



# 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 theme:

- *Embracing EPA as a high performing organization.*

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:  
[www.epa.gov/oig/reports/2014/20131216-14-1-0039.pdf](http://www.epa.gov/oig/reports/2014/20131216-14-1-0039.pdf)

## Audit of EPA's Fiscal 2013 and 2012 Consolidated Financial Statements

### EPA Receives an Unqualified Opinion

We rendered an unqualified opinion on the EPA's Consolidated Financial Statements for fiscal 2013 and 2012, meaning that they were fairly presented and free of material misstatement.

System weaknesses could impact the reliability of financial information.

### Internal Control Significant Deficiencies Noted

We noted the following significant deficiencies:

- EPA overstated Superfund State Contract credits.
- EPA's high number of accounting corrections indicates an internal control weakness.
- Internal controls over EPA's accountable personal property inventory process need improvements.
- Software was improperly recorded in Compass.
- EPA needs to improve access control procedures for key financial systems.
- EPA needs to improve processes for following up on identified network vulnerabilities.

### Noncompliance With Laws and Regulations Noted

EPA's high number of accounting corrections indicates an internal weakness.

### Recommendations and Planned Agency Corrective Actions

The agency agreed with most of our findings and recommendations. However, the agency did not agree with our finding that the number of error corrections were high, an internal control weakness and an instance of noncompliance with the Federal Financial Management Improvement Act. The agency posted over 100 journal entries to correct posting model errors, and just one of those entries involved 206 transactions. While we do not believe the noncompliance rose to the level of substantial noncompliance, we consider the number of errors at the transaction level to be high and an internal control weakness.