

# Independent Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Toxic Substances Control Act Service Fee Fund Financial Statements

February 26, 2025 | Report No. 25-F-0017



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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
TSCA	Toxic Substances Control Act

## Cover Image

Chemicals in an EPA laboratory. (EPA image)

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# At a Glance

## Independent Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Toxic Substances Control Act Service Fee Fund Financial Statements

### Why We Did This Audit

#### To accomplish this objective:

We conducted this audit pursuant to the Toxic Substances Control Act, as amended by the Frank R. Lautenberg Chemical Safety for the 21st Century Act, which requires the U.S. Environmental Protection Agency to prepare and the Office of Inspector General to audit the accompanying financial statements of the Toxic Substances Control Act Service Fee Fund. Our primary objectives were to determine whether:

- The financial statements were fairly stated in all material respects.
- The EPA's internal controls over financial reporting were in place.
- The EPA's management complied with applicable laws, regulations, contracts, and grant agreements.

The Toxic Substances Control Act also requires that the fees the EPA charges be sufficient and not more than reasonably necessary to defray approximately 25 percent of the costs of administering specific sections of the Act or \$25 million, whichever is lower.

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

- *Operating efficiently and effectively.*

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### The EPA Receives a Qualified Opinion

We rendered a qualified opinion on the EPA's fiscal years 2022 and 2021 Toxic Substances Control Act, or TSCA, Service Fee Fund financial statements, meaning that, except for material errors in expenses and income from other appropriations and earned and unearned revenue, the statements were fairly presented.

**We found the fund's financial statements, except for expenses and income from other appropriations and earned and unearned revenue, to be fairly presented.**

### Material Weaknesses and Significant Deficiency Noted

We noted the following material weaknesses: the EPA materially understated TSCA income and expenses from other appropriations and the EPA materially misstated TSCA earned and unearned revenue. We noted the following significant deficiency: the EPA needs to improve its financial statement preparation process.

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

We noted the following instance of noncompliance with laws and regulations: the EPA did not publish an annual chemical risk evaluation plan for calendar year 2022.

### Other Governmental Reporting Requirements

During our user fee analysis, we found that the TSCA fee structure in the fees rule for FY 2022 appeared reasonable based on the data available when the EPA developed the fees rule. TSCA fees collected adequately offset the actual or projected costs of administering the provisions of TSCA for the three-year period.

The fees collected FYs 2020–2022 met the intent of TSCA to defray 25 percent of the specified costs of carrying out sections 4 and 5, parts of section 6, and section 14.

### Recommendations and Planned Agency Corrective Actions

We recommend that the chief financial officer correct the calculation in the on-top adjustment for income and expenses from other appropriations, provide training for calculating the TSCA income and expenses from other appropriations on-top adjustment, correct the TSCA revenue balances, develop and implement accounting models for TSCA revenue-related activity, develop and implement a plan to strengthen and improve the preparation and management review of the financial statements, and correct other errors in the TSCA financial statements. We recommend the assistant administrator for Chemical Safety and Pollution Prevention develop and implement a plan to publish chemical risk evaluation plans at the beginning of each calendar year. The EPA agreed with our recommendations and provided estimated completion dates for corrective actions.



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

February, 26, 2025

**MEMORANDUM**

**SUBJECT:** Independent Audit of the EPA's Fiscal Years 2022 and 2021 (Restated) Toxic Substances Control Act Service Fee Fund Financial Statements  
Report No. 25-F-0017

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

**TO:** Gregg Treml, Acting Chief Financial Officer

Richard Keigwin, Deputy Assistant Administrator for Management, performing delegated duties as the Assistant Administrator  
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-FY24-0068. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of the Chief Financial Officer and the Office of Chemical Safety and Pollution Prevention are responsible for the issues discussed in the report.

In accordance with EPA Manual 2750, your office completed corrective actions for Recommendations 1, 2, 3, 4, 6, and 7. Your office also provided an acceptable planned corrective action and estimated milestone date in response to Recommendation 5. These recommendations are resolved, and no final response to this report is required. If you submit a response, however, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with 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](http://www.epaoig.gov).

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# Independent Auditor's Report on the EPA's Fiscal Years 2022 and 2021 (Restated) Toxic Substances Control Act Service Fee 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 Toxic Substances Control Act, or TSCA, Service Fee Fund. These statements comprise the following: the consolidated balance sheets, as of September 30, 2022 and 2021; 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, except for the effects of the matters described in the "Basis for Qualified Opinion" section, the financial statements and accompanying notes referred to above present fairly, in all material respects, the assets, liabilities, net position, net cost, changes in net position, and budgetary resources of the EPA's TSCA Service Fee Fund as of and for the years ended September 30, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Qualified Opinion*

We conducted our audit in accordance with U.S. generally accepted auditing standards; 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.

As discussed in Attachment D, the EPA materially understated the FY 2019 "Expenses from Other Appropriations" line item in the TSCA Service Fee Fund financial statements by nearly \$25 million. We found that the EPA's methodology did not adequately capture all expenses for carrying out TSCA sections 4, 5, 6, and 14. The EPA's material misstatement occurred because the Agency did not have an adequate methodology to accurately report the expenses incurred against other appropriations for TSCA Service Fee Fund activities. The Agency updated this methodology February 4, 2021. However, we continue to identify errors in the calculation.

As discussed in Attachment A, the EPA materially understated the FY 2022 "Expenses from Other Appropriations" line item in the TSCA Service Fee Fund financial statements by \$4,486,271. The EPA's



material misstatement occurred because the Agency did not follow its income and expenses from other appropriations standard operating procedure, *TSCA Income and Expenses from Other Appropriations Calculation*, when it prepared the on-top adjustment.

Also discussed in Attachment A, the EPA materially overstated earned revenue and materially understated unearned revenue by \$1,177,642. The error occurred because of the Agency's failure to implement accounting models to properly track TSCA fee-related earned and unearned revenue activity in its financial management system.

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

As described in note 12 to the financial statements, "Restatement," the EPA restated its FY 2021 TSCA Service Fee Fund financial statements. The EPA performed a review of deferred revenue recorded in FY 2021. The review revealed that a portion of deferred revenue included appropriated amounts. Deferred revenue should only comprise collections in excess of expenses incurred; therefore, the appropriated spending was reclassified as earned revenue.

Our opinion is not modified with respect to this restatement.

### ***Emphasis of a Matter—Income and Expenses from Other Appropriations Calculation***

As described in note 9 to the financial statements, "Income and Expenses from Other Appropriations," reported on the Statement of Net Cost, income and expenses from other appropriations consist of direct costs and other costs that can be directly traced, assigned on a cause-and-effect basis, or reasonably allocated to program outputs.

During our FY 2018 inception audit of the TSCA Service Fee Fund, we found that the EPA overstated expenses from other appropriations by \$8.4 million by making errors in multiple iterations of its calculation. During our FYs 2020 and 2019 audit, we found that the EPA understated expenses from other appropriations by nearly \$25 million. During our FY 2021 audit, we found that the EPA overstated expenses from other appropriations by \$2.36 million. During our FY 2022 audit, we found that the EPA understated expenses from other appropriations by \$4.49 million.

The income and expenses from other appropriations calculation is used for both financial statement line items "Income from Other Appropriations" and "Expenses from Other Appropriations." Therefore, there is no impact on the Statement of Changes in Net Position.

### ***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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. **Reasonable assurance** is a high level of assurance but is not absolute assurance; 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 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 Other Information otherwise appears to be materially misstated. If, based on the work performed, we conclude 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, such deficiencies in internal control may exist that we did not identify 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 two matters that we consider to be material weaknesses and one significant deficiency. We summarize these issues below and detail them in Attachments A and B.

### **Material Weaknesses**

#### The EPA Materially Understated TSCA Income and Expenses from Other Appropriations

The EPA materially understated the FY 2022 “Expenses from Other Appropriations” line item in the TSCA Service Fee Fund financial statements by \$4,486,271. According to the Government Accountability Office’s *Standards for Internal Control in the Federal Government*, internal control standards require management to process information to ensure that it is “appropriate, current, complete, accurate,

accessible, and provided on a timely basis.” The EPA’s material misstatement occurred because the Agency did not follow its income and expenses from other appropriations standard operating procedure, *TSCA Income and Expenses from Other Appropriations Calculation*, when it prepared the on-top adjustment. An **on-top adjustment** is a journal entry that is made at the end of the accounting period to adjust the accounts to accurately reflect revenues and expenses of the current period. Material errors affect the credibility of the EPA’s TSCA Service Fee Fund financial statements and reduce the public’s and other stakeholders’ confidence that the TSCA Service Fee Fund program’s financial condition and activity are presented fairly.

## The EPA Materially Misstated TSCA Earned and Unearned Revenue

During our review of FY 2022 TSCA Service Fee Fund earned and unearned revenue, we found that the EPA materially overstated earned revenue and materially understated unearned revenue by \$1,177,642. The OMB directs agencies to apply the United States standard general ledger at the transaction level to generate appropriate general ledger accounts for posting transactions. The error occurred because of the Agency’s failure to implement accounting models to properly track TSCA fee-related earned and unearned revenue activity in its financial management system. When accounting models are not established to track TSCA financial transactions in the accounting system, errors may occur that impact the reliability of financial information and increase the risk that the financial statements may be misstated.

### **Significant Deficiency**

#### The EPA Needs to Improve Its Financial Statement Preparation Process

We found that the EPA made errors during its FY 2022 TSCA Service Fee Fund draft financial statement preparation process. Federal internal control standards require management to design control activities to achieve objectives and respond to risks. During its financial statement preparation process, the EPA did not detect or correct errors. Not exercising due diligence during the financial statement preparation process compromises the accuracy of the financial statements and the public’s reliance 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 TSCA Service Fee Fund financial statements as of and for the year ended September 30, 2022, in accordance with generally accepted government auditing standards, we considered the EPA's internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements and to comply with the OMB's audit requirements, but not to express an opinion on the effectiveness of the EPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the EPA'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 Consideration of Internal Control***

OMB Bulletin No. 24-02 requires us to compare material weaknesses disclosed during the audit with those material weaknesses identified 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 communicated in the Agency's report. The Agency's report is prepared and submitted at the consolidated level, of which the TSCA Service Fee Fund is a component. Accordingly, there are no findings to report at the TSCA Service Fee Fund level.

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

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

Providing an opinion on compliance with provisions of laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion. While we did identify one instance of noncompliance, we did not identify any instances of noncompliance that could result in a material misstatement to the audited financial statements.

### **The EPA Did Not Publish an Annual Chemical Risk Evaluation Plan for Calendar Year 2022**

During our internal control review, we found that the EPA did not comply with the statutory requirement to prepare and publish a chemical risk evaluation plan at the beginning of calendar year 2022. TSCA section 26(n) requires that the EPA publish an annual plan at the beginning of each calendar year. The EPA Office of Chemical Safety and Pollution Prevention cited “resource issues and changing schedules” as reasons for failing to comply with the Act. By not complying with reporting requirements, the EPA prevents informed decision-making on the part of Congress and the public.

### ***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 the requirements of 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 these tests may not detect all instances of noncompliance.

## ***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**

### ***Specific Audit Requirements of TSCA***

TSCA, as amended by the Frank R. Lautenberg Chemical Safety for the 21st Century Act, requires the Office of Inspector General to perform an analysis of the (1) fees collected and amounts disbursed, (2) reasonableness of the fees in place to meet current and projected costs, and (3) number of requests for a risk evaluation made by manufacturers. The results of our analyses are below.

### **Fees Collected and Amounts Disbursed**

The EPA began collecting TSCA service fees in October 2018. Per TSCA requirements, the EPA deposited fee collections into the TSCA Service Fee Fund. Pursuant to annual appropriations legislation, the EPA is required to reduce the TSCA Service Fee Fund appropriations account by returning to the U.S. Department of the Treasury funds in the amount of TSCA fees collected up to the amount of appropriations provided by Congress each year. If collections exceed appropriations, the Agency deposits the excess collections into the TSCA Service Fee Fund.

In FY 2022, the EPA received approximately \$5 million in fee collections and \$9 million in appropriated funds. In FY 2022, the EPA returned to Treasury appropriations in the amount of fees collected, approximately \$5 million.

In FY 2021, the EPA received approximately \$28.6 million in fee collections and \$5 million in appropriated funds. In FY 2021, the EPA returned to Treasury \$5 million, the amount of appropriations provided by Congress that year.

The Agency disbursed \$10.1 million from the TSCA Service Fee Fund in FY 2022 and \$2.7 million in FY 2021.

### **Reasonableness of the Fees in Place to Meet Current and Projected Costs**

TSCA section 26 authorizes the EPA to set fees at such levels that they will, in aggregate, provide a sustainable source of funds to annually defray the lower of either:

- 25 percent of the costs to the EPA of carrying out sections 4, 5, and 6, relating to testing, manufacturing, and regulation of hazardous chemical substances—other than the costs to conduct and complete manufacturer-requested risk evaluations that must be defrayed at higher specified percentages—and of collecting, processing, reviewing, providing access to, and protecting from disclosure information on chemical substances as appropriate under section 14.
- \$25 million.

The EPA finalized the Fees for the Administration of the TSCA rule in October 2018, which established fees and fee categories and explained the methodology by which fees were determined.<sup>1</sup> As set forth in TSCA section 26, the EPA is required to review and adjust as necessary the fee rates every three years to adjust for inflation. On January 1, 2022, the EPA increased these fees by the inflation rate, calculated at 18.9 percent. Tables 1 and 2 describe the fees per category that were effective FYs 2019–2021. Tables 3 and 4 describe the fees per category that were effective FYs 2022–2023.

**Table 1: FYs 2019–2021 fees by fee category for regular and small businesses**

TSCA section	Fee category	Final fee (\$)	Small business fee (\$)
4	Test order	9,800	1,950
4	Test rule	29,500	5,900
4	Enforceable consent agreement	22,800	4,600
5	PMN and consolidated PMN, SNUN, MCAN and consolidated MCAN	16,000	2,800
5	LoREX, LVE, TME, Tier II exemption, TERA, Film Articles	4,700	940
6	EPA-initiated risk evaluation	1,350,000	270,000

Notes: PMN = Premanufacture Notice; SNUN = Significant New Use Notice; MCAN = Microbial Commercial Activity Notice; LoREX = Low Releases and Low Exposures Exemption; LVE = Low Volume Exemption; TME = Test Marketing Exemption; TERA = TSCA Experimental Release Application.

Source: FY 2019 through FY 2021 fee rates published in the EPA’s fees rule. (EPA OIG table)

**Table 2: FYs 2019–2021 additional section 6 fees**

TSCA section	Fee category	Fees
6	Manufacturer-requested risk evaluation on a chemical included in the TSCA Work Plan	Initial payment of \$1.25 million with final invoice to recover 50% of total actual costs
6	Manufacturer-requested risk evaluation on a chemical not included in the TSCA Work Plan	Initial payment of \$2.5 million with final invoice to recover 100% of total actual costs

Source: FY 2019 through FY 2021 fee rates published in the EPA’s fees rule. (EPA OIG table)

<sup>1</sup> See Fees for the Administration of the Toxic Substances Control Act, [83 Fed. Reg. 52694](#) (Oct. 17, 2018).



**Table 3: FYs 2022–2023 fees by fee category for regular and small businesses**

TSCA section	Fee category	Final fee (\$)	Small business fee (\$)
4	Test order	11,650	2,320
4	Test rule	35,080	7,020
4	Enforceable consent agreement	27,110	5,470
5	PMN and consolidated PMN, SNUN, MCAN and consolidated MCAN	19,020	3,330
5	LoREX, LVE, TME, Tier II exemption, TERA, Film Articles	5,590	1,120
6	EPA-initiated risk evaluation	1,605,000	320,000

Notes: PMN = Premanufacture Notice; SNUN = Significant New Use Notice; MCAN = Microbial Commercial Activity Notice; LoREX = Low Releases and Low Exposures Exemption; LVE = Low Volume Exemption; TME = Test Marketing Exemption; TERA = TSCA Experimental Release Application.

Source: FY 2022 through FY 2023 fee rates published in the EPA’s fees rule. (EPA OIG table)

**Table 4: FYs 2022–2023 additional section 6 fees**

TSCA section	Fee category	Fees
6	Manufacturer-requested risk evaluation on a chemical included in the TSCA Work Plan	Initial payment of \$1.49 million with final invoice to recover 50% of total actual costs
6	Manufacturer-requested risk evaluation on a chemical not included in the TSCA Work Plan	Initial payment of \$2.97 million with final invoice to recover 100% of total actual costs

Source: FY 2022 through FY 2023 fee rates published in the EPA’s fees rule. (EPA OIG table)

During our user fee analysis, we found that the TSCA fee structure appeared reasonable based on the data available when the EPA developed the original fees rule. TSCA fees collected adequately offset the actual or projected costs of administering the provisions of TSCA for the three-year period.

The fees collected in FYs 2020–2022 met the intent of TSCA to defray 25 percent of the specified costs of carrying out sections 4 and 5, parts of section 6, and section 14. During the three-year period, relevant TSCA expenses were \$147.2 million, and the EPA collected approximately \$35.4 million of relevant TSCA service fees, which defrayed 24 percent of costs.

### Number of Risk Evaluation Requests

The EPA did not receive any new manufacturer-requested risk evaluation requests in FY 2022.

## Management’s Discussion and Analysis

Our audit was conducted to form an opinion on the TSCA Service Fee Fund financial statements as a whole. The *Management’s Discussion and Analysis* section of the TSCA Service Fee Fund financial statements is presented for the purpose of providing additional analysis and is not a required part of the basic financial statements. Such information is management’s responsibility. We obtained information

from the fund’s management about its methods for preparing the *Management’s Discussion and Analysis* section, and we reviewed this information for consistency with the financial statements.

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 Report

During our prior year TSCA Service Fee Fund financial statement audit, Report No. [24-F-0002](#), *Audit of the EPA’s Fiscal Years 2021 and 2020 Toxic Substances Control Act Service Fee Fund Financial Statements*, issued October 12, 2023, we reported one material weakness: the EPA misstated TSCA expenses from other appropriations. We also reported one significant deficiency: the EPA needs to improve its internal control over TSCA.

For the material weakness, we recommended that the Agency correct the calculation in on-top adjustment 21-09A to accurately capture the amounts for financial statement line items “Income from Other Appropriations” and “Expenses from Other Appropriations.” The Agency concurred and corrected the calculation by August 22, 2023.

For the significant deficiency, we recommended that the Agency update TSCA standard operating procedures to align with Agency requirements regarding the timeliness of establishing receivables, implement procedures to establish an allowance for doubtful accounts for the TSCA Service Fee Fund, and implement procedures to prevent or detect violations of the segregation of duties policy in a specific software product. The Agency concurred with these recommendations and implemented corrective actions by September 21, 2023.

Attachment D provides further details on additional prior audit report recommendations.

*Damon Jackson*

Damon Jackson  
Certified Public Accountant  
Director, Financial Directorate  
Office of Audit  
Office of Inspector General  
U.S. Environmental Protection Agency  
November 25, 2024

***Material Weaknesses***

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**1 The EPA Materially Understated TSCA Income and Expenses from Other Appropriations..... 13**

**2 The EPA Materially Misstated TSCA Earned and Unearned Revenue ..... 15**

## ***1 – The EPA Materially Understated TSCA Income and Expenses from Other Appropriations***

The EPA materially understated the FY 2022 “Expenses from Other Appropriations” line item in the TSCA Service Fee Fund financial statements by \$4,486,271. According to the Government Accountability Office’s *Standards for Internal Control in the Federal Government*, internal control standards require management to process information to ensure that it is “appropriate, current, complete, accurate, accessible, and provided on a timely basis.” The EPA’s material misstatement occurred because the Agency did not follow its income and expenses from other appropriations standard operating procedure, *TSCA Income and Expenses from Other Appropriations Calculation*, when it prepared the on-top adjustment. Material errors affect the credibility of the EPA’s TSCA Service Fee Fund financial statements and reduce the public’s and other stakeholders’ confidence that the TSCA Service Fee Fund program’s financial condition and activity are presented fairly.

*Standards for Internal Control in the Federal Government* defines the five components of internal control in government. Per the standard for control activities, “management designs control activities so that all transactions are completely and accurately recorded.” It also states:

Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary, so that the information is quality information. Management uses the quality information to make informed decisions and evaluate the entity’s performance in achieving key objectives and addressing risks.

The Agency did not follow its income and expenses from other appropriations standard operating procedure when it prepared the on-top adjustment. The Agency’s calculation improperly included expenses from other programs not pertaining to the TSCA Service Fee Fund program. In addition, the Agency omitted largely all TSCA indirect program expenses occurring during the fourth quarter from a portion of its calculation. Thus, the EPA materially misstated the Statement of Net Cost and the “Income from Other Appropriations” and “Net Cost of Operations” line items on the Statement of Changes in Net Position in the TSCA Service Fee Fund financial statements. When we questioned the Agency regarding the on-top adjustment, the Agency performed further research and agreed to correct the expenses from other appropriations calculation in the final financial statements.

## **Recommendations**

We recommend that the chief financial officer:

1. Correct the calculation in the Toxic Substances Control Act FY22-08A on-top adjustment to accurately capture the amounts for financial statement line items “Income from Other Appropriations” and “Expenses from Other Appropriations.”
2. Provide training to appropriate staff on the standard operating procedures for calculating the income and expenses from other appropriations on-top adjustment.

## **Agency Response and OIG Assessment**

The EPA agreed with our recommendations. The Agency completed the corrective action for Recommendation 1 on December 9, 2024. The Agency completed the corrective action for Recommendation 2 on January 30, 2025. We consider these recommendations resolved.

## ***2 – The EPA Materially Misstated TSCA Earned and Unearned Revenue***

During our review of FY 2022 TSCA Service Fee Fund earned and unearned revenue, we found that the EPA materially overstated earned revenue and materially understated unearned revenue by \$1,177,642. The OMB directs agencies to apply the United States standard general ledger at the transaction level to generate appropriate general ledger accounts for posting transactions. The error occurred because of the Agency's failure to implement accounting models to properly track TSCA fee-related earned and unearned revenue activity in its financial management system. When accounting models are not established to track TSCA financial transactions in the accounting system, errors may occur that impact the reliability of financial information and increase the risk that the financial statements may be misstated.

OMB Memorandum M-23-06, *Management of Financial Management Systems – Risk and Compliance*, known as Appendix D to OMB Circular A-123, states that agencies shall apply the requirements of the United States standard general ledger, so that "each time an approved transaction is recorded ... it will generate appropriate general ledger accounts for posting the transaction." In addition, the Government Accountability Office's *Standards for Internal Control in the Federal Government* defines the five components of internal control in government. Per the standard for control activities, "management designs control activities so that all transactions are completely and accurately recorded." It also states:

Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used.

We found that the EPA materially overstated earned revenue and materially understated unearned revenue by \$1,177,642. The Agency prepared an on-top adjustment to close a prior year on-top adjustment and restate unearned revenue for FYs 2021 and 2020. When the Agency carried forward the restatement adjustment to FY 2022, the Agency incorrectly recorded the adjustment as revenue, which misstated the earned and unearned revenue balances.

The error occurred because the Agency has not created accounting models to properly capture and track TSCA Service Fee Fund earned and unearned revenue. As a result, the EPA has relied on on-top adjustments to record TSCA earned and unearned revenue activity. When accounting models are not established to track TSCA earned and unearned financial transactions in the accounting system, errors may occur that impact the reliability of financial information and increase the risk that the financial statements may be materially misstated.



## **Recommendations**

We recommend that the chief financial officer:

3. Correct the earned revenue and unearned revenue balances in the fiscal year 2022 Toxic Substances Control Act Service Fee Fund financial statements.
4. Develop and implement accounting models to properly record and track Toxic Substances Control Act Service Fee Fund earned revenue- and unearned revenue-related activity.

## **Agency Response and OIG Assessment**

The EPA agreed with our recommendations. The Agency completed the corrective action for Recommendation 3 on November 6, 2024. The Agency completed the corrective action for Recommendation 4 on October 3, 2024. We consider these recommendations resolved.

# ***Significant Deficiency***

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<b>1</b>	<b>The EPA Needs to Improve Its Financial Statement Preparation Process.....</b>	<b>18</b>
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# ***1 – The EPA Needs to Improve Its Financial Statement Preparation Process***

We found that the EPA made errors during its FY 2022 TSCA Service Fee Fund draft financial statement preparation process. Federal internal control standards require management to design control activities to achieve objectives and respond to risks. During its financial statement preparation process, the EPA did not detect or correct errors. Not exercising due diligence during the financial statement preparation process compromises the accuracy of the financial statements and the public’s reliance on them to be free of material misstatement.

The Government Accountability Office’s *Standards for Internal Control in the Federal Government* defines the five components of internal control in government. Per the standard for control activities, “Management should design control activities to achieve objectives and respond to risks.” In addition, “management designs control activities so that all transactions are completely and accurately recorded.” It also states:

Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used.

We found the following financial statement preparation errors in which the EPA included incorrect information:

- **Balance Sheet**—The Advances from Others and Deferred Revenue (Restated) line incorrectly references note 9, “Income and Expenses from Other Appropriations.” The title was not consistent with the prior year audited financial statements.
- **Note 1C Budgets and Budgetary Accounting**—The note states, “For fiscal years 2022 and 2021, TSCA was funded through offsetting collections.” During FY 2022, TSCA was also funded through appropriations.
- **Note 1J Advances from Others and Deferred Revenue (See Note 9)**—The second sentence states, “Deferred revenue will fluctuate in conjunction with expenses paid from other appropriations and program expenses.” Expenses paid from other appropriations does not affect deferred revenue. The note 9 reference is also incorrect. The language was not consistent with the prior year audited financial statements.
- **Note 10 Intragovernmental Costs and Exchange Revenue (Restated)**—The Costs with the Public line incorrectly includes \$98,674 of intragovernmental costs.

The EPA did not detect or correct errors during its review of the financial statements. After we analyzed the activity and questioned the Agency, staff stated that the EPA would correct the errors in the final statements. Failure to exercise due diligence in the preparation and management review of the financial statements compromises the accuracy of the financial statements and the public's reliance on them to be free of material misstatement.

## **Recommendations**

We recommend that the chief financial officer:

5. Develop and implement a plan to strengthen and improve the preparation and management review of the financial statements.
6. Correct the errors in the fiscal year 2022 Toxic Substances Control Act Service Fee Fund financial statements.

## **Agency Response and OIG Assessment**

The EPA agreed with our recommendations. For Recommendation 5, the Agency provided an estimated milestone date of February 3, 2025, which has passed. The corrective action is still pending. The Agency completed the corrective action for Recommendation 6 on December 9, 2024. We consider these recommendations resolved with corrective action pending.

## ***Compliance with Laws and Regulations***

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<b>1</b>	<b>The EPA Did Not Publish an Annual Chemical Risk Evaluation Plan for Calendar Year 2022.....</b>	<b>21</b>
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## ***1 – The EPA Did Not Publish an Annual Chemical Risk Evaluation Plan for Calendar Year 2022***

During our internal control review, we found that the EPA did not comply with the statutory requirement to prepare and publish a chemical risk evaluation plan at the beginning of calendar year 2022. TSCA section 26(n) requires that the EPA publish an annual plan at the beginning of each calendar year. The Office of Chemical Safety and Pollution Prevention cited “resource issues and changing schedules” as the reason for failing to comply with the Act. By not complying with reporting requirements, the EPA prevents informed decision-making on the part of Congress and the public.

As stated in TSCA section 26(n):

At the beginning of each calendar year, the Administrator shall publish an annual plan that (A) identifies the chemical substances for which risk evaluations are expected to be initiated or completed that year and the resources necessary for their completion; (B) describes the status of each risk evaluation that has been initiated but not yet completed; and (C) if the schedule for completion of a risk evaluation has changed, includes an updated schedule for that risk evaluation.

The Office of Chemical Safety and Pollution Prevention has not published a chemical risk evaluation plan since calendar year 2021, citing “resource issues and changing schedules.” By not complying with reporting requirements, the EPA prevents informed decision-making on the part of Congress and the public.

### **Recommendation**

We recommend the assistant administrator for Chemical Safety and Pollution Prevention:

7. Develop and implement a plan to publish chemical risk evaluation plans at the beginning of each calendar year, as required by the Toxic Substances Control Act.

### **Agency Response and OIG Assessment**

The EPA agreed with our recommendation. The Agency completed the corrective action for Recommendation 7 on January 17, 2025. We consider this recommendation resolved.



## ***Status of Prior Audit Report Recommendations***

Notwithstanding the Agency's completion of corrective actions in October 2023, as described below, the material weakness identified to correctly calculate income and expenses from other appropriations remains.

In OIG Report No. [20-F-0342](#), *Audit of EPA's Toxic Substances Control Act Service Fee Fund Financial Statements for the Period from Inception (June 22, 2016) through September 30, 2018*, issued September 30, 2020, we found that the EPA overstated expenses from other appropriations by \$8.4 million, having made errors in multiple iterations of its calculation. We recommended that the EPA (1) improve the management review process for calculating expenses from other appropriations to be consistent with EPA component financial statement audits and to ensure costs support the TSCA Service Fee Fund activities and (2) establish written policies and procedures so that expenses from other appropriations in component audits reflect actual costs.

The EPA agreed with our recommendations and certified completion of all corrective actions on February 4, 2021. However, we continued to find errors in the EPA's calculation of expenses from other appropriations during our FYs 2020 and 2019 audit. Therefore, the Agency's corrective actions were not effective.

In OIG Report No. [23-F-0005](#), *The EPA's Fiscal Years 2020 and 2019 Toxic Substances Control Act Service Fee Fund Financial Statements*, issued December 29, 2022, we found that the EPA understated expenses from other appropriations by nearly \$25 million. We recommended that the chief financial officer, in conjunction with the assistant administrator for Chemical Safety and Pollution Prevention, correct the methodology for accounting for TSCA direct and indirect expenses from other appropriations to ensure all costs for administering sections 4 and 5, parts of section 6, and section 14 of the Act are properly recorded and reported in the financial statements.

The EPA agreed with our recommendation. The estimated completion date for corrective actions was October 1, 2023.

## Status of Recommendations and Potential Monetary Benefits

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	14	Correct the calculation in the Toxic Substances Control Act FY22-08A on-top adjustment to accurately capture the amounts for financial statement line items "Income from Other Appropriations" and "Expenses from Other Appropriations."	C	Chief Financial Officer	12/9/24	\$4,486
2	14	Provide training to appropriate staff on the standard operating procedures for calculating the income and expenses from other appropriations on-top adjustment.	C	Chief Financial Officer	1/30/25	—
3	16	Correct the earned revenue and unearned revenue balances in the fiscal year 2022 Toxic Substances Control Act Service Fee Fund financial statements.	C	Chief Financial Officer	11/6/24	\$1,178
4	16	Develop and implement accounting models to properly record and track Toxic Substances Control Act Service Fee Fund earned revenue- and unearned revenue-related activity.	C	Chief Financial Officer	10/3/24	—
5	19	Develop and implement a plan to strengthen and improve the preparation and management review of the financial statements.	R	Chief Financial Officer	2/3/25	—
6	19	Correct the errors in the fiscal year 2022 Toxic Substances Control Act Service Fee Fund financial statements.	C	Chief Financial Officer	12/9/24	—
7	21	Develop and implement a plan to publish chemical risk evaluation plans at the beginning of each calendar year, as required by the Toxic Substances Control Act.	C	Assistant Administrator for Chemical Safety and Pollution Prevention	1/17/25	—

\* C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

***Fiscal Years 2022 and 2021 (Restated) Toxic  
Substances Control Act (TSCA) Service Fee Fund  
Financial Statements***

**Fiscal Year Ended September 30, 2022 and 2021 (Restated)  
Toxic Substances Control Act (TSCA) Service Fee Fund  
Financial Statements**



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

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**Management's Discussion and Analysis**

## Background

Under the Toxic Substances Control Act (TSCA), as amended by the Frank R. Lautenberg Chemical Safety for the 21st Century Act (signed into law June 22, 2016).<sup>1</sup> EPA has significantly increased responsibilities for ensuring the safety of chemicals in or entering U.S. commerce and addressing unreasonable risks to human health and the environment. These responsibilities are carried out by the Agency through the Chemical Risk Review and Reduction (CRRR) Program, which works to ensure the safety of:

- Existing chemicals<sup>2</sup>, by collecting chemical data, prioritizing chemicals for risk evaluation, conducting risk evaluations, determining whether there are unreasonable risks, and developing and implementing risk management actions, where appropriate, to address any unreasonable risk posed by those chemical's manufacture, processing, use, distribution in commerce and/or disposal; and
- New chemicals<sup>3</sup>, by reviewing new chemical submissions from manufacturers and processors and taking action, as appropriate, to mitigate potential unreasonable risks to health or the environment before those chemicals can enter the marketplace.

Certain substances such as food, drugs, cosmetics, and pesticides are generally excluded from regulation under TSCA.

Among other key provisions, EPA has authority and/or responsibility under TSCA to:

- Under Section 5, review pre-manufacture notification for "new chemical substances"<sup>4</sup> before manufacture or import of non-exempt new chemical substances; evaluate the potential risks to human health and the environment of the chemical under the conditions of use<sup>5</sup> and make an affirmative determination on whether each new chemical substance, for which it received a notice under Section 5(a)(1), presents an unreasonable risk to human health or the environment.<sup>6</sup> Where EPA determines that the new chemical, for example, may present an unreasonable risk, EPA must take action to prevent those risks before the chemical can enter commerce;<sup>7</sup>
- Under section 6, prioritize and evaluate the risks posed by existing chemicals and prohibit or limit the manufacture, processing, distribution in commerce, use, or disposal of a chemical if EPA concludes the chemical presents an unreasonable risk to human health or the environment;<sup>8</sup>
- Require, under Section 4, testing of chemicals by manufacturers, importers, and processors as necessary to help EPA determine whether a chemical presents an unreasonable risk to health or the environment;<sup>9</sup>
- Under Section 8, maintain the TSCA inventory, which contains more than 83,000 chemicals. As new chemicals are commercially manufactured or imported, they are placed on the list;<sup>10</sup>
- Under Sections 12(b) and 13, require those importing or exporting chemicals, to comply with certification reporting and/or other requirements;<sup>11</sup>
- Under Section 8, require reporting and record-keeping by persons who manufacture, import, process, and/or distribute chemical substances in commerce.<sup>12</sup>

The 2016 TSCA amendments gave EPA significant new responsibilities:

*a) Clear and enforceable deadlines.* EPA is required to systematically prioritize and evaluate existing chemicals on a specific schedule, complete specified numbers of chemical risk evaluations within specified time frames. Following the initial 10 risk evaluations, the EPA's chemicals program must ensure that risk evaluations are, being conducted on at least 20 high-priority substance chemicals at a time, beginning another risk evaluation each time one is completed. Each of these must be completed within three years, with the possibility of one six-month extension. EPA also must undertake risk evaluations of chemicals at a manufacturer's request, complete risk management actions within specified time frames when warranted by the findings of the evaluations, and review and make determinations on TSCA Confidential Business Information (CBI) claims within specified time frames, among other actions.

*b) Requirement to address risks.* When EPA determines that an existing chemical presents and unreasonable risk – a determination made on a pure risk-basis without consideration of costs or other non-risk factors - EPA is required to take timely action to address those risks by applying, through regulation, one or more of the requirements specified in TSCA Section 6(a), which can include: prohibiting or restricting the manufacture, processing, or distribution in commerce of the chemical substance or mixture for a particular use; limiting the amount of the substance or mixture that may be manufactured, processed, or distributed in commerce for a particular use; or imposing requirements affecting labeling, recordkeeping, or any manner or method of commercial use or disposal of the substance or mixture; to the extent necessary so that the chemical will no longer present an unreasonable risk.

*c) Increased transparency of chemical data while protecting legitimate confidential information.* EPA is required to review all chemical identity TSCA Confidential Business Information (CBI) claims for certain types of submissions and for 25 percent of most other CBI claims within 90 days of receipt.

*d) Requirement that EPA make a determination of safety for every new chemical before it is allowed to enter the marketplace.* Previously, new chemicals were allowed to enter the marketplace unless EPA made a specific determination that regulatory controls were needed. Within the mandated 90-day timeframe for review, EPA must make an affirmative determination on whether each new chemical substance, for which it received a notice under Section 5(a)(1), presents an unreasonable risk to human health or the environment under the conditions of use (i.e., the intended, known, and reasonably foreseen circumstances of manufacture, processing, distribution in commerce, use and disposal of the new chemical). Where EPA determines, for example, that the chemical substance may present an unreasonable risk, the Agency must issue an order or rule that imposes conditions sufficient to protect against any such unreasonable risk before the chemical can enter the marketplace.

*e) Requirement to establish fees to carry out its responsibilities under TSCA.* Additionally, under TSCA section 26(b), the EPA is authorized to set fees that ensure a sustainable source of funding to annually defray up to 25 percent of the costs to the Administrator of carrying out TSCA sections 4, 5 and 6, and of collecting, processing, reviewing, providing access to, and protecting from disclosure, as appropriate, chemical information under TSCA section 14. The authority to assess fees is conditioned on annual appropriations for the CRRR Program, excluding fees, being held at least equal to the amount provided for FY 2014.



## FY 2022 Progress on Implementation

In FY 2022, the Agency continued implementing the 2016 amendments for the TSCA chemical safety program.

### *New Chemical Review and Risk Management (TSCA Sec. 5):*

Under TSCA Section 5, as amended, EPA is responsible for reviewing all new chemical submissions to determine whether the chemicals may pose unreasonable risk to human health or the environment upon entry into U.S. commerce and, where necessary, requiring restrictions or testing prior to allowing chemicals to be commercialized. In FY 2022 EPA completed 451 TSCA section 5 notice and exemption submissions. The agency proposed, modified, or finalized 224 Significant New Use Rules (SNURs). The agency also undertook several internal actions to improve process efficiency and timeliness in completing those reviews under TSCA's safety standards.

In FY 2022 EPA continued implementation of a stewardship program launched in FY 2021 to encourage the voluntary withdrawal of previously granted low volume exemptions (LVEs) for PFAS.<sup>13</sup> Historically, some new PFAS were allowed to enter the market through LVEs. The goal of the PFAS LVE Stewardship Program is to stop the ongoing manufacture of PFAS under previously approved LVEs that have not gone through TSCA's full pre-manufacture review process. Through this program, EPA works with trade associations, non-governmental organizations, and companies to encourage voluntary withdrawal of the LVEs. In FY 2022, implementation of the program led to the voluntary withdrawal of 27 PFAS LVEs.

In early FY 2022, EPA announced several actions to enhance the scientific integrity of the new chemical review process, including: establishing two internal science policy advisory councils; creating a new senior-level career position serving as a science policy advisor to the Assistant Administrator; forming the New Chemicals Advisory Committee as an advisory body on scientific and science policy issues on TSCA new chemical submissions; improving the process for reviewing and finalizing human health risk assessments; and improving recordkeeping practices.<sup>14</sup>

In January 2022, EPA announced a new effort under TSCA to streamline the review of new bio-based petroleum replacement fuels (i.e., biofuels) as well as waste-based petroleum replacement fuels.<sup>15</sup>

In February 2022, EPA announced a proposal to develop and implement a multi-year collaborative research program in partnership with EPA's Office of Research and Development (ORD) designed to bring innovative science to new chemical reviews, modernize the approaches used, and increase the transparency of human health/ecological risk assessments.<sup>16</sup> This program will refine existing approaches and develop and implement new approach methodologies (NAMs) to ensure the best available science is used in TSCA new chemical evaluations. EPA held a virtual public meeting on April 2022, to provide an overview of the program and to give stakeholders an opportunity to provide input.

In October 2022, EPA announced a new effort to implement a streamlined and efficient process under the TSCA New Chemicals Program to assess risk and apply mitigation measures, as appropriate, for new chemicals with applications in batteries, electric vehicles, semiconductors, and renewable energy generation.<sup>17</sup> The new process is for mixed metal oxides (MMOs), including new and modified cathode active materials (CAMs). MMOs are innovative chemistries and have numerous electrical applications in batteries as well as use as catalysts, adsorbents, and in ceramics. MMOs, including CAMs, are a key component in lithium-ion batteries used in electric vehicles. New MMOs can also be used for semiconductors, and renewable energy generation and storage, such as solar cells and wind power turbines.

*Chemical Prioritization and Risk Evaluation (TSCA Sec. 6):*

In December 2016, EPA identified the first 10 chemicals to undergo EPA-initiated risk evaluation, meeting a key statutory deadline. Those chemicals are:

1. Asbestos (Part 1)
2. 1-Bromopropane
3. Carbon Tetrachloride
4. C.I. Pigment Violet 29 (PV29)
5. Cyclic Aliphatic Bromide Cluster (HBCD)
6. 1,4-dioxane
7. Methylene Chloride
8. N-Methylpyrrolidone (NMP)
9. Perchloroethylene
10. Trichlorethylene (TCE)

EPA completed final evaluations for the first 10 chemicals by January 2021. As a result of later policy changes discussed below, EPA revised the risk determinations for eight of the first 10 chemicals and is conducting a risk evaluation supplement for 1,4 dioxane. In addition, EPA is conducting an Asbestos Part 2 risk evaluation in response to the ruling in *Safer Chemicals, Healthy Families v. U.S. EPA*, 943 F.3d 397 (9th Cir. 2019) as well as the subject of the abeyance in *ADAO et al. v. U.S. EPA et al.*, 9th Cir. No. 21-70160 and under consent decree from *ADAO et al. v. U.S. EPA et al.*, N.D. Cal. No. 21-cv-3716.<sup>18</sup>

In August 2019, EPA released proposed designations of an additional 20 high-priority chemicals. Those chemicals are:

1. Formaldehyde
2. 1,3,4,6,7,8-Hexahydro-4,6,6,7,8,8-hexamethylcyclopenta [g]-2-benzopyran (HHCB)
3. 1,3-Butadiene (BTD)
4. Ethylene dibromide (EDB)
5. o-Dichlorobenzene (ODCB)
6. p-Dichlorobenzene (PDCB)
7. 1,1,2-Trichloroethane (1,1,2 TCA)
8. 1,1-Dichloroethane (1,1 DCA)
9. 1,2-Dichloroethane (1,2 DCA)
10. 1,2-Dichloropropane (1,2 DCP)
11. trans-1,2-Dichloroethylene (Trans 1,2 DCE)
12. Tris(2-chloroethyl)phosphate (TCEP)
13. 4,4'-(1-Methylethylidene)bis[2, 6-dibromophenol] (TBBPA)
14. Phosphoric acid, triphenyl ester (TPP)

15. Butyl benzyl phthalate – 1,2-Benzene-dicarboxylic acid, 1-butyl 2(phenylmethyl) ester (BBP)
16. Dibutyl phthalate (1,2-Benzene-dicarboxylic acid, 1,2-dibutyl ester) (DBP)
17. Dicyclohexyl phthalate (DCHP)
18. Di-ethylhexyl phthalate – (1,2-Benzene-dicarboxylic acid, 1,2-bis-(2-ethylhexyl) ester) (DEHP)
19. Di-isobutyl phthalate – (1,2-Benzene-dicarboxylic acid, 1,2-bis-(2-methylpropyl) ester) (DIBP)
20. Phthalic anhydride (PAD)

In December 2019, EPA finalized these designations and commenced the risk evaluations. The Agency released draft scope documents for each of these chemicals for public comment in April 2020 and finalized them in August 2020. EPA also made progress on several manufacturer-requested chemicals in FY 2022.<sup>19</sup> EPA issued the final scope document for “Asbestos Part 2: Supplemental Evaluation Including Legacy Uses and Associated Disposals of Asbestos” in June 2022, issued for public comment and peer review *White Paper: Quantitative Human Health Approach to be Applied in the Risk Evaluation for Asbestos Part 2* in August 2023 which concluded in December 2023.<sup>20</sup>

In addition, manufacturers may submit requests to EPA to evaluate specific additional chemicals. The first two Manufacturer Requested Risk Evaluations (MRREs) began in FY 2020 and a third was started in FY 2021 after EPA granted the submissions. Those chemicals are:

1. Diisodecyl phthalate (DIDP)<sup>21</sup>
2. Diisononyl Phthalate (DINP)<sup>22</sup>
3. Octamethylcyclotetrasiloxane (D4)<sup>23</sup>

The Agency released draft scope documents for DINP and DIDP for public comment in November 2020 and finalized them in August 2021. For D4, the Agency released draft scope documents for public comment in September 2021 and finalized them in March 2022. Under the previous administration, the first 10 risk evaluations did not assess air, water, or disposal exposures to the general population because these exposure pathways were already regulated, or could be regulated, under other EPA-administered statutes such as the Clean Air Act, Safe Drinking Water Act, or Clean Water Act. The approach to exclude certain exposure pathways also resulted in a failure to consistently and comprehensively consider risks from environmental releases, often to exposed vulnerable and underserved populations adjacent to the perimeter of manufacturing facilities. In June 2021, EPA announced policy changes to consider whether the policy decision to exclude certain exposure pathways from the risk evaluations would lead to a failure to identify and protect fence-line communities.<sup>24</sup>

In June 2021, EPA announced its intention to reopen and to update the risk evaluation for 1,4-dioxane to consider including additional exposure pathways and conditions of use, and to further examine decisions to exclude exposure pathways for six of the other 10 chemicals. In July 2023, EPA released for public comment and peer review the 2023 Draft Supplement to the Risk Evaluation for 1,4-Dioxane.<sup>25</sup> With some amendments, including review of assumptions related to use of personal protective equipment (PPE) and revision of use-specific risk determinations to apply to the whole “chemical substance,” the remaining chemicals were moved forward to the risk management stage.

The previous administration generally assumed that workers were always provided, and used, PPE appropriately. Data on violations of PPE use, however, suggest that assumptions that PPE is always provided to workers, and worn properly, are not justified and could result in risk evaluations that underestimate the risk, and in turn, risk management rules may not provide the needed protections. Moving forward, EPA plans to consider information on use of PPE, or other ways industry protects its workers, to address unreasonable risk during the risk management process.

In addition, under the previous administration, EPA made separate unreasonable risk determinations for every condition of use of a chemical. EPA withdrew the previously issued orders for those conditions of use for which no unreasonable risk was found for the first 10 risk evaluations. In FY 2022, EPA issued one final risk evaluation scoping document. Since then, in December 2023, EPA released the draft risk evaluation for the first of the next 20 chemicals, TCEP.<sup>26</sup> In FY 2022, EPA reviewed the exposures and hazards of TCEP uses and made risk findings on this chemical substance. EPA considered relevant risk-related factors, including but not limited to the hazards and exposure, magnitude of risk, exposed population, severity of the hazard, and uncertainties, as part of its unreasonable risk determination.

In December 2021, EPA released a draft Toxic Substances Control Act (TSCA) Systematic Review Protocol.<sup>27</sup> The protocol is intended to strengthen EPA's approach to reviewing and selecting the scientific studies that are used to inform TSCA chemical risk evaluations and ensure that EPA has the best tools under TSCA to protect human health and the environment. This protocol addresses the National Academies of Sciences, Engineering, and Medicine recommendations and previous recommendations on systematic review from the SACC review of the first 10 TSCA risk evaluations. In April 2022, EPA held a public virtual meeting of the SACC to peer review the draft Systematic Review Protocol. The agency is using the scientific advice, information, and recommendations from the SACC, as well as public comments, to inform the final protocol.<sup>28</sup>

In January 2022, EPA released for public comment and peer review version 1.0 of a screening methodology to evaluate potential chemical exposures and associated potential risks to fenceline communities in some of the first 10 TSCA risk evaluations.<sup>29</sup> The screening methodology is intended to examine whether the previous administration's policy decision to exclude air and water exposure pathways from the risk evaluations has led to a failure to identify and protect fenceline communities. Review of the screening level methodology included review by the Science Advisory Committee on Chemicals (SACC). EPA received the SACC's final peer review report in May 2022.<sup>30</sup> The Agency is using this feedback to expand and build upon the screening level approach and considering its application to future chemical risk evaluations. The information from this screening level analysis has been used to inform the ongoing risk management rulemakings for the first 10 chemicals as appropriate.

Since passage of the 2016 Lautenberg Chemical Safety for the 21<sup>st</sup> Century Act amending the Toxic Substances Control Act (TSCA), EPA's TSCA program has been consistently underfunded, resulting in missing nearly all its statutory deadlines. EPA is in litigation for failure to meet statutory deadlines for completing risk evaluations and anticipates future litigation for failing to meet statutory deadlines for proposing and finalizing risk management rules. Without full funding for the program, which is informed by internal workforce analyses and buttressed by reports from the Government Accountability Office<sup>31</sup> and the EPA Office of the Inspector General<sup>32</sup>, the program will continue to be unable to fulfill the direction provided. For the last three years, budget report language from Congress has encouraged the EPA "to properly consider full costs [of implementing the Toxic Substances Control Act] in its deliberations, in line with the Lautenberg Act's intent." If chronic programmatic underfunding of the TSCA program continues, the program will continue to fail to deliver on much of its ambitious portfolio and fail to meet Congress' intent under TSCA.

### *Chemical Risk Management Actions (TSCA Sec. 6):*

When TSCA risk evaluations (either EPA-initiated or manufacturer-requested) result in unreasonable risk determinations, EPA will initiate rulemaking under statutory timeframes to address unreasonable risks. Rulemakings are being developed for nine of the first 10 chemicals identified in December 2016 with completed risk evaluations. In addition, numerous stakeholder engagements occurred for many of the first 10 chemicals, including Small Business Advocacy Review (SBAR) panels for 1-BP, PV29, HBCD, MC, PCE, and TCE.

In FY 2022, OPPT developed six proposed risk management rules addressing human health risks that were published in FY 2023 and FY 2024:

- In January 2023, EPA proposed a rule that would prevent companies from starting or resuming the manufacture, processing or use of an estimated 300 PFAS that have not been made or used for many years without a complete EPA review and risk determination;<sup>33</sup>
- In May 2023, EPA proposed prohibitions and workplace protections for methylene chloride;<sup>34</sup>
- In June 2023, EPA proposed to ban most uses of perchloroethylene (PCE) and to establish a workplace chemical protection program for uses not prohibited to address the unreasonable risk to human health;<sup>35</sup>
- In July 2023, the Agency proposed updates to dust-lead hazard standards (DLHS) and dust-lead clearance levels (DLCL) rule;<sup>36</sup>
- In July 2023, EPA proposed to ban uses of carbon tetrachloride that have been phased out and to establish a workplace chemical protection program for uses not prohibited to address the unreasonable risk to human health;<sup>37</sup> and
- In October 2023, EPA proposed to rapidly phase down manufacturing, processing, distribution, and use of trichlorethylene for all uses.<sup>38</sup>

In addition, in FY 2022 OPPT issued six draft and two final revised unreasonable risk determinations addressing worker risks and conducted option selection meetings with the Administrator on NMP and 1-BP in preparation for rulemaking.

In December 2020, EPA issued final rules to address the risks of five persistent, bioaccumulative, and toxic chemicals (PBT) on the 2014 TSCA Work Plan<sup>17</sup> meeting the statutory deadline.<sup>39 40</sup> In response to stakeholder concerns, EPA later extended compliance dates and issued a No Action Assurance on one PBT, phenol, isopropylated phosphate (3:1) (PIP (3:1)) to prevent supply chain disruption.

In response to concerns raised after issuance of the final rules for PBT, in September 2021 EPA announced its intent to initiate a new rulemaking. In FY 2022, EPA developed a proposed risk management rule for two PBTs, decabromodiphenyl ether (decaBDE) and PIP (3:1).<sup>41</sup> The proposed rule, which was published in November 2023, would impose workplace safety protections and restrict water releases. It would also address broader implementation issues, including extended compliance dates, affecting the supply chains of various industry sectors including the nuclear energy sector, transportation, construction, agriculture, forestry, mining, life sciences, and semiconductor production. EPA is not proposing to revise the existing regulations for the other three PBT chemicals (2,4,6-tris(tert-butyl)phenol (2,4,6-TTBP), hexachlorobutadiene (HCBT) and pentachlorothiophenol (PCTP)) at this time.

In April 2022, EPA proposed a rule to prohibit manufacture (including import), processing, distribution in commerce and commercial use of chrysotile asbestos, the only known form of asbestos currently imported into the United States. The proposed rule was the first risk management rule issued under the new process

for evaluating and addressing the safety of existing chemicals under the 2016 TSCA amendments. The proposed rule would ban chrysotile asbestos, which is found in products such as asbestos diaphragms, sheet gaskets, brake blocks, aftermarket automotive brakes/linings, other vehicle friction products, and other gaskets also imported into the United States.

#### *Testing of Chemical Substances and Mixtures (TSCA Sec. 4):*

TSCA Section 4 authorizes EPA to require testing of a chemical substance or mixture by manufacturers (including importers) or processors. The Agency issues test orders, test rules, and enforceable consent agreements as may be needed to support chemical risk prioritization, risk evaluation. The first TSCA Test Order was released in March 2020, with Orders for nine more chemicals issued in January 2021.<sup>42</sup>In FY 2022, EPA issued additional orders on eight of these chemical substances (1,1,2-Trichloroethane; 1,2-Dichloroethane; 1,2-Dichloropropane; 4,4'-(1-Methylethylidene)bis[2,6-dibromophenol]; o-Dichlorobenzene; p-Dichlorobenzene; Phosphoric acid, Triphenyl Ester; trans-1,2-Dichloroethylene) to address remaining data needs.

EPA is using its TSCA Section 4 authorities to protect human health and the environment from the potential risks of per- and polyfluoroalkyl substances (PFAS). EPA developed the PFAS National Testing Strategy to help identify and select PFAS for which the Agency requires testing using TSCA Section 4.<sup>43</sup>In this testing strategy, EPA assigned PFAS into smaller categories based on similarities in structure, physical-chemical properties, and existing toxicity data. EPA intends to issue test orders on PFAS in these categories to both inform its understanding of PFAS subject to such test orders as well as similarly categorized PFAS. Pursuant to the PFAS National Testing Strategy, EPA issued its first test order on PFAS in June 2022 (6:2 Fluorotelomer sulfonamide betaine), its second in January 2023 (Trifluoro(trifluoromethyl)oxirane (HFPO)), and its third in August 2023 (2,3,3,3-tetrafluoro-2-heptafluoroproxy) propanoyl fluoride).<sup>44</sup>

The TSCA amendments direct EPA to reduce and replace, to the extent practicable and scientifically justified, the use of vertebrate animals in the testing of chemical substances or mixtures, and to promote the development and timely incorporation of alternative test methods or strategies that do not require new vertebrate animal testing. In 2018, EPA met a statutory requirement to publish a Strategic Plan to promote development and implementation of alternative test methods. EPA has made significant progress on implementing near-term elements of the plan.<sup>45</sup> In December 2021, EPA published a revised NAMS work plan.<sup>46</sup>

#### *TSCA Fees (TSCA Secs. 4, 5, 6)*

In FY 2021, EPA proposed changes to the original October 2018 TSCA Fees Rule, including:

- Exempting manufacturers from EPA-initiated risk evaluation fees including importers of articles containing a chemical substance, companies that produce a chemical as a byproduct or manufacture or import as an impurity, companies that use chemicals solely for research and development purposes, companies that produce a chemical in less than 2,500 lbs., and companies that manufacture a chemical that is produced as a non-isolated intermediate from fees.
- Proposing a production-volume based fee allocation and that export-only manufacturers pay fees for EPA-initiated risk evaluations.
- Increasing flexibility for companies by extending the amount of time to form consortium to share in fee payments.
- Ensuring EPA can fully collect fees and enabling companies to better prepare for paying fees by

allowing payments in installments for EPA-initiated and manufacturer-requested risk evaluations.<sup>47</sup>

In FY 2022, EPA released a notice to modify and supplement the FY 2021 proposed changes. The actions proposed in this notice include the following:

- Narrowing certain proposed exemptions for entities subject to the EPA-initiated risk evaluation fees and propose exemptions for the test rule fee activities.
- Modifying the self-identification and reporting requirements for EPA-initiated risk evaluation and test rule fees.
- Proposing a partial refund of fees for premanufacture notices withdrawn at any time after the first 10 business days during the assessment period of the chemical.
- Modifying EPA's proposed methodology for the production volume-based fee allocation for EPA-initiated risk evaluation fees in any scenario where a consortium is not formed.
- Expanding the fee requirements to companies required to submit information for test orders.
- Modifying the fee payment obligations to require payment by processors subject to test orders and enforceable consent agreements (ECA).
- Extending the timeframe for test order and test rule payments.
- Changing the fee amounts and the estimate of EPA's full costs for administering TSCA.

As of January 2023, EPA's final rule on TSCA fees was in the interagency review process.

#### *Reporting and Record-keeping (TSCA Sec. 8)*

In FY 2022, EPA continued development of a proposed rule under TSCA section 8(a) and 8(d) for implementing a tiered data collection strategy to help inform the agency's prioritization, risk evaluation, and risk management activities for chemical substances or mixtures under TSCA. The purpose of the rulemaking effort is to improve data collection strategies to better meet the agency's basic chemical data needs, such as information related to exposure, health, and eco-toxicity. The proposed data reporting rule is tiered to these specific stages of the TSCA existing chemicals evaluation process:

- Identification of a pool of substances as potential candidates for prioritization;
- Selection of candidate chemicals from the pool and completing the prioritization process; and
- Assessment of high-priority substances through a robust risk evaluation, which may be followed by risk management actions (depending on the outcome of the risk evaluation).

EPA consulted with the Small Business Administration (SBA) and the Office of Management and Budget (OMB) to determine the potential need for a Small Business Advocacy Review (SBAR) Panel on this rulemaking, but determined such a Panel may not be necessary at this time.

EPA convened an SBAR Panel for a separate section 8 rulemaking in FY 2022. In April 2022, representatives from EPA, SBA, and OMB, along with small entity representatives, convened an SBAR Panel for the section 8(a)(7) rule to require reporting and recordkeeping of PFAS manufacturers. This Panel concluded in August 2022. EPA later published a Notice of Data Availability of the Panel Report and updated economic analyses for public comment in November 2022. Following input received through the SBAR Panel and subsequent public comments,

EPA published a final rule in October 2023 under TSCA section 8(a)(7) requiring persons who have manufactured (including imported) PFAS for commercial purposes in any year since January 1, 2011,<sup>48</sup> through December 31, 2022, to electronically report certain information to EPA. In addition to fulfilling statutory obligations under TSCA, this rule was intended enable to EPA to better characterize the sources and quantities of manufactured PFAS in the United States.

In March 2022, EPA proposed reporting and recordkeeping requirements for asbestos under TSCA section 8(a)(1).<sup>49</sup> The final rule was published in July 2023. The rule requires certain persons who manufactured (including imported) or processed asbestos and asbestos-containing articles (including as an impurity) in the last four years to report certain exposure-related information, including quantities of asbestos manufactured or processed, types of use, and employee data. The rule also covers asbestos-containing articles and situations where asbestos is a component of a mixture.

Also in FY 2022, EPA continued its review and analysis of data received through the 2020 Chemical Data Reporting (CDR) cycle, authorized under TSCA section 8(a).<sup>50</sup> The 2020 CDR cycle concluded in January 2021. During FY 2022, EPA developed the first CDR National Review report, which published in March 2023.

#### *Importing and Exporting Chemicals (TSCA Sec. 12 and 13)*

TSCA section 12(b) requires companies to notify EPA about the identity of a chemical being exported, the date the chemical will be shipped, and the country where the chemical will be exported. EPA, in turn, provides information about the exported chemical and EPA's related regulatory actions to the importing government. In FY 2021, EPA launched a new application in the Central Data Exchange (CDX), the agency's electronic reporting site, that allows users to submit communications under TSCA section 12(b) of the Toxic Substances Control Act (TSCA) electronically. The application provides users with a more convenient and efficient way to submit the necessary information for these export notifications. The new application improved the accuracy and quality of data submitted under section 12(b) because chemicals are identified using EPA's Substance Registry Services (SRS), the agency's authoritative resource for information about chemicals and other substances.

#### *Confidential Business Information (CBI) Review and Data Transparency (TSCA Sec. 14):*

EPA is required under TSCA Section 14 to review and make determinations on CBI claims contained in TSCA submissions. In FY 2022, EPA proposed new and amended requirements relating to the assertion and maintenance of CBI claims under TSCA to increase transparency, modernize reporting and review procedures, and ensure consistency with TSCA.<sup>51</sup> The final rule was published in June 2023.

In FY 2022, EPA completed review of 99% of TSCA CBI submissions in under 60 days. Final determination recommendations were made for 1,322 incoming CBI submissions in Calendar Year 2022. . Current total TSCA CBI review and determination statistics are available at <https://www.epa.gov/tsca-cbi/statistics-tsca-cbi-review-program>.

Regarding transparency, in FY 2022 OPPT automated publication of new chemical notices in ChemView, providing information to the public generally within five business days. Automating the process enabled EPA to publish over 25,000 TSCA section 5 records in ChemView. In addition, OPPT published over 3,400 TSCA 8(e) records and over 1,700 8(d) records in ChemView to support FOIA responses.



- 1 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/frank-r-lautenberg-chemical-safety-21st-century-act>
- 2 'Existing' chemicals are chemicals that were already in commerce when TSCA was enacted in 1976 or chemicals that have undergone PMN [Premanufacture Notice] review and are listed on the TSCA Inventory." See <https://www.epa.gov/reviewing-new-chemicals-under-toxic-substances-control-act-tsca/basic-information-review-new>
- 3 The term "new chemical substance" means any chemical substance which is not included in the chemical substance list compiled and published under section 8(b) of TSCA, i.e., the TSCA Inventory.
- 4 <https://www.epa.gov/reviewing-new-chemicals-under-toxic-substances-control-act-tsca/actions-under-tsca-section-5>
- 5 The term "conditions of use" means the circumstances, as determined by the Administrator under which a chemical substance is intended, known, or reasonably foreseen to be manufactured, processed, distributed in commerce used, or disposed of.
- 6 See <https://www.epa.gov/reviewing-new-chemicals-under-toxic-substances-control-act-tsca/epas-review-process-new-chemicals>
- 7 <https://www.epa.gov/reviewing-new-chemicals-under-toxic-substances-control-act-tsca/actions-under-tsca-section-5#SNURs>
- 8 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/regulation-chemicals-under-section-6a-toxic-substances>
- 9 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/industry-testing-requirements-under-tsca-section-4>
- 10 <https://www.epa.gov/tsca-inventory/about-tsca-chemical-substance-inventory>
- 11 <https://www.epa.gov/tsca-import-export-requirements>
- 12 <https://www.epa.gov/chemical-data-reporting>
- 13 <https://www.epa.gov/reviewing-new-chemicals-under-toxic-substances-control-act-tsca/pfas-low-volume-exemption>
- 14 <https://www.epa.gov/newsreleases/epa-announces-next-steps-enhance-scientific-integrity-and-strengthen-new-chemical>
- 15 <https://www.epa.gov/reviewing-new-chemicals-under-toxic-substances-control-act-tsca/integrated-approach-biofuel>
- 16 <https://www.epa.gov/reviewing-new-chemicals-under-toxic-substances-control-act-tsca/new-chemicals-collaborative>
- 17 <https://www.epa.gov/reviewing-new-chemicals-under-toxic-substances-control-act-tsca/integrated-approach-mixed-metal>
- 18 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-evaluation-asbestos-part-2-supplemental-evaluation>
- 19 <https://www.epa.gov/chemical-data-reporting>
- 20 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-evaluation-asbestos-part-2-supplemental-evaluation>
- 21 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/manufacture-requested-risk-evaluation-diisodecyl-0>
- 22 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-evaluation-di-isononyl-phthalate-dinp-12-benzene>
- 23 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-evaluation-octamethylcyclotetra-siloxane-d4>
- 24 <https://www.epa.gov/newsreleases/epa-announces-path-forward-tsca-chemical-risk-evaluations>
- 25 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/final-risk-evaluation-14-dioxane>
- 26 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-evaluation-tris2-chloroethyl-phosphate-tcep>
- 27 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/draft-protocol-systematic-review-tsca-risk-evaluations>
- 28 For more information on the *EPA TSCA Screening Level Approach for Assessing Ambient Air and Water Exposures to Fenceline Communities* and associated peer review in May 2022, see <https://www.epa.gov/tsca-peer-review/peer-review-epa-tsca-screening-level-approach-assessing-ambient-air-and-water>
- 29 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/tsca-screening-level-approach-assessing-ambient-air-and>
- 30 <https://www.epa.gov/tsca-peer-review/peer-review-draft-tsca-systematic-review-protocol>
- 31 Please see "EPA Chemical Reviews: Workforce Planning Gaps Contributed to Missed Deadlines"
- 32 Please see "The EPA's Fiscal Year 2024 Top Management Challenges" (<https://www.epa.oig.gov/reports/top-management-challenges/epas-fiscal-year-2024-top-management-challenges>) and "The EPA Lacks Complete Guidance for the New Chemicals Program to Ensure Consistency and Transparency in Decisions" (<https://www.epa.oig.gov/reports/audit/epa-lacks-complete-guidance-new-chemicals-program-ensure-consistency-and-transparency>).
- 33 <https://www.epa.gov/newsreleases/epa-takes-key-step-stop-unsafe-pfas-reentering-commerce>
- 34 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-management-methylene-chloride>
- 35 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-management-perchloroethylene-pce>
- 36 <https://www.epa.gov/lead/hazard-standards-and-clearance-levels-lead-paint-dust-and-soil-tsca-sections-402-and-403>
- 37 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-management-carbon-tetrachloride>
- 38 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-management-trichloroethylene-tce>
- 39 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/tsca-work-plan-chemicals>
- 40 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/persistent-bioaccumulative-and-toxic-pbt-chemicals>
- 41 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/risk-management-asbestos-part-1-chrysotile-asbestos>
- 42 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/tsca-section-4-test-orders#list>
- 43 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/national-pfas-testing-strategy>
- 44 <https://www.epa.gov/newsreleases/epa-issues-next-test-order-under-national-testing-strategy-pfas-used-chemical>
- 45 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/alternative-test-methods-and-strategies-reduce>
- 46 <https://www.epa.gov/chemical-research/new-approach-methods-work-plan>
- 47 <https://www.epa.gov/tsca-fees/fees-administration-toxic-substances-control-act>
- 48 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/tsca-section-8a7-reporting-and-recordkeeping>
- 49 <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/tsca-section-8a1-reporting-and-recordkeeping>
- 50 <https://www.epa.gov/chemical-data-reporting>
- 51 <https://www.epa.gov/chemicals-under-tsca/epa-proposes-rule-update-confidential-business-information-requirements-under>

**Principal Financial Statements**

## Principal Financial Statements

**U.S. Environmental Protection Agency  
Toxic Substances Control Act Service Fee Fund  
Balance Sheet  
As of September 30, 2022 and 2021 (Restated)  
(Dollars in Thousands)**

	<u>2022</u>	<u>Restated 2021</u>
<b>ASSETS:</b>		
Intragovernmental Assets:		
Fund Balance With Treasury (Note 2)	\$ 16,996	\$ 23,653
Accounts Receivable, Net (Note 3)	-	1,576
Advances and Prepayments	<u>165</u>	<u>-</u>
Total Intragovernmental Assets	17,161	25,229
<b>Total Assets</b>	<b><u>\$ 17,161</u></b>	<b><u>\$ 25,229</u></b>
<b>LIABILITIES:</b>		
Intragovernmental Liabilities:		
Other Liabilities (Note 5)	<u>\$ 165</u>	<u>\$ 28</u>
Total Intragovernmental Liabilities	165	28
Other Than Intragovernmental Liabilities:		
Accounts Payable (Note 4)	456	810
Federal Employee and Veteran Benefits Payable (Note 8)	315	284
Advances from Others and Deferred Revenue (Restated) (Note 12)	12,238	23,921
Other Liabilities (Note 5)	<u>1,447</u>	<u>333</u>
Total Other Than Intragovernmental Liabilities:	<u>14,456</u>	<u>25,348</u>
<b>Total Liabilities</b>	<b><u>\$ 14,621</u></b>	<b><u>\$ 25,376</u></b>
Commitments and Contingencies (Note 6)		
<b>NET POSITION:</b>		
Unexpended Appropriations - Funds from Other than Dedicated Collections	\$ 2,845	\$ 120
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Restated) (Note 12)	<u>(305)</u>	<u>(267)</u>
Total Net Position	<u>2,540</u>	<u>(147)</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 17,161</u></b>	<b><u>\$ 25,229</u></b>

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

**U.S. Environmental Protection Agency  
Toxic Substances Control Act Service Fee Fund  
Statement of Net Cost  
For the Fiscal Years Ended September 30, 2022 and 2021 (Restated)  
(Dollars in Thousands)**

	<b>2022</b>	<b>Restated 2021</b>
<b>COSTS</b>		
Gross Costs	\$ 16,665	\$ 7,581
Expenses from Other Appropriations (Note 9)	40,717	36,028
Less: Earned Revenue (Restated) (Note 12)	15,159	6,777
<b>NET COST OF OPERATIONS (Restated) (Notes 10, 11 and 12)</b>	<b>\$ 42,223</b>	<b>\$ 36,832</b>

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

**U.S. Environmental Protection Agency  
Toxic Substances Control Act Service Fee Fund  
Statement of Changes in Net Position  
For the Fiscal Years Ended September 30, 2022 and 2021 (Restated)  
(Dollars in Thousands)**

	<u>2022</u>	<u>Restated 2021</u>
<b>UNEXPENDED APPROPRIATIONS:</b>		
Beginning Balance	\$ 120	\$ 782
Appropriations Received	3,955	-
Appropriations Used	<u>(1,230)</u>	<u>(662)</u>
Net Change in Unexpended Appropriations	2,725	(662)
<b>Total Unexpended Appropriations</b>	<b><u>\$ 2,845</u></b>	<b><u>\$ 120</u></b>
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>		
Beginning Balance	\$ (267)	\$ 174
Corrections of errors (Note 12)	<u>-</u>	<u>(500)</u>
<b>Beginning Balance, as Adjusted</b>	<b>(267)</b>	<b>(326)</b>
Appropriations Used	1,230	662
Income from Other Appropriations (Note 9)	40,717	36,028
Imputed Financing	<u>238</u>	<u>201</u>
Net Cost of Operations (Restated) (Note 12)	<u>(42,223)</u>	<u>(36,832)</u>
Net Change in Cumulative Results of Operations	(38)	59
<b>Cumulative Results of Operations</b>	<b><u>(305)</u></b>	<b><u>(267)</u></b>
<b>Net Position</b>	<b><u>\$ 2,540</u></b>	<b><u>\$ (147)</u></b>

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

**U.S. Environmental Protection Agency  
Toxic Substances Control Act Service Fee Fund  
Statement of Budgetary Resources  
For the Fiscal Year Ended September 30, 2022 and 2021  
(Dollars in Thousands)**

	<b>2022</b>	<b>2021</b>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance From Prior Year Budget Authority, Net (discretionary) (Note 7)	\$ 14,943	\$ 1,288
Appropriations (discretionary)	3,955	-
Spending Authority from Offsetting Collections (discretionary)	5,045	28,624
<b>Total Budgetary Resources</b>	<b>\$ 23,943</b>	<b>\$ 29,912</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
New Obligations and Upward adjustments (total)	\$ 14,706	\$ 15,513
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	9,237	14,399
Unobligated Balance, End of Year (total): (Note 7)	9,237	14,399
<b>Total Status of Budgetary Resources</b>	<b>\$ 23,943</b>	<b>\$ 29,912</b>
<b>OUTLAYS, NET</b>		
Outlays, Net (total) (discretionary)	\$ 15,658	\$ 6,724
Distributed Offsetting Receipts (-)	(5,045)	(28,602)
Agency Outlays, Net (discretionary)	<b>\$ 10,613</b>	<b>\$ (21,878)</b>

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

**U.S. Environmental Protection Agency**  
**Toxic Substances Control Act Service Fee Fund**  
**Notes to the Financial Statements**  
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**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entities**

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

The Toxic Substances Control Act (TSCA), as amended by the Frank R. Lautenberg Chemical Safety Act for the 21st Century (signed into law June 22, 2016), EPA evaluates potential risks from new and existing chemicals and acts to address any unreasonable risks chemicals may have on human health and the environment. Where a chemical risk evaluation results in a finding of unreasonable risk, EPA may undertake risk management action (rulemaking) to restrict the production, importation and use of the chemical in U.S. commerce. The agency has established reporting, record-keeping and testing requirements to support its evaluation and risk management work. Certain substances such as food, drugs, cosmetics and pesticides are generally excluded from regulation under TSCA.

The TSCA fund may charge some administrative costs directly to the fund and charge the remainder of the administrative costs to Agency-wide appropriations. See Note 9 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**

The accompanying financial statements have been prepared to report the financial position and results of operations of the U. S. Environmental Protection Agency (the EPA or Agency) as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The reports have been prepared from the financial system and records of the Agency in accordance with the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and the EPA accounting policies, which are summarized in this note.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

**C. Budgets and Budgetary Accounting**

The EPA receives two-year appropriated funds to carry out the Frank R. Lautenberg Chemical Safety for the 21<sup>st</sup> Century Act. Under the Act, the Agency is authorized to collect user fees (up to \$25 million annually) from chemical manufacturers and processors. Fees collected will defray costs for new chemical reviews and a range of TSCA implementation activities for existing chemicals.

TSCA is funded through a combination of offsetting collections and appropriations. The amount of appropriations received will vary depending on the amount collected in a particular fiscal year.

**U.S. Environmental Protection Agency**  
**Toxic Substances Control Act Service Fee Fund**  
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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.

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

**E. Revenues and Other Financing Sources**

TSCA began collecting user fees in fiscal year 2019. For fiscal years 2022 and 2021, TSCA received funding from collections to the extent that expenses were incurred during the fiscal year.

**F. Funds with the Treasury (See Note 2)**

The Agency does not maintain cash in commercial bank accounts; cash receipts and disbursements are handled by Treasury. These funds have balances available to pay current liabilities and finance authorized obligations, as applicable.

**G. Accounts Receivable (See Note 3)**

The agency records accounts receivable for individual evaluation actions. Past due accounts receivable are subject to interest, penalties and administrative fees.

**H. Liabilities (See Notes 4 and 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 authorized for retention. 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. Liabilities of the Agency arising from other than contracts can be abrogated by the Government acting in its sovereign capacity.

**I. Accrued Unfunded Annual Leave (See Note 8)**

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 and Veteran Benefits Payable." Sick leave earned but not taken is not accrued as a liability. It is expensed as it is used.



**U.S. Environmental Protection Agency**  
**Toxic Substances Control Act Service Fee Fund**  
**Notes to the Financial Statements**  
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**(Dollars in Thousands)**

**J. Advances from Others and Deferred Revenue**

Fees collected by the TSCA program that have not yet been expended are considered deferred revenue.

**K. Retirement Plan (See Note 8)**

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.

**L. 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.

**M. 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, Statement of Changes in Net Position and footnotes have changed to conform with OMB Circular No. A-136.

**U.S. Environmental Protection Agency  
Toxic Substances Control Act Service Fee Fund  
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**Note 2. Fund Balance With Treasury (FBWT)**

Fund Balance with Treasury as of September 30, 2022 and 2021 consists of the following:

	<u>2022</u>			<u>2021</u>		
	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>
<b>Revolving Funds:</b>						
TSCA	\$ 16,996	\$ -	\$ 16,996	\$ 23,653	\$ -	\$ 23,653
<b>Total</b>	<b>\$ 16,996</b>	<b>\$ -</b>	<b>\$ 16,996</b>	<b>\$ 23,653</b>	<b>\$ -</b>	<b>\$ 23,653</b>

**Status of Fund Balances:**

**Unobligated Amounts in Fund Balance:**

	<u>2022</u>	<u>2021</u>
Available for Obligation	\$ 9,237	\$ 14,399
Obligated Balance not yet Disbursed	<u>7,759</u>	<u>9,254</u>
<b>Total</b>	<b>\$ 16,996</b>	<b>\$ 23,653</b>

**Note 3. Accounts Receivable, Net**

Accounts Receivable as of September 30, 2022 and September 30, 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
<b>Other than Intragovernmental:</b>		
Accounts Receivable	\$ 6	\$ 1,711
Less: Allowance for Uncollectible	<u>(6)</u>	<u>(135)</u>
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,576</b>

The Allowance for Uncollectible Accounts is determined on a percentage basis for receivables not specifically identified.

**Note 4. Accounts Payable**

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

	<u>Covered by Budgetary Resources</u>	
	<u>2022</u>	<u>2021</u>
<b>Other Than Intragovernmental:</b>		
Accounts Payable	\$ 456	\$ 810
<b>Total Other Than Intragovernmental</b>	<b>\$ 456</b>	<b>\$ 810</b>

**U.S. Environmental Protection Agency  
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**Note 5. Other Liabilities**

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

	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Resources</b>	<b>Total</b>
<b>Other Liabilities - Intragovernmental:</b>			
<b>Current</b>			
Employer Contributions & Payroll Taxes	\$ <u>165</u>	\$ -	\$ <u>165</u>
<b>Total Intragovernmental</b>	<b>\$ <u>165</u></b>	<b>\$ -</b>	<b>\$ <u>165</u></b>
 <b>Other Liabilities - Other Than Intragovernmental:</b>			
<b>Current</b>			
Accrued Funded Payroll and Benefits	\$ 451	\$ -	\$ 451
Other Accrued Liabilities	<u>996</u>	<u>-</u>	<u>996</u>
<b>Total Other Than Intragovernmental</b>	<b>\$ <u>1,447</u></b>	<b>\$ -</b>	<b>\$ <u>1,447</u></b>

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

	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Resources</b>	<b>Total</b>
<b>Other Liabilities - Intragovernmental:</b>			
<b>Current</b>			
Employer Contributions & Payroll Taxes	\$ <u>28</u>	\$ -	\$ <u>28</u>
<b>Total Intragovernmental</b>	<b>\$ <u>28</u></b>	<b>\$ -</b>	<b>\$ <u>28</u></b>
 <b>Other Liabilities - Other Than Intragovernmental:</b>			
<b>Current</b>			
Accrued Funded Payroll and Benefits	\$ 76	\$ -	\$ 76
Other Accrued Liabilities	<u>257</u>	<u>-</u>	<u>257</u>
<b>Total Other Than Intragovernmental</b>	<b>\$ <u>333</u></b>	<b>\$ -</b>	<b>\$ <u>333</u></b>

**Note 6. Commitments and Contingencies**

The EPA is a party to twelve legal cases related to the TSCA fee program as of September 30, 2022. Eight cases have a probable and four have a reasonably possible likelihood of an unfavorable outcome. None of the cases have estimated loss liability, thus no contingent loss liability has been recorded.

**U.S. Environmental Protection Agency**  
**Toxic Substances Control Act Service Fee Fund**  
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**Note 7. 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.

**U.S. Environmental Protection Agency  
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Recoveries of Prior Year Obligations on the Statement of Budgetary Resources consist of the following amounts for September 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
<b>Unobligated Balance Brought Forward, Oct 1.</b>	<b>\$ <u>14,399</u></b>	<b>\$ <u>1,271</u></b>
<b>Adjustments to Budgetary Resources Made During the Current Year</b>		
Downward Adjustments of Prior Year Undelivered Orders	544	-
Other Adjustments	<u>-</u>	<u>17</u>
<b>Total</b>	<b>544</b>	<b>17</b>
<b>Unobligated Balance from Prior Year Budget Authority, Net (discretionary)</b>	<b>\$ <u>14,943</u></b>	<b>\$ <u>1,288</u></b>

Unobligated Balances Available consist of entirely of Apportioned, Unobligated Balances. 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, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Unexpired Unobligated Balance	<u>\$ 9,237</u>	<u>\$ 14,399</u>
<b>Total</b>	<b>\$ <u>9,237</u></b>	<b>\$ <u>14,399</u></b>

Budgetary resources obligated for undelivered orders as of September 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Intragovernmental:		
Unpaid Undelivered Orders	\$ 231	\$ -
Paid Undelivered Orders	165	-
Other Than Intragovernmental:		
Unpaid Undelivered Orders	<u>5,462</u>	<u>8,086</u>
<b>Total</b>	<b>\$ <u>5,858</u></b>	<b>\$ <u>8,086</u></b>

**U.S. Environmental Protection Agency  
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**Note 8. Federal Employee and Veteran Benefits Payable**

Federal Employee and Veteran Benefits Payable to the EPA employees consist of the following as of September 30, 2022 and 2021:

<b>September 30, 2022 Federal Employee and Veteran Benefits Payable</b>	<b><u>Covered by Budgetary Resources</u></b>	<b><u>Not Covered by Budgetary Resources</u></b>	<b><u>Total</u></b>
Accrued Unfunded Annual Leave	\$ -	\$ 315	\$ 315
<b>Total - Current</b>	<b><u>\$ -</u></b>	<b><u>\$ 315</u></b>	<b><u>\$ 315</u></b>

  

<b>September 30, 2021 Federal Employee and Veteran Benefits Payable</b>	<b><u>Covered by Budgetary Resources</u></b>	<b><u>Not Covered by Budgetary Resources</u></b>	<b><u>Total</u></b>
Accrued Unfunded Annual Leave	\$ -	\$ 284	\$ 284
<b>Total - Current</b>	<b><u>\$ -</u></b>	<b><u>\$ 284</u></b>	<b><u>\$ 284</u></b>

**Note 9. Income and Expenses from Other Appropriations**

The Statement of Net Cost reports the program costs that include the full cost of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause-and-effect basis, or reasonably allocated to program outputs.

During fiscal years 2022 and 2021, the EPA had one appropriation 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 TSCA's Statement of Changes in Net Position as of September 30, 2022 and 2021.

	<b><u>2022</u></b>	<b><u>2021</u></b>
Income from Other Appropriations	\$ 40,717	\$ 36,028
Expenses from Other Appropriations	<u>40,717</u>	<u>36,028</u>
Net Effect	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**U.S. Environmental Protection Agency**  
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**Note 10. Intragovernmental Costs and Exchange Revenue (Restated)**

	<b>For the Fiscal Year Ended September 30, 2022</b>	<b>Restated For the Fiscal Year Ended September 30, 2021</b>
<b>Costs:</b>		
Intragovernmental	\$ 726	\$ 884
With the Public	15,939	6,697
Expenses from Other Appropriations	40,717	36,028
Total Costs	\$ 57,382	\$ 43,609
<b>Revenue:</b>		
With the Public (Restated)	15,159	6,777
Total Revenue	15,159	6,777
<b>Net Cost of Operations:</b>	<b>\$ 42,223</b>	<b>\$ 36,832</b>

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

**Note 11. Reconciliation of Net Cost of Operations to Net Outlays (Restated)**

	<b>Fiscal Year Ending September 30, 2022</b>		
	<b>Intra- governmental</b>	<b>Other Than Intra- Governmental</b>	<b>Total</b>
<b>NET COST</b>	\$ 726	\$ 41,497	\$ 42,223
<b>Components of Net Cost That Are Not Part of Net Outlays:</b>			
Other	-	(40,717)	(40,717)
Accounts Receivable	-	(1,575)	(1,575)
Other Assets	165	-	165
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable	-	(245)	(245)
Federal Employee and Veteran Benefits Payable	-	(32)	(32)
Other Liabilities	(137)	11,169	11,032
<b>Other Financing Sources:</b>			
Imputed Financing	(238)	-	(238)
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>(210)</b>	<b>(31,400)</b>	<b>(31,610)</b>
<b>NET OUTLAYS</b>	<b>\$ 516</b>	<b>\$ 10,097</b>	<b>\$ 10,613</b>

**U.S. Environmental Protection Agency  
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Notes to the Financial Statements  
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	(Restated)		
	<u>Fiscal Year Ending September 30, 2021</u>		
	<u>Intra-</u>	<u>With the</u>	<u>Total</u>
	<u>governmental</u>	<u>Public</u>	
<b>NET COST (Restated)</b>	\$ 884	\$ 35,948	\$ 36,832
<b>Components of Net Cost That Are Not Part of Net Outlays:</b>			
Other	-	(36,028)	(36,028)
<b>Increase/(Decrease) in Assets:</b>			
Accounts Receivable	-	1,575	1,575
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable and Accrued Liabilities	-	(755)	(755)
Federal Employee and Veteran Benefits Payable	-	65	65
Other Liabilities (Restated)	(17)	(23,349)	(23,366)
<b>Other Financing Sources:</b>			
Imputed Financing	<u>(201)</u>	<u>-</u>	<u>(201)</u>
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>(218)</b>	<b>(58,492)</b>	<b>(58,710)</b>
<b>Other Temporary Timing Differences</b>	-	-	-
<b>NET OUTLAYS</b>	<b>\$ <u>666</u></b>	<b>\$ <u>(22,544)</u></b>	<b>\$ <u>(21,878)</u></b>

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The reconciliation explains the relationship between the net cost of operations and net outlays by presenting components of net cost that are not part of net outlays (e.g., depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities), components of net outlays that are not part of net cost (e.g., acquisition of capital assets), other temporary timing difference (e.g., prior period adjustments due to correction of errors). The analysis above illustrates this reconciliation by listing the key differences between net cost and net outlays.



**U.S. Environmental Protection Agency  
Toxic Substances Control Act Service Fee Fund  
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**Note 12. Restatement**

EPA performed a review of deferred revenue recorded in FY 2021. The review revealed that a portion of deferred revenue included appropriated amounts. Deferred revenue should only be comprised of collections in excess of expenses incurred, therefore the appropriated spending was reclassified as earned revenue.

<b>For the Year Ended September 30, 2021</b>	<b>Previously Reported</b>	<b>Restatement</b>	<b>Restated Amount</b>
Advances from Others and Deferred Revenue	\$ 22,744	1,177	\$ 23,921
Earned Revenue	\$ 7,455	(678)	\$ 6,777
Net Cost of Operations	\$ 36,154	678	\$ 36,832
Cumulative Results of Operations, Beginning Balance	\$ 174	(500)	\$ (326)

***Agency Response to Draft Report***



**THE CHIEF FINANCIAL OFFICER**

WASHINGTON, D.C. 20460

December 18, 2024

**MEMORANDUM**

**SUBJECT:** Response to the Office of Inspector General Draft Report, Project No. OA-FY24-0068, *“Independent Audit of the EPA’s Fiscal Years 2022 and 2021 (Restated) Toxic Substances Control Act Service Fee Fund Financial Statements,”* dated November 25, 2024

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

**FAISAL  
AMIN**

Digitally signed by  
FAISAL AMIN  
Date: 2024.12.18  
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**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 six recommendations for the Office of the Chief Financial Officer and one for the Assistant Administrator for Chemical Safety and Pollution Prevention. The agency agrees with the recommendations.

**AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATIONS**

<b>Recommendation</b>	<b>Office</b>	<b>High-Level Intended Corrective Action(s)</b>	<b>Estimated Completion Date</b>
1. Correct the calculation in the Toxic Substances Control Act FY22-08A on-top adjustment to accurately capture the amounts for financial statement line items “Income from Other Appropriations” and “Expenses from Other Appropriations.”	OCFO	<u>Concur.</u> OCFO’s Office of the Controller’s Finance and Accounting Division corrected the calculations for Income and Expenses from Other Appropriations in the final FY 2022 TSCA financial statements.	Completed 12/9/24

2. Provide training to appropriate staff on the standard operating procedures for calculating the income and expenses from other appropriations on-top adjustment.	OCFO	<u>Concur.</u> OCFO-OC-FAD will provide additional training to appropriate staff on the standard operating procedures for calculating the income and expenses from other appropriations.	2/3/25
3. Correct the earned revenue and unearned revenue balances in the fiscal year 2022 Toxic Substances Control Act Service Fee Fund financial statements.	OCFO	<u>Concur.</u> OCFO-OC-FAD corrected the earned revenue and unearned revenue balances in the FY 2022 TSCA financial statements.	Completed 11/6/24
4. Develop and implement accounting models to properly record and track Toxic Substances Control Act Service Fee Fund earned revenue and unearned revenue related activity.	OCFO	<u>Concur.</u> OCFO-OC-FAD updated the accounting models in Compass to properly record and track TSCA earned revenue and unearned revenue related activity.	Completed 10/3/24
5. Develop and implement a plan to strengthen and improve the preparation and management review of the financial statements.	OCFO	<u>Concur.</u> OCFO-OC-FAD will update its procedures to improve the preparation and management review of the financial statements.	2/3/25
6. Correct the errors in the fiscal year 2022 Toxic Substances Control Act Service Fee Fund financial statements.	OCFO	<u>Concur.</u> OCFO-OC-FAD corrected the errors in the final FY 2022 TSCA financial statements.	Completed 12/9/24
7. Develop and implement a plan to publish chemical risk evaluation plans at the beginning of each calendar year, as required by the Toxic Substances Control Act.	OCSPP	<u>Concur.</u> OCSPP will publish the 2025 annual chemical risk evaluation plan, as required by the Toxic Substances Control Act, by 2/1/25. OCSPP will thereafter publish the plan annually at the beginning of each calendar year, as required by TSCA.	2/1/25

### **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](mailto:Leblanc.Andrew@epa.gov) or (202) 564-1761, or the OCSPP's Senior Audit Advisor, Janet Weiner, at [Weiner.Janet@epa.gov](mailto:Weiner.Janet@epa.gov) or (202) 564-2309.

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U.S. Environmental Protection Agency

*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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