



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

FEB 10 2011

OFFICE OF
CHIEF FINANCIAL OFFICER

MEMORANDUM

SUBJECT: EPA's Response to the Office of Inspector General's Audit Report, Audit of EPA's Fiscal 2010 and 2009 Consolidated Financial Statements, Report No. 11-1-0015, dated November 15, 2010

FROM: Barbara J. Bennett (2710A)
Chief Financial Officer

A handwritten signature in black ink, appearing to read "Barbara J. Bennett", written over the printed name and title.

TO: Arthur A. Elkins, Jr. (2410T)
Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject audit report. Attention to the issues identified in the report should help further strengthen the Agency's fiscal integrity. Attached is our corrective action plan in response to the specific recommendations made in the report. In accordance with your request, responsible offices listed in the corrective action plan will notify your office when supporting documentation is available.

Please let me know if you have any questions, or your staff can contact Stefan Silzer, Director of the Office of Financial Management on 202-564-4905 or Sandy Dickens of the Financial Policy and Planning Staff on 202-564-0606.

Attachment

cc:

Craig Hooks
Nanci Gelb
Maryann Froehlich
Melissa Heist
Joshua Baylson
John Showman
Stefan Silzer
Raffael Stein
Renee Page
Bridget Shea
Susan Dax
Melvin Visnick
Paul Curtis

Dennis Bushta
Dr. Gerald Oakley
Stella Whitsell
Renee Miller
Jeanne Conklin
Dale Miller
Bill Samuel
Barbara Freggens
Sandy Womack
Sandy Dickens
Janice Kern

Corrective Action Plan

Title of Audit Report:	Audit of EPA's Fiscal 2010 and 2009 Consolidated Financial Statements
Number of Audit Report:	11-1-0015
Date of Report:	November 15, 2010
Lead Office for Audit:	Office of the Chief Financial Officer – Office of Financial Management

OIG Report Recommendation	Proposed Corrective Action	Target Due Date	Responsible Office(s)
<i>Significant Deficiency #1 – Further Improvements Needed in Reviewing the Superfund State Contract Unearned Revenue Spreadsheets</i>			
1. Work with the regions to review prior years' fund code "T" disbursements data on the SSC spreadsheets.	1.1 OFS will work with the regions during the close out and reconciliation process and provide supporting documentation for the adjustments for Quarter 1 by 2/1/11, Quarter 2 by 4/11/11, Quarter 3 by 7/11/11, and Quarter 4 by 10/11/11, and make necessary adjustments as a result of the regional review.	10/11/2011	OCFO/OFS/CFC
2. Work with the regions to review the spreadsheet data for the estimated site costs, state cost share, credits, and billings.	2.1 OFS will continue to work with the regions in reviewing the spreadsheet to ensure the estimated site costs, state cost share, and credits are correctly reported on the accrual spreadsheets for Quarter 1 by 2/1/11, Quarter 2 by 4/11/11, Quarter 3 by 7/11/11, and Quarter 4 by 10/11/11.	10/11/2011	OCFO/OFS/CFC
	2.2 OFS will continue working directly with some regions to ensure they understand how and when the data needs to be updated on the	9/30/2011	OCFO/OFS/CFC

1 **NOTE:** This CAP document does not track the current status of correction actions. Agreed upon target due dates and subsequent tracking (i.e., completion dates, updates) will be monitored internally by OCFO using the Corrective Action Tracking Database (CATD).

OIG Report Recommendation	Proposed Corrective Action	Target Due Date	Responsible Office(s)
	<p>accrual spreadsheets for credits and state cost share.</p> <p>2.3 OFS will request that the percentage of sites reviewed for regional A-123 SSC process be increased for the fiscal 2011 review.</p>	3/31/2011	OCFO/OFS/CFC
<p>3. Require regions to report to CFC the SSC site closeout amounts, including the final actual site costs separated by "T" and "TR1" disbursements, final state share, and the amount of refund paid or final billing.</p>	<p>3.1 OFS will continue its efforts to request that the regions complete the close out process for SSC sites listed as "closed" on the accrual spreadsheets for Quarter 1 by 2/1/11, Quarter 2 by 4/11/11, Quarter 3 by 7/11/11, and Quarter 4 by 10/11/11. OFS will remind the regions quarterly to work on the "closed" sites and complete all financial and/or administrative actions needed. As part of the close out process, regions will be confirming and/or adjusting various data on the accrual spreadsheets that will include the fund code 'T' and "TR1" disbursements.</p> <p>3.2 OFM is developing procedures to detail EPA's process for managing the financial aspects of Superfund program remedial state cost share provisions and remedial cooperative agreements.</p>	<p>10/11/2011</p> <p>8/31/2011</p>	<p>OCFO/OFS/CFC</p> <p>OCFO/OFM/FPPS</p>
<p>4. Review the quarterly SSC spreadsheets to determine whether the site data are reasonable and the resulting site calculations are logical. Specifically, review the data for billings, credits, or unearned revenue in excess of state cost shares; no estimated site costs; no</p>	<p>4.1 OFS will include procedures and additional reviews as part of the fiscal 2011 SSC accrual process on the SSC accrual spreadsheets to address the potential concerns described in the recommendations.</p>	9/30/2011	OCFO/OFS/CFC

OIG Report Recommendation	Proposed Corrective Action	Target Due Date	Responsible Office(s)
billings; reimbursable "TR1" expenses in excess of billings; and closed sites with accrued unbilled costs or unearned revenue.			
<i>Significant Deficiency #2 – EPA Should Assess Collectability of Federal Receivables and Record Any Needed Allowances for Doubtful Accounts</i>			
5. Establish a federal allowance for \$6.6 million, which remains on the Twin Cities site receivable, unless the Agency can obtain additional evidence from the Department of Defense that it intends to pay the debt.	5.1 OCFO does not agree with the OIG's recommendation and has determined the full \$12.9 million is collectable in accordance with Statement of Federal Financial Accounting Standards Number 1, Accounting for Selected Assets and Liabilities. OCFO has based its determination on the fact that the Department of Defense is seeking appropriated funds to partially cover their liability and has booked a \$12.9 million liability. Therefore, EPA deems the entire \$12.9 million receivable to be collectable.	N/A	OCFO/OFM/RAS
6. Review collectability of open federal accounts receivables and establish an allowance and/or write-off.	6.1 OFS will review remaining open federal account receivables to ensure accurate status is reflected and reconcilable to the general ledger.	6/30/2011	OCFO/OFS/CFC
7. Establish procedures to ensure that CFC timely bills federal agencies within their authorized appropriation period.	7.1 OFM has established procedures to ensure the Finance Centers bill federal agencies within the authorized appropriation period. RMDS 2540-12, Intra-governmental Business Rules, http://intranet.epa.gov/ocfo/policies/direct/2540-12.pdf sets forth the Agency-wide financial policy for intra-governmental business rules.	Completed 10/4/2010	OCFO/OFM/FPPS

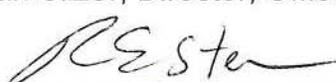
OIG Report Recommendation	Proposed Corrective Action	Target Due Date	Responsible Office(s)
	<p>The policy states that intra-governmental business transactions will be processed, reconciled, and resolved in accordance with Treasury Financial Manual (TFM) Bulletin No. 2007-03 Section VI, Procurement Requirements, http://www.fms.treas.gov/tfm/vol1/07-03.pdf.</p>		
<i>Significant Deficiency #3 – Improvements Needed in Controls for Headquarters Personal Property</i>			
<p>8. Develop a management-level property management training course and require completion of the course by all EPA managers.</p>	<p>8.1 FMSD will develop a mandatory, annual, on-line training course for all employees with special emphasis on roles and responsibilities of managers and supervisors. The course will provide vital information on property policy and procedures and provide notice to all employees regarding the potential for personal liability for property assigned to them.</p>	<p>3/30/2011</p>	<p>OARM/OA/FMSD</p>
<p>9. Adequately address and resolve the issue and determine why personal property items are missing.</p>	<p>FMSD has reviewed the causative factors associated with missing personal property and have determined the following primary factors: (1) insufficient oversight and support for the program; (2) lack of all employee training; and (3) inability to track property at the individual level. FMSD is taking the following actions to correct these factors:</p> <p>9.1 Oversight/Support – FMSD will temporarily reassign responsibility for the Personal Property program to the Deputy Division Director to ensure the necessary level of attention.</p>	<p>Completed 7/15/2010</p>	<p>OARM/OA/FMSD</p>

OIG Report Recommendation	Proposed Corrective Action	Target Due Date	Responsible Office(s)
	9.2 Oversight/Support – FMSD will dedicate two full-time staff as additional resources to support program operations.	Completed 1/6/2011	OARM/OA/FMSD
	9.3 Oversight/Support – FMSD will dedicate contractor support as additional resources to support program operations.	Completed 9/3/2010	OARM/OA/FMSD
	9.4 Training – In addition to training for managers, supervisors, and employees referenced in recommendation #8, FMSD will require training for all property staff.	9/30/2011	OARM/OA/FMSD
	9.5 Tracking – FMSD will develop a new property tracking system. The new system will include individual as well as location tracking features. This system will also include contract property tracking features.	5/30/2012	OARM/OA/FMSD
	9.6 Tracking – FMSD will employ a "wall-to-wall" approach to the FY 2011 Headquarters inventory to ensure that all items present are identified.	7/15/2011	OARM/OA/FMSD
<i>Significant Deficiency #4 – EPA Improperly Closed Accounts When Canceling Treasury Symbols</i>			
10. Research and refund to Treasury cancelled funds as necessary.	10.1 OFM will research and refund to Treasury cancelled funds as necessary.	2/28/2011	OCFO/OFM/WCF
	10.2 OFM will make the appropriate adjusting entry to 683/40108 in FY 2011.	3/31/2011	OCFO/OFM/WCF
	10.3 OFM will review its procedures and ensure processes for reconciliations are put in place so that no future issues occur.	6/30/2011	OCFO/OFM/WCF

OIG Report Recommendation	Proposed Corrective Action	Target Due Date	Responsible Office(s)
11. Revise its cancellation procedures for the elimination of the balances from the cancelled treasury symbols.	11.1 OFM will evaluate its procedures and revise them as necessary to ensure timely review of the balances in canceling treasury symbols. Appropriate procedures will be implemented in FY 2011.	6/30/2011	OCFO/OFM/RAS
12. Make appropriate adjustments to properly reflect balances.	12.1 OFM will conduct analysis and provide guidance to ensure that balances are properly reported. Adjustments will be made during FY 2011 based on the results of our analysis.	6/30/2011	OCFO/OFM/RAS
<i>Noncompliance with Laws and Regulations #1 – EPA Should Continue Efforts to Reconcile Intragovernmental Transactions</i>			
13. Continue efforts to reconcile EPA's intragovernmental transactions and make appropriate adjustments to comply with federal financial reporting requirements.	13.1 OFS will reconcile its intra-governmental activity on a quarterly basis for Quarter 1 by 2/1/11, Quarter 2 by 4/1/11, Quarter 3 by 7/1/11, and Quarter 4 by 10/1/11.	10/1/2011	OCFO/OFS/CFC

Responsible Managers:

 2/8/11 Signature/Date
 Stefan Silzer, Director, Office of Financial Management, OCFO

 2/8/11 Signature/Date
 Raffael Stein, Director, Office of Financial Services, OCFO

 2/8/11 Signature/Date
 Renee Page, Director, Office of Administration, OARM