



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

FEB - 8 2012

OFFICE OF  
CHIEF FINANCIAL OFFICER

**MEMORANDUM**

**SUBJECT:** Response to Office of Inspector General Report No. 12-1-0073  
"Audit of EPA's Fiscal Year 2011 and 2010 Consolidated Financial Statements," issued  
November 15, 2011

**FROM:** Barbara J. Bennett  
Chief Financial Officer *B. Bennett*

**TO:** Arthur A. Elkins, Jr.  
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.

If you have any questions regarding this response, please 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  
Cynthia Giles  
Maryann Froehlich  
Joshua Baylson  
Stefan Silzer  
Jeanne Conklin  
Raffael Stein  
Melvin Visnick  
Renee Page  
Dennis Bushta

Bridget Shea  
Melissa Heist  
Paul Curtis  
Jerry Oakley  
Pam Mazakas  
Elliot J. Gilberg  
Susan O'Keefe  
Dale Miller  
Chris Osborne  
Sherri Anthony  
Sandy Dickens  
Janice Kern  
Gwendolyn Spriggs  
Sandy Womack  
Barbara Freggens  
Bill Samuel



OIG Report Recommendation	Proposed Corrective Action	Target Due Date	Responsible Office(s)
	<p>Superfund and Superfund) requiring the payment of a civil penalty.</p> <p>1.3 Present webinar for Regional enforcement personnel on importance of and process for providing documentation to CFC within 5 business days of originating office's receipt of a final administrative order requiring the payment of a civil penalty.</p> <p>1.4 Following receipt of such reports from OCFO, OECA will provide quarterly and annual reports to senior enforcement managers on HQ and Regional performance in meeting the FY 2012 metric for providing timely documentation of administrative penalty accounts receivable to CFC. OECA's Deputy Assistant Administrator will follow up with OECA Office Directors for HQ initiated cases and the Deputy Regional Administrators and Regional Counsel, for Regionally-initiated cases, as the case may be, where an HQ office/Region does not meet the FY 2012 performance metric for providing timely documentation to CFC.</p> <p>1.5 Provide Regions with training on how to effectively manage Superfund accounts receivable and delinquent debts. The training will include a section that emphasizes the need for Regional offices</p>	<p>Completed 11/17/2011</p> <p>12/31/2012</p> <p>10/31/2012</p>	<p>OECA/OCE and OCFO/OFM/FPPS</p> <p>OECA/OCE and OCFO/OFS/CFC</p> <p>OECA/Office of Site Remediation Enforcement and OCFO/OFS/CFC</p>

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	to forward executed copies of settlement agreements and other legal documents establishing amounts due to CFC within 5 business days as provided in RMDS 2550D-14-T1.		
<b>Significant Deficiency #2 – Federal Reimbursable Costs Not Billed Timely</b>			
2. Review unbilled federal reimbursable expenses, determine their collectability and bill appropriate funds before the funding period is cancelled.	2.1 CFC will work to resolve unbilled costs by billing for costs prior to cancellation of the fund. CFC will pursue collectability information for those not identified to an agreement to move or write-off costs that cannot be billed.	9/30/2012	Office of the Chief Financial Officer/Office of Financial Services/CFC
3. Create and implement a process to reconcile expenses incurred and costs billed under individual reimbursable agreements.	3.1 CFC reviews Interagency Agreements quarterly and will continue processing bills for new expenses identified to individual agreements. CFC is working with OTS to use functionality within Compass so all costs charged to reimbursable agreements will be linked to a reimbursable agreement thereby eliminating unidentified reimbursable costs.	5/1/2012	OCFO/OFS/CFC
4. Develop a process or implement a reporting system to track, for each reimbursable agreement, the expenses that have been billed for each budget fiscal year.	4.1 CFC currently tracks billed amounts within each Interagency agreement file. Compass does have the functionality to track commitments, obligations, expenses, billed and collected amounts by agreement and fiscal year. CFC will be phasing in that functionality for BFY 2012 and forward account numbers.	5/1/2012	OCFO/OFS/CFC

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<b>Significant Deficiency #3 – EPA's Process for Cancelling Treasury Symbols Caused Inappropriate Account Balances</b>			
5. Revise the cancellation procedures to ensure accounts are properly stated.	5.1 OCFO does not concur with this recommendation at this time. The Treasury financial management guidance supports the agency's position in regards to how it cancels a Treasury Account Symbol. The EPA cancellation procedures support this guidance and are properly stated. OCFO will reach out to Department of the Treasury, Financial Management Service to determine if any portion of the current cancellation procedures need to be revised.	3/31/2012	OCFO/OFM/ Reporting and Analysis Staff
6. Post the proper Allowance for Loss.	6.1 OCFO does not concur with this recommendation at this time. The EPA has posted the appropriate adjustments to close the TAS and establish the correct balances in the 3200 miscellaneous receipt account. If an adjustment to the allowance for loss is necessary after discussion with Department of the Treasury that necessitates a possible procedure change, an adjustment will be posted.	9/30/2012	OCFO/OFM/RAS
7. Revise the Year-End Closing Instructions, to prescribe proper procedures for closing accounts.	7.1 The EPA Year End Closing Instructions will provide proper procedures for closing accounts. Based on information provided from Department of the Treasury, a revision may need to be made to the Year-End Closing Procedures.	9/30/2012	OCFO/OFM/RAS

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8. Prior to year-end closing, review and test the net impact of closing entries to ensure proper statement of expenses, revenue and assets in the financial management system and financial statements.	8.1 OCFO does not concur with this recommendation at this time. The EPA properly handled cancellation of the TAS. During the agency's financial records reconciliation process for FY 2012, it will incorporate any revised accounting procedures that results from discussions with Department of the Treasury, in its on-going reconciliation processes, if necessary.	9/30/2012	OCFO/OFM/RAS
<b>Significant Deficiency #4 – EPA Double Counted Contractor-Held Property</b>			
9. Develop and implement policies and procedures to address responsibility for the removal of EPA property from the agency financial system when EPA property is transferred to contractors.	9.1 The revised Property Management Manual will contain an updated section on contract property to address roles and responsibilities.	6/30/2012	OARM/Office of Administration/ Facilities Management and Services Division
	9.2 The Contract Property Coordinator provides a live, mandatory webinar for contracting officers. Additionally, the CPC attends monthly teleconferences with agency personal property managers to discuss contract property issues.	Completed 1/18/2012	OARM/OA/FMSD
	9.3 FMSD provides additional video conference for property managers and the west coast contracting officers that weren't able to make the initial session.	Completed 1/26/2012	OARM/OA/FMSD
10. Ensure that all EPA property that has been transferred to contractors is	10.1 FMSD conducted a review of all contracts that reported property in the	Completed 12/6/2011	OARM/OA/FMSD

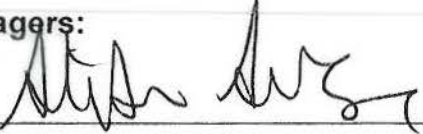
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removed from the EPA's financial system.	agency's FY 2011 financial statements beginning 10/29/2011. Any contractor held assets that appeared in the agency personal property system were removed from the agency system. To prevent future duplication, OARM implemented a new process in which Office of Acquisition Management maintains a list of contracts that contain the property clause (and therefore potentially property) to use as a tool by contracting officers to alert them to potential property issues. This list is provided to OARM/OA/FMSD quarterly for review.		
<b>Significant Deficiency #5 – EPA Headquarters Cannot Account for 1,284 Property Items</b>			
11. Conduct planned property training and require completion of the course by all EPA managers.	11.1 The property training course will commence during 1 <sup>st</sup> quarter FY 2012 and conclude during 2 <sup>nd</sup> quarter FY 2012 with course completion monitored by headquarters.	3/31/2012	OARM/OA/FMSD
12. Address the missing personal property items in accordance with agency procedures.	12.1 The headquarters team will ensure missing items are marked inactive in accordance with Board recommendations during 2 <sup>nd</sup> quarter FY 2012.	3/31/2012	OARM/OA/FMSD
<b>Significant Deficiency #6 – EPA Should Secure Marketable Securities</b>			
13. Develop and implement procedures to perform inspections of	13.1 CFC will maintain a log of items within the safe and perform quarterly safe	3/1/2012	OCFO/OFS/CFC




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the safe on a regular basis to verify the contents against accounting records.	inspections to verify the contents against the log.		
14. Move the safe to a secure area, such as a locked room, instead of keeping the safe in an open area.	<p>OCFO does not concur with this recommendation of moving the safe. Currently, the safe is behind a desk, weighs 1,000 pounds and additional office security is present.</p> <p>OIG concluded that no further action is required of the agency.</p>	N/A	
<b><i>Significant Deficiency #7 – EPA Recognized Revenue in Excess of Expenditures</i></b>			
15. Review the entries and accounting models used to record expenditures and recognize earned revenue to assess their impact on the financial statements and to ensure that they result in the proper recognition of revenue.	15.1 RAS will review and verify the accounting models in the new COMPASS accounting system that are used to record expenditures and recognize earned revenue.	4/13/2012	OCFO/OFM/RAS
16. Ensure that exchange revenue is only recognized at the time goods or services are provided.	16.1 In conjunction with the review performed in corrective action 15.1, RAS will validate that the models are set to recognize exchange revenue when good/services are provided.	4/13/2012	OCFO/OFM/RAS
<b><i>Significant Deficiency #8 – EPA is Withholding Payments Related to BP Deepwater Horizon Oil Spill Cleanup</i></b>			

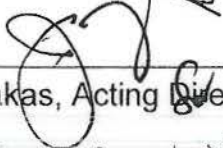
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17. Resume payments to the oil spill contractors as soon as adequate funds are available in the Oil Spill Response Trust Fund.	17.1 CFC continually monitors the oil cash balance to ensure payments are made as funds are available. (As of Jan 1, there are no late payments due to cash balance concerns.)	Completed 12/31/2011	OCFO/OFS/CFC
18. Include in payments to contractors the interest penalties prescribed by the Prompt Payment Act for invoices that are paid past their due dates.	18.1 All late payments include interest in accordance with the Prompt Payment Act.	Completed 9/30/2011	OCFO/OFS/CFC
<b><i>Noncompliance with Laws and Regulations #1 – EPA Violated the Antideficiency Act in Its Oil Spill Response Account</i></b>			
19. Finalize the reporting of the Antideficiency Act violation to the President, through the OMB Director, Congress, and the Comptroller General, as required.	19.1 The agency submits the ADA notification letter to OMB for clearance.	Completed 10/25/2011	OCFO/Immediate Office
	19.2 Upon clearance from OMB, the agency transmits the ADA notification letter to Congress.	Completed 2/3/2012	OCFO/Immediate Office
20. Work with USCG to come to a mutual agreement on what constitutes acceptable cost documentation so that reimbursements do not continue to be delayed.	20.1 OCFO and USCG are actively working on an MOU, which includes a description of acceptable costs documentation.	5/1/2012	OCFO/OFS/CFC

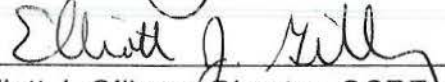
Responsible Managers:

 2/7/12 Signature/Date  
Stefan Silzer, Director, OFM, OCFO

 2/7/12 Signature/Date  
Raffael Stein, Director, OFS, OCFO

 2/7/12 Signature/Date  
Renee Page, Director, OA, OARM

 2.7.12 Signature/Date  
Pam Mazakas, Acting Director, OCE, OECA

 2/7/12 Signature/Date  
Elliott J. Gilberg, Director, OSRE, OECA