



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/2009/20081114-09-1-0026.pdf

Audit of EPA's Fiscal 2008 and 2007 Consolidated Financial Statements

EPA Receives Unqualified Opinion

We rendered an unqualified, or clean, opinion on EPA's Consolidated Financial Statements for fiscal 2008 and 2007, meaning that they were fairly presented and free of material misstatement.

Significant Deficiencies Noted

We noted the following eight significant deficiencies:

- EPA's oversight of payroll reconciliation needs improvement.
- Accrual was not properly calculated for federal unbilled receivables.
- EPA needs to reconcile Superfund State Contract funds and credits in the general ledger to subsidiary accounts.
- EPA's review of unliquidated obligations for interagency agreements and Headquarters-funded grants was incomplete.
- The Integrated Financial Management System Vendor Table was susceptible to unauthorized changes and changes were not adequately documented.
- Improvement was needed in monitoring Superfund Special Account balances.
- The lack of a system implementation process contributed to financial applications not complying with requirements.
- EPA did not properly account for capitalized software and related accumulated depreciation.

Noncompliances With Laws and Regulations Noted

EPA was in noncompliance with regulations relating to:

- The Asbestos Loan Program (related to the Anti-Deficiency Act).
- Prompt payment of invoices (related to the Prompt Payment Act).
- Reconciling intragovernmental transactions (related to Treasury policy).

Agency Comments and Office of Inspector General Evaluation

In a memorandum received on November 12, 2008, from the Chief Financial Officer, the Agency generally agreed with our findings and has implemented some of our recommendations. The Agency also stated it does not agree with our findings regarding the Asbestos Loan Anti-Deficiency Act violation, Prompt Payment Act violation, or systems implementation process. The Agency also believes it does adequate payroll reconciliations but agreed to work with the Office of Inspector General to develop reconciliations.