



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 Third Quarter Financial Statements**

**Report No. 10-2-0240**

**September 30, 2010**

**Report Contributors:**

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Robert Smith  
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**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
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards



# 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's (EPA's) Fiscal Year (FY) 2010 Third Quarter Financial Statements. We did so to assist EPA in evaluating whether its quarterly Financial Statements were compiled consistently 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/2010/20100930-10-2-0240.pdf](http://www.epa.gov/oig/reports/2010/20100930-10-2-0240.pdf)

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

### What We Found

We performed certain agreed-upon procedures on the Agency's FY 2010 Third Quarter Financial Statements. We compared the statements with EPA's crosswalk, recomputed them for mathematical accuracy, and compared them with balances separately generated by us.

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

- The financial statements generated by the Office of Inspector General agreed with EPA's FY 2009 Third Quarter Financial Statements for the Consolidated Balance Sheet, Consolidated Statements of Net Cost, Net Cost by Goal, Consolidating Statement of Changes in Net Position (including Earmarked Funds), Combined Statement of Budgetary Resources, and Statement of Custodial Activity.
- The Agency identified 11 fluctuations in its financial statements and submitted them to OMB.
- We found that EPA's Treasury Symbols were in compliance with Statement of Federal Financial Accounting Standards 27.
- We found that the on-top entry to record child agency balances agreed with the support.
- We found that the Agency reversed the FY 2009 on-tops properly in FY 2010.
- There were differences between the FY 2010 third quarter beginning balance 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

THE INSPECTOR GENERAL

September 30, 2010

**MEMORANDUM**

**SUBJECT:** Agreed-Upon Procedures on EPA's Fiscal Year 2010  
Third Quarter Financial Statements  
Report No. 10-2-0240

**FROM:** Arthur A. Elkins, Jr.  
Inspector General

A handwritten signature in black ink, appearing to read "Arthur A. Elkins, Jr.", is positioned to the right of the "FROM:" field.

**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 Third Quarter Financial Statements. This report is provided solely to assist you in evaluating whether the Fiscal Year 2010 Third 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 Paul Curtis at 202-566-2523 or [curtis.paul@epa.gov](mailto:curtis.paul@epa.gov), or Robert Smith at 202-566-2531 or [smith.robertyl@epa.gov](mailto:smith.robertyl@epa.gov).

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## Purpose

We 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 Third Quarter Financial Statements were compiled consistently with the Treasury United States Standard General Ledger 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 Third Quarter Financial Statements, to assist the OCFO in evaluating whether the quarterly Financial Statements were compiled consistently with the Treasury United States Standard General Ledger 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 July 21 to September 29, 2010. We based our procedures on EPA's Third 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 Third 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, Consolidated Statement of Net Cost, and Consolidating Statement of Changes in Net Position.

### ***Results of Procedure 1***

We obtained the Agency's Third 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, Consolidated Statement of Net Cost, and Consolidating 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***

The Agency's adjusted trial balance for the FY 2010 third quarter agreed with our Prosystem-adjusted trial balance amounts except for immaterial rounding differences. 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 (Consolidated Balance Sheet, Consolidated Statement of Net Cost, and Consolidating Statement of Changes in Net Position). No differences were noted.

**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. Prepared and compared the Office of Inspector General (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 third quarter agreed with our amounts for this statement except for immaterial rounding differences.

**Combined Statement of Budgetary Resources (SBR):**

The Agency's balances for the FY 2010 third 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 Consolidating Statement of Changes in Net Position for Earmarked Funds and compare to EPA's Consolidating 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 Consolidating Statement of Changes in Net Position for Earmarked Funds, and compared it to EPA's Consolidating Statement of Changes in Net Position for Earmarked Funds. No differences were identified.

**Procedure 1.e**

Compare the Agency's third 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 third 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 accuracy of the Consolidated All Other column on the Consolidating 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 Consolidating 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 Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidating Statement of Changes in Net Position, and Combined Statement of Budgetary Resources. OIG-identified fluctuations are detailed in Appendix A. We did not audit the Agency's comments to OMB and place no assurance that such comments are valid.

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 reviewed the Agency's explanations for the significant variances and found them reasonable. The Agency identified 11 fluctuations and submitted them to OMB as follows:

**Balance Sheet:**

1. \$510 million increase in Investments is primarily due to the Agency refraining from drawing down from the Superfund Trust Fund at the Bureau of Public Debt for 5 months because the Agency received collections from the large ASARCO Bankruptcy Settlement for Superfund that occurred in the FY 2010 first quarter.<sup>1</sup>
2. \$360 million increase in Cashout Advances, Superfund, is primarily due to the ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 first quarter.<sup>1</sup>
3. \$306 million increase in Non-Federal Accounts Payable and Accrued Liabilities is primarily due to an increase in Grantee Liability Accruals as a result of an increase

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<sup>1</sup> See OIG analysis in Appendix B.

in American Recovery and Reinvestment Act of 2009 disbursements as well as an increase in the calculated rate related to Non-Recovery Act programs used in 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.<sup>1</sup>

**Statement of Net Cost:**

1. \$2.4 billion increase in Gross Costs is primarily due to Grants disbursed to the States as of the FY 2010 third quarter in the State & Tribal Assistance Grant program contained in the Recovery Act.<sup>1</sup>
2. \$121 million increase in Earned Revenue is primarily due to the ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 first quarter.<sup>1</sup>

**Statement of Budgetary Resources:**

1. \$5 billion decrease in Appropriations is primarily due to the State & Tribal Assistance Grant program contained in the Recovery Act.<sup>1</sup>
2. \$4.2 billion decrease in Obligations Incurred is primarily due to the State & Tribal Assistance Grant program contained in the Recovery Act.<sup>1</sup>
3. \$1.8 billion increase in Gross Outlays is primarily due to the State & Tribal Assistance Grant program contained in the Recovery Act.<sup>1</sup>
4. \$302 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.<sup>1</sup>
5. \$213 million increase 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.<sup>1</sup>
6. \$503 million increase in Offsetting Collections is primarily due to the ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 first quarter.<sup>1</sup>

**Procedure 2**

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 2***

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 3***

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

### ***Results of Procedure 3***

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 4***

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

### ***Results of Procedure 4***

We compared the FY 2010 reversals to the FY 2009 on-top adjustments and to EPA's closing instructions to assess whether EPA followed its guidance. We found that the Agency reversed the FY 2009 on-tops properly in FY 2010.

### ***Procedure 5***

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

### ***Results of Procedure 5***

Based on our comparison of the third quarter beginning balances, there were no changes from the second quarter result. The Agency stated in the second quarter that it would correct in the third quarter an on-top entry made to 4903 instead of 4803; however, it was not corrected.

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

**Comparison of EPA's FY 2009 Post-Closing Balances to EPA's FY 2010 Beginning Balances**

<b>General Ledger Account</b>	<b>EPA OIG Balance 2009 Post Closing Balance</b>	<b>2010 Adjusted Second and Third Quarter Agency Beginning Balance</b>	<b>Differences</b>
4166	\$2,800,630,044.12	\$2,800,725,936.96	(\$95,892.84)
4201	\$14,972,175,707.85	\$14,972,079,965.01	\$95,742.84
4803	\$863,044,511.28	\$863,029,342.40	\$15,168.88
4821	(\$429,369,911.24)	(\$429,370,211.24)	\$300.00
4822	(\$10,885,807.53)	(\$10,885,657.53)	(\$150.00)
4903	(\$855,853,162.88)	(\$855,837,994.00)	(\$15,168.88)

Source: OIG analysis of EPA data.

The Agency stated that the differences were due to:

- 4166 – The beginning balance changed due to the correction of data entered for on-top adjustment #70 from FY 2009 fourth quarter. This entry for 4166 and 4167 was inadvertently switched in the fourth quarter entry. The beginning balance was adjusted to properly reflect the correct entry and closure of this on-top adjustment (see 4201 difference). Additionally, this error has no effect on the FY 2009 fourth quarter financial statements, as 4166 and 4167 affect the same line on the SBR.
- 4201 – The beginning balance was corrected to reflect the correct closure of 4167 for on-top #70 FY 2009 fourth quarter, which was recorded incorrectly. DJ0107 for 4201 was removed from the beginning balance. This adjustment was from the closure of on-top adjustment #109 from FY 2009 fourth quarter. This adjustment was made to bring closure to cancelled treasury symbol 681/20107 at the end of FY 2009, which should bring forward a budgetary balance in FY 2010. P0107 for 4201 is an on-top to remove budgetary account activity and balance for cancelled treasury symbol 681/20107.
- 4803 – The beginning balance changed due to the removal of 4803 balances from on-top adjustment #110 FY 2009 fourth quarter. For FY 2009, 681/20108 is a cancelled treasury, which should have no budgetary balances carried forward to FY 2010.
- 4821 – The beginning balance changed due to the correction of data entered for on-top adjustment #109 from FY 2009 fourth quarter. The on-top adjustment was made to cancel 681/20107 during the fourth quarter, and this treasury symbol should contain no budgetary balances in FY 2010.
- 4822 – The beginning balance changed due to the removal of account 4822 from closed on-top #109 from FY 2009 fourth quarter. On-top #109 was made to close cancelled treasury symbol 681/20107 during the fourth quarter and should not bring forward budgetary balances to FY 2010.

- 4903 – The beginning balance changed due to an on-top adjustment to remove activity and balances for budgetary accounts within cancelled treasury symbol 681/20108, which hold balances within the P0108. Current year activity was created when entries were made to clear balances in cancelled treasury symbols 681/20107, 681/20108, and 681/20112 during FY 2010 second quarter. This entry should have been made to 4803 instead of 4903, though the overall effect to the SBR remains the same. This entry will be corrected in the third quarter.

### ***Procedure 6***

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

### ***Results of Procedure 6***

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.

## ***Status of Recommendations and Potential Monetary Benefits***

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

<sup>1</sup> 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 06/30/10 and 06/30/09**  
(Dollars in Thousands)

**Consolidated Balance Sheet:**

ASSETS	FY 2010	FY 2009	Difference	%
Accounts Receivable, Net <sup>2</sup>	\$64,301	\$54,121	\$10,180	18.81%

Source: FY 2010 Financial Statements provided by EPA.

**Consolidated Statement of Changes in Net Position:**

	FY 2010 Consolidated Total	FY 2009 Consolidated Total	Difference	%
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>				
<b>Budgetary Financing Sources:</b>				
Other Adjustments <sup>2</sup>	\$8,301,552	\$6,628,987	\$1,672,565	25.23%
<b>BUDGETARY FINANCING SOURCES:</b>				
Appropriations Received <sup>2</sup>	\$10,180,421	\$14,406,297	(\$4,225,876)	-29.33%
Appropriations Used <sup>2</sup>	(\$8,299,724)	(\$6,628,987)	(\$1,670,737)	25.20%

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	%
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>				
<b>Budgetary Financing Sources:</b>				
Other Adjustments <sup>2</sup>	\$8,301,552	\$6,628,987	\$1,672,565	25.23%
Trust Fund Appropriations <sup>2</sup>	(\$1,280,570)	(\$1,747,911)	\$467,341	-26.74%
<b>BUDGETARY FINANCING SOURCES:</b>				
Appropriations Received <sup>2</sup>	\$10,180,421	\$14,406,297	(\$4,225,876)	-29.33%
Appropriations Used <sup>2</sup>	(\$8,299,724)	(\$6,628,987)	(\$1,670,737)	25.20%

Source: FY 2010 Financial Statements provided by EPA.

<sup>2</sup> OIG-identified significant fluctuations not identified by EPA in the Third Quarter Analysis reported to OMB.

**Consolidated Statement of Changes in Net Position – Earmarked Funds:**

	FY 2010 Consolidated Earmarked Funds	FY 2009 Consolidated Earmarked Funds	Difference	%
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>				
<b>Budgetary Financing Sources:</b>				
Trust Fund Appropriations <sup>2</sup>	\$1,280,570	\$1,747,911	(\$467,341)	-26.74%

Source: FY 2010 Financial Statements provided by EPA.

**Combined Statement of Budgetary Resources:**

BUDGETARY RESOURCES:	FY 2010	FY 2009	Difference	%
Recoveries of Prior Year Unpaid Obligations <sup>2</sup>	\$277,201	\$146,675	\$130,526	88.99%
Change in Unfilled Customer Orders:				
Anticipated for Rest of Year, Without Advances <sup>2</sup>	\$277,346	\$361,654	(\$84,308)	-23.31%
<b>STATUS OF BUDGETARY RESOURCES:</b>				
Unobligated Balances:				
Apportioned <sup>2</sup>	\$9,587,875	\$9,144,656	\$443,219	4.85%
Unobligated Balances Not Available <sup>2</sup>	\$433,916	\$1,086,308	(\$652,392)	-60.06%
<b>CHANGE IN OBLIGATED BALANCE:</b>				
Obligations Incurred, Net:	\$6,806,279	\$10,968,569	(\$4,162,290)	-37.95%
Less: Recoveries of Prior Year Unpaid Obligations, Actual <sup>2</sup>	(\$277,201)	(\$146,675)	(\$130,526)	88.99%
Less: Uncollected Customer Payments from Federal Sources <sup>2</sup>	(\$503,871)	(\$611,358)	\$107,487	-17.58%
<b>NET OUTLAYS:</b>				
Less: Distributed Offsetting Receipts <sup>2</sup>	(\$1,332,476)	(\$1,714,124)	(\$381,648)	-22.26%

Source: FY 2010 Financial Statements provided by EPA.

## Appendix B

## ***OIG Evaluation of Agency Identified Variances between 06/30/10 and 06/30/09***

Many of the third quarter significant variances resulted from the ASARCO Bankruptcy settlement:

<b>ASARCO Settlement</b>	<b>Amount</b>
Settlement Amount	\$1.79 billion
EPA Portion	\$1 billion
Amount collected in FY 2010	\$537 million
Remaining Amount to be Collected	\$463 million

Source: OIG analysis of EPA data.

### Balance Sheet

- (1) \$510 million increase in Investments is primarily due the ASARCO Bankruptcy settlement of \$1.79 billion. EPA will receive \$1 billion of which \$537 million was collected in FY 2010.
- (2) \$360 million increase in Cashout Advances, Superfund, is primarily due to the \$200 million ASARCO Bankruptcy Settlement and \$50 million Lyondell Chemical Settlement for the Superfund program, and the \$98 million from the FY 2008 restatement of that occurred in the FY 2009 fourth quarter.
- (3) \$306 million increase in Non-Federal Accounts Payable and Accrued Liabilities is primarily due to an increase in Grantee Liability Accruals as a result of an increase in Recovery Act disbursements as well as an increase in the calculated rate related to Non-Recovery Act programs used in 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.

### Statement of Net Cost

- (1) \$2.4 billion increase in Gross Costs is primarily due to \$2.2 billion in Grants disbursed to the States as of the FY 2010 third quarter in the State & Tribal Assistance Grant program and the \$150 million in Superfund expenses contained in the Recovery Act.
- (2) \$121 million increase in Earned Revenue is primarily due to the ASARCO Bankruptcy Settlement for the Superfund program that occurred in the FY 2010 1st Quarter.

Statement of Budgetary Resources

- (1) \$5 billion decrease in Appropriations is primarily due to the \$6.4 billion decrease in the State & Tribal Assistance Grant program contained in the Recovery Act and the \$1.4 billion increase on the Appropriation for Clean Water Revolving Fund.
- (2) \$4.2 billion decrease in Obligations Incurred is primarily due to the \$4 billion decrease in State & Tribal Assistance Grant program and the \$200 million decrease on Miscellaneous Obligations contained in the Recovery Act.
- (3) \$1.8 billion increase in Gross Outlays is primarily due to the \$2.1 billion increase in State & Tribal Assistance Grant program payments, the \$72 million increase in Superfund contract disbursements contained in the Recovery Act, and the \$467 million decrease in expenditure transfers from EPA Superfund General Fund to Superfund Trust Fund.
- (4) \$302 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.
- (5) \$213 million increase in Change in Unfilled Customer Orders-Advances Received is primarily due to the \$200 million increase for ASARCO Bankruptcy Settlement, the \$50 million increase for Lyondell Chemical Bankruptcy Settlement for the Superfund, and the \$38.3 million decrease due to FY 2009 Recovery Act IPAC interagency transfer from the U.S. Department of Energy.
- (6) \$503 million increase in Offsetting Collections is primarily due to the \$490 million ASARCO Bankruptcy Settlement and the \$50 million Lyondell Chemical Bankruptcy Settlement for the Superfund program that occurred in FY 2010.

**Appendix C**

***Distribution***

Chief Financial Officer  
Deputy Chief Financial Officer  
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  
Inspector General