



# At a Glance

## Why We Did This Audit

We performed this audit in accordance with the Government Management Reform Act of 1994, which requires the U.S. Environmental Protection Agency's Office of Inspector General to audit the financial statements prepared by the Agency each year. Our primary objectives were to determine whether:

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

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

### This report addresses the following:

- *Operating efficiently and effectively.*

### This report addresses a top EPA management challenge:

- *Fulfilling mandated reporting requirements.*

Address inquiries to our public affairs office at (202) 566-2391 or [OIG WEBCOMMENTS@epa.gov](mailto:OIG_WEBCOMMENTS@epa.gov).

List of [OIG reports](#).

## EPA's Fiscal Years 2020 and 2019 (Restated) Consolidated Financial Statements

### EPA Receives an Unmodified Opinion for FYs 2020 and 2019

We rendered an unmodified opinion on the EPA's consolidated financial statements for fiscal years 2020 and 2019 (restated), meaning 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.**

### Significant Deficiencies Noted

We noted the following significant deficiencies:

- The EPA continues to make misstatements and adjustment errors during its consolidated financial statement and component financial statement preparation processes.
- The EPA improperly recorded adjustments totaling over \$141 million of unearned revenue.

### Compliance with Laws, Regulations, Contracts, and Grant Agreements

We did not note any significant noncompliance with laws, regulations, contracts, and grant agreements.

### Recommendations and Planned Agency Corrective Actions

The EPA agreed with our recommendations but disagreed with some of the OIG statements made about the first significant deficiency listed above. The EPA disagreed that it was unable to detect errors and did not exercise due diligence. The Agency also disagreed that it did not properly detect a \$4 billion error. We stand by our position that the lack of due diligence is evidenced by the errors we found during this audit and that if the EPA had adequately prepared and reviewed the adjustment, the error would not have been entered into the EPA's accounting system.