



# Office of Inspector General U.S. Environmental Protection Agency **At a Glance**

22-E-0011  
December 15, 2021

## Why We Did This Evaluation

We conducted this evaluation to determine whether the U.S. Environmental Protection Agency's Office of the Chief Financial Officer is conducting agencywide entity-level risk assessments and implementing internal controls for annual and supplemental appropriations that comply with federal and Agency requirements.

Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, dated July 2016, requires federal agencies to integrate internal control activities under the umbrella of an enterprise risk-management program through a risk-assessment process. The U.S. Government Accountability Office's GAO-14-704G, *Standards for Internal Control in the Federal Government*, dated September 2014, provides the overall framework for establishing and maintaining an effective internal control system.

### **This evaluation supports EPA mission-related efforts:**

- *Compliance with the law.*
- *Operating efficiently and effectively.*

### **This evaluation addresses a top EPA [management challenge](#):**

- *Managing infrastructure funding and business operations.*

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## ***EPA Has Not Performed Agencywide Risk Assessments, Increasing the Risk of Fraud, Waste, Abuse, and Mismanagement***

### **What We Found**

The Agency's Office of the Chief Financial Officer has been delegated the responsibility for implementing Office of Management and Budget Circular A-123. However, the OCFO has not performed agencywide entity-level risk assessments over the EPA's annual and supplemental appropriations. Specifically, the OCFO has not developed or implemented an agencywide entity-level risk-assessment process—in which executive officials are fully engaged in entity-level risk activities—to identify high-priority risks that cut across individual Agency programs. Such a process would ensure that the resources received through annual and supplemental appropriations are strategically targeted.

**The OCFO cannot provide reasonable assurance that crosscutting risks are identified and mitigated and that Agency resources are directed to the most critical strategic needs.**

The OCFO has not updated its financial-management processes, policies, and procedures to identify and address risks at the agencywide entity level. Rather, the Agency continues to operate under an outdated division-level risk-assessment process. As a result, the OCFO cannot provide the direction necessary for its own office, let alone management and staff across the Agency, to perform enterprise risk-management responsibilities, including agencywide entity-level risk assessments for annual and supplemental appropriations.

### **Recommendations and Planned Agency Corrective Actions**

We modified our draft recommendations based on additional information that the OCFO provided to us after reviewing our draft report. Our final report contains two recommendations to the chief financial officer to ensure that the Agency's senior leaders are aware of their responsibilities for implementing an enterprise risk-management process that complies with Office of Management and Budget requirements and that these responsibilities are reflected in the EPA's policies.

Because the OCFO did not include estimated milestone dates with its corrective action plan for Recommendation 1, this recommendation is unresolved. In response to Recommendation 2, the Agency agreed to update its current policies and procedures by December 31, 2021. Recommendation 2 is resolved with corrective actions pending.