



At a Glance

Independent Audit of the EPA's Fiscal Years 2024 and 2023 (Restated) Consolidated Financial Statements

Why We Did This Audit

To accomplish this objective:

We performed this audit in accordance with the Chief Financial Officers Act of 1990, as codified at 31 U.S.C. § 3521(e), which requires the U.S. Environmental Protection Agency Office of Inspector General to audit the financial statements prepared by the Agency each year. Our primary objectives were to determine whether the EPA's:

- Financial statements were fairly stated in all material respects in accordance with generally accepted accounting principles.
- Internal control over financial reporting was in place.
- Management complied with applicable laws, regulations, contracts, and grant agreements.

This requirement for audited financial statements was enacted to help improve agencies' financial management practices, systems, and control so that timely, reliable information is available for managing federal programs.

To support this EPA mission-related effort:

- *Operating efficiently and effectively.*

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The EPA Receives an Unmodified Opinion for Fiscal Years 2024 and 2023 (Restated)

We rendered an unmodified opinion on the EPA's consolidated financial statements for fiscal years 2024 and 2023 (restated), meaning that they were fairly presented and free of material misstatement.

Material Weaknesses and Significant Deficiency Noted

We noted the following material weaknesses:

- The EPA did not have adequate internal controls in place to record the 2022 Clean School Bus Rebates Program funds for fiscal years 2024 and 2023.
- The EPA did not develop an adequate process for the Clean School Bus Rebates Program accrual calculation.
- The EPA significantly understated Superfund State Contract accrual revenue.

We noted the following significant deficiency: EPA property balances are not reliable.

The EPA used an existing rebate transaction type that was established to record the Clean School Bus rebate payments. This resulted in \$828 million of rebate payments being recorded as expenses instead of advances. The EPA will be developing guidance for new programs on financial management considerations that need to be implemented.

Noncompliance with Applicable Laws, Regulations, Contracts, and Grant Agreements Noted

We noted the following instances of noncompliance with laws and regulations:

- The EPA failed to comply with and implement provisions of Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.
- The EPA improperly recorded advances as expenses for the Clean School Bus Rebates Program.

Recommendations and Planned Agency Corrective Actions

The EPA agreed with all 13 recommendations and have either completed corrective actions or provided an estimated time frame for completion.