



At a Glance

Catalyst for Improving the Environment

Why We Did This Audit

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.

Background

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.

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

To view the full report, click on the following link:

www.epa.gov/oig/reports/2008/20071115-08-1-0032.pdf

Audit of EPA's Fiscal 2007 and 2006 (Restated) Consolidated Financial Statements

EPA Receives Unqualified Opinion

We rendered an unqualified, or clean, opinion on EPA's Consolidated Financial Statements for fiscal 2007 and 2006 (restated), meaning that they were fairly presented and free of material misstatement.

Internal Control Material Weakness, Significant Deficiencies Noted

We noted one material weakness with EPA's Implementation of the "Currently Not Collectible" policy for accounts receivable that caused a Material Understatement of Asset Value and led to the restatement of the fiscal 2006 financial statements. Further, we noted the following six significant deficiencies:

- EPA did not properly compute an allowance for doubtful accounts.
- EPA needs to improve internal controls in recording and accounting for accounts receivable.
- Key applications do not meet federal and EPA information security requirements.
- Access and security practices over critical information technology assets need improvement.
- EPA needs to improve controls over the Integrated Financial Management System Suspense Table.
- EPA did not maintain adequate documentation for obligating accounting adjustments.

Noncompliance With Laws and Regulations Noted

EPA is in noncompliance with regulations relating to reconciling intragovernmental transactions.

Federal Financial Management Improvement Act Noncompliance

We identified two instances of substantial noncompliance under the Federal Financial Management Improvement Act. These noncompliances are also significant deficiencies. Two critical applications did not meet federal and EPA information technology security requirements. Also, key controls associated with certain servers did not comply with federal guidelines.

Agency Comments and Office of Inspector General Evaluation

In a memorandum received on November 9, 2007, from the Chief Financial Officer, the Agency recognized the issues raised and indicated it will take corrective actions.