



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

June 28, 2021

OFFICE OF THE
CHIEF FINANCIAL OFFICER

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Report No. 21-E-0128, “*EPA Did Not Conduct Agencywide Risk Assessment of CARES Act Appropriations, Increasing Risk of Fraud, Waste, Abuse, and Mismanagement,*” dated May 4, 2021

FROM: David A. Bloom, Deputy Chief Financial Officer
Office of the Chief Financial Officer

DAVID BLOOM
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BLOOM
Date: 2021.06.28 12:32:05
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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 the unresolved recommendation number 1.

AGENCY’S OVERALL POSITION

The OCFO concurs with the Office of Inspector General’s recommendation and has prepared a revised corrective action plan. However, the OCFO disputes the OIG’s assertion that the OCFO does not have, “...*processes to develop, communicate, and mitigate any entity-level risks through implementation of internal controls related to the CARES Act supplemental appropriations*” (page 4 of the final report).

The OCFO has developed, communicated, and mitigated entity-level risks through implementation of internal controls for supplementals. For example, in both the U.S. Environmental Protection Agency’s Recovery Act Stewardship Plan and the Hurricane Sandy Internal Control Plan, the OCFO created specific fund codes for each supplemental appropriation since FY 2018 and communicated supplemental codes in the annual Advice of Allowance issued to the agency. For the CARES Act funding, OCFO reviewed the tracking needs and tasks funded with each organization, as well as the overall statutory requirements with OGC, and OCFO provided agency guidance on the coding needed. The efforts funded were all routine and each organization had good control systems in place. OCFO did not fully document the results of the discussions and concurs with the OIG’s recommendation to write a *Coronavirus Aid, Relief, and Economic Security Act* risk assessment. However it is not accurate to state that the lack of a written risk assessment in this instance means that the OCFO lacked processes to develop, communicate and mitigate entity level risks.

More generally, the EPA continues to comply with key internal control requirements to ensure programs are operating effectively and efficiently. The Government Accounting Office *Standards for Internal Control in the Federal Government* (known as the Green Book) serves as the overall framework for establishing and reporting on the effectiveness of the agency’s internal controls. Annually, the OCFO

provides guidance on strategic reviews and internal control to agency senior managers. The guidance outlines the EPA’s approach for implementing Enterprise Risk Management and internal controls, as required by the 2016 revised OMB Circular A-123, *Management’s Responsibilities for Enterprise Risk Management and Internal Control*. This year, the agency plans to update the EPA Order 1000.24, *Management’s Responsibility for Internal Control*, to incorporate ERM requirements.

AGENCY’S RESPONSE TO REPORT RECOMMENDATIONS

Agreements

No.	Recommendation	High-Level Corrective Action(s)	Estimated Completion Date
1	Perform a risk assessment for the Coronavirus Aid, Relief, and Economic Security Act supplemental appropriations at the entity level. Based upon the results of the risk assessment, either (a) design, implement, and monitor mitigating agencywide internal controls; or (b) document that the existing controls at the cross-program entity and division levels are sufficient to assure compliance with federal and agency requirements.	The OCFO will review existing materials and identify any gaps in the CARES Act supplemental appropriation risk assessment, and based upon the results, will document how existing cross-program entity or division level controls assure compliance with federal and agency requirements and, if needed, design, implement, and monitor additional mitigating internal controls.	July 31, 2021

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 or (202) 564-1761.

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