



At a Glance

Why We Did This Review

We performed this audit in accordance with the Government Management Reform Act, which requires the U.S. Environmental Protection Agency (EPA) to prepare, and the Office of Inspector General to audit, the agency's financial statements each year. Our primary objectives were to determine whether:

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

The requirement for audited financial statements was enacted to help bring about improvements in agencies' financial management practices, systems and controls so that timely, reliable information is available for managing federal programs.

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

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

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The full report is at: www.epa.gov/oig/reports/2014/20141117-15-1-0021.pdf

Audit of EPA's Fiscal Years 2014 and 2013 (Restated) Consolidated Financial Statements

Financial Statements Receive an Unmodified Opinion

We rendered an unmodified opinion on the EPA's consolidated financial statements for fiscal 2014 and 2013 (restated), meaning that they were fairly presented and free of material misstatement.

We found the EPA's financial statements to be fairly presented and free of material misstatement.

Internal Control Material Weakness and Significant Deficiencies Noted

We noted the following material weakness:

- Software costs were not capitalized, leading to the fiscal 2013 financial statements needing to be restated.

We noted the following significant deficiencies:

- Lab renovation costs were not capitalized.
- Controls over accountable personnel inventory process need improving.
- The property management and accounting systems do not reconcile.
- The Cincinnati Finance Center should clear suspense transactions timely.
- A fiscal 2013 collection was recorded to an incorrect fund.
- Originating offices did not timely forward accounts receivable documents.
- Accounts receivable were not properly reconciled.
- Unliquidated funds were not deobligated timely.
- Restricted entry access to server rooms was not consistently enforced.
- Information technology assets need to be better monitored and secured.
- Information technology assets need to be better protected from threats.
- Server room cameras need to be reconfigured to fully monitor assets.
- Documentation is needed for approval of posting module changes.

Noncompliances With Laws and Regulations Noted

We noted the following instances of noncompliance with laws and regulations:

- Standards for recording interest were not sufficiently followed.
- EPA's 2014 Federal Managers' Financial Integrity Act Annual Assurance Statement is inaccurate.

Recommendations and Planned Agency Corrective Actions

The agency generally agreed with our findings and recommendations. The agency disagreed that the timely forwarding of receivables was an internal control significant deficiency, and with certain details of its Federal Managers' Financial Integrity Act Annual Assurance Statement material weakness.