



At a Glance

Why We Did This Project

The Office of Inspector General conducted an audit to determine whether the U.S. Environmental Protection Agency complied with the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) and the Office of Management and Budget's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, in preparing program-level risk assessments when designing and implementing EPA programs.

The Green Book states in its second standard, Risk Assessment, that management needs to prepare a risk assessment for its entities and its programs, which should provide the basis for developing appropriate responses to address the identified risks. OMB Circular A-123 states that identifying risk requires (1) that an initial risk assessment be prepared for a new component, activity, or project within an agency, as well as (2) a continuous identification of new or emerging risks, or changes in existing risks.

This report addresses the following:

- *Operating efficiently and effectively.*

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EPA Needs to Conduct Risk Assessments When Designing and Implementing Programs

What We Found

The EPA needs to conduct risk assessments when designing and implementing programs, in accordance with the GAO Green Book and OMB Circular A-123. Although the Agency has been proactive in evaluating risks at the strategic level, individual program offices did not conduct program-level risk assessments. Both the GAO and the OMB confirmed that program-level risk assessments are required. We also found that program offices were unable to distinguish between the GAO's requirement to assess risk at the program level and the OMB's requirement to address risk strategically using the Enterprise Risk Management process. We found that the Agency's Enterprise Risk Management guidance did not address the Green Book requirements for performing program-level risk assessments, which we discussed with EPA management. The EPA agreed, during our audit, to revise its guidance to address the need to conduct program-level risk assessments for new and existing programs. The EPA issued revised guidance in February 2020.

By not conducting risk assessments for 20 programs that collectively cost over \$5.7 billion in fiscal year 2018, the EPA cannot be certain it has the proper procedures in place to address internal and external risks to these programs.

We found that personnel who directly execute EPA programs need additional training in both GAO Green Book requirements and the Enterprise Risk Management process. Also, without a formal and comprehensive risk assessment performed at the program level, the internal controls may be inadequate or nonexistent, resulting in an ineffective and inefficient program.

Recommendation and Planned Agency Corrective Actions

We recommend that the chief financial officer require management and staff who directly execute EPA programs to be trained on the GAO Green Book, with emphasis on program-level risk assessments. The EPA agreed with our recommendation and provided acceptable planned corrective actions and estimated completion dates. The recommendation is resolved with corrective actions pending.