



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Audit

We performed this audit in accordance with the Government Management Reform Act, which requires 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 financial statements were fairly presented in all material respects.
- EPA's internal controls over financial reporting were in place.
- EPA management complied with applicable laws and regulations.

## Background

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.

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

To view the full report, click on the following link:

[www.epa.gov/oig/reports/2005/20041115-2005-1-00021.pdf](http://www.epa.gov/oig/reports/2005/20041115-2005-1-00021.pdf)

## ***Audit of EPA's Fiscal 2004 and 2003 Financial Statements***

### **EPA Receives Unqualified Opinion**

We rendered an unqualified, or clean, opinion on EPA's Consolidated Financial Statements for fiscal 2004 and 2003, meaning that they were fairly presented and free of material misstatement.

### **Internal Control Reportable Conditions Noted**

We identified the following reportable conditions:

- EPA needs to improve financial management quality assurance.
- EPA could not ensure the accuracy of the unearned revenue accounts.
- EPA did not timely record accounts receivable.
- EPA did not promptly record marketable securities.
- Accounting for contractor-held property needs improvement.
- Improvement is needed in EPA's accounting for obligations.
- Systems development for several systems needs improvement.
- System certification and accreditation is needed.
- Weaknesses in system's change control procedures were noted.
- Automated Application Processing Controls could not be assessed.

### **Noncompliances With Laws and Regulations Noted**

We noted the following noncompliances with laws and regulations, though none are considered to be substantial noncompliances:

- EPA needs to continue improvements related to cost accounting.
- Difficulties in reconciling intragovernmental transactions continue.
- EPA needs to strengthen security screening for non-Federal personnel.
- EPA is not in compliance in preparing the Statement of Transactions.

### **Agency Comments and Office of Inspector General Evaluation**

In a memorandum received November 12, 2004, the Agency responded to our draft report, and generally agreed to take sufficient corrective actions.