



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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EPA's Fiscal Years 2016 and 2015 Consolidated Financial Statements

EPA Receives an Unmodified Opinion

We rendered an unmodified opinion on the EPA's consolidated financial statements for fiscal years 2016 and 2015, meaning 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 Weaknesses and Significant Deficiencies Noted

We noted the following material weaknesses:

- EPA's accounting for software continues to be a material weakness.
- EPA incorrectly recorded unearned revenue for Superfund special accounts, and did not reconcile unearned revenue for those accounts.

We noted significant deficiencies involving:

- EPA wrote off cash differences with Treasury without adequate support.
- EPA did not clear suspense transactions timely.
- EPA erroneously reclassified a real property capital lease.
- EPA did not have controls to monitor direct access to the Compass Financials database.
- EPA did not have adequate documenting for restoring application controls at the National Computer Center.
- EPA needs to improve offsite storage of data backups.

Noncompliance With Laws and Regulations Noted

We found that the EPA did not comply with the Hazardous Waste Electronic Manifest Establishment Act in that it used appropriated funds to cover contract costs unrelated to the electronic manifest project.

Recommendations and Planned Agency Corrective Actions

The EPA agreed with our findings and recommendations except for a recommendation to develop a process for obtaining the current inventory listing and document the process in the National Computer Center's Disaster Recovery Plan and Information System Contingency Plan. We consider the recommendation unresolved pending the agency's response to the final report.