



At a Glance

Independent Audit of the EPA's Fiscal Year 2025 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.
- The EPA's internal controls over financial reporting were in place.
- The EPA's 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.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG.PublicAffairs@epa.gov.

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Disclaimer of Opinion for Fiscal Year 2025

We rendered a disclaimer of opinion on the EPA's consolidated financial statements for fiscal year 2025, meaning that we were unable to obtain sufficient evidence to determine whether they were fairly presented and free of material misstatement because of the interaction and possible cumulative effect of multiple uncertainties, including those related to ongoing litigation and U.S. Government Accountability Office inquiries.

We were unable to form an opinion on whether the financial statements as a whole were fairly presented and free of material misstatement.

Material Weaknesses and Significant Deficiencies Noted

We noted four material weaknesses related to the fiscal year 2025 financial statements:

- Incomplete identification of pending or threatened litigation, claims or assessments, environmental liabilities, and other activities.
- Inaccurate information for revenue accruals. As a result, the EPA misstated its revenue by an absolute value of approximately \$10.5 million, which represents a net overstatement of more than \$5.6 million.
- Undocumented approval of configuration changes to its core financial system, contrary to the Agency's configuration management procedures.
- Inadequate oversight of findings and corrective action plans from grant recipients' single audits.

In addition, for the fiscal year 2025 financial statements, the EPA did not fully correct one material weakness, one instance of noncompliance, and three significant deficiencies that we identified in prior-year financial statement audits.

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

The EPA did not determine compliance with the Federal Financial Management Improvement Act of 1996 with respect to some financial management systems that support its core financial system.

Recommendations and Planned Agency Corrective Actions

We make nine recommendations, including that the EPA develop or update internal controls over the disclosure of required information to the OIG, configuration management, accruals, single audit findings, and financial management systems. The Agency agreed with our recommendations and provided high-level intended corrective actions. We consider our recommendations resolved with corrective actions pending and resolution efforts underway.