



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



Financial Management

Fiscal Years 2013 and 2012 Financial Statements for the Pesticide Registration Fund

Report No. 15-1-0181

July 10, 2015



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Abbreviations

CFO Act	Chief Financial Officers Act
EPA	U.S. Environmental Protection Agency
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
PRIA	Pesticide Registration Improvement Act

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At a Glance

Why We Did This Review

The Pesticide Registration Improvement Act requires that we perform an annual audit of the Pesticide Registration Fund (known as the PRIA Fund) financial statements.

To expedite the registration of certain pesticides, Congress authorized the U.S. Environmental Protection Agency to assess and collect pesticide registration fees. The fees collected are deposited into the PRIA Fund. The agency is required to prepare financial statements that present financial information about the PRIA Fund. PRIA also requires the establishment of decision time review periods for pesticide registration actions, and requires the Office of Inspector General to perform an analysis of the agency's compliance with those review periods.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

Send all inquiries to our public affairs office at (202) 566-2391 or visit www.epa.gov/oig.

The full report is at:
www.epa.gov/oig/reports/2015/20150710-15-1-0181.pdf

Fiscal Years 2013 and 2012 Financial Statements for the Pesticide Registration Fund

EPA Receives an Unmodified Opinion

We rendered an unmodified, or clean, opinion on the EPA's Pesticide Registration Fund financial statements for fiscal years 2013 and 2012, meaning they are fairly presented and free of material misstatement.

Internal Control Material Weakness Noted

We noted a material weakness in internal controls. The EPA could not initially produce accurate, timely and complete financial statements for the PRIA Fund. The agency was not preparing a complete set of financial statements for fiscal year 2013 because of its view that such statements were not required. This delayed the preparation of the first complete set of fiscal year 2013 PRIA financial statements until July 2014. Material errors in those statements and subsequent versions delayed the audit.

Compliance with Laws and Regulations

We did not identify any noncompliances that would result in a material misstatement to the audited financial statements. For compliance with decision time review periods, the agency was in substantial compliance with the statutory decision time frames.

Recommendations and Planned Corrective Actions

We recommend that the Chief Financial Officer evaluate its process for preparing PRIA financial statements and make necessary improvements for submission of accurate, timely and complete financial statements; and develop a systematic method to address all Office of Inspector General comments on the PRIA financial statements.

The agency agreed with our findings and recommendations. The agency has developed a project plan with new controls and processes to ensure that the financial statement preparation for PRIA is accurate and submitted timely. We have not confirmed that the new process is effective. The agency will also work with the Office of Inspector General to develop a more formal process for communicating corrections and changes in future PRIA audits.



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

OFFICE OF
INSPECTOR GENERAL

July 10, 2015

MEMORANDUM

SUBJECT: Fiscal Years 2013 and 2012 Financial Statements for the
Pesticide Registration Fund
Report No. 15-1-0181

FROM: Paul C. Curtis, Director
Financial Statement Audits

A handwritten signature in black ink, appearing to read "Paul C. Curtis".

TO: Jim Jones, Assistant Administrator
Office of Chemical Safety and Pollution Prevention

David Bloom, Acting Chief Financial Officer
Office of the Chief Financial Officer

This is our report on the U.S. Environmental Protection Agency's (EPA's) fiscal years 2013 and 2012 financial statements for the Pesticide Registration Fund, conducted by the EPA Office of Inspector General (OIG). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

Action Required

In response to the draft report, the agency provided intended corrective actions and estimated completion dates that addressed the recommendations. Therefore, a response to this report is not required. The agency should track unimplemented corrective actions in the Management Audit Tracking System.

If you submit a response, it will be posted on the OIG's public website, along with our comment 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 <http://www.epa.gov/oig>.

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Inspector General's Report on the Fiscal Years 2013 and 2012 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 Pesticide Registration Fund (known as the PRIA Fund), which comprise the balance sheet as of September 30, 2013, and September 30, 2012, and the related statements of net cost, 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. This includes the design, implementation and maintenance of internal controls 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 upon our audit. We conducted our audit in accordance with generally accepted government auditing standards; the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *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 of material misstatements.

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.

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, including the accompanying notes, present fairly, in all material respects, the assets, liabilities, net position, changes in net position, and budgetary resources of the PRIA Fund, as of and for the years ending September 30, 2013 and 2012, in conformity with accounting principles generally accepted in the United States of America.

Evaluation of Internal Controls

As defined by OMB, internal control is a process effected by “those charged with governance, management, and other personnel” that is designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to financial reporting and operations objectives. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. Consistent with the guidance set forth in OMB Circular No. A-123, *Management's Responsibility for Internal Control*, and Circular A-136, internal control over financial reporting is more narrowly defined and includes:

- **Reliability of financial reporting**—Transactions are properly recorded, processed and summarized to permit the preparation of the basic financial statements in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use or disposition.
- **Compliance with applicable laws and regulations**—Transactions are executed in accordance with laws and regulations, including laws governing the use of budget authority, laws, regulations, and governmentwide policies identified by OMB, and other laws and regulations that could have a direct and material effect on the basic financial statements.

Opinion on Internal Controls. In planning and performing our audit, we considered the EPA’s internal controls over financial reporting by obtaining an understanding of the agency’s internal controls, determining whether internal

controls had been placed in operation, assessing control risk, and performing tests of controls. We did this as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting nor on management's assertion on internal controls included in Management's Discussion and Analysis. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act (FMFIA) of 1982, such as those controls relevant to ensuring efficient operations.

Material Weakness and Significant Deficiencies. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants, a significant deficiency is a deficiency, or combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, 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 in a timely manner. Because of inherent limitations in internal controls, misstatements, losses or noncompliance may nevertheless occur and not be detected. We noted a matter, discussed below, involving the internal control and its operation, that we consider to be material. This issue is summarized below and detailed in Attachment 1.

Material Weakness

EPA Should Improve Its PRIA Financial Statement Preparation Process.

The U.S. Environmental Protection Agency (EPA) could not initially produce accurate, timely and complete financial statements for the PRIA fund. The agency was not preparing a complete set of financial statements for fiscal year (FY) 2013 because of its view that such statements were not required. This delayed the preparation of the first complete set of FY 2013 PRIA financial statements until July 2014. Material errors in those statements and subsequent versions delayed the audit. Without exercising quality control over the preparation of its financial statements, the agency cannot provide reasonable assurance that financial data provided accurately reflects the agency's financial activity and balances. Details are in Attachment 1.

Comparison of EPA's FMFIA Report With Our Evaluation of Internal Controls

OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, requires us to compare material weaknesses disclosed during the audit with those

material weaknesses reported in the agency's FMFIA report that relate to the financial statements and identify material weaknesses disclosed by the audit that were not reported in the agency's FMFIA report.

For financial statement, audit and financial reporting purposes, OMB defines a material weakness in internal control as a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. The agency did not report any material weaknesses for FY 2013 impacting the PRIA Fund; however, we identified a material weakness with the agency's financial statement preparation process. Details concerning this material weakness are in Attachment 1.

Tests of Compliance With Laws and Regulations

In accordance with PRIA, the Administrator is required to publish a schedule of decision time review periods for pesticide registration actions and corresponding registration fees in the Federal Register. Decision time review periods are specified time limits for the agency to grant or deny pesticide registrations. PRIA also requires the OIG to perform an analysis of the agency's compliance with decision time review periods. The agency was in substantial compliance with the statutory decision timeframes.

As part of obtaining a reasonable assurance as to whether the agency's financial statements are free of material misstatement, we tested compliance with those laws and regulations that could either materially affect the PRIA financial statements or that we considered significant to the audit. The objective of our audit, including our tests of compliance with applicable laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We did not identify any noncompliances that would result in a material misstatement to the audited financial statements.

Management's Discussion and Analysis Section of the Financial Statements

Our audit work related to the information presented in the Management's Discussion and Analysis of the pesticide program included comparing the overview information with information in the EPA's principal financial statements for consistency. We did not identify any material inconsistencies between the information presented in the two documents.

Prior Audit Coverage

During previous financial statement audits, we reported the following significant deficiencies:

- EPA materially overstated the expenses from other appropriations that support the PRIA Fund. This occurred because the agency did not have an effective system to accurately accumulate and report costs incurred by other appropriations in support of PRIA Fund activities.
- EPA materially understated the PRIA Fund payroll liabilities covered by budgetary resources, as well as related payroll expense included in gross costs. The agency's practice of transferring employees and expenses and liabilities from PRIA to the Environmental Programs and Management Fund for cash flow reasons led to the understatement.

The agency has taken action and corrected both deficiencies by correcting the FYs 2012 and 2011 proper expenses paid by other appropriations and the FYs 2012 and 2011 payroll and benefits payable amounts in the PRIA Fund financial statements. The agency has closely monitored the payroll liability amounts for PRIA at year-end. The agency also gave the Office of Chemical Safety and Pollution Prevention the opportunity to review the financial statements before submission to the OIG. In addition, the agency, in conjunction with the Office of Chemical Safety and Pollution Prevention and other stakeholders, developed an agencywide process to improve the capture of user fee program costs.

Agency Comments and OIG Evaluation

In a memorandum dated May 13, 2015, the agency responded to our draft report. The agency agreed with our findings and recommendations. The agency's complete response is included as Appendix B to this report.



Paul C. Curtis
Director, Financial Statement Audits
Office of Inspector General
U.S. Environmental Protection Agency
July 8, 2015

Material Weakness

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1 – EPA Should Improve Its PRIA Financial Statement Preparation Process

The EPA could not initially produce accurate, timely and complete financial statements for the Pesticide Registration Fund (known as the PRIA fund) after multiple attempts. The agency is required by the Chief Financial Officers Act (the “CFO Act,” or Public Law 101-576) to accurately, reliably and timely report financial information. However, the agency was not preparing a complete set of financial statements for FY 2013 because of its view that such statements were not required. This delayed the preparation of the first complete set of FY 2013 PRIA financial statements until July 2014. Material errors in those statements and subsequent versions delayed the audit process. Without exercising quality control over the preparation of its financial statements, the agency cannot provide reasonable assurance that financial data provided accurately reflects the agency’s financial activity and balances.

The agency each year prepares financial statements that present financial information about the EPA’s progress in registering pesticides. Section 902(a)(3)(D)(i) of the CFO Act requires the agency to “develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which provides for complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management.” Under the Pesticide Registration Improvement Act (PRIA), to expedite the registration of certain pesticides, Congress authorized the EPA to assess and collect pesticide registration fees. PRIA mandates that the OIG conduct annual audits of the PRIA fund’s financial statements.

The Office of the Chief Financial Officer (OCFO) encountered difficulties in preparing timely and reliable financial statements. In OCFO’s draft and initial final set of financial statements. We found a number of errors that we believe the agency should have caught or fixed. These issues highlight the need for the agency to strengthen its quality control processes to ensure accurate data is available on a timely basis to prepare the financial statements and to guarantee key financial statement preparation milestones are met.

At the start of the FY 2013 PRIA Fund financial statement audit, the agency informed the OIG of its plans to streamline the financial statement process by eliminating separate statements for the PRIA Fund and making them part of the agency’s consolidated financial statement audit. The agency disputed whether it needed to provide a separate set of financial statements complete with footnote disclosures and supplemental information, and asserted that certain financial data requested by OIG auditors would not be provided. After several communications with the OIG, the agency provided incomplete financial statements in March 2014 and again in April 2014. Subsequently, the agency informed the OIG that following its discussions with OMB attorneys, stand-alone PRIA Fund financial statements were required. As a result, OCFO agreed to prepare and provide to the OIG a full set of financial statements for PRIA. The agency expeditiously worked to provide financial statements to the OIG in July 2014. Due to staff limitations, the OIG agreed to scan those statements for errors and communicate such errors to the agency, but stated that additional audit work would be postponed until completion of the OIG’s audit of the agency’s Annual Consolidated Financial Statements in November 2014. The OIG’s initial review of the FY 2013 PRIA financial statements found that OCFO had included incorrect FY 2012 dollar amounts, and OCFO acknowledged these errors.

After completion of the Consolidated Financial Statements audit, the OIG review of the supporting data for the revised draft FY 2013 financial statements found incorrect references throughout the financial statements, and errors in the Management Discussion and Analysis, payroll, and Reconciliation of Net Cost of Operations to Budget. In what was to be the final PRIA financial statements presented in January 2015, the OIG determined considerable Management Discussion and Analysis, Payroll, and Reconciliation of Net Cost of Operations to Budget errors remained. In addition, many of the previously provided comments were not addressed. Accordingly, the statements needed further revision.

We believe that financial statements presented to the OIG should be complete, reviewed by agency management, and free of obvious errors such as incorrect prior-year amounts. Having to continually revise and re-edit the statements delays completion of the mandated OIG audit. The number of errors we found in multiple versions of the financial statements indicate that the agency is not exercising good quality control over the preparation of financial statements or performing a thorough review of its statements prior to submission to the OIG. Without exercising good quality control over the preparation of its financial statements, the agency cannot provide reasonable assurance that financial data provided accurately reflects the agency's financial activities and balances.

The OCFO's current process for preparing financial statements needs to be improved so that the agency can submit accurate financial statements, as required by PRIA, in a timely manner. The CFO Act requirement for an integrated agency accounting and financial management system, including financial report and internal controls, was enacted so that *complete, reliable, timely* and *consistent* financial information is available for use by the executive branch of the government and the Congress in the financing, managing and evaluating of federal programs. When information submitted to the OIG is not accurate and reliable for the purpose of issuing an opinion on the financial statements, we believe this is an indication that the agency needs to make further financial management improvements to meet the intent of the CFO Act.

Recommendations

We recommend that the Chief Financial Officer:

1. Evaluate the OCFO's process for preparing the PRIA financial statements and implement the necessary improvements for submission of accurate, timely and complete financial statements.
2. Develop a systematic method to address all OIG comments on the PRIA financial statements.

Agency Response and OIG Evaluation

The agency agreed with our findings and recommendations and has completed corrective actions on Recommendation 1. OCFO has developed a project plan with new controls and processes to ensure the financial statement preparation for PRIA is accurately and submitted timely. We have not validated the corrective actions.

Agency actions on Recommendation 2 are pending. OCFO will work with the OIG to develop a more formal process for communicating corrections and changes in future PRIA audits. The estimated completion date for this corrective action is September 30, 2015.

We agree with the agency's proposed corrective actions and estimated completion dates. We believe the planned actions adequately address the issues raised.

The agency's complete response is included in Appendix B to this report.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	8	Evaluate the OCFO's process for preparing the PRIA financial statements and implement the necessary improvements for submission of accurate, timely and complete financial statements.	O	Chief Financial Officer	3/31/15		
2	8	Develop a systematic method to address all OIG comments on the PRIA financial statements.	O	Chief Financial Officer	9/30/15		

¹ O = Recommendation is open with agreed-to corrective actions pending.
 C = Recommendation is closed with all agreed-to actions completed.
 U = Recommendation is unresolved with resolution efforts in progress.

***FYs 2013 and 2012 PESTICIDE REGISTRATION FUND
(PRIA)
FINANCIAL STATEMENTS***



*Produced by the U.S. Environmental Protection Agency
Office of the Chief Financial Officer
Office of Financial Management*

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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 new Registration service fees, which are deposited into the 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 with 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 (PRIA 3) was effective on October 1, 2012.

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 fees. 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 3, the fee has been paid and waiver granted. The 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 3 for applications

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.

solely associated with IR-4 petitions². 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 up to September 30, 2012, were covered by PRIA 2³ and applications received on or after October 1, 2012, are covered by PRIA 3. PRIA 3 contains the same audit provision as PRIA 2. PRIA 3 includes new authority to reject an application if it fails a preliminary technical screen. PRIA 3 also increases the fee categories or types of applications covered by PRIA from 140 to 189 and maintains set-asides to support worker protection and applicator training activities as well as IPM grants at levels comparable to PRIA 2.

Research Program Description

EPA's Chemical Safety for Sustainability (CSS) research program is leading the sustainable development, use, and assessment of chemicals and materials by advancing integrated chemical evaluation strategies and decision support tools that promote human and environmental health and are protective of vulnerable species and populations. The research is focused on providing integrated solutions in support of the Agency's efforts to manage chemical (including pesticides and toxics) risks. The data, methods and tools developed will guide the prioritization and testing process, from screening approaches through more complex testing and assessments. The research program's major goals are: (1) to build the knowledge infrastructure to support scientific discovery and sustainable decisions, (2) to develop and apply rapid, efficient, and effective methods for improved chemical prioritization, screening, and testing, (3) to provide models and tools necessary to make decisions supporting safe use across the chemical lifecycle. Current testing and assessment approaches are resource intensive and lack data sufficient to meet decision-making needs posed by the large and growing number of chemicals. The CSS ToxCast Program performs cost-effective, state-of-the-art chemical screening to assess how chemicals may affect human health. ToxCast simultaneously tests thousands of chemicals using hundreds of high-throughput and high-content approaches. This allows the EPA to directly examine environmental chemicals' role in human disease processes, cell systems, and pathway targets.

² 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.

³Out of approximately 7,892 completed PRIA 2 (FY '08 – FY '12) actions more than 99% were completed on or before their PRIA due date. Out of 2,084 decisions completed during the first year of PRIA 3 (FY '13), 98.8% were completed on or before their PRIA due date.

The ToxCast program has moved beyond the proof-of-concept phase focus on pesticide actives. Results of Phase II of this program, which covers 1,860 chemicals, are available at <http://www.epa.gov/ncct/toxcast/data.html>.

In providing research on methods, models, and data to support decision-making regarding specific individual or classes of pesticides and toxic substances that are of high priority, the program will continue to develop:

- Predictive biomarkers, quantitative structure activity relationships, and alternative test methods for prioritizing and screening chemicals for a number of adverse effects (e.g., neurotoxicity, reproductive toxicity) that will lead to a reduction in and more efficient use of whole animals in toxicity testing; and
- Approaches for applying high-throughput screening and computational models developed under the ToxCast program to support prioritization of chemicals for further testing under EPA's Endocrine Disruptor Screening Program.
- Data and protocols on the impact of waste water treatment technologies on pesticides and their products of transformation.

To support the development of probabilistic risk assessments to protect endangered populations of birds, fish, other wildlife, and non-target plants from pesticides while making sure farmers and communities have the pest control tools they need, this program has four key research components:

- Extrapolation among wildlife species and exposure scenarios of concern;
- Population biology to improve population dynamics in spatially-explicit habitats;
- Models for assessing the relative risk of chemical and non-chemical stressors; and
- Models to define geographical regional/spatial scales for risk assessment.
-

Methods for characterization of population-level risks of toxic substances to aquatic life and wildlife also are being developed as part of the Agency's long-term goal of developing scientifically valid approaches for assessing spatially-explicit, population-level risks to wildlife populations and non-target plants and plant communities from pesticides, toxic chemicals and multiple stressors while advancing the development of probabilistic risk assessment.

The program anticipates that the Agency will be better positioned to perform its mission of protecting human health and the environment as scientific information becomes digitized and readily available, methods and models to capture the complexities of chemical exposure and hazard in toxicity testing are developed and approaches focused on development of more sustainable alternatives are provided to decision-makers.

Enforcement and Compliance Assurance Program Description

The Pesticide Enforcement and Compliance Assurance Program focuses on pesticide product and user compliance. These include problems relating to pesticide worker safety, certification

and training of applicators, ineffective antimicrobial products, food safety, adverse effects, risks of pesticides to endangered species, pesticide containers and containment facilities, and e-commerce and misuse. The enforcement and compliance assurance program provides compliance assistance to the regulated community through its National Agriculture Compliance Assistance Center, seminars, guidance documents, brochures, and other forms of communication to ensure knowledge of and compliance with environmental laws.

EPA's grant support to states' and tribes' pesticide programs emphasizes its commitment to maintaining a strong compliance and enforcement presence. Agency FIFRA Cooperative Agreement priorities for FY2015 - FY2017 include the enforcement of worker protection standards and pesticide applicator certification; compliance monitoring and enforcement activities related to the pesticide container and containment rules, the revised soil fumigant labels, compliance of supplemental distributor products, contact manufacturing and program performance reporting. Core program activities include inspections of producing establishments; dealers/distributors/retailers; e-commerce; imports and exports, and pesticide misuse. Additionally, through the Cooperative Agreement resources we support inspector training and training for state/tribal senior managers, scientists, and supervisors.

Highlights and Accomplishments

Registration Financial Perspective

During FY 2013, the Agency's obligations charged against the PRIA Fund for the cost of registration were \$21.6 million and 18.9 work-years. Of this amount, OPP obligated \$2.8 in PC&B.

Appropriated funds are used in addition to Registration funds. In FY 2013, the Enacted Operating Plan included approximately \$ 34.046 million in appropriated funds for registration activities. The unobligated balance in the Fund at the end of FY 2013 was \$11.7 million.

The Fund has two types of receipts: fee collections and interest earned on investments. Of the \$15.5 million in FY 2013 receipts, more than 99.9% were fee collections.

Registration Program Performance Measures

The following measures support the program's strategic goals of Healthy Communities and Ecosystems as contained in the FY 2013 President's budget.

Measure 1: Number of new active ingredients registered.

Results: In FY2013 EPA registered 26 new active ingredients, of which 14 are biopesticides, 9 are conventional pesticides (including one new active ingredient with import tolerance use only)

and 2 are antimicrobial pesticides. This measure includes both reduced-risk and non-reduced-risk pesticides.

Measure 2: Progress in Registering Reduced-risk Pesticides.

Results: In FY 2013, EPA registered 23 reduced-risk new active ingredients 14 of which were biological pesticides and 1 biological pesticide. . Biological pesticides are certain types of pesticides derived from such natural materials as animals, plants, bacteria, and certain minerals. They are usually less toxic and are typically considered safer pesticides than the traditional conventional chemicals; therefore, the 14 biopesticides new active ingredients are counted as reduced-risk pesticides. Conventional “reduced risk” pesticides have one or more of the following advantages over currently registered pesticides: low impact on human health, low toxicity to non-target organisms, low potential for groundwater contamination, lower use rates, low pest resistance potential, and compatibility with integrated pest management strategies.

Measure 3: Number of New Food Uses Registered.

Results: EPA registered 183 new uses for previously registered active ingredients. Of these new uses, 168 were for conventional pesticides and 15 were for antimicrobial pesticides.

Measure 4: Progress in Registering Reduced-risk New Uses.

Results: Included in the new uses registered are 22 reduced-risk uses associated with 10 conventional pesticides and 1 was a biopesticide new use.

**PRINCIPAL
FINANCIAL STATEMENTS**

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**Environmental Protection Agency
 PRIA
 Balance Sheet
 For the Years Ended September 30, 2013 and 2012
 (Dollars in Thousands)**

	<u>FY 2013</u>	<u>FY 2012</u>
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 18,243	\$ 12,443
Total Intragovernmental	\$ 18,243	\$ 12,443
Property, Plant & Equipment, Net (Note 4)	2,248	2,753
Total Assets	\$ 20,491	\$ 15,196
Stewardship PP& E		
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities	52	93
Other (Note 5)	56	74
Total Intragovernmental	\$ 108	\$ 167
Accounts Payable & Accrued Liabilities	\$ 442	\$ 757
Payroll & Benefits Payable (Note 6)	1,078	2,022
Other (Note 5)	17,461	11,277
Total Liabilities	\$ 19,089	\$ 14,223
NET POSITION		
Cumulative Results of Operations	1,402	973
Total Net Position	1,402	973
Total Liabilities and Net Position	\$ 20,491	\$ 15,196

**Environmental Protection Agency
 PRIA
 Statement of Net Cost
 For the Years Ended September 30, 2013 and 2012
 (Dollars in Thousands)**

	FY 2013	FY 2012
COSTS		
Gross Costs (Note 9)	\$ 8,985	\$ 15,848
Expenses from Other Appropriations (Note 7)	31,359	29,726
Total Costs	40,344	45,574
Less:		
Earned Revenue (Notes 8 and 9)	9,389	14,396
NET COST OF OPERATIONS (Note 10)	\$ 30,955	\$ 31,178

**Environmental Protection Agency
 PRIA
 Statement of Changes in Net Position
 For the Years Ended September 30, 2013 and 2012
 (Dollars in Thousands)**

	FY 2013	FY 2012
Cumulative Results of Operations:		
Net Position - Beginning of Period	973	2,401
Beginning Balances, as Adjusted	\$ 973	\$ 2,401
Budgetary Financing Sources:		
Nonexchange Revenue - Securities Investment	2	1
Nonexchange Revenue - Other	(12)	12
Income from Other Appropriations (Note 6)	31,359	29,726
Total Budgetary Financing Sources	\$ 31,349	\$ 29,739
Other Financing Sources (Non-Exchange)		
Imputed Financing Sources	35	11
Total Other Financing Sources	\$ 35	\$ 11
Net Cost of Operations	(30,955)	(31,178)
Net Change	429	(1,428)
Cumulative Results of Operations	\$ 1,402	\$ 973

**Environmental Protection Agency
PRIA
Statement of Budgetary Resources
For the Years Ended September 30, 2013 and 2012
(Dollars in Thousands)**

	<u>FY 2013</u>	<u>FY 2012</u>
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1:	\$ 6,756	\$ 4,247
Unobligated Balance Brought Forward, October 1, as adjusted	6,756	4,247
Recoveries of prior year unpaid obligations	22	43
Unobligated balance from prior year budget authority, net	6,778	4,290
Appropriations (discretionary and mandatory)	14,795	15,619
Spending Authority from offsetting collection (discretionary and mandatory)	0	39
Total Budgetary Resources	<u>21,573</u>	<u>19,948</u>
 STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	\$ 9,854	\$ 13,192
Unobligated Balance, end of year:		
Apportioned	11,184	6,756
Unapportioned	535	-
Total Unobligated balance, end of period	11,719	6,756
Total Status of Budgetary Resources	<u>21,573</u>	<u>19,948</u>
 CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	\$ 5,644	\$ 6,955
Obligated balance, start of year (net), before adjustments	5,644	6,955
Obligated balance, start of year (net), as adjusted	5,644	6,955
Obligations incurred, net	9,854	13,192
Outlays (gross)	(9,753)	(14,460)
Recoveries of prior year unpaid obligations	(22)	(43)
Obligated balance, end of period		
Unpaid obligations, end of year (gross)	5,723	5,644
Obligated balance, end of period (net)	5,723	5,644
 BUDGET AUTHORITY AND OUTLAYS, NET:		
Budget authority, gross (discretionary and mandatory)	\$ 14,795	\$ 15,658
Actual offsetting collections (discretionary and mandatory)	(0)	(39)
Budget Authority, net (discretionary and mandatory)	14,795	15,619
 Outlays, gross (discretionary and mandatory)	9,753	14,460
Actual offsetting collections (discretionary and mandatory)	(0)	(39)
Outlays, net (discretionary and mandatory)	9,753	14,421
Distributed offsetting receipts	(15,563)	(15,622)
Agency outlays, net (discretionary and mandatory)	<u>(5,810)</u>	<u>(1,201)</u>

Environmental Protection Agency
PRIA
Notes to Financial Statements
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Environmental Protection Agency (EPA or Agency) was created in 1970 by executive reorganization from various components of other Federal agencies in order to better marshal and coordinate federal pollution control efforts. The Agency is generally organized around the media and substances it regulates -- air, water, land, hazardous 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 II) extended the authority to collect pesticide registration service fees through FY 2012. PRIA II became effective October 1, 2007. PRIA II was reauthorized with the passage of the Pesticide Registration Improvement Extension Act (referred to as PRIA III) on September 28, 2012 and became effective 2 days later on October 1, 2012. 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. Costs funded by Agency-wide appropriations for FYs 2013 and 2012 were \$31,721 thousand and \$29,726 thousand, respectively. This amount was included as Income from Other Appropriations on the Statement of Changes in Net Position and as Expenses from Other Appropriations on the Statement of Net Cost for FYs 2013 and 2012.

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 2013 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.

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. 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 a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. All interfund balances and transactions have been eliminated.

E. Revenues and Other Financing Sources

For FYs 2013 and 2012, PRIA received funding from fees collected from registrants requesting pesticide registrations. For FYs 2013 and 2012, 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. 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.

H. General Property, Plant and Equipment

Purchases of the EPA-held personal equipment are capitalized if the equipment is valued at \$25 thousand or more and has an estimated useful life of at least two years. Depreciation is taken on a basic straight-line method over the specific asset's useful life, ranging from two to 15 years. The EPA shows property, plant and equipment at net of depreciation on its audited financial statements.

All funds (except for the Working Capital Fund) capitalize software if those investments are considered Capital Planning and Investment Control (CPIC) or CPIC Lite systems with the provisions of SFFAS No. 10, "Accounting for Internal Use Software." Once software enters the production life cycle phase, it is depreciated using the straight-line method over the specific asset's useful life ranging from two to 10 years.

I. Liabilities

Liabilities represent the amount of monies or other resources that are likely 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. Liabilities of the Agency arising from anything other than contracts can be abrogated by the Government acting in its sovereign capacity.

J. Accrued Unfunded Annual Leave

Annual, sick and other leave is expensed as taken during the fiscal year. Sick leave earned but not taken is not accrued as a liability. Annual leave earned but not taken as of 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."

K. 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, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, 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.

L. 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 considered to be offsetting receipts by Treasury.

M. Use of Estimates

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

Note 2. Fund Balance with Treasury

	<u>FY 2013</u>	<u>FY 2012</u>
Revolving Funds: Entity Assets	<u>\$ 18,243</u>	<u>\$ 12,443</u>

Note 3. Other Assets

Other Assets consist of advances for Interagency Agreements. As of September 30, 2013 and 2012, funds advanced that will be applied to future costs as incurred were \$0 and \$0 thousand respectively.

Note 4. General Property, Plant and Equipment

General property, plant and equipment consists of the EPA-Held personal property, software, and software in development.

As of September 30, 2013 and 2012, General Property, Plant and Equipment consist of the following:

	FY 2013			FY 2012		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
EPA-Held Equipment	411	(339)	72	410	(305)	105
Software	4,702	(2,526)	2,176	4,458	(1,810)	2,648
Total	5,113	(2,865)	2,248	\$ 4,868	(2,115)	2,753

Note 5. Other Liabilities

For FYs 2013 and 2012, Payroll and Benefits Payable, non-federal, are presented on a separate line of the Balance Sheet and in a separate footnote (see Note 6).

	FY 2013	FY 2012
Other Intragovernmental Liabilities - Covered by Budgetary Resources		
Employer Contributions - Payroll	\$ 56	\$ 74
Total	\$ 56	\$ 74
Other Non-Federal Liabilities - Covered by Budgetary Resources		
Advances from Non-Federal Entities	\$ 17,461	\$ 11,277
Total	\$ 17,461	\$ 11,277

Note 6. Payroll and Benefits Payable, Non-Federal:

	<u>FY 2013</u>	<u>FY 2012</u>
Covered by Budgetary Resources		
Accrued Payroll Payable to Employees	\$ 397	\$ 415
Withholdings Payable	\$ 46	\$ 28
Thrift Savings Plan Benefits Payable	\$ 17	\$ 18
Total	<u>\$ 460</u>	<u>\$ 461</u>
Not Covered by Budgetary Resources		
Unfunded Annual Leave	\$ 618	\$ 1,561
Total	<u>\$ 618</u>	<u>\$ 1,561</u>

At various periods throughout FYs 2013 and 2012 employees with their associated payroll costs were transferred from PRIA to the Environmental Programs and Management (EPM) appropriation. (See graph in Note 7 below showing trend of hours charged per month to the PRIA fund for FYs 2013 and 2012.) These employees were transferred in order to keep PRIA's obligations and disbursements within budgetary limits.

This process has led to variations between the year-end liabilities of FYs 2013 and 2012. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll and benefits at year-end. For FY 2013 Pay Period 25; one employee was charging any part of their salary and benefits to PRIA. As of September 30, 2013, the liabilities were \$56 thousand and \$460 thousand for employer contributions and accrued funded payroll and benefits as compared to FY 2012's balances of \$74 thousand and \$461 thousand, respectively.

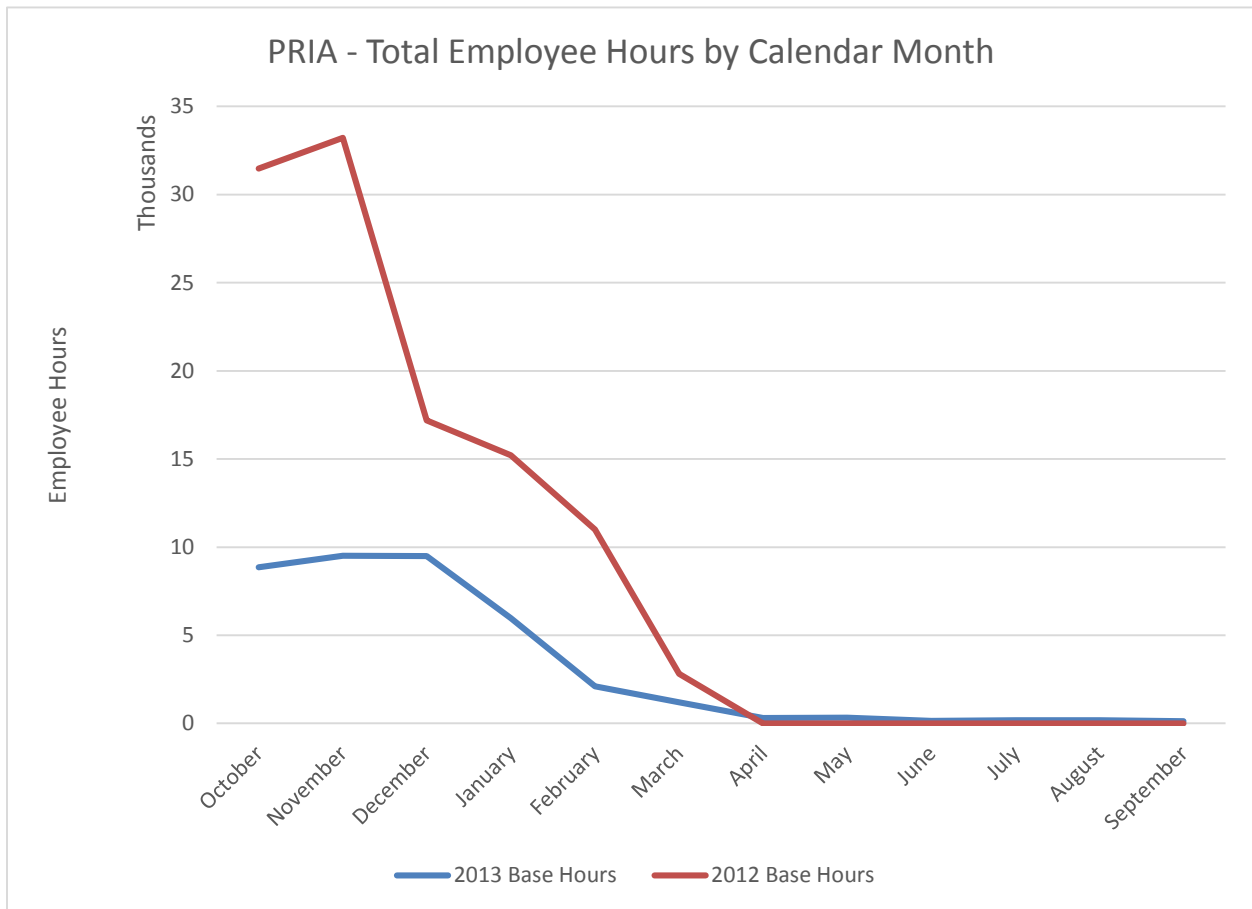
In contrast, the unfunded annual leave liability is a longer term liability than the funded liabilities. At various periods throughout FYs 2013 and FY 2012, approximately 56 and 211 employees, respectively, in total have been under PRIA's accountability. As of September 30, 2013 and 2012 liability balances for unfunded annual leave were accrued to cover these employees for a total of \$618 thousand and \$1,561 thousand, respectively.

Note 7. Income and Expenses from Other Appropriations:

The Statement of Net Cost reports program costs that include the full costs 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 2013 and 2012, 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. Transfers of employees from PRIA to EPM at various times during FYs 2013 and 2012 (see Note 6 above) resulted in an increase in payroll expenses in EPM, and these costs financed by EPM are reflected as an increase in the Expenses from Other Appropriations on the Statement of Net Cost. The increased financing from EPM is reported on the Statement of Changes in Net Position as Income from Other Appropriations.

In terms of hours charged to PRIA each month, the transfers of employees and their associated costs during FYs 2013 and 2012 are shown below. Note that a decrease in hours charged to PRIA normally signifies an increase in EPM’s payroll costs, and vice versa.



The EPM costs related to PRIA are allocated based on specific EPM program codes which have been designated for Pesticide registration activities. As illustrated below, there is no impact on PRIA’s Statement of Changes in Net Position.

	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect
FY 2013	<u>\$ 31,359</u>	<u>\$ 31,359</u>	<u>\$ -</u>
FY 2012	<u>\$ 29,726</u>	<u>\$ 29,726</u>	<u>\$ -</u>

Note 8. Exchange Revenues, Statement of Net Cost

For FYs 2013 and 2012, the exchange revenues reported on the Statement of Net Cost consists of non-Federal amounts.

Note 9. Intragovernmental Costs and Exchange Revenue

COSTS:	FY 2013	FY 2012
Intragovernmental	\$ 1,440	\$ 2,171
With the Public	\$ 7,545	\$ 13,677
Expenses from Other Appropriations	<u>\$ 31,359</u>	<u>\$ 29,726</u>
Total Costs	<u>\$ 40,344</u>	<u>\$ 45,574</u>
REVENUE		
With the Public	<u>\$ 9,389</u>	<u>\$ 14,396</u>
Total Revenue	<u>\$ 9,389</u>	<u>\$ 14,396</u>
NET COST OF OPERATIONS	<u>\$ 30,955</u>	<u>\$ 31,178</u>

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

Note 10. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)

	<u>FY 2013</u>	<u>FY 2012</u>
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,854	\$ 13,192
Less: Spending Authority from Offsetting Collections and Recoveries	(23)	(82)
Obligations, Net of Offsetting Collections	\$ 9,831	\$ 13,110
Less: Offsetting Receipts	(11)	(12)
Net Obligations	\$ 9,820	\$ 13,098
Other Resources		
Imputed Financing Sources	35	11
Income from Other Appropriations (Note 7)	31,359	29,726
Net Other Resources Used to Finance Activities	\$ 31,394	\$ 29,737
 Total Resources Used To Finance Activities	 \$ 41,215	 \$ 42,835
 RESOURCES USED TO FINANCE ITEMS		
NOT PART OF THE NET COST OF OPERATIONS:		
Change in Budgetary Resources Obligated	\$ (455)	\$ 1,286
Offsetting Receipts Not Affecting Net Cost (Note 1 Section L)	(11)	12
Resources that Finance Asset Acquisition	(243)	(260)
Adjustments to Expenditure Transfers		
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ (709)	\$ 1,038
 Total Resources Used to Finance the Net Cost of Operations	 \$ 40,505	 \$ 43,873
	<u>FY 2013</u>	<u>FY 2012</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	\$ (943)	\$ 1,004
Increase in Public Exchange Revenue Receivables	(9,356)	(14,396)
	-	-
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	\$ (10,299)	\$ (13,392)
Components Not Requiring/Generating Resources:		
Depreciation and Amortization	\$ 749	\$ 696
Expenses Not Requiring Budgetary Resources	0	1
Total Components of Net Cost that Will Not Require or Generate Resources	\$ 749	\$ 697
 Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	 \$ (9,550)	 \$ (12,695)
 Net Cost of Operations	 \$ 30,955	 \$ 31,178

Agency's Response to Draft Report

May 13, 2015

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Report No. OA-FY14-0122
"Fiscal Years 2013 and 2012 Financial Statements for the Pesticides Reregistration Fund," dated April 29, 2015

FROM: David A. Bloom */Signed/*
 Acting Chief Financial Officer

TO: Paul Curtis, Director
 Financial Statement Audits
 Office of Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. Following is a summary of the agency's position on each of the report recommendations, including high-level intended corrective actions and estimated completion dates.

AGENCY'S RESPONSE TO REPORT RECOMMENDATIONS

The agency concurs with the two draft report recommendations.

Agreements

No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion by Quarter and FY
1	Evaluate the OCFO's process for preparing the PRIA financial statements and implement the necessary improvements for submission of accurate, timely and complete financial statements.	OCFO has developed a project plan with new controls and processes to ensure that the financial statement preparation for PRIA is accurate and timely submitted.	3/31/2015 (complete)
2	Develop a systematic method to address all OIG comments on the PRIA financial statements.	OCFO will work with the OIG to develop a more formal process for communicating and addressing corrections and changes in future PRIA audits.	9/30/2015

CONTACT INFORMATION

If you have any questions regarding this response, please contact Stefan Silzer of the Office of Financial Management on (202) 564-4905.

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