



## UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

February 11, 2022

OFFICE OF THE  
CHIEF FINANCIAL OFFICER

### **MEMORANDUM**

**SUBJECT:** Response to the Office of Inspector General Report No. 22-E-0011, *"EPA Has Not Performed Agencywide Risk Assessments, Increasing the Risk of Fraud, Waste, Abuse, and Mismanagement,"* dated December 15, 2021

**FROM:** Faisal Amin, Chief Financial Officer    **Amin,**  
Office of the Chief Financial Officer    **Faisal**

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by Amin, Faisal  
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**TO:** Sean W. O'Donnell, Inspector General  
Office of the Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject report. The following is the Office of the Chief Financial Officer's response to unresolved Recommendation One.

### **AGENCY'S OVERALL POSITION**

The U.S. Environmental Protection Agency concurs with the Office of Inspector General's recommendation and has already established corrective actions to improve its strategy and strengthen enterprise risk management and internal control functions throughout the EPA. Moving forward, the agency plans to continue refining the EPA's approach to risk assessments and reports on internal controls. This will include facilitating entity level and program risk assessments, effectively communicating significant risks to senior leaders, and examining internal control risks for when the EPA experiences significant changes to programs and funding levels (e.g., annual or supplemental appropriations). The FY 2022 annual guidance on strategic reviews and internal controls will expand upon the agency's commitment to strengthen enterprise risk management.

### **BACKGROUND ON RECOMMENDATION ONE**

The EPA initiated ERM as an integral part of the agency's strategic reviews in FY 2016 and aligned it with agency internal control functions in FY 2017. The OCFO recognizes the need to improve the program and will continue to strengthen its communications and oversight of agencywide risk management and internal control activities. This will be accomplished through annual guidance to senior managers that includes roles and responsibilities for implementing ERM. Additionally, the OCFO will be working with the EPA on conducting and documenting the results of these risk assessments starting in the FY 2022 cycle. The OCFO will be responsible for collecting and consolidating significant program level risks in a Chief Financial Officer memorandum to the Deputy Administrator.

In addition, the OCFO has updated the relevant policies and procedures explicitly outlining senior management responsibilities. These policies include Resource Management Directives System 2520: *Administrative Control of Appropriated and Other Funds*; EPA Order 1000.24, *Management's Responsibility for Enterprise Risk Management and Internal Control*; and Delegation 1-16, *Agency Chief Financial Officer/Accounting, Budgeting, and Other Financial Management Activities*.

## **AGENCY'S RESPONSE TO REPORT RECOMMENDATIONS**

### **Agreements**

<b>No.</b>	<b>Recommendation</b>	<b>High-Level Corrective Action(s)</b>	<b>Estimated Completion Date</b>
1	Improve the agency's strategy for implementing enterprise risk management by incorporating and communicating the executive-official engagement needed in risk activities to achieve full compliance with Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.	The EPA plans to improve its risk management and internal control strategy by outlining and highlighting agency ERM and internal control policies, procedures, and senior leadership responsibilities in annual guidance and related policies. The enhanced guidance includes a more robust performance of risk assessments, documenting the EPA's significant risks for senior leaders, and reporting on internal controls that align with the agency's major appropriations (annual and supplemental).	June 30, 2022

## **CONTACT INFORMATION**

If you have any questions regarding this response, please contact the OCFO Audit Follow-up Coordinator, Andrew LeBlanc, at [leblanc.andrew@epa.gov](mailto:leblanc.andrew@epa.gov) or (202) 564-1761.

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