

Independent Audit of the EPA's Fiscal Years 2023 and 2022 (Restated) Pesticide Registration Fund Financial Statements

April 16, 2025 | Report No. 25-F-0024



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Abbreviations

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

Cover Image

Pesticide sprayers are used to control weeds and insects in field crops. (EPA image)

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At a Glance

Independent Audit of the EPA's Fiscal Years 2023 and 2022 (Restated) Pesticide Registration Fund Financial Statements

Why We Did This Audit

To accomplish this objective:

The Pesticide Registration Improvement Act requires the U.S. Environmental Protection Agency Office of Inspector General to perform an annual audit of the financial statements for the Pesticide Registration Fund.

The Pesticide Registration Improvement Act requires the EPA to assess and collect pesticide registration fees and to deposit these fees in the Pesticide Registration Fund. The EPA Office of the Chief Financial Officer is required to prepare financial statements that present financial information about this fund. The Act also requires the EPA to establish time frames for its review and decision on applications for pesticide registrations; these time frames are known as **decision-time review periods**.

The Pesticide Registration Improvement Act requires the OIG to, as part of its annual audit of the Pesticide Registration Fund financial statements, conduct 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.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG.PublicAffairs@epa.gov.

[List of OIG reports.](#)

The EPA Received an Unmodified Opinion for Fiscal Years 2023 and 2022 (Restated)

We rendered an unmodified opinion on the EPA's fiscal years 2023 and 2022 (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.

Material Weakness Noted

We noted the following material weakness during our analysis: the EPA materially misstated the on-top adjustment involving the PRIA income and expenses from other appropriations, which is the PRIA 23-02A on-top adjustment, in its fiscal year 2023 draft financial statements by over \$2.6 million. An **on-top adjustment** is a journal entry that is made at the end of an accounting period to adjust the accounts to accurately reflect revenues and expenses of the current period.

The EPA corrected the misstatement in the final financial statements.

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.

Recommendations and Planned Agency Corrective Actions

We recommend that the chief financial officer correct the calculation in the PRIA 23-02A on-top adjustment to accurately capture the amounts for footnote 8, "Income and Expenses from Other Appropriations (Restated)," and develop and implement standard operating procedures for calculating income and expense from other appropriations.

The EPA agreed with our two recommendations, which are closed with corrective actions completed.



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

April 16, 2025

MEMORANDUM

SUBJECT: Independent Audit of the EPA's Fiscal Years 2023 and 2022 (Restated) Pesticide
Registration Fund Financial Statements
Report No. 25-F-0024

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

TO: Greg Trembl, Acting Chief Financial Officer

Rick Keigwin, Deputy Assistant Administrator for Management
Office of Chemical Safety and Pollution Prevention

Lynn Dekleva, Deputy 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-FY24-0070. This report contains findings that describe the problems the OIG has identified and the corrective actions the OIG recommends. Final determination 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 provided acceptable corrective actions for Recommendations 1 and 2 and has completed the corrective actions for both recommendations. 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 the 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.

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Independent Auditor's Report on the EPA's Fiscal Years 2023 and 2022 (Restated) Pesticide Registration Fund Financial Statements

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 following: the consolidated balance sheets as of September 30, 2023 and 2022; the related statements of net cost (restated) and changes in net position (restated); 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 budgetary resources of the EPA's PRIA Fund as of and for the years ended September 30, 2023 and 2022 (restated), in accordance with 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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller general of the United States, commonly referred to as generally accepted government auditing standards; and Office of Management and Budget, or OMB, Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. 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 2022

As described in note 11 to the financial statements, "Restatements," the EPA restated its fiscal year 2022 PRIA Fund financial statements. During a review of the process used to calculate income and expenses paid from other appropriations, the EPA determined that it was including indirect costs that included similar organizational codes to those used by PRIA but were attributable to different programs at the Agency. As a result, income and expenses from other appropriations were overstated, and the changes also impacted the FY 2022 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 U.S. generally accepted accounting principles. This includes 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; therefore, it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards, and OMB Bulletin No. 24-02 will always detect a material misstatement or a material matter 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, including omissions, 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, generally accepted government auditing standards, and OMB Bulletin No. 24-02, 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, the reasonableness of significant accounting estimates made by management, and the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

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.

Other Information

The EPA's Other Information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements. Management is responsible for the Other Information included in the EPA's Agency Financial Report. The Other Information comprises the following sections: *Message from the Administrator*, *Message from the Chief Financial Officer*, *Management's Discussion and Analysis*, and *Performance*. Other Information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the Other Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the Other Information and the financial statements, or whether Other Information otherwise appears to be materially misstated. If we conclude, based on the work performed, that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

Results of Our Consideration of Internal Control over Financial Reporting

In connection with our audit of the fund's financial statements, we considered the EPA's internal control over financial reporting, consistent with the auditor's responsibilities described below.

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 or to express an opinion on the effectiveness of the EPA's internal control over financial reporting. 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 material weakness. This issue is summarized below and detailed in Attachment A.

Material Weakness

The EPA Materially Misstated the PRIA Fund Income and Expenses from Other Appropriations

The EPA materially misstated the on-top adjustment involving the PRIA Fund income and expenses from other appropriations, which is the PRIA 23-02A on-top adjustment, by over \$2.6 million. An **on-top adjustment** is a journal entry that is made at the end of an accounting period to adjust the accounts to accurately reflect revenues and expenses of the current period. OMB Circular A-136, *Financial Reporting Requirements*, section II.3, requires information in financial statements to be presented in accordance with generally accepted accounting principles. Additionally, both OMB Circular A-136 and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 4, *Managerial Cost Accounting Standards and Concepts*, provide that the statements report the full cost of each program's output. EPA personnel captured certain amounts that should not have been part of the calculation for the on-top adjustment. If the EPA does not exercise due diligence in the preparation of its on-top adjustments and 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 EPA's internal control over financial reporting in accordance with generally accepted government auditing standards and OMB Bulletin No. 24-02.

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, 2023, in accordance with generally accepted government 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 OMB audit requirements, 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. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not

consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance or management responsibilities and by other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance of the following: (1) that transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition and (2) that transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Intended Purpose of Report on Internal Control over Financial Reporting

Because of inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

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

OMB Bulletin No. 24-02 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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements did not disclose any instances of noncompliance for FY 2023 that would be reportable under U.S. generally accepted government auditing standards. 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.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

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

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the EPA that have a direct effect on the determination of material amounts and disclosures in the fund's financial statements—including whether the EPA's financial management systems comply substantially with requirements of the Federal Financial Management Improvement Act of 1996, section 803(a)—and to perform certain limited procedures. Accordingly, we did not test compliance with all provisions of laws and regulations, contracts, and grant agreements applicable to the EPA. We caution that noncompliance may occur and not be detected by these tests.

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, as well as the results of that testing. The purpose is not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with generally accepted government auditing standards 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; these time frames are known as **decision-time review periods**. PRIA further requires that the EPA make publicly available a schedule of decision-review periods for covered pesticide registration actions and the corresponding registration service fees.

PRIA additionally requires that the EPA Office of Inspector General conduct an annual audit of the PRIA Fund's financial statements, including an analysis of 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 to form 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.

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. [24-F-0017](#), *Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Pesticide Registration Fund Financial Statements*, issued January 18, 2024, we reported a significant deficiency. In FY 2022, we found that 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.

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.

Damon Jackson

Damon Jackson
Certified Public Accountant
Director, Financial Directorate
Office of Audit
Office of Inspector General
U.S. Environmental Protection Agency
March 11, 2025

Material Weakness

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1 – The EPA Materially Misstated the PRIA Fund Income and Expenses from Other Appropriations

The EPA materially misstated the on-top adjustment involving the PRIA Fund income and expenses from other appropriations, which is the PRIA 23-02A on-top adjustment, by over \$2.6 million. An **on-top adjustment** is a journal entry that is made at the end of an accounting period to adjust the accounts to accurately reflect revenues and expenses of the current period. OMB Circular A-136, *Financial Reporting Requirements*, section II.3, requires information in financial statements to be presented in accordance with generally accepted accounting principles. Additionally, both OMB Circular A-136 and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 4, *Managerial Cost Accounting Standards and Concepts*, provide that the financial statements report the full cost of each program's output. EPA personnel captured certain amounts that should not have been part of the calculation for the on-top adjustment. If the EPA does not exercise due diligence in the preparation of its on-top adjustment and 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.

OMB Circular A-136 provides that "[r]eporting entities must comply with [generally accepted accounting principles] for Federal entities and the requirements of this Circular." The Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 4 states that "[r]eporting entities should report the full costs of outputs in general purpose financial reports." Similarly, section II.3.3.3 of OMB Circular A-136 requires that entities report the full cost of each program's output, which consists of:

[D]irect and indirect costs and (b) the costs of identifiable supporting services provided by other programs within the entity and by other entities. The entity should accumulate and assign costs in accordance with the costing methodology in SFFAS [Statement of Federal Financial Accounting Standards] 4. Costs should include any non-production costs that can be assigned to the program.

The Government Accountability Office's [GAO-14-704G](#), *Standards for Internal Control in the Federal Government*, requires that federal entities have internal control activities to ensure that they provide accurate and timely recording of transactions and events. We found that EPA personnel captured certain amounts that should not have been part of the calculation for the on-top adjustment calculation involving footnote 8, "Income and Expenses from Other Appropriations." If the EPA does not properly analyze the effect of its on-top adjustments, it could continue to materially misstate its financial position, which could impact the reliability of its financial statements.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* defines the five components of internal control in government. These components are:

- Monitoring.
- Information and communication.

- Control activities.
- Risk assessment.
- 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, we found that the EPA materially misstated the PRIA 23-02A on-top adjustment involving the PRIA income and expenses from other appropriations in its FY 2023 draft financial statements by over \$2.6 million. Specifically, EPA personnel captured certain amounts that should not have been part of the calculation for the on-top adjustment. The on-top adjustment support did not provide specific procedures on how the EPA calculated the income and expense from other appropriations and, therefore, misstated the net cost, changes in net position, and footnote 8, “Income and Expenses from Other Appropriations (Restated),” in the PRIA Funds’ draft financial statements. When we analyzed the support, we identified that the EPA incorrectly included an organization code in its calculation. We questioned the EPA on how it calculated the amount for the on-top adjustment, and it informed us that the on-top adjustment was erroneously included in the following FY 2023 calculations of Region 3 grant amounts, which is an organization code that starts with 032: in Fund E2, which is the State and Tribal Assistance Grants Clean Water State Revolving Fund; in Fund E3, which is the State and Tribal Assistance Grants Drinking Water State Revolving Fund Carryover (second year); and in Fund E5, which is the State and Tribal Assistance Grants Earmarks Carryover (second year).

The EPA lacks a procedure on how to properly calculate and apply adjustments for the PRIA Fund. Such a procedure could help ensure that any on-top adjustments are recorded and calculated properly. If the EPA does not exercise due diligence when preparing its on-top adjustments and 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.

Recommendations

We recommend that the chief financial officer:

1. Correct the calculation in the Pesticide Registration Improvement Act Fund financial statement 23-02A on-top adjustment to accurately capture the amounts for footnote 8, “Income and Expenses from Other Appropriations (Restated).”
2. Develop and implement standard operating procedures for calculating Pesticide Registration Improvement Act Fund income and expenses from other appropriations.

Agency Response and OIG Assessment

The EPA agreed with our recommendations. The Agency indicated that it completed corrective actions related to Recommendation 1 on December 9, 2024, and to Recommendation 2 on February 3, 2025. We will follow up on the impact and implementation of these corrective actions during our next annual audit.

Status of Recommendations and Potential Monetary Benefits

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	10	Correct the calculation in the Pesticide Registration Improvement Act Fund financial statement 23-02A on-top adjustment to accurately capture the amounts for footnote 8, "Income and Expenses from Other Appropriations (Restated)."	C	Chief Financial Officer	12/9/24	\$2,636
2	10	Develop and implement standard operating procedures for calculating Pesticide Registration Improvement Act Fund income and expenses from other appropriations.	C	Chief Financial Officer	2/3/25	—

* C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

***Fiscal Years 2023 and 2022 (Restated) Pesticide
Registration Fund (PRIA) Financial Statements***

Fiscal Years 2023 and 2022
Pesticide Registration Fund (PRIA) Financial Statements (Restated)



*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. PRIA 5 pesticide registration service fees and timeframes became effective 60 days after the date of enactment of PRIA 5, or February 27, 2023. Pesticide registration applications received before February 27, 2023, were subject to PRIA 4 pesticide registration service fees and decision timeframes, and applications received on or after February 27, 2023, were subject to PRIA 5 pesticide registration service fees and decision timeframes. 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>.

¹Minor 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.

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 and PRIA 5 legislation provides fee waivers for certain categories of small businesses and minor uses¹. Exemption from the requirement to pay a registration service fee is continued under PRIA 4 for applications solely associated with IR-4 petitions².

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 5 contains the same audit provision as PRIA 4. PRIA 5 continues authority established under PRIA 4 to reject an application if it fails a preliminary technical screen. PRIA 5 modifies fees for existing categories, creates new fee categories, and in a few cases, amends the category definitions. PRIA 5 increases the fee categories or types of applications covered by PRIA from 212 to 226. PRIA 5 discontinued PRIA 4 set-asides from the Pesticide Registration Fund for farm worker protection activities, partnership grants and pesticide safety education programs. PRIA 5 authorized two 5% fee increases, the first beginning in FY 2025 and the second beginning in FY 2027, and specifies activities which must have been completed in order for the fee increases to go into effect.

Highlights and Accomplishments

Registration Financial Perspective

During FY 2023, the Agency's obligations charged against the PRIA Fund for the cost of registration were \$20.6 million and 69.5 work-years. Of this amount, the Office of Pesticide Programs (OPP) obligated \$11.7 million in Personnel Compensation and Benefits (PC&B).

Appropriated funds are used in addition to registration fee funds. In FY 2023, approximately \$8.3 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 \$20.6 million in FY 2023 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.

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

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 2023, 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 80% of risk assessments incorporating ESA considerations.

Principal Financial Statements

U.S. Environmental Protection Agency PRIA Balance Sheet As of September 30, 2023 and 2022 (Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
ASSETS:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 18,235	\$ 19,664
Advances and Prepayments	<u>32</u>	<u>104</u>
Total Intragovernmental	18,267	19,768
Other Than Intragovernmental:		
General Property, Plant and Equipment, Net (Note 4)	<u>8,034</u>	<u>7,311</u>
Total Other Than Intragovernmental	8,034	7,311
Total Assets	\$ <u>26,301</u>	\$ <u>27,079</u>
LIABILITIES:		
Intragovernmental:		
Other Liabilities (Note 5)	\$ <u>546</u>	\$ <u>569</u>
Total Intragovernmental	546	569
Other Than Intragovernmental:		
Accounts Payable (Note 3)	19	71
Federal Employee and Veteran Benefits Payable (Note 7)	2,927	3,165
Advances from Others and Deferred Revenue	16,107	17,329
Other Liabilities (Note 5)	<u>668</u>	<u>1,268</u>
Total Other Than Intragovernmental	<u>19,721</u>	<u>21,833</u>
Total Liabilities	<u>20,267</u>	<u>22,402</u>
NET POSITION:		
Cumulative Results of Operations - Funds from Dedicated Collections	<u>6,034</u>	<u>4,677</u>
Total Net Position	6,034	4,677
Total Liabilities and Net Position	\$ <u>26,301</u>	\$ <u>27,079</u>

The accompanying notes are an integral part of these financial statements.
EPA's FY 2023 Annual PRIA Financial Statements

U.S. Environmental Protection Agency
PRIA
Statement of Net Cost
For the Fiscal Years Ended September 30, 2023 and 2022 (Restated)
(Dollars in Thousands)

	<u>2023</u>	<u>Restated 2022</u>
COSTS		
Gross Costs (Note 9)	\$ 21,161	\$ 21,165
Expenses from Other Appropriations (Restated) (Note 8 and 11)	<u>46,391</u>	<u>35,425</u>
Total Costs	67,552	56,590
Less: Earned Revenue (Note 9)	<u>21,103</u>	<u>21,524</u>
NET COST OF OPERATIONS (Note 10)	<u>\$ 46,449</u>	<u>\$ 35,066</u>

The accompanying notes are an integral part of these financial statements.
EPA's FY 2023 Annual PRIA Financial Statements

U.S. Environmental Protection Agency
PRIA
Statement of Changes in Net Position
For the Fiscal Years Ended September 30, 2023 and 2022 (Restated)
(Dollars in Thousands)

	<u>2023</u>	<u>Restated 2022</u>
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balance	\$ 4,677	\$ 3,604
Nonexchange Revenue	447	63
Income from Other Appropriations (Restated) (Note 8 and 11)	46,391	35,425
Imputed Financing Sources	<u>968</u>	<u>651</u>
Net Cost of Operations (Note 9 and 10)	<u>(46,449)</u>	<u>(35,066)</u>
Net Change in Cumulative Results of Operations	1,357	1,073
Total Cumulative Results of Operations	\$ <u>6,034</u>	\$ <u>4,677</u>
Net Position	\$ <u>6,034</u>	\$ <u>4,677</u>

The accompanying notes are an integral part of these financial statements.
EPA's FY 2023 Annual PRIA Financial Statements

U.S. Environmental Protection Agency
PRIA
Statement of Budgetary Resources
For the Fiscal Years Ended September 30, 2023 and 2022
(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>
BUDGETARY RESOURCES		
Unobligated Balance From Prior Year Budget Authority, Net (discretionary) (Note 6)	\$ 11,371	\$ 8,836
Appropriations (discretionary)	<u>20,328</u>	<u>23,554</u>
Total Budgetary Resources	<u>\$ 31,699</u>	<u>\$ 32,390</u>
 STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments (total)	\$ 22,733	\$ 21,102
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	<u>8,966</u>	<u>11,288</u>
Unobligated Balance, End of Year (total): (Note 6)	<u>8,966</u>	<u>11,288</u>
Total Status of Budgetary Resources	<u>\$ 31,699</u>	<u>\$ 32,390</u>
 OUTLAYS, NET		
Outlays, Net (total) (discretionary)	\$ 21,758	\$ 20,786
Distributed Offsetting Receipts (-)	<u>(20,328)</u>	<u>(23,554)</u>
Agency Outlays, Net (discretionary) (Note 10)	<u>\$ 1,430</u>	<u>\$ (2,768)</u>

The accompanying notes are an integral part of these financial statements.
EPA's FY 2023 Annual PRIA Financial Statements

U.S. Environmental Protection Agency
PRIA
Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2023 and 2022
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entities

The EPA was created in 1970 by executive reorganization from various components of other federal agencies to better marshal and coordinate federal pollution control efforts. The Agency is generally organized around the media and substances it regulates - air, land, water, waste, pesticides, and toxic substances.

The Pesticide Registration Fund (PRIA) is authorized under the Pesticide Registration Improvement Act of 2003 (which amended the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA)), and became effective on March 23, 2004. This Act authorizes the EPA to assess and collect pesticide registration service fees on applications submitted to register pesticides covered by this Act, as well as assess and collect fees to register new active ingredients not listed in the Registration Division 2003 Work Plan of the Office of Pesticide Programs. The Pesticide Registration Improvement Renewal Act (commonly referred to as PRIA 2) extended the authority to collect pesticide registration service fees through FY 2012. PRIA 2 became effective October 1, 2007. PRIA 2 was reauthorized with the passage of the Pesticide Registration Improvement Extension Act (referred to as PRIA 3) on September 28, 2012. PRIA 3 became effective October 1, 2012, and authorized collection of registration fees through FY 2018. PRIA 4 became effective March 8, 2019 and authorized collection of registration fees through FY 2023. PRIA 5 became effective on December 29, 2022 and authorized collection of registration fees through FY 2027. Pesticide registration services fees specified in PRIA 5 became effective 60 days after date of enactment, on February 27, 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 8 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.

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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Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2023 and 2022
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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 (SFFAS) No. 5 *Accounting for Liabilities of the Federal Government*.

E. Revenues and Other Financing Sources

For FYs 2023 and 2022, PRIA received funding from fees collected from registrants requesting pesticide registrations. For FYs 2023 and 2022, revenues were recognized from fee collections to the extent that expenses were 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 (See Note 4)

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

U.S. Environmental Protection Agency
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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

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.

U.S. Environmental Protection Agency
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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 May 19, 2023. 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, 2023 and 2022 consists of the following:

	2023			2022		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Other Fund Types:						
PRIA	\$ 18,235	\$ -	\$ 18,235	\$ 19,664	\$ -	\$ 19,664
Total	\$ 18,235	\$ -	\$ 18,235	\$ 19,664	\$ -	\$ 19,664

Status of Fund Balances:	2023	2022
Unobligated Amounts in Fund Balance:		
Available for Obligation	\$ 8,966	\$ 11,288
Unavailable for Obligation	833	833
Obligated Balance not yet Disbursed	8,436	7,543
Total	\$ 18,235	\$ 19,664

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Note 3. Accounts Payable

Accounts Payable are current liabilities and consist of the following amounts as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Other Than Intragovernmental:		
Accounts Payable	\$ 19	\$ 71
Total	<u>\$ 19</u>	<u>\$ 71</u>

Note 4. General Property, Plant and Equipment, Net

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

As of September 30, 2023, General PP&E Cost consisted of the following:

	<u>EPA- Held Equipment</u>	<u>Software (Production)</u>	<u>Software (Development)</u>	<u>Total</u>
Balance, Beginning of Year	\$ 280	\$ 5,050	\$ 7,142	\$ 12,472
Additions	-	-	779	779
Balance, End of Year	<u>\$ 280</u>	<u>\$ 5,050</u>	<u>\$ 7,921</u>	<u>\$ 13,251</u>

As of September 30, 2023, General PP&E Accumulated Depreciation consisted of the following:

	<u>EPA- Held Equipment</u>	<u>Software (Production)</u>	<u>Software (Development)</u>	<u>Total</u>
Balance, Beginning of Year	\$ 111	\$ 5,050	\$ -	\$ 5,161
Depreciation Expense	56	-	-	56
Balance, End of Year	<u>\$ 167</u>	<u>\$ 5,050</u>	<u>\$ -</u>	<u>\$ 5,217</u>

As of September 30, 2023, General PP&E, Net consisted of the following:

	<u>EPA- Held Equipment</u>	<u>Software (Production)</u>	<u>Software (Development)</u>	<u>Total</u>
Balance, End of Year, Net	<u>\$ 113</u>	<u>\$ -</u>	<u>\$ 7,921</u>	<u>\$ 8,034</u>

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

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

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

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

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

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

Note 5. Other Liabilities

Other Liabilities consist of the following as of September 30, 2023:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Intragovernmental			
Current			
Employer Contributions & Payroll Taxes	\$ 45	\$ -	\$ 45
Accrued Liabilities	<u>501</u>	<u>-</u>	<u>501</u>
Total Intragovernmental	\$ <u><u>546</u></u>	\$ <u><u>-</u></u>	\$ <u><u>546</u></u>
Other Than Intragovernmental			
Current			
Other Accrued Liabilities	\$ 487	\$ -	\$ 487
Accrued Funded Payroll and Benefits	<u>181</u>	<u>-</u>	<u>181</u>
Total Other Than Intragovernmental	\$ <u><u>668</u></u>	\$ <u><u>-</u></u>	\$ <u><u>668</u></u>

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

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

At various periods throughout FY 2023 and FY 2022, 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 2023 and 2022. The liabilities covered by budgetary resources (both intragovernmental and non-Federal) represent unpaid payroll benefits as well as accrued expenses at year-end.

U.S. Environmental Protection Agency
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Note 6. Statement of Budgetary Resources

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies bylaw and help ensure compliance with law. The following budget terms from OMB Circular A-11, Section 20.3 are commonly used:

- **Appropriation:** A provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
- **Budgetary resources:** Amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.
- **Distributed offsetting receipts:** Amounts that an agency collects from the public or from other U.S. Government agencies that are used to offset or reduce an agency's budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts).
- **Offsetting collections:** Payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.
- **Offsetting receipts:** Payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.
- **Obligation:** A binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- **Outlay:** A payment to liquidate an obligation. Outlays generally are equal to cash disbursements and are the measure of Government spending.

Recoveries of Prior Year Obligations, Temporarily Not Available, and Permanently Not Available on the

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For the Fiscal Years Ended September 30, 2023 and 2022
(Dollars in Thousands)

Statement of Budgetary Resources consist of the following amounts as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unobligated Balance Brought Forward, Oct 1.	\$ <u>11,288</u>	\$ <u>8,436</u>
Adjustments to Budgetary Resources Made During the Current Year		
Downward Adjustments of Prior Year Undelivered Orders	<u>83</u>	<u>400</u>
Total	83	400
Unobligated Balance from Prior Year Budget Authority, Net (discretionary)	\$ <u>11,371</u>	\$ <u>8,836</u>
Temporarily Not Available - Rescinded Authority	\$ <u>(833)</u>	\$ <u>(833)</u>

Unexpired unobligated balances are available to be apportioned by the OMB for new obligations at the beginning of the following fiscal year.

The unobligated balances available consist of the following as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unexpired Unobligated Balance	<u>\$ 8,966</u>	<u>\$ 11,288</u>
Total	\$ <u>8,966</u>	\$ <u>11,288</u>

Undelivered orders consist of the following as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Intragovernmental:		
Unpaid Undelivered Orders	\$ 54	\$ 99
Paid Undelivered Orders	32	104
Other Than Intragovernmental:		
Unpaid Undelivered Orders	7,117	5,852
Paid Undelivered Orders	<u>-</u>	<u>(399)</u>
Total	\$ <u>7,203</u>	\$ <u>5,656</u>

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Note 7. Federal Employee and Veteran Benefits Payable

Payroll and benefits payable to the EPA employees for the years September 30, 2023 and 2022 consist of the following:

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
FY 2023 Federal Employee and Veteran Benefits Payable			
Employer Contributions Payable - Thrift Savings Plan	\$ <u>21</u>	\$ <u>-</u>	\$ <u>21</u>
Total - Current	21	-	21
Accrued Unfunded Annual Leave	<u>-</u>	<u>2,906</u>	<u>2,906</u>
Total - Non-Current	-	2,906	2,906
Total	<u>\$ 21</u>	<u>\$ 2,906</u>	<u>\$ 2,927</u>
	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
FY 2022 Federal Employee and Veteran Benefits Payable			
Employer Contributions Payable - Thrift Savings Plan	\$ <u>71</u>	\$ <u>-</u>	\$ <u>71</u>
Total - Current	71	-	71
Accrued Unfunded Annual Leave	<u>-</u>	<u>3,094</u>	<u>3,094</u>
Total - Non-Current	-	3,094	3,094
Total	<u>\$ 71</u>	<u>\$ 3,094</u>	<u>\$ 3,165</u>

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Note 8. 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 2023 and 2022, 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 a net zero impact on EPA's Statement of Changes in Net Position.

	2023	Restated 2022
Income from Other Appropriations	\$ 46,391	\$ 35,425
Expenses from Other Appropriations	<u>46,391</u>	<u>35,425</u>
Net Effect	<u>\$ -</u>	<u>\$ -</u>

Note 9. Intragovernmental Costs and Exchange Revenue (Restated)

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

	2023	Restated 2022
Costs:		
Intragovernmental	\$ 6,815	\$ 5,138
Other Than Intragovernmental	14,346	16,027
Expenses from Other Appropriations (Restated)	<u>46,391</u>	<u>35,425</u>
Total Costs	67,552	56,590
Earned Revenue:		
Other Than Intragovernmental	<u>21,103</u>	<u>21,524</u>
Total Revenue	21,103	21,524
Net Cost of Operations:	<u><u>\$ 46,449</u></u>	<u><u>\$ 35,066</u></u>

Note 10. 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

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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.

	Fiscal Year Ending September, 30 2023		
	Intra-	Other Than	
	governmental	Intra-	Total 2023
	governmental	governmental	
NET COST	\$ 6,815	\$ 39,634	\$ 46,449
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	(56)	(56)
Cost Capitalization Offset	-	778	778
Income from Other appropriations	-	(46,391)	(46,391)
Increase/(Decrease) in Assets:			
Other Assets	(72)	-	(72)
(Increase)/Decrease in Liabilities:			
Accounts Payable	23	52	75
Federal Employee and Veteran Benefits Payable	-	238	238
Other Liabilities	-	1,824	1,824
Other Financing Sources:			
Other Imputed Financing	(968)	-	(968)
Total Components of Net Cost That Are Not Part of Net Outlays	(1,017)	(43,555)	(44,572)
Components of Net Outlays That Are Not Part of Net Cost:			
Appropriated Receipts for Trust Fund/Special Funds	-	(20,328)	(20,328)
Distributed Offsetting Receipts	-	20,328	20,328
Custodial/Non-exchange revenue	(447)	-	(447)
Total Components of Net Outlays That Are Not Part of Net Cost	(447)	-	(447)
NET OUTLAYS	\$ 5,351	\$ (3,921)	\$ 1,430

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	<u>Fiscal Year Ending September, 30 2022</u>		
	(Restated)		
	Other Than		
	Intra-	Intra-	Total 2022
	governmental	governmental	
	\$ 5,138	\$ 29,928	\$ 35,066
NET COST			
Components of Net Cost That Are Not Part of Net Outlays			
Property, Plant and Equipment Depreciation	-	(56)	(56)
Applied Overhead/Cost Capitalization Offset	-	1,242	1,242
Other (Restated)	-	(35,425)	(35,425)
Increase/(Decrease) in Assets:			
Other Assets	62	-	62
(Increase)/Decrease in Liabilities:			
Accounts Payable	(349)	(71)	(420)
Federal Employee and Veteran Benefits Payable	-	(206)	(206)
Other Liabilities	-	(2,317)	(2,317)
Other Financing Sources:			
Other Imputed Financing	(651)	-	(651)
Total Components of Net Cost That Are Not Part of Net Outlays	(938)	(36,833)	(37,771)
Appropriated receipts for Trust Fund/Special Funds	-	(23,554)	(23,554)
Distributed Offsetting Receipts	-	23,554	23,554
Custodial/Non-exchange Revenue	(63)	-	(63)
Total Components of Net Outlays That Are Not Part of Net Cost	(63)	-	(63)
Other Temporary Timing Differences	-	-	-
NET OUTLAYS	\$ 4,137	\$ (6,905)	\$ (2,768)

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Note 11. Restatements

Income and Expenses Paid from Other Appropriations

During a review of the process used to calculate Income and Expenses Paid from Other Appropriations, EPA discovered indirect costs that included similar organizational codes to those used by PRIA but were attributable to different programs at the Agency. EPA is restating its FY 2022 Expenses and Income from Other Appropriations to remove these costs.

This change impacts the FY 2022 Statement of Net Cost and the Statement of Changes in Net Position.

For the Year Ended September 30, 2021	<u>Previously Reported</u>	<u>Restatement</u>	<u>Restated Amount</u>
Expenses from Other Appropriations	\$ 38,067	(2,642)	\$ 35,425
Income from Other Appropriations	\$ 38,067	(2,642)	\$ 35,425

Agency Response to Draft Report




THE CHIEF FINANCIAL OFFICER
WASHINGTON, D.C. 20460

March 10, 2025

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA-FY24-0070, *"Audit of the EPA's Fiscal Years 2023 and 2022 (Restated) Pesticide Registration Fund Financial Statements,"* dated February 19, 2025

FROM: Gregg Trembl, Acting Chief Financial Officer
Office of the Chief Financial Officer 

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

AGENCY'S OVERALL POSITION

The draft report contains two recommendations for the Office of the Chief Financial Officer. The agency agrees with both recommendations and has already completed the necessary corrective actions to address them.

AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATION

Recommendation	Office	High-Level Intended Corrective Action(s)	Planned Date
1. Correct the calculation in the Pesticide Registration Improvement Act 23-02A on-top adjustment to accurately capture the amounts for footnote 8, "Income and Expenses from Other Appropriations (Restated)."	OCFO	<u>Concur.</u> The OCFO's Office of the Controller's Finance & Accounting Division corrected the calculations for Income and Expenses from Other Appropriations in the final Financial Statements and footnotes.	Completed 12/09/24
2. Develop and implement standard operating procedures for calculating Pesticide Registration Improvement Act Fund income and expenses from other appropriations.	OCFO	<u>Concur.</u> The OCFO-OC-FAD updated the standard operating procedures for calculating Pesticide Registration Improvement Act Fund income and expenses from other appropriations.	Completed 2/03/25

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 or (202) 564-1761.

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U.S. Environmental Protection Agency

The whistleblower protection coordinator's role is to educate Agency employees about prohibitions against retaliation for protected disclosures and the rights and remedies against retaliation. For more information, please visit the OIG's whistleblower protection [webpage](#).

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