




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

OFFICE OF  
INSPECTOR GENERAL

April 29, 2020

**MEMORANDUM**

**SUBJECT:** Project Notification:  
Audit of EPA's Fiscal Year 2020 Financial Statements  
Project No. OA&E-FY20-0206

**FROM:** Paul C. Curtis, Director   
Financial Audit Directorate  
Office of Audit and Evaluation

**TO:** David Bloom, Deputy Chief Financial Officer

We will begin our audit testing of the U.S. Environmental Protection Agency's fiscal year 2020 financial statements in May 2020. We are providing this memorandum to (1) continue our mutual efforts to establish a high level of expectations for and commitments by all offices to provide timely and accurate information in support of the financial statements and other information included in the EPA's Annual Financial Report and (2) help ensure a mutual understanding of our respective roles and responsibilities during the audit. We include more details about our respective responsibilities in Attachment 1, *Audit Expectations*. Attachment 2 highlights critical dates that must be met to complete this audit in a timely manner.

**High Level of Expectations and Commitments**

We appreciate the continued level of commitment and cooperation exhibited by staff and managers from your office during our audit of the EPA's fiscal year 2019 financial statements. Their support allowed us to complete the audit by the deadline. We encourage you to continue your efforts to strengthen the Agency's coordination and quality control processes to ensure that accurate data are available in a timely manner to prepare the annual financial statements and that these statements and supporting documentation are made available in a timely manner for our audit. For the fiscal year 2020 financial statements, we will issue an audit report with our opinion in accordance with the Office of Management and Budget's deadline.

We will keep you promptly informed of any delays, with the goal of keeping our respective staffs on target to meet the OMB deadline for submitting audited financial statements. We will also be glad to assist you in updating office directors regarding the progress and status of the audited financial statements, including briefing senior officials if necessary.

It is extremely important that any new processes or procedures developed be provided to us in a timely manner—especially any new processes involving Compass or changes in controls as a result of

modifications to the system. If such processes or procedures are provided late in the audit, it may complicate or prevent the development of procedures to audit such information in time to meet the deadline. If the EPA has made substantial changes to Compass, we will need additional support from your staff to update our documentation of your controls.

### Planning and Coordination of Audit Work

We will conduct an entrance conference with your office before transaction testing begins. The estimated timetable for the audit and the types of assistance needed will be discussed at that time. We understand that the EPA expects to prepare an annual financial report for fiscal year 2020 that will include the audited comparative financial statements and other information required by the OMB.

Audit work will be performed at all EPA finance centers and, as needed, at other financial and program offices in both headquarters and the regions. We will contact the offices where audit work will be performed to let them know when we will be in their offices. We may also contact offices where we do not plan to perform on-site work to obtain information.

We request that you provide the following data as soon as possible, but no later than two weeks from the date of this notification memo. Furthermore, we request that you continue to provide this information throughout the audit as it is developed:

1. The most current Compass business process reengineering maps.
2. The most current posting models at the general ledger account entry level.
3. Recent policies or procedures on posting transactions in Compass (including, but not limited to, spending adjustment documents developed by the Compass contractor, current crosswalks, etc.).
4. A list of any new accounts in fiscal year 2020.
5. A list of new document types, transaction types, general ledger accounting entries, and standard vouchers.
6. A list of changes to existing document types and transaction types, and standard vouchers.
7. Any general ledger account variance analysis or analytical reviews performed.
8. The most current cumulative Compass contractor change request list.
9. The most current cumulative schedule of posting model changes, known as "Reference Table Updates."
10. Briefing materials or a summary of significant information provided to the Office of the Chief Financial Officer senior management on subjects not otherwise addressed by the items listed above such as the quarterly variance analysis.

In addition to the items listed above, we will request separately a list of additional items to be provided by the Agency.

We are aware that the EPA closed the Las Vegas Finance Center in fiscal year 2020 and moved its operations. Please provide details of operations moved to other finance centers so we can properly design our audit work.

We respectfully note that the Office of Inspector General is authorized by the Inspector General Act of 1978, as amended, to have timely access to personnel and all materials necessary to complete its objectives. We will request your resolution if an Agency employee or contractor refuses to provide

requested records to the OIG or otherwise fails to cooperate with the OIG. We may report unresolved access matters to the administrator and include the incident in the *Semiannual Report to Congress*.

Please provide all requested documents to Sheila May at [may.sheila@epa.gov](mailto:may.sheila@epa.gov) and Wanda Arrington at [arrington.wanda@epa.gov](mailto:arrington.wanda@epa.gov). We will work closely with your staff to ensure that the audit meets the OMB deadline. If you know of issues that you would like us to address during the audit, we can discuss them at the entrance conference.

cc: Henry Darwin, Assistant Deputy Administrator  
Doug Benevento, Associate Deputy Administrator  
Mandy Gunasekara, Chief of Staff  
Michael Molina, Deputy Chief of Staff/Operations  
Kevin DeBell, Acting Deputy Chief of Staff  
Assistant Administrators  
Deputy Assistant Administrators  
Matthew Leopold, General Counsel  
Joseph Brazauskas, Associate Administrator for Congressional and Intergovernmental Relations  
Brett Doyle, Associate Administrator for Public Engagement and Environmental Education  
Helen Wooden-Aguilar, Deputy Associate Administrator for Policy  
Corry Schiermeyer, Associate Administrator for Public Affairs  
Nancy Grantham, Principal Deputy Associate Administrator for Public Affairs  
Stefan Martiyan, Director, Office of Continuous Improvement, Office of the Administrator  
Andrew LeBlanc, Agency Follow-Up Coordinator  
Michael Benton, Audit Follow-Up Coordinator, Office of the Administrator  
Regional Administrators, Regions 1–10  
Carol Terris, Associate Chief Financial Officer  
Paige Hanson, Associate Chief Financial Officer for Policy  
Jeanne Conklin, Controller  
Istanbul Yusuf, Acting Deputy Controller  
Kathy Sedlak O'Brien, Director, Office of Planning, Analysis and Accountability, OCFO  
Maria Williams, Acting Director, Office of Budget, OCFO  
Meshell Jones-Peeler, Acting Director, Office of Technology Solutions, OCFO  
Donna Vizian, Principal Deputy Assistant Administrator, Office of Mission Support  
Wesley Carpenter, Deputy Assistant Administrator for Administration and Resources Management, OMS  
Vaughn Noga, Deputy Assistant Administrator for Environmental Information and Chief Information Officer, OMS  
Dan Coogan, Acting Director, Office of Resources and Business Operations, OMS  
Kimberly Patrick, Director, Office of Acquisition Solutions, OMS  
Mara Kamen, Director, Office of Human Resources, OMS  
Yvette Jackson, Acting Director, Office of Administration, OMS  
Alva Daniels, Acting Deputy Director, Office of Administration, OMS  
Arron Helm, Director, Office of Administration and Resources Management-Research Triangle Park, OMS  
Vique Caro, Director, Office of Administration and Resources Management-Cincinnati, OMS  
Michael Osinski, Acting Director, Office of Grants and Debarment, OMS  
Brian Epley, Director, Office of Information Technology Operations, OMS

Dany Lavergne, Director, Accountability and Cost Analysis Division, Office of the Controller, OCFO  
Aileen Atcherson, Director, Policy, Training and Accountability Division, Office of the Controller, OCFO  
Eva Ripollone, Deputy Director, Office of Technology Solutions, OCFO  
Carmelita Chadwick-Gallo, Director, Research Triangle Park Finance Center, Office of the Controller, OCFO  
Gregory Luebbering, Director, Cincinnati Finance Center, Office of the Controller, OCFO  
Stacey Church, Director, Washington Finance Center, Financial Services Division, OCFO  
Gayle Jefferson, Director, Facilities Management and Services Division, OMS  
Willie Abney, Acting Director, Desktop Support Services, OMS  
Tonya Manning, Director, Enterprise Hosting Division, OMS  
Steve Blankenship, Director, Real Property Services Division, Office of Administration, OMS  
John Dady, Branch Chief, Real Property & Asset Management Branch, Office of Administration, OMS  
Cyndy Mackey, Director, Office of Site Remediation Enforcement, Office of Enforcement and Compliance Assurance  
Reggie Cheatham, Director, Office of Emergency Management, Office of Land and Emergency Management  
Annette Morant, Audit Follow-Up Coordinator, OCFO  
Brian Webb, Audit Follow-Up Coordinator, Office of the Controller  
Alana Maye, Audit Follow-Up Coordinator, Office of Technology Solutions, OCFO  
Larisha McKnight, Backup Audit Follow-Up Coordinator, Office of Technology Solutions, OCFO  
Mitchell Hauser, Audit Follow-Up Coordinator, OMS  
Gwendolyn Spriggs, Audit Follow-Up Coordinator, Office of Enforcement and Compliance Assurance  
Marc Vincent, Audit Follow-Up Coordinator, Office of Air and Radiation  
Tiffany Crawford, Audit Follow-Up Coordinator, Office of Water  
Maureen Hingeley, Audit Follow-Up Coordinator, Office of Research and Development  
Janet Weiner, Audit Follow-Up Coordinator, Office of Chemical Safety and Pollution Prevention  
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Celia Vaughn, Audit Follow-Up Coordinator, Office of Acquisition Solutions, OMS  
Brandon McDowell, Audit Follow-Up Coordinator, Office of Grants and Debarment, OMS  
Lenore Connell, Audit Follow-up Coordinator, Office of International and Tribal Affairs  
Katharine Willey, Audit Follow-Up Coordinator, Office of General Counsel  
Audit Follow-Up Coordinators, Regions 1–10  
Sean W. O'Donnell, Inspector General  
Charles J. Sheehan, Deputy Inspector General  
Edward S. Shields, Associate Deputy Inspector General  
Eric Hanger, Deputy Counsel to the Inspector General  
Kathlene Butler, Acting Assistant Inspector General for Audit and Evaluation  
Helina P. Wong, Assistant Inspector General for Investigations  
Stephanie L. Wright, Acting Deputy Assistant Inspector General for Management  
Richard Eyermann, Deputy Assistant Inspector General for Audit and Evaluation  
Christine El-Zoghbi, Deputy Assistant Inspector General for Audit and Evaluation  
Rashmi Bartlett, Deputy Assistant Inspector General for Audit and Evaluation  
Jennifer Kaplan, Deputy Assistant Inspector General for Congressional and Public Affairs  
Jeffrey Lagda, Congressional and Media Liaison, Office of Inspector General

Tia Elbaum, Congressional and Media Liaison, Office of Inspector General

Rudolph Brevard, Director, Information Resources Management Directorate, Office of Inspector General

Wanda Arrington, Project Manager, Financial Directorate, Office of Inspector General

Mairim Lopez, Project Manager, Financial Directorate, Office of Inspector General

Claire McWilliams, Project Manager, Financial Directorate, Office of Inspector General

Demetrios Papakonstantinou, Project Manager, Financial Directorate, Office of Inspector General

Vincent Campbell, Project Manager, Information Resources Management Directorate, Office of Inspector General

## ***Audit Expectations***

We will audit the EPA's consolidated balance sheet as of September 30, 2020, and September 30, 2019; the related consolidated statements of net cost, net cost by major program, changes in net position, and custodial activity; the combined statement of budgetary resources for the years then ended; and related notes to the financial statements. We confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements and to determine whether:

1. The financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. The EPA's internal control structure over financial reporting related to the financial statements is in place and provides reasonable assurance that:
  - a. Financial transactions are executed in compliance with applicable laws, regulations, contracts, and grant agreements.
  - b. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
  - c. Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements.
3. The Agency has complied with laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements, including determining whether the Agency has substantially complied with the Federal Financial Management Improvement Act provisions.
4. The information and manner of presentation contained in the Management's Discussion and Analysis and any other accompanying information are materially consistent with the information contained in the principal statements.

### ***Auditor's Responsibilities***

We will conduct our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in government auditing standards issued by the comptroller general of the United States; and OMB Bulletin 19-03, Audit Requirements for Federal Financial Statements. These standards require that we plan and perform our audits to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by EPA management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with the standards.

In making our risk assessments, we consider internal control relevant to the EPA's preparation and fair presentation of the financial statements, including its Federal Managers' Financial Integrity Act process, to design audit procedures that are appropriate in the circumstances. We will not express an opinion on the effectiveness of the EPA's internal control. We will communicate with you in writing concerning any significant deficiencies or material weaknesses in internal control that we identify and that are relevant to the audit of the financial statements.

### ***Management's Responsibilities***

The financial statements are the responsibility of the EPA's management. Our audit will be conducted on the basis that EPA management acknowledges and understands that it has responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
3. For implementing and maintaining financial management systems that substantially comply with federal financial management system requirements, federal accounting standards, and the United States Standard General Ledger at the transaction level.
4. To provide the OIG with:
  - c. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that we may request from management for the purpose of the audit.
  - c. Unrestricted access to persons within the EPA from whom we determine it necessary to obtain audit evidence.
5. For the selection and application of the accounting policies.
6. To identify and ensure that the EPA complies with the laws, regulations, contracts, and grant agreements applicable to its activities.

We will request that key senior managers provide us management representation letters at the conclusion of our fieldwork.

### ***Reporting***

We will issue a written report upon completion of our audit of the EPA's fiscal year 2020 consolidated

financial statements in accordance with auditing standards generally accepted in the U.S.; the standards applicable to the financial audits contained in the government auditing standards, issued by the comptroller general of the United States; and OMB Bulletin 19-03, Audit Requirements for Federal Financial Statements.

Our report will be addressed to EPA management. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s). We will issue our audit report with our opinion in accordance with the OMB deadline, regardless of the readiness of the agency's financial statements.

Please sign and return a copy of this memorandum to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the EPA's fiscal years 2020 and 2019 financial statements, including our respective responsibilities.

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David Bloom  
Deputy Chief Financial Officer

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Date



## **Key Milestones**

To ensure the success and timely completion of this audit, please see the key milestones below.

<b>Milestones</b>	<b>Date or timeline</b>	<b>Responsible party</b>
Entrance conference	At least 15 days after notification memorandum issuance date	All
Finance centers and property management officers' management representation letters	Two weeks after fiscal year end close	-Headquarters -Cincinnati Finance Center -Research Triangle Park Finance Center
Draft financial statements and footnotes, including support and Management's Discussion and Analysis.  All Agency adjustments are to be included in the draft. No additional adjustments are allowed except from the schedule of audit differences.	Three weeks after fiscal year end close	OCFO
Final financial statements and footnotes, including support and Management's Discussion and Analysis	Three business days after receipt of the schedule of audit differences	OCFO
Agency management representation letter	Five business days after final financial statements are provided to the OIG	OCFO