



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We performed this review to evaluate the U.S. Environmental Protection Agency's (EPA's) fiscal year (FY) 2009 Office of Management and Budget (OMB) Circular A-123 reviews of internal controls over the unliquidated obligation (ULO) review process. Our objectives were to determine whether EPA's regions and program offices (1) complied with guidance for conducting the FY 2009 A-123 reviews of the ULO review process; and (2) reported their A-123 review methodology, findings, and corrective actions in their FY 2009 management integrity assurance letters.

Background

The Federal Managers' Financial Integrity Act (FMFIA) requires federal agencies to report annually to the President and Congress on the effectiveness of internal controls. OMB Circular A-123 guidance for implementing FMFIA requires federal agencies to assess internal controls over financial reporting. In prior audits, we reported on problems EPA had in deobligating funds no longer needed. In FY 2009, EPA expanded its internal control reviews to include ULOs.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2011/20110119-11-1-0069.pdf

EPA Did Not Fully Comply With Guidance Regarding OMB Circular A-123 Unliquidated Obligation Reviews

What We Found

Seventeen of 22 EPA regions and program offices did not fully comply with the guidance for conducting and reporting on their FY 2009 OMB Circular A-123 reviews of internal controls over the ULO process. OMB A-123 guidance requires agencies to assess the effectiveness of internal controls over financial reporting. The Office of the Chief Financial Officer (OCFO) requested offices to conduct a thorough internal control review of their ULO review process. The following factors contributed to EPA's noncompliance:

- Some regions and program offices did not properly plan and staff the reviews.
- EPA's OCFO did not closely monitor the reviews.
- Neither the OCFO nor the Assistant Administrators and Regional Administrators held the review teams accountable for performing the reviews.

EPA benefits from internal control reviews by identifying control deficiencies and corrective actions for improvement. The reviews also provide support for the Administrator's assurance statement on the effectiveness of EPA's internal controls.

What We Recommend

We recommend that the Chief Financial Officer:

- Develop and implement procedures to oversee the regional and program office A-123 ULO internal control reviews.
- Require regions and program offices to develop plans that address staffing A-123 ULO reviews and training reviewers.
- Develop an A-123 ULO review guide to assist those conducting the reviews.
- Implement standard performance measures to assess assurance letter completeness and timeliness.

The Agency concurred with our findings and recommendations.