



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

OFFICE OF
INSPECTOR GENERAL

April 5, 2013

MEMORANDUM

SUBJECT: FY 2013 Consolidated First and Second Quarter Financial Statements Agreed-Upon Procedures

Melissa M. Heist
FROM: Melissa Heist, Assistant Inspector General
Office of Audit

TO: Stefan Silzer
Director, Office of Financial Management

The purpose of this memorandum is to present Agreed-Upon Procedures to be performed on the FY 2013 Consolidated Quarterly Financial Statements. The Office of Inspector General plans to perform the agreed-upon procedures, described in Attachments 1 and 2 to:

1. Assist you in evaluating whether the quarterly financial statements were compiled consistent with Treasury's United States Standard General Ledger crosswalk, and
2. Identify significant fluctuations in financial line balances from the previous year.

The adequacy of these procedures is your responsibility. Consequently, we will make no representation regarding the sufficiency of the procedures. The agreed upon procedures do not constitute an audit of the quarterly financial statements or any part thereof, the objective of which would be the expression of an opinion on the quarterly financial statements or any part thereof. Accordingly, we will not express such an opinion. Were we to perform additional procedures, other matters might come to our attention that we would report to you.

Our report will be intended solely for your information and use and should not be used by those who have not agreed to the procedures or taken responsibility for the sufficiency of the procedures for their purposes.

The Agreed-Upon Procedures included in Attachments 1 and 2 will be conducted using applicable generally accepted government auditing standards, which incorporate attestation standards issued by the American Institute of Certified Public Accountants. These standards provide guidance for performing and reporting the results of agreed-upon procedures. In

situations where the information does not change from one quarter to the next, we will not duplicate the procedures.

During this project the EPA OIG plans to produce a report with our findings for the 1st and 2nd quarters by the following estimated dates.

| | <u>1st Qtr</u> | <u>2nd Qtr</u> |
|------------------|---------------------------|---------------------------|
| Field Work Start | April 10, 2013 | May 15, 2013 |
| Draft Report | May 31, 2013 | July 1, 2013 |
| Final Report | June 27, 2013 | July 31, 2013 |

The Product Line Director for this assignment is Paul Curtis. The Project Manager for this assignment is Margaret Hiatt. Please do not hesitate to contact me at (202)566-2523 (curtis.paul@epa.gov), or Meg at (513)487-2366 (hiatt.margaret@epa.gov) if you or your staff have any questions.

The dates listed above will change according to when we can start. If possible, we will provide the draft/final reports sooner. If you agree with the procedures as presented, please provide your concurrence in writing.

cc: Maryann Froehlich, Acting Chief Financial Officer, Office of the Chief Financial Officer
Joshua Bayslon, Associate Chief Financial Officer, Office of the Chief Financial Officer
Christopher Osborne, Director, Reporting and Analysis, Office of Financial Management
Melvin Visnick, Deputy Director, Operations, Office of Financial Services
Sherri Anthony, Associate Director, Reporting and Analysis, Office of Financial Management
Raffael Stein, Director, Office of Financial Services
Art Elkins Jr., Inspector General
Charles Sheehan, Deputy Inspector General
Alan Larsen, Acting Inspector General for Congressional and Public Affairs
Paul Curtis, Product Line Director
Margaret Hiatt, Project Manager
Robert Smith, Project Manager
Wanda Arrington, Project Manager
Sheila May, Senior Auditor

Agreed-Upon Procedures for EPA's First Quarter Financial Statements

We will:

- 1) Obtain EPA's First Quarter Financial Statements, Adjusted Trial Balance and support for the statements (including Earmarked Funds). Import the Adjusted Trial Balance into ProSystem and generate an adjusted trial balance, Consolidated Balance Sheet, Consolidated Statement of Net Cost, and Consolidating Statement of Changes in Net Position. Using these statements, we will do the following and note any differences identified:
 - a) Compare the ProSystem adjusted trial balance to the Agency's adjusted trial balance.
 - b) Compare the ProSystem generated Financial Statements to EPA's FY 2013 1st Quarter Financial Statements.
 - c) Enter the 2013 balances into Excel spreadsheets. Prepare and compare the Combined Statement of Budgetary Resources and Statement of Custodial Activity to the Agency's FY 2013 1st Quarter statements.
 - d) Extract general ledger ending balances from the Adjusted Trial Balance for Earmarked Funds using IDEA and enter into ProSystem. Generate a Consolidating Statement of Changes in Net Position for Earmarked Funds and compare to EPA's FY 2013 1st Quarter Consolidating Statement of Changes in Net Position for Earmarked Funds.
 - e) Compare FY 2013 1st Quarter Statement of Net Cost by Goal to Statement of Net Cost.
 - f) Mathematically verify the FY 2013 1st Quarter Consolidated All Other column on the Statement of Changes in Net Position in the Agency's financial statements.
 - g) Identify significant fluctuations in balances by comparing current year balances to prior year balances. (Criteria – Percentage change of 10% or more and dollar change exceeding \$50 million).
- 2) Obtain and compare EPA's Financial Statement Preparation Guide for the FY 2013 Statements to OMB Circular A-136 for compliance and EPA's financial statement crosswalk to Treasury's United States Standard General Ledger crosswalk and note differences.
- 3) Obtain and compare EPA's Year End Account Definitions table to Treasury's Closing Instructions.
- 4) Obtain and compare EPA's identified Earmark Treasury Symbols to Federal Accounting Advisory Board Statement of Federal Financial Accounting Standards 27 for compliance.
- 5) Obtain and compare FY 2013 1st Quarter Child Trial Balances to the Child journal voucher.
- 6) Compare the FY 2013 Adjusted Trial Balance First Quarter beginning balances to the FY 2012 ending balances and note any differences.
- 7) Examine elimination and consolidation entries prepared by the Reporting and Analysis Staff for reasonableness and completeness and note any differences.

Agreed-Upon Procedures for EPA's Second Quarter Financial Statements

We will:

- 1) Obtain EPA's Second Quarter Financial Statements, Adjusted Trial Balance and support for the statements (including Earmarked Funds). Import the Adjusted Trial Balance into ProSystem and generate an adjusted trial balance, Consolidated Balance Sheet, Consolidated Statement of Net Cost, and Consolidating Statement of Changes in Net Position. Using these statements, we will do the following and note any differences identified:
 - a) Compare the ProSystem adjusted trial balance to the Agency's adjusted trial balance.
 - b) Compare the ProSystem generated Financial Statements to EPA's FY 2013 2nd Quarter Financial Statements.
 - c) Enter the 2013 balances into Excel spreadsheets. Prepare and compare the Combined Statement of Budgetary Resources and Statement of Custodial Activity to the Agency's FY 2013 2nd Quarter statements.
 - d) Extract general ledger ending balances from the Adjusted Trial Balance for Earmarked Funds using IDEA and enter into ProSystem. Generate a Consolidating Statement of Changes in Net Position for Earmarked Funds and compare to EPA's FY 2013 2nd Quarter Consolidating Statement of Changes in Net Position for Earmarked Funds.
 - e) Compare FY 2013 2nd Quarter Statement of Net Cost by Goal to Statement of Net Cost.
 - f) Mathematically verify the FY 2013 2nd Quarter Consolidated All Other column on the Statement of Changes in Net Position in the Agency's financial statements.
 - g) Identify significant fluctuations in balances by comparing current year balances to prior year balances. (Criteria – Percentage change of 10% or more and dollar change exceeding \$50 million).
- 2) Obtain and compare EPA's identified Earmark Treasury Symbols to Federal Accounting Advisory Board Statement of Federal Financial Accounting Standards 27 for compliance.
- 3) Obtain and compare FY 2013 2nd Quarter Child Trial Balances to Child journal voucher.
- 4) Compare the 2013 Adjusted Trial Balance Second Quarter beginning balances to the 2012 ending balances and note any differences.
- 5) Examine elimination and consolidation entries prepared by the Reporting and Analysis Staff for reasonableness and completeness and note any differences.