



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Quick Reaction Report

Agreed-Upon Procedures on EPA's Fiscal Year 2010 First Quarter Financial Statements

Report No. 10-2-0131

May 19, 2010

Report Contributors:

Paul Curtis
Meg Hiatt
Javier Negron
Demetrios Papakonstantinou
Lynda Taylor

Abbreviations

EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
GL	General Ledger
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
RGLTS	Report of General Ledger Balance by Treasury Symbol
SFFAS	Statement of Federal Financial Accounting Standards
USSGL	United States Standard General Ledger
YACT	Year-End Account Closing Table



At a Glance

Catalyst for Improving the Environment

Why We Performed These Agreed-Upon Procedures

We performed agreed-upon procedures on the U.S. Environmental Protection Agency (EPA) Fiscal Year (FY) 2010 First Quarter Financial Statements. We did so to assist EPA in evaluating whether its quarterly Financial Statements were compiled in a manner consistent with the Treasury United States Standard General Ledger Crosswalk, and to identify significant fluctuations in financial line item balances from the previous year.

Background

Agencies submit unaudited interim Financial Statements to the Office of Management and Budget (OMB) 21 days after the end of each of the first three quarters of the fiscal year. Agencies should include management's explanation of significant variances in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays, along with the submitted statements.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

To view the full report, click on the following link:
www.epa.gov/oig/reports/2010/20100519-10-2-0131.pdf

Agreed-Upon Procedures on EPA's Fiscal Year 2010 First Quarter Financial Statements

What We Found

We performed certain agreed-upon procedures on the Agency's First Quarter FY 2010 Financial Statements. We compared the statements with EPA's crosswalk, recomputed them for mathematical accuracy, and compared them with balances separately generated by us. We identified differences between our computed general ledger account adjusted trial balance and the Agency's adjusted trial balance.

Below are the results of our performance of the agreed-upon procedures:

- The FY10 Cumulative Results of Operations Beginning of Period does not agree with the FY09 Cumulative Results of Operations Ending Balance.
- The Agency's Combined Statement of Budgetary Resources and Statement of Custodial Activity agreed with the amounts on the Agency's support.
- The Agency identified 14 fluctuations in its financial statements and submitted them to OMB.
- Two items should be updated based on our comparison of EPA's Financial Statement Preparation Guide for the 2010 Financial Statements to OMB Circular A-136.
- We identified discrepancies in the Statement of Custodial Activity, Statement of Net Position, and Statement of Budgetary Resources in our review of Treasury's financial statement crosswalk to the Agency's financial statement crosswalk.
- We identified four differences in our comparison of Treasury's Closing Instructions to EPA's Closing Instructions.
- We found that EPA's Treasury Symbols were in compliance with Statement of Federal Financial Accounting Standards No. 27.
- We found that the on-top entry to record child agency balances agreed with the support.
- We found three items were not reversed based on the Agency's designation of the type of adjustment. There were differences between the FY 2010 Report of General Ledger Balance by Treasury Symbol beginning balances and FY 2009 ending balances.
- The elimination and consolidation entries appear reasonable and complete.

The agreed-upon procedures do not constitute an audit of the quarterly Financial Statements or any part thereof, the objective of which would be the expression of an opinion on the quarterly Financial Statements or any part thereof.



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

OFFICE OF
INSPECTOR GENERAL

May 19, 2010

MEMORANDUM

SUBJECT: Agreed-Upon Procedures on EPA's Fiscal Year 2010
First Quarter Financial Statements
Report No. 10-2-0131

FROM: Paul C. Curtis 
Director, Financial Statement Audits

TO: Barbara Bennett
Chief Financial Officer

The Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) conducted these Agreed-Upon Procedures on EPA's Fiscal Year 2010 First Quarter Financial Statements. This report is provided to you solely to assist you in evaluating whether the Fiscal Year 2010 First Quarter Financial Statements were compiled in a manner consistent with the Treasury United States Standard General Ledger Crosswalk, and to identify significant fluctuations in financial line balances from the previous year.

Our report is intended solely for your information and use and should not be used by those who have not agreed to the procedures or taken responsibility for the sufficiency of the procedures for their purposes. No written response to this report is required.

If you have any questions, please do not hesitate to contact me at 202-566-2523 or curtis.paul@epa.gov or Meg Hiatt at 513-487-2366 or hiatt.margaret@epa.gov.

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Purpose

The Office of Inspector General (OIG) performed these agreed-upon procedures at the request of the Office of the Chief Financial Officer (OCFO). We did so to assist the U.S. Environmental Protection Agency (EPA) in evaluating whether its Fiscal Year (FY) 2010 First Quarter Financial Statements were compiled in a manner consistent with the Treasury United States Standard General Ledger (USSGL) Crosswalk and to identify significant fluctuations in financial line item balances from the previous year.

Background

According to Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, interim unaudited Financial Statements, without notes, are required on a quarterly basis. Agencies submit unaudited interim Financial Statements to OMB 21 days after the end of each of the first three quarters of the fiscal year. Agencies should include management's explanation of significant variances in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays, along with the submitted statements.

Scope and Methodology

We performed certain agreed-upon procedures, enumerated below, on EPA's unaudited consolidated FY 2010 First Quarter Financial Statements, to assist the OCFO in evaluating whether the quarterly Financial Statements were compiled consistently with Treasury's USSGL Crosswalk and to identify significant fluctuations in financial line item balances from the previous year.

The adequacy of these procedures is the OCFO's responsibility. Consequently, we make no representation regarding the sufficiency of the procedures. The agreed-upon procedures do not constitute an audit of the quarterly Financial Statements or any part thereof, the objective of which would be the expression of an opinion on the quarterly Financial Statements or any part thereof. Accordingly, we do not express such an opinion. Were we to perform additional procedures, other matters might come to our attention that we would report to assist the OCFO.

This agreed-upon procedures engagement was conducted using applicable generally accepted government auditing standards, which incorporate attestation standards issued by the American Institute of Certified Public Accountants. These standards provide guidance for performing and reporting the results of agreed-upon procedures.

We performed the agreed-upon procedures from March 3 to May 19, 2010. We based our procedures on EPA's First Quarter Financial Statements and supporting schedules, general ledger (GL) balances, and manual on-top adjustments.

Results of Agreed-Upon Procedures

Procedure 1

Obtain EPA's First Quarter Financial Statements, adjusted trial balance, on-top entries, and support for the statements (including Earmarked Funds). Import the Report of General Ledger Balance by Treasury Symbol (RGLTS), enter the Agency's on-top entries into ProSystem, and generate an adjusted trial balance, Consolidated Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position.

Results of Procedure 1

We obtained the Agency's First Quarter Financial Statements, adjusted trial balance, on-top entries, and support for the statements (including Earmarked Funds and Child Agency Trial Balances). We imported the RGLTS and entered the Agency's on-top adjusting entries to beginning balances into ProSystem to generate an adjusted trial balance, Consolidated Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position.

Procedure 1.a

Compare the ProSystem generated adjusted trial balance based on the Agency's support to the Agency's adjusted trial balance to verify the Agency's Financial Statement crosswalk and note any differences.

Results of Procedure 1.a

We compared the Prosystem adjusted trial balance to the Agency's adjusted trial balance and noted the following differences:

Table 1: Comparison of OIG's Adjusted Trial Balance and EPA's Adjusted Trial Balance

G/L	Agency Ending Balance	OIG Ending Balance	Difference
1011	\$26,049,119,160.07	\$26,047,291,438.27	\$1,827,721.80
13P1	\$389,213,628.50	\$238,361,248.50	\$150,852,380.00
2327	(\$112,383,188.66)	(\$5,030,701.02)	(\$107,352,487.64)
3100	(\$14,536,346,617.65)	(\$14,535,201,568.73)	(\$1,145,048.92)
3310	(\$6,869,289,256.31)	(\$6,825,106,691.07)	(\$44,182,565.24)
4201	\$14,972,175,707.85	\$14,961,143,155.99	\$11,032,551.86
4450	(\$381,837,862.86)	(\$381,794,235.78)	(\$43,627.08)
4801	(\$13,917,298,608.77)	(\$13,906,269,303.87)	(\$11,029,304.90)
4802	(\$307,660,534.63)	(\$307,684,899.73)	\$24,365.10
4803	\$768,404,745.36	\$768,389,576.48	\$15,168.88

Source: OIG analysis of EPA data.

The Agency stated that the differences for GL accounts 1011, 13P1, 2327, 3100, 3310, 4201, 4450, 4801, 4802, and 4803 are due to: (1) FY 2009 on-top adjustments that should have been reversed in FY 2010, and (2) an FY 2009 restatement adjustment that the Agency incorrectly reversed in FY 2010. The Agency will correct GL accounts 1011, 13P1, 2327, 3100, 3310, 4201, 4450, 4801, 4802, and 4803 in the Second Quarter Financial Statements.

We verified that the statements complied with and are in accordance with EPA's Crosswalk.

Procedure 1.b

Compare the ProSystem-generated Financial Statements to EPA's Financial Statements and note any differences.

Results of Procedure 1.b

We compared the Prosystem-generated financial statements to EPA's financial statements, and identified differences in the:

- (1) Balance Sheet due to the differences noted in step 1.a; and
- (2) Statement of Changes in Net Position because the FY 2010 Net Position Beginning of Period does not agree with the FY 2009 Fourth Quarter Balance Sheet Cumulative Results of Operations.

The Agency will correct GL accounts noted in step 1a, and the Statement of Changes in Net Position in the Second Quarter Financial Statements.

Procedure 1.c

Enter the FY 2010 and 2009 GL balances and on-top entries into Excel spreadsheets. Prepare the Combined Statement of Budgetary Resources and Statement of Custodial Activity, and compare to the Agency's statements and note any differences.

Results of Procedure 1.c

We entered the FY 2010 GL balances, Agency support, and on-top adjustment entries into an Excel spreadsheet. We prepared and compared the OIG Combined Statement of Budgetary Resources and Statement of Custodial Activity to the Agency's statements.

Statement of Custodial Activity:

The Agency's balances for the FY 2010 First Quarter agreed with our amounts for this statement except for immaterial rounding differences.

Combined Statement of Budgetary Resources:

The Agency's balances for the FY 2010 First Quarter agreed with our amounts for this statement except for immaterial rounding differences.

Procedure 1.d

Extract GL ending balances for Earmarked Funds from the RGLTS using Interactive Data Extraction Analysis and enter into ProSystem. Enter on-top entries and generate a Consolidated Statement of Changes in Net Position for Earmarked Funds and compare to EPA's Consolidated Statement of Changes in Net Position for Earmarked Funds.

Results of Procedure 1.d

We extracted the GL ending balances from the RGLTS for Earmarked Funds, generated a Consolidated Statement of Changes in Net Position for Earmarked Funds, and compared it to EPA's Statement of Changes in Net Position for Earmarked Funds. We identified one difference in the FY 2010 Net Position Beginning of Period balance that does not agree with the FY 2009 Fourth Quarter Balance Sheet Cumulative Results of Operations. The Agency will correct the FY 2010 Net Position Beginning of Period balance to agree with the FY 2009 Fourth Quarter Balance Sheet Cumulative Results of Operations.

Procedure 1.e

Compare the Agency's First Quarter Consolidated Statement of Net Cost by Goal to the consolidated totals from the Consolidated Statement of Net Cost by Goal.

Results of Procedure 1.e

We compared the Agency's First Quarter Consolidated Statement of Net Cost by Goal to the consolidated totals (total costs, total earned revenue, and net cost of operations) from the Consolidated Statement of Net Cost. The amounts agreed.

Procedure 1.f

Mathematically verify the accuracy of the Consolidated All Other column on the Consolidated Statement of Changes in Net Position in the Agency's Financial Statements.

Results of Procedure 1.f

We mathematically verified the accuracy of the All Other column in the Agency's Financial Statements on the Consolidated Statement of Changes in Net Position.

Procedure 1.g

Identify significant fluctuations in balances by comparing current year balances to prior year balances (Criteria: Percentage change of 10 percent or more and dollar change exceeding \$50 million).

Results of Procedure 1.g

We identified significant fluctuations in the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. OIG-identified fluctuations are detailed in Appendix A.

OMB A-136 states: Agencies are required to submit an analysis of significant variances along with the quarter's three financial statements. The analysis should be only on the significant variances between the current quarter and the same quarter from the prior year. Management has discretion on what constitutes a significant variance.

We did not audit the Agency's analysis of significant variances provided to OMB and place no assurance on them. We did compare variances identified by the Agency to significant fluctuations identified by us and noted where they agreed or disagreed. The Agency identified 14 fluctuations and submitted them to OMB as follows:

Balance Sheet

- (1) The Agency reported to OMB that the increase of \$12 billion in Fund Balance With Treasury is primarily due to the cash that carried forward to the FY 2010 Beginning Balance from the State & Tribal Assistance Grant program contained in the American Recovery and Reinvestment Act of 2009 (Recovery Act).¹
- (2) The Agency reported to OMB that the increase of \$12 billion in Unexpended Appropriations is primarily due to the brought-forward balance of the State & Tribal Assistance Grant program contained in the Recovery Act.¹
- (3) The Agency reported to OMB that the increase of \$110 million in Non-Federal Accounts Payable and Accrued Liabilities is primarily due to an increase in Grantee Liability Accruals as a result of a higher statistical sample rate used to generate the FY 2009 Fourth Quarter compared to the rate used in the FY 2008 Fourth Quarter. The calculated rate period is from the Prior Year Fourth Quarter to the Current Year Third Quarter.¹
- (4) The Agency reported to OMB that the increase of \$115 million in Intragovernmental Other is primarily due to the FY 2009 Fourth Quarter Advance of \$90 million to the Indian Health Service that carried forward to the beginning balance in FY 2010.¹

¹ Change identified by the OIG in Appendix A.

- (5) The Agency reported to OMB that the increase of \$135 million in Non-Federal Accounts Receivable, Net is primarily due to the FY 2009 Second Quarter write-offs of two receivables for Raytech Industries that carried forward to the beginning balance in FY 2010.^{1&2}
- (6) The Agency reported to OMB that the increase of \$496 million in Cashout Advances, Superfund, is primarily due to the ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 First Quarter.^{1&3}

Statement of Net Cost:

- (1) The Agency reported to OMB that the increase of \$407 million Gross Costs is primarily due to expenses incurred in the FY 2010 First Quarter in the State & Tribal Assistance Grant program contained in the Recovery Act.¹
- (2) The Agency reported to OMB that the increase of \$110 million in Earned Revenue is primarily due to \$82 million in interest collected from the U.S. Department of Justice related to ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 First Quarter.¹

Statement of Budgetary Resources

- (1) The Agency reported to OMB that the \$7 billion increase in Appropriations is primarily due to the longer Continuing Resolution period in FY 2009 versus FY 2010. The Continuing Resolution period was 157 days in FY 2009 compared to 31 days in FY 2010. In the FY 2010 First Quarter, EPA received its full enacted budget.¹
- (2) The Agency reported to OMB that the \$619 million increase in Total Obligations is primarily due to increases in the (a) payment to the Superfund Trust Fund, and (b) obligations in the State & Tribal Assistant Grant program as a result of the longer term Continuing Resolution period in FY 2009 versus FY 2010. The Continuing Resolution period was 157 days in FY 2009 compared to 31 days in FY 2010. In the FY 2010 First Quarter, EPA received its full enacted budget.¹
- (3) The Agency reported to OMB that the \$7 billion increase in Appropriations Unobligated Balance is primarily due to the longer Continuing Resolution period in FY 2009 versus FY 2010. The Continuing Resolution period was 157 days in FY 2009 compared to 31 days in FY 2010. In the FY 2010 First Quarter, EPA received its full enacted budget.¹

² OIG Comment: The Agency stated the increase in the Non-Federal Accounts Receivable was based on the write-off of Raytech Industries receivables. Based on our analysis of significant fluctuations, the increase is the result of EPA incorrectly reversing a 2009 on-top entry. The Agency will correct the reversing entry in the FY 2010 Second Quarter.

³ The actual fluctuation is approximately \$401 million.

- (4) The Agency reported to OMB that the \$224 million increase in Collected Spending Authority from Offsetting Collections is primarily due to the ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 First Quarter.¹
- (5) The Agency reported to OMB that the \$319 million decrease in Change in Unfilled Customer Orders-Advances Received is primarily due to the ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 First Quarter.¹
- (6) The Agency reported to OMB that the \$404 million decrease in Anticipated for Rest of Year, Without Advances is primarily due to the ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 First Quarter.¹

Procedure 2

Obtain and compare EPA’s Financial Statement Preparation Guide for the FY 2010 Financial Statements to OMB Circular A-136 for compliance and note any differences.

Results of Procedure 2

We obtained and compared EPA’s Financial Statement Preparation Guide to OMB Circular A-136. We found that the Agency’s Financial Statement Preparation Guide should be updated for the following items (these items have no impact on compliance with A-136). The Agency stated it would update the Financial Statement Preparation Guide.

Table 2: Issues Identified Upon Review of Financial Statement Preparation Guide

Page No.	Section	Item	Comment
2	Attachment H	IFMS FY 2009 Year-End Account Closing Table (YACT)	The table of contents refers to the FY 2009 YACT table; however, the guide only includes an “Example” of the YACT table consisting of only one page.
27-58	Attachments A-E	Financial Statement Crosswalk	The Crosswalks in the Financial Statement Preparation Guide refer to FY 2009 and not 2010.

Source: OIG analysis of EPA data and OMB requirements.

Procedure 3

Obtain and compare EPA’s Financial Statement Crosswalk to Treasury’s USSGL Crosswalk and note any differences.

Results of Procedure 3

We obtained and compared EPA’s Financial Statement Crosswalk to Treasury’s USSGL Crosswalk and identified the following discrepancies:

Statement of Custodial Activity:

- Account 1359 is listed on line 2 of EPA's Crosswalk; however, Treasury does not list the account. The Agency stated it would make the change in the FY 2010 Second Quarter reporting.

Statement of Net Position:

- Account 5325 is listed on line 8 of EPA's Crosswalk; however, Treasury does not list the account. The Agency stated it would make the change in the FY 2010 Second Quarter reporting.

Statement of Budgetary Resources:

- Account 4396 is listed on line 5 of Treasury's Crosswalk; however, EPA does not have it listed on its crosswalk. The account is used in the Financial Data Warehouse and the Financial Statements. The Agency stated it would make the change in the FY 2010 Second Quarter reporting.

Procedure 4

Obtain and compare EPA's FY 2009 post-closing instructions to EPA's Year-End Account Closing Table (YACT) and Treasury's Closing Instructions and note any differences.

Results of Procedure 4

We obtained and compared EPA's FY 2009 post-closing instructions to EPA's YACT and Treasury's Closing Instructions. We identified four differences between the criteria Treasury lists for closing accounts and what the Agency listed in the YACT table. The table below compares EPA's post-closing instructions to EPA's YACT table and Treasury's Closing Instructions.

Table 3: Comparison of EPA's Post-Closing Instructions to EPA's YACT Table and Treasury's Closing Instructions

EPA GL Account	Per EPA's YACT Table EPA's GL Account Should Close to (Expired)	Per EPA's YACT Table EPA's GL Account Should Close to (Unexpired)	Per Treasury EPA's GL Account Should Close to (Expired)	Per Treasury EPA's GL Account Should Close to (Unexpired)
4042	4650	4450	4450	4450
4047	4650	4450	4450	4450
4070	4650	4450	4450	4450
4310	4650	4450	4690, 4450	4650, 4450

Source: YACT table and Year-End Closing Instructions provided by Reporting and Analysis Staff.

The Agency stated: "For accounts 4042, 4047, 4070, and 4310, the close on the YACT table for EXPIRED Treasury Symbols is account 4650 since this is the appropriate closing account for expired treasury symbols. Perhaps, Treasury listed account 4450

because these are anticipated accounts which are associated with current year authority. In reality, this matter is of no consequence because the YACT table cannot be invoked since these anticipated accounts cannot roll over to the new fiscal year as they must have a zero balance by the end of the Fourth Quarter.

Procedure 5

Obtain and compare EPA's identified Earmarked Treasury Symbols to Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standards (SFFAS) 27, *Identifying and Reporting Earmarked Funds*, for compliance.

Results of Procedure 5

We obtained and compared EPA's identified Earmarked Treasury Symbols to SFFAS 27. We found that EPA's Treasury Symbols are in compliance with SFFAS 27. Earmarked Treasury Symbols consist of the following trust funds: Hazardous Substance Superfund; Federal Insecticide, Fungicide, and Rodenticide Act Fund; Revolving Fund for Certification and Other Services; Licenses and Other Services; Environmental Services; Exxon Valdez Settlement Fund; Pesticide Registration Improvement Act Fund; Oil Spill Response Fund; Contributed Funds; and Leaking Underground Storage Tank Trust Fund.

Procedure 6

Obtain and compare FY 2010 and 2009 Child Trial Balances to the Child on-top entry.

Results of Procedure 6

We obtained and compared EPA's FY 2010 and 2009 Child Trial Balances to the Child on-top entry. We found that the on-top entry to record child agency balances agreed with the support.

Procedure 7

Compare the FY 2010 reversals to the FY 2009 on-top adjustments and EPA's Closing Instructions to assess whether EPA followed its guidance.

Results of Procedure 7

We compared the FY 2010 reversals to the FY 2009 on-top adjustments and to EPA's closing instructions to assess whether EPA followed the Financial Statement Preparation Guide for entering the reversals of last year's on-top adjustments. We identified three items that were not reversed but should have been reversed based on the Agency's designation of the adjustments. In FY 2009, entry numbers 109, 110, and 111 were identified as "B. Normal Statement Adj." types and therefore should have been reversed. The Agency's FY 2010 OCFO Financial Statement Preparation Guide states:

- b. *Review the remaining On-top adjustments to determine if they should be reversed. Normally the following entry types are reversed:*

A. *Corrections*

B. *Normal Statement Adjustments*

C. *Statement only Adj.*

The Agency did not comply with the FY 2010 OCFO Financial Statement Preparation Guide. We brought the entries to the Agency's attention to inquire why entries 109, 110, and 111 were not reversed. The Agency stated, "These entries offset each other on cancelled treasury symbols and were not entered in IFMS in the FY 2009 Fourth Quarter. The Office of Technology Solutions will need to work with OCFO to clear them out in IFMS. Once they are corrected in IFMS, OCFO will reverse them as On-top adjustments in FY 2010."

Table 4: Comparison of the FY 2010 Reversals to the FY 2009 On-Top Adjustments to EPA's Closing Instructions

Entry No.	Type	Fund	Description
109	B. Normal Statement Adj.	107	Cancellation of 681/20107
110	B. Normal Statement Adj.	108	Cancellation of 681/20108
111	B. Normal Statement Adj.	112	Cancellation of 681/20112

Source: FY 2009 On-Top Adjustments provided by Reporting and Analysis Staff.

Procedure 8

Compare the RGLTS FY 2010 beginning balances to the FY 2009 ending balances and note any differences.

Results of Procedure 8

We compared the RGLTS FY 2010 beginning balances to FY 2009 ending balances and found that the following balances did not agree:

Table 5: Comparison of EPA's FY 2009 Post-Closing Instructions to EPA's YACT Table and Treasury's Closing Instructions

General Ledger Account	EPA OIG Balance 2009 Post Closing Balance	2010 Adjusted Agency Beginning Balance	Difference
1340	\$0.00	\$7,572,295.09	(\$7,572,295.09)
1341	\$0.00	\$0.08	(\$0.08)
1342	\$7,572,295.17	\$0.00	\$7,572,295.17
1343	\$54,162,365.75	\$0.00	\$54,162,365.75
1347	\$0.00	(\$53,114,876.86)	\$53,114,876.86
1349	(\$53,114,876.86)	\$0.00	(\$53,114,876.86)
134S	\$0.00	\$54,162,365.75	(\$54,162,365.75)
1360	\$0.00	\$11,280,692.83	(\$11,280,692.83)
1361	\$111,942.25	\$0.26	\$111,941.99
1362	\$11,280,693.09	\$0.00	\$11,280,693.09
1367	\$0.00	(\$10,175,193.39)	\$10,175,193.39
1369	(\$10,175,193.39)	\$0.00	(\$10,175,193.39)
1370	\$0.00	\$111,912.25	(\$111,912.25)
1371	\$0.00	\$30.00	(\$30.00)

Source: OIG analysis of EPA data.

The Agency stated: "To accommodate the above USSGL changes, there are new accounts and new posting models as well as changes to account descriptions. In addition, accounts and posting models were deleted. The differences between the 2009 ending and 2010 beginning balances were the result of changes to the YACT. The year-end balances in EPA's FY 2009 'old' accounts will be transferred to the FY 2010 'new' accounts at FY 2009 year-end close."

Procedure 9

Review elimination and consolidation entries prepared by the Reporting and Analysis Staff for reasonableness and completeness.

Results of Procedure 9

We reviewed elimination and consolidation entries prepared by the Reporting and Analysis Staff for reasonableness and completeness. The elimination and consolidation entries appeared reasonable and complete.

Agency Comments and OIG Analysis

We held a discussion with the Agency on May 10, 2010, to discuss the findings in our report, obtain comments or concerns, and finalize our report. We addressed the Agency's concerns and it concurred with our findings. We did not report any recommendations.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
No recommendations							

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

Appendix A

**OIG-Identified Significant Fluctuations
between 12/31/09 and 12/31/08**
(Dollars in Thousands)

Consolidated Balance Sheet:

ASSETS					FY 2010	FY 2009	Difference	%
Fund Balance With Treasury ⁴					\$22,755,923	\$10,570,668	\$12,185,255	115.27%
Investments ⁵					\$7,935,049	\$6,445,659	\$1,489,390	23.11%
Other ⁴					\$216,014	\$101,465	\$114,549	112.90%
Accounts Receivable, Net ⁴					\$452,312	\$317,560	\$134,752	42.43%
LIABILITIES								
Accounts Payable & Accrued Liabilities ⁴					\$807,008	\$696,505	\$110,503	15.87%
Cashout Advances, Superfund ⁴					\$667,245	\$266,220	\$401,025	150.64%
NET POSITION								
Unexpended Appropriations - Other Funds ⁴					\$21,424,167	\$9,688,917	\$11,735,250	121.12%
Cumulative Results of Operations - Earmarked Funds ⁵					\$8,087,251	\$6,492,674	\$1,594,577	24.56%
Cumulative Results of Operations - Other Funds ⁵					\$669,375	\$557,030	\$112,345	20.17%

Source: FY 2010 Financial Statements provided by EPA.

Consolidated Statement of Net Cost:

COSTS					FY 2010	FY 2009	Difference	%
Gross Costs ⁴					\$2,527,518	\$2,122,627	\$404,891	19.07%
Earned Revenue ⁴					\$229,231	\$119,110	\$110,121	92.45%

Source: FY 2010 Financial Statements provided by EPA.

⁴ OIG-identified significant fluctuations also identified by the Agency.⁵ OIG-identified significant fluctuations not identified by EPA in the 1st Quarter Analysis reported to OMB.

Consolidated Statement of Changes in Net Position:

					FY 2010 Consolidated Total	FY 2009 Consolidated Total		Difference	%
CUMULATIVE RESULTS OF OPERATIONS:									
Budgetary Financing Sources:									
Appropriations Used ⁵					\$3,252,593	\$2,148,943		\$1,103,650	51.36%
Transfers In/Out ⁵					\$818,379	\$8,399		\$809,980	9643.77%
BUDGETARY FINANCING SOURCES:									
Appropriations Received ⁵					\$10,180,413	\$3,163,149		\$7,017,264	221.84%
Appropriations Used ⁵					(\$3,252,593)	(\$2,148,943)		(\$1,103,650)	51.36%

Source: FY 2010 Financial Statements provided by EPA.

Consolidated Statement of Changes in Net Position - All Other Funds:

					FY 2010 Consolidated All Other Funds	FY 2009 Consolidated All Other Funds		Difference	%
CUMULATIVE RESULTS OF OPERATIONS:									
Budgetary Financing Sources:									
Appropriations Used ⁵					\$3,252,593	\$2,148,943		\$1,103,650	51.36%
Trust Fund Appropriations ⁵					(\$1,280,570)	(\$539,345)		(\$741,225)	137.43%
Other Financing Sources (Non-Exchange)									
Net Cost of Operations ⁵					(\$1,952,628)	(\$1,652,273)		(\$300,355)	18.18%
BUDGETARY FINANCING SOURCES:									
Appropriations Received ⁵					\$10,180,413	\$3,163,149		\$7,017,264	221.84%
Appropriations Used ⁵					(\$3,252,593)	(\$2,148,943)		(\$1,103,650)	51.36%

Source: FY 2010 Financial Statements provided by EPA.

Consolidated Statement of Changes in Net Position - Earmarked Funds:

					FY 2010 Consolidated Earmarked Funds	FY 2009 Consolidated Earmarked Funds		Difference	%
CUMULATIVE RESULTS OF OPERATIONS:									
Budgetary Financing Sources:									
Transfers In/Out ⁵					\$781,570	(\$7,603)		\$789,173	-10379.76%
Trust Fund Appropriations ⁵					\$1,280,570	\$539,345		\$741,225	137.43%

Source: FY 2010 Financial Statements provided by EPA.

Combined Statement of Budgetary Resources:

BUDGETARY RESOURCES:				FY 2010	FY 2009	Difference	%
Appropriation ⁴				\$10,255,076	\$3,203,173	\$7,051,903	220.15%
Collected ⁴				\$447,668	\$128,317	\$319,351	248.88%
Advance Received ⁴				\$288,161	\$64,181	\$223,980	348.98%
Anticipated for Rest of Year, Without Advances ⁴				\$267,267	\$671,669	(\$404,402)	-60.21%
Nonexpenditure Transfers, Net, Anticipated and Actual ⁵				\$1,494,789	\$571,918	\$922,871	161.36%
STATUS OF BUDGETARY RESOURCES:							
Obligations Incurred:							
Direct ⁵				\$2,582,016	\$1,895,215	\$686,801	36.24%
Reimbursable ⁵				\$66,844	\$135,051	(\$68,207)	-50.50%
Apportioned ⁴				\$11,328,280	\$4,517,012	\$6,811,268	150.79%
Unobligated Balances Not Available ⁵				\$2,521,111	\$1,671,262	\$849,849	50.85%
CHANGE IN OBLIGATED BALANCE:							
Unpaid Obligations, Brought Forward, October 1 ⁵				\$15,788,390	\$9,368,094	\$6,420,296	68.53%
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1 ⁵				(\$573,824)	(\$666,246)	\$92,422	-13.87%
Obligations Incurred, Net ⁴				\$2,648,860	\$2,030,266	\$618,594	30.47%
Less: Gross Outlays				(\$4,032,861)	(\$2,783,520)	(\$1,249,341)	44.88%
Change in Uncollected Customer Payments from Federal Sources ⁵				(\$25,049)	\$17,632	(\$42,681)	-242.07%
Unpaid Obligations ⁵				\$14,356,684	\$8,579,713	\$5,776,971	67.33%
NET OUTLAYS:							
Net Outlays:							
Gross Outlays ⁵				\$4,032,861	\$2,783,520	\$1,249,341	44.88%
Less: Offsetting Collections ⁵				(\$745,340)	(\$203,277)	(\$542,063)	266.66%
Less: Distributed Offsetting Receipts ⁵				(\$1,273,041)	(\$540,820)	(\$732,221)	135.39%

Source: FY 2010 Financial Statements provided by EPA.

Appendix B

Distribution

Chief Financial Officer

Deputy Chief Financial Officer

Acting Director, Office of Financial Management, Office of the Chief Financial Officer

Director, Reporting and Analysis Staff, Office of the Chief Financial Officer

Acting Director, Office of Financial Services, Office of the Chief Financial Officer

Acting Inspector General