



At a Glance

Why We Did This Audit

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

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

Background

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

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2012/20111115-12-1-0073.pdf

Audit of EPA's Fiscal 2011 and 2010 Consolidated Financial Statements

EPA Receives an Unqualified Opinion

We rendered an unqualified opinion on EPA's Consolidated Financial Statements for fiscal 2011 and 2010, meaning that they were fairly presented and free of material misstatement.

Internal Control Significant Deficiencies Noted

We noted the following significant deficiencies:

- Regions and headquarters did not timely provide accounts receivable supporting documentation.
- EPA did not timely bill other federal agencies for reimbursable costs.
- EPA did not properly close general ledger accounts in its cancelling Treasury symbols.
- EPA double counted contractor-held property.
- EPA headquarters could not account for 1,284 personal property items.
- EPA needs to better secure marketable securities.
- EPA recorded earned revenue without recognizing corresponding expenses.
- EPA is withholding payments related to the BP Deepwater Horizon oil spill.

Noncompliance With Laws and Regulations Noted

We noted a noncompliance issue involving EPA's Oil Spill Response Account in relation to the BP Deepwater Horizon oil spill response. EPA violated the Antideficiency Act in November 2010 because it made expenditures in excess of funds available. Also, to avoid a second potential Antideficiency Act violation, EPA delayed payments to vendors, resulting in the Agency being required to make interest penalty payments to vendors as required by the Prompt Payment Act.

Agency Comments and Office of Inspector General Evaluation

The Agency did not concur with our finding regarding cancelling Treasury symbols causing inappropriate balances. The Agency believes that it is following Treasury instructions and the balances are proper. While the amounts are not material to the financial statements, by reversing the receivable, the Agency has understated fiscal 2011 income and bad debt expense related to cancelling the Treasury symbol. The Agency agreed with our other findings and recommendations.