption from the requirement to pay a registration service fee is continued under PRIA 4 for applications solely associated with IR-4 petitions<sup>2</sup>.

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<sup>1</sup>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.

<sup>2</sup>The 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.

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 2022, the Agency's obligations charged against the PRIA Fund for the cost of registration were \$21.2 million and 74.4 work-years. Of this amount, the Office of Pesticide Programs (OPP) obligated \$11.9 million in Personnel Compensation and Benefits (PC&B).

Appropriated funds are used in addition to registration fee funds. In FY 2022, approximately \$15.4 million in appropriated funds were expended for pesticide registration activities.

The Pesticide Registration Fund has two types of receipts: fee collections and interest earned on investments. Of the \$23.9 million in FY 2022 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: Percentage of risk assessments supporting pesticide registration decisions for new active ingredients that consider the effects determinations or protections of federally threatened and endangered species.**

*Results: In FY 2022, 100% of risk assessments supporting new active ingredient regulatory decisions considered effects determinations or protections of federally threatened and endangered species under the Endangered Species Act (ESA). This exceeded the target of 40% of risk assessments incorporating ESA considerations.*

## Principal Financial Statements

**U.S. Environmental Protection Agency  
PRIA  
Balance Sheet  
As of September 30, 2022 and 2021 (Restated)  
(Dollars in Thousands)**

	<u>2022</u>	<u>(Restated) 2021</u>
<b>ASSETS:</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 19,664	\$ 16,896
Advances and Prepayments	<u>104</u>	<u>42</u>
Total Intragovernmental	19,768	16,938
Other Than Intragovernmental:		
General Property, Plant and Equipment, Net (Notes 4 and 13) (Restated)	<u>7,311</u>	<u>6,125</u>
Total Other Than Intragovernmental	7,311	6,125
<b>Total Assets</b>	<b><u>\$ 27,079</u></b>	<b><u>\$ 23,063</u></b>
<b>LIABILITIES:</b>		
Intragovernmental:		
Other Liabilities (Note 5)	<u>\$ 569</u>	<u>\$ 219</u>
Total Intragovernmental	569	219
Other Than Intragovernmental:		
Accounts Payable (Note 3)	71	-
Federal Employee Benefits Payable (Note 9)	3,165	2,959
Advances from Others and Deferred Revenue	17,329	15,364
Other Liabilities (Note 5)	<u>1,268</u>	<u>917</u>
Total Other Than Intragovernmental	<u>21,833</u>	<u>19,240</u>
<b>Total Liabilities</b>	<b><u>22,402</u></b>	<b><u>19,459</u></b>
<b>NET POSITION:</b>		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 13) (Restated)	<u>4,677</u>	<u>3,604</u>
Total Net Position	4,677	3,604
<b>Total Liabilities and Net Position</b>	<b><u>\$ 27,079</u></b>	<b><u>\$ 23,063</u></b>

The accompanying notes are an integral part of these financial statements.  
EPA's FY 2022 Annual PRIA Financial Statements

**U.S. Environmental Protection Agency**  
**PRIA**  
**Statement of Net Cost**  
**For the Fiscal Years Ended September 30, 2022 and 2021 (Restated)**  
**(Dollars in Thousands)**

	<b>2022</b>	<b>Restated 2021</b>
<b>COSTS</b>		
Gross Costs (Note 11) (Restated)	\$ 21,165	\$ 17,746
Expenses from Other Appropriations (Notes 10 and 13) (Restated)	38,067	42,933
Total Costs	59,232	60,679
Less:		
Earned Revenue (Notes 11 and 13)	21,524	19,916
<b>NET COST OF OPERATIONS</b> (Notes 12 and 13) (Restated)	<b>\$ 37,708</b>	<b>\$ 40,763</b>

The accompanying notes are an integral part of these financial statements.  
EPA's FY 2022 Annual PRIA Financial Statements

**U.S. Environmental Protection Agency  
PRIA  
Statement of Changes in Net Position  
For the Fiscal Years Ended September 30, 2022 and 2021 (Restated)  
(Dollars in Thousands)**

	<b>2022</b>	<b>Restated 2021</b>
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>		
Beginning Balance (Note 13) (Restated)	\$ 3,604	\$ (2,539)
Corrections of Errors	-	3,319
Beginning Balance, as Adjusted	3,604	780
Nonexchange Revenue	63	4
Income from Other Appropriations (Note 10 and 13)	38,067	42,933
Imputed Financing Sources	651	650
Net Cost of Operations (Notes 12 and 13) (Restated)	(37,708)	(40,763)
Net Change in Cumulative Results of Operations	1,073	2,824
<b>Total Cumulative Results of Operations</b>	<b>\$ <u>4,677</u></b>	<b>\$ <u>3,604</u></b>
<b>Net Position</b>	<b>\$ <u>4,677</u></b>	<b>\$ <u>3,604</u></b>

The accompanying notes are an integral part of these financial statements.  
EPA's FY 2022 Annual PRIA Financial Statements

**U.S. Environmental Protection Agency**  
**PRIA**  
**Statement of Budgetary Resources**  
**For the Fiscal Years Ended September 30, 2022 and 2021**  
**(Dollars in Thousands)**

	<b>2022</b>	<b>2021</b>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance From Prior Year Budget Authority, Net (discretionary)	\$ 8,836	\$ 9,696
Appropriations (discretionary)	<u>23,554</u>	<u>20,028</u>
<b>Total Budgetary Resources</b>	<b><u>\$ 32,390</u></b>	<b><u>\$ 29,724</u></b>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
New Obligations and Upward Adjustments (total)	\$ 21,102	\$ 21,288
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	<u>11,288</u>	<u>8,436</u>
Unobligated Balance, End of Year (total): (Note 7)	<u>11,288</u>	<u>8,436</u>
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 32,390</u></b>	<b><u>\$ 29,724</u></b>
 <b>OUTLAYS, NET</b>		
Outlays, Net (total) (discretionary)	\$ 20,786	\$ 19,807
Distributed Offsetting Receipts (-)	<u>(23,554)</u>	<u>(20,028)</u>
Agency Outlays, Net (discretionary)	<u>\$ (2,768)</u>	<u>\$ (221)</u>

The accompanying notes are an integral part of these financial statements.  
EPA's FY 2022 Annual PRIA Financial Statements

**U.S. Environmental Protection Agency**  
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**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.

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**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 (SFAS) No. 5 *Accounting for Liabilities of the Federal Government*.

**E. Revenues and Other Financing Sources**

For FYs 2022 and 2021, PRIA received funding from fees collected from registrants requesting pesticide registrations. For FYs 2022 and 2021, 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 most 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

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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.

**J. Liabilities (See Note 5)**

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. 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 "Federal Employee 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 (See Note 10)**

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.

**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.

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**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 amount recorded as offsetting receipts by the Department of the Treasury (Treasury). Pesticide Registration Fees collected under PRIA are 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 June 3, 2022. 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, 2022 and 2021 consists of the following:

	2022			2021		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
<b>Other Fund Types:</b>						
PRIA	\$ 19,664	\$ -	\$ 19,664	\$ 16,896	\$ -	\$ 16,896
<b>Total</b>	<b>\$ 19,664</b>	<b>\$ -</b>	<b>\$ 19,664</b>	<b>\$ 16,896</b>	<b>\$ -</b>	<b>\$ 16,896</b>

**Status of Fund Balances:**

**Unobligated Amounts in Fund Balance:**

	2022	2021
Available for Obligation	\$ 11,288	\$ 7,408
Unavailable for Obligation	833	1,028
Obligated Balance not yet Disbursed	<u>7,543</u>	<u>8,460</u>
<b>Total</b>	<b>\$ 19,664</b>	<b>\$ 16,896</b>

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**Note 3. Accounts Payable**

The Accounts Payable are current liabilities and consist of the following amounts as of September 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
<b>Other Than Intragovernmental:</b>		
Accounts Payable	\$ 71	\$ -
<b>Total</b>	<b>\$ 71</b>	<b>\$ -</b>

**Note 4. General Property, Plant and Equipment, Net (Restated)**

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, 2022, General PP&E Cost consisted of the following:

	<b>EPA-Held Equipment</b>	<b>Software (Production)</b>	<b>Software (Development)</b>	<b>Total</b>
<b>Balance, Beginning of Year</b>	\$ 280	\$ 5,050	\$ 5,900	\$ 11,230
Additions	-	-	1,242	1,242
<b>Balance, End of Year</b>	<b>\$ 280</b>	<b>\$ 5,050</b>	<b>\$ 7,142</b>	<b>\$ 12,472</b>

As of September 30, 2022, General PP&E Accumulated Depreciation consisted of the following:

	<b>EPA-Held Equipment</b>	<b>Software (Production)</b>	<b>Software (Development)</b>	<b>Total</b>
<b>Balance, Beginning of Year</b>	\$ 55	\$ 5,050	\$ -	\$ 5,105
Depreciation Expense	56	-	-	56
<b>Balance, End of Year</b>	<b>\$ 111</b>	<b>\$ 5,050</b>	<b>\$ -</b>	<b>\$ 5,161</b>

As of September 30, 2022, General PP&E, Net consisted of the following:

	<b>EPA-Held Equipment</b>	<b>Software (Production)</b>	<b>Software (Development)</b>	<b>Total</b>
<b>Balance, End of Year, Net</b>	<b>\$ 169</b>	<b>\$ -</b>	<b>\$ 7,142</b>	<b>\$ 7,311</b>

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

	<b>EPA- Held Equipment</b>	<b>Software (Production)</b>	<b>(Restated) Software (Development)</b>	<b>Total</b>
<b>Balance, Beginning of Year</b>	\$ 202	\$ 5,050	\$ 3,318	\$ 8,570
Additions	78	-	2,582	2,660
<b>Balance, End of Year</b>	<u>\$ 280</u>	<u>\$ 5,050</u>	<u>\$ 5,900</u>	<u>\$ 11,230</u>

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

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

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

	<b>EPA- Held Equipment</b>	<b>Software (Production)</b>	<b>(Restated) Software (Development)</b>	<b>Total</b>
<b>Balance, End of Year, Net</b>	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 5,900</u>	<u>\$ 6,125</u>

**Note 5. Other Liabilities**

Other Liabilities consist of the following as of September 30, 2022:

	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>
<b>Current</b>			
Employer Contributions & Payroll Taxes	\$ 148	\$ -	\$ 148
Accrued Liabilities	421	-	421
<b>Total Intragovernmental</b>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ 569</u>
<b>Other Liabilities - Other Than Intragovernmental</b>			
<b>Current</b>			
Other Accrued Liabilities	\$ 668	\$ -	\$ 668
Accrued Funded Payroll and Benefits	600	-	600
<b>Total Other Than Intragovernmental</b>	<u>\$ 1,268</u>	<u>\$ -</u>	<u>\$ 1,268</u>

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

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Resources</u>	<u>Total</u>
<b>Current</b>			
Employer Contributions & Payroll Taxes	\$ 82	\$ -	\$ 82
Accrued Liabilities	<u>137</u>	<u>-</u>	<u>137</u>
<b>Total Intragovernmental</b>	<u>\$ 219</u>	<u>\$ -</u>	<u>\$ 219</u>
<b>Other Liabilities - Other Than Intragovernmental</b>			
<b>Current</b>			
Other Accrued Liabilities	\$ 573	\$ -	\$ 573
Accrued Funded Payroll and Benefits	<u>344</u>	<u>-</u>	<u>344</u>
<b>Total Other Than Intragovernmental</b>	<u>\$ 917</u>	<u>\$ -</u>	<u>\$ 917</u>

At various periods throughout FY 2022 and FY 2021 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 2022 and 2021. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll and benefits at year-end.

**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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Unobligated Balance Brought Forward, Oct 1.</b>	<u>\$ 8,436</u>	<u>\$ 9,014</u>
<b>Adjustments to Budgetary Resources Made During the Current Year</b>		
Downward Adjustments of Prior Year Undelivered Orders	400	734
Other Adjustments	<u>-</u>	<u>(52)</u>
<b>Total</b>	<b>400</b>	<b>682</b>
<b>Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)</b>	<u>\$ 8,836</u>	<u>\$ 9,696</u>
<b>Temporarily Not Available - Rescinded Authority</b>	<u>\$ (833)</u>	<u>\$ (833)</u>

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**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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unexpired Unobligated Balance	\$ 11,288	\$ 8,436
<b>Total</b>	<b>\$ 11,288</b>	<b>\$ 8,436</b>

**Note 8. Undelivered Orders at the End of the Period**

Undelivered orders consist of the following as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Intragovernmental:		
Unpaid Undelivered Orders	\$ 99	\$ (1,693)
Paid Undelivered Orders	104	42
Other Than Intragovernmental:		
Unpaid Undelivered Orders	5,852	8,129
Paid Undelivered Orders	(399)	-
<b>Total</b>	<b>\$ 5,656</b>	<b>\$ 6,478</b>

**Note 9. Federal Employee Benefits Payable**

Payroll and benefits payable to the EPA employees for the years September 30, 2022 and 2021 consist of the following:

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
<b>FY 2022 Federal Employee Benefits Payable</b>			
Employer Contributions Payable - Thrift Savings Plan	\$ 71	\$ -	\$ 71
Total - Current	71	-	71
Accrued Unfunded Annual Leave	-	3,094	3,094
Total - Non-Current	-	3,094	3,094
<b>Total</b>	<b>\$ 71</b>	<b>\$ 3,094</b>	<b>\$ 3,165</b>

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

**Note 10. Income and Expenses from Other Appropriations (Restated)**

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 2022 and 2021, 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.

	<b>2022</b>	<b>(Restated) 2021</b>
Income from Other Appropriations	\$ 38,067	\$ 42,933
Expenses from Other Appropriations	<u>38,067</u>	<u>42,933</u>
Net Effect	<u>\$ -</u>	<u>\$ -</u>

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

	<b>2022</b>	<b>Restated 2021</b>
<b>Costs:</b>		
Intragovernmental	\$ 5,138	\$ 4,483
Other Than Intragovernmental (Restated)	16,027	13,263
Expenses from Other Appropriations	<u>38,067</u>	<u>42,933</u>
Total Costs	59,232	60,679
 <b>Revenue:</b>		
Other Than Intragovernmental (Restated)	<u>21,524</u>	<u>19,916</u>
Total Revenue	21,524	19,916
 <b>Net Cost of Operations:</b>	 <u>\$ 37,708</u>	 <u>\$ 40,763</u>

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

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**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.

	<u>Intra- governmental</u>	<u>Other Than Intra- governmental</u>	<u>Total 2022</u>
<b>NET COST</b>	<b>\$ 5,138</b>	<b>\$ 32,570</b>	<b>\$ 37,708</b>
<b>Components of Net Cost That Are Not Part of Net Outlays:</b>			
Property, Plant and Equipment Depreciation	-	(56)	(56)
Cost Capitalization Offset	-	1,242	1,242
Income from Other appropriations	-	(38,067)	(38,067)
<b>Increase/(Decrease) in Assets:</b>			
Other Assets	62	-	62
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable	(349)	(71)	(420)
Federal Employee Benefits Payable	-	(206)	(206)
Other Liabilities	-	(2,317)	(2,317)
<b>Other Financing Sources:</b>			
Other Imputed Financing	(651)	-	(651)
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>(938)</b>	<b>(39,475)</b>	<b>(40,413)</b>
<b>Components of Net Outlays That Are Not Part of Net Cost:</b>			
Appropriated Receipts for Trust Fund/Special Funds	-	(23,554)	(23,554)
Distributed Offsetting Receipts	-	23,554	23,554
Custodial/Non-exchange revenue	(63)	-	(63)
<b>Total Components of Net Outlays That Are Not Part of Net Cost</b>	<b>(63)</b>	<b>-</b>	<b>(63)</b>
<b>NET OUTLAYS</b>	<b>\$ 4,137</b>	<b>\$ (6,905)</b>	<b>\$ (2,768)</b>

**U.S. Environmental Protection Agency**  
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**Notes to the Financial Statements**  
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**(Dollars in Thousands)**

	<u>Intra- governmental</u>	<u>Other Than Intra- governmental</u>	<u>Restated Total 2021</u>
<b>NET COST</b>	<b>\$ 4,483</b>	<b>\$ 36,280</b>	<b>\$ 40,763</b>
<b>Components of Net Cost That Are Not Part of Net Outlays: (Restated)</b>			
Property, Plant and Equipment Depreciation	-	153	153
Applied Overhead/Cost Capitalization Offset (Restated)	-	2,503	2,503
Other	-	(42,933)	(42,933)
<b>Increase/(Decrease) in Assets:</b>			
Other Assets	42	-	42
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable	20	-	20
Federal Employee Benefits Payable	-	(296)	(296)
Other Liabilities	-	33	33
<b>Other Financing Sources:</b>			
Other Imputed Financing	(649)	-	(649)
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>(587)</b>	<b>(40,540)</b>	<b>(41,127)</b>
Appropriated receipts for Trust Fund/Special Funds	-	20,028	20,028
Distributed Offsetting Receipts	-	(20,028)	(20,028)
Custodial/Non-exchange Revenue	(4)	-	(4)
<b>Total Components of Net Outlays That Are Not Part of Net Cost</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>
<b>Other Temporary Timing Differences (Restated)</b>	<b>-</b>	<b>147</b>	<b>147</b>
<b>NET OUTLAYS</b>	<b>\$ 3,892</b>	<b>\$ (4,113)</b>	<b>\$ (221)</b>

**U.S. Environmental Protection Agency**  
**PRIA**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended September 30, 2022 and 2021**  
**(Dollars in Thousands)**

**Note 13. Restatement**

Software In Development

During FY 2022, EPA capitalized software in development costs of \$2,581 that were expensed in FY 2021 and \$3,319 that were expensed in FY 2020 and prior. These expenses should have been capitalized in those respective years. The agency is restating the capitalization of software in development costs into the periods in which they occurred.

As a result, income and expenses from other appropriations were overstated by \$834, the amount of costs included in the income and expenses from other appropriations in FY 2021 that were impacted by the capitalization of software in development restatement.

These changes impact the FY 2021 Balance Sheet, Statement of Net Cost and Statements of Changes in Net Position.

<b>For the Year Ended September 30, 2021</b>	<b><u>Previously Reported</u></b>	<b><u>Restatement</u></b>	<b><u>Restated Amount</u></b>
Balance Sheet:			
General Property, Plant and Equipment, Net	\$ 225	5,900	\$ 6,125
Cumulative Results of Operation - Funds from Dedicated Collections	\$ (2,296)	5,900	\$ 3,604
Statement of Net Cost			
Gross Costs	\$ 20,327	(2,581)	\$ 17,746
Expenses from Other Appropriations	\$ 43,767	(834)	\$ 42,933
Net Cost of Operations	\$ 44,178	(3,415)	\$ 40,763
Cumulative Results of Operations			
Net Position - Beginning Balance	\$ (2,539)	\$ 3,319	\$ 780
Income from Other Appropriations	\$ 43,767	\$ (834)	\$ 42,933
Total Net Position	\$ (2,296)	\$ 5,900	\$ 3,604

## Agency Response to Draft Report



### OFFICE OF THE CHIEF FINANCIAL OFFICER

WASHINGTON, D.C. 20460

October 11, 2023

#### MEMORANDUM

**SUBJECT:** Response to the Office of Inspector General Draft Report, Project No. OA-FY23-0049, "Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Pesticide Registration Fund Financial Statements," dated September 27, 2023

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

Amin,  
Faisal

Digitally signed by  
Amin, Faisal  
Date: 2023.10.11  
15:11:11 -04'00'

**TO:** Damon Jackson, Director  
Financial Directorate  
Office of Audit

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 recommendation. This response has been coordinated with the Office of Chemical Safety and Pollution Prevention.

#### AGENCY'S OVERALL POSITION

The draft report contains one recommendation for the Office of the Chief Financial Officer. The agency agrees with the recommendation.

**AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATION**

Recommendation	Office	High-Level Intended Corrective Action(s)	Estimated Completion Date
1. Correct the restatement amount for the Software in Development to accurately capture the amount for note 13, "Restatement."	OCFO	<u>Concur.</u> The restatement amount was corrected in the final statements to accurately capture the amounts for Note 13.	Completed 8/23/2023

**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](mailto:leblanc.andrew@epa.gov) or (202) 564-1761, or the OCSPP’s Senior Audit Advisor, Janet Weiner, at [weiner.janet@epa.gov](mailto:weiner.janet@epa.gov) or (202) 564-2309.

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U.S. Environmental Protection Agency

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### Contact us:



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