

CFO's MESSAGE



This Performance and Accountability Report (PAR) presents the performance and financial results that the Environmental Protection Agency (EPA) achieved during FY 2007. The PAR provides information to the President, the Congress, and the public on the Agency's accomplishments and challenges in protecting human health and the environment, use of the financial resources entrusted to us, and progress in addressing key management challenges.

During the past year, EPA became one of the highest-rated agencies under the President's Management Agenda (PMA) scorecard, achieving "green" status scores in four of the five PMA initiatives. We are especially proud of achieving our first "green" status score under the Performance Improvement Initiative, demonstrating that we use performance information to improve our performance results. We developed Office of Management and Budget (OMB)-approved efficiency measures for all EPA programs assessed using OMB's Program Assessment Rating Tool (PART) process; incorporated long-term PART measures in the framework of our *Strategic Plan*; and used PART annual measures in our annual planning and budgeting process. We are also proud to have maintained a "green" status score for the Eliminating Improper Payments initiative.

For the eighth year in a row, EPA received an unqualified opinion on its financial statements. During the audit, the Office of Inspector General identified three material weaknesses, one relating to our process for determining the value of delinquent receivables and two information technology (IT) security-related issues. We corrected the delinquent accounts receivable material weakness and restated our FY 2006 financial statements to reflect the value of these receivables. We have initiated corrective actions to resolve the IT-security-related issues and will complete all actions in FY 2008.

As required by OMB Circular A-123, we conducted our annual assessment on the effectiveness of internal controls over financial reporting. Through this process, we identified and documented ten key financial management processes and tested 260 key controls. As of June 30, 2007, EPA found no material weaknesses. The assessment did reveal significant deficiencies in the areas of financial reporting, accounts receivable, and data security; corrective actions for these significant deficiencies were completed by September 30, 2007.

EPA is streamlining its financial workflow; improving financial reporting; and further integrating programmatic, performance, and financial information with a new comprehensive financial management system. Once implemented, our financial system will improve the timeliness and use of financial data to manage the cost of our programs and ensure that we spend taxpayer dollars wisely and efficiently. We are also replacing our current travel system with Northrop Grumman's GovTrip system, allowing us to meet the PMA eGov Travel Initiative. GovTrip supports the Agency's entire travel process, from planning and authorizing travel, making reservations, delivering electronic tickets, and calculating and approving reimbursements, to archiving data. We will complete the Agency's deployment of GovTrip by September 2008.

EPA will continue to work to meet the financial management standards that demonstrate our commitment to financial excellence and to ensure that we use taxpayers' dollars effectively in fulfilling our mission to protect human health and the environment. I look forward to continuing our collaboration with our partners and stakeholders and to developing innovative, cross-cutting strategies to help meet the challenges ahead.

I would like to extend my sincere gratitude and appreciation to EPA's dedicated staff across the country who work to protect human health and the environment on a daily basis and without whom our progress in FY 2007 would not have been possible.

A handwritten signature in black ink that reads "Lyons Gray". The signature is written in a cursive style with a large, stylized 'L' and 'G'.

Lyons Gray
Chief Financial Officer
November 15, 2007