



At a Glance

Why We Did This Review

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.

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.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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Listing of [OIG reports](#).

Audit of EPA's Fiscal Years 2015 and 2014 Consolidated Financial Statements

EPA Receives an Unmodified Opinion

We rendered an unmodified opinion on the EPA's consolidated financial statements for fiscal years 2015 and 2014, meaning that they were fairly presented and free of material misstatement.

We found the EPA's financial statements to be fairly presented and free of material misstatement.

Internal Control Material Weakness and Significant Deficiencies Noted

We noted the following material weakness:

- Software costs of about \$124 million and associated amortization totaling \$56 million from prior years were not properly classified.

We noted significant deficiencies involving:

- Misstating earned and unearned revenue for Superfund Special Accounts.
- Reconciling property and financial systems.
- Resolving long-standing cash differences with the U.S. Treasury.
- Clearing transactions from the suspense account.
- Reviewing cancellation of accounts receivable and collection transactions.
- Recording accounts receivable from a Superfund judgment.
- Reconciling accounts receivable subsidiary ledgers and general ledgers.
- Overbilling a state for a Superfund State Contract.
- Overseeing user access to the Payment Tracking System.
- Complying with controls for financial and mixed-financial applications.
- Managing HelpDesk procedures for distributing passwords.
- Improving a travel system's credit card data protection.

Noncompliance With Laws and Regulations Noted

We noted an instance of noncompliance with laws and regulations related to complying with federal accounting standards for recording interest.

Recommendations and Planned Agency Corrective Actions

The EPA generally agreed with our findings and recommendations. We clarified Recommendation 23 to have the EPA develop reports to reconcile accounts receivable principal and non-principal charges to the general ledger.