



U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## Audit Report

# EPA Submitted Accurate and Timely Recovery Act Financial Reports

Report No. 10-R-0151

June 22, 2010



**Report Contributors:**

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**Abbreviations**

EPA	U.S. Environmental Protection Agency
FACTS II	Federal Agency Centralized Trial-Balance System II
IFMS	Integrated Financial Management System
OCFO	Office of the Chief Financial Officer
OEI	Office of Environmental Information
OIG	Office of Inspector General
OMB	Office of Management and Budget
RAT	Recovery Accountability and Transparency
TAFS	Treasury Appropriation Fund Symbol



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We performed this review to determine whether (1) the U.S. Environmental Protection Agency's (EPA's) financial reporting for the American Recovery and Reinvestment Act of 2009 complied with Office of Management and Budget (OMB) guidance and Recovery Act requirements; (2) the amounts EPA reported to OMB reconciled to EPA's financial system; and (3) EPA submitted the reports in a timely manner.

## Background

The Recovery Act provided EPA with \$7.22 billion for specific programs. OMB issued guidance on how federal agencies should manage and report on Recovery Act activities. OMB's guidance requires EPA to report, on a weekly basis, the cumulative Recovery Act funds obligated and expended. OMB provides for Recovery Act funds transparency and accountability by requiring that EPA's reports be posted on the Internet for public access.

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

To view the full report, click on the following link:  
[www.epa.gov/oig/reports/2010/20100622-10-R-0151.pdf](http://www.epa.gov/oig/reports/2010/20100622-10-R-0151.pdf)

## ***EPA Submitted Accurate and Timely Recovery Act Financial Reports***

### **What We Found**

EPA complied with OMB guidance and Recovery Act requirements in its weekly financial activity reporting. EPA submitted accurate and timely financial reports. EPA ensured its financial reporting was transparent to the public by posting data to the EPA Recovery Act Website and submitting data to the Recovery and Accountability Transparency Board for posting to the government-wide Website.

Our review assures EPA and the public that EPA's weekly Recovery Act financial activity reports are accurate, timely, and transparent.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OFFICE OF  
INSPECTOR GENERAL

June 22, 2010

**MEMORANDUM**

**SUBJECT:** EPA Submitted Accurate and Timely  
Recovery Act Financial Reports  
Report No. 10-R-0151

**FROM:** Melissa M. Heist  
Assistant Inspector General for Audit

*Melissa M. Heist*

**TO:** Barbara J. Bennett  
Chief Financial Officer

This is our report on the American Recovery and Reinvestment Act of 2009 financial reporting review conducted by the Office of Inspector General of the U.S. Environmental Protection Agency.

The estimated cost of this report – calculated by multiplying the project’s staff days by the applicable daily full cost billing rates in effect at the time – is \$104,776.

**Action Required**

We made no recommendations; therefore, no action is required. We will close out the report in our tracking system upon issuance. We have no objections to the further release of this report to the public. This report will be available at <http://www.epa.gov/oig>.

If you have any questions, please do not hesitate to contact me at 202-566-2523 or [curtis.paul@epa.gov](mailto:curtis.paul@epa.gov), or Arthur Budelier at 312-353-9529 or [budelier.arthur@epa.gov](mailto:budelier.arthur@epa.gov).

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## Purpose

The Office of Inspector General (OIG) performed this review to determine whether the U.S. Environmental Protection Agency's (EPA's) financial reporting for the American Recovery and Reinvestment Act of 2009 complied with Office of Management and Budget (OMB) guidance and was accurate and timely.

The objectives of our review were to determine whether:

- EPA's financial reports complied with OMB guidance and Recovery Act requirements;
- Amounts EPA reported to OMB reconciled to EPA's financial system; and
- EPA submitted the Recovery Act reports in a timely manner.

## Background

The purpose of the Recovery Act is to create and save jobs and spur economic activity and investment in long-term growth. The Recovery Act provided EPA \$7.22 billion for specific programs. The Recovery Act requires stringent accountability for performance and results, as well as unprecedented transparency. The Recovery Accountability and Transparency (RAT) Board provides transparency in the use of Recovery Act-related funds.

OMB memoranda M-09-10, dated February 18, 2009, and M-09-15, dated April 3, 2009, published guidance to federal agencies for implementing Recovery Act programs and activities. The guidance requires agencies to report to the RAT Board, on a weekly basis, all cumulative Recovery Act obligations and gross outlays (expenditures) in a standard reporting format. The financial information that agencies report must use the same U.S. standard general ledger account balances that they report to the Federal Agency Centralized Trial-Balance System II (FACTS II). OMB Bulletin 09-02, dated February 25, 2009, requires agencies to use separate Treasury Appropriation Fund Symbols (TAFSS) to track and report Recovery Act obligations and disbursements. Federal agencies report the cumulative activity through Friday and submit their weekly reports the following Tuesday before 5:30 p.m. The weekly reports include a list of the major Recovery Act actions completed to date and the major planned actions. Senior accountable officials clear these communications before their release.

Several EPA offices coordinate to prepare and submit EPA's weekly reports. EPA's Office of the Chief Financial Officer (OCFO) prepares the financial section of the reports. The Office of Environmental Information (OEI) prepares the "Major Actions Completed" and "Major Actions Planned" sections. The Recovery Act Accountable Official in the Office of Administration and Resources Management reviews and approves the weekly reports. OEI transmits the reports, and the RAT Board posts the reports to [www.recovery.gov](http://www.recovery.gov) and provides them to OMB.

## Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We conducted our audit from January 25 to June 2, 2010.

We reviewed EPA's weekly Recovery Act financial reports and the process for preparing them. We tested the compliance and accuracy of EPA's weekly financial activity reports by comparing them to reports that we independently generated from the Integrated Financial Management System (IFMS). We tested 5 reports from a universe of 49 reports dated from March 3, 2009, through February 2, 2010. We selected report dates that provided representative audit coverage for the entire reporting period. We tested the timeliness of reporting by examining e-mail confirmations of report submissions, and we traced report postings to [www.recovery.gov](http://www.recovery.gov). We examined the EPA senior accountable official's written approval of the reports.

We assessed EPA's internal controls related to the weekly financial activity reporting. We gained an understanding of the reporting process and internal controls through interviews of OCFO and OEI personnel and examination of OCFO's report preparation instructions. We did not review the internal controls over IFMS from which we obtained data reports, but relied on the review conducted during the audit of EPA's Fiscal Year 2009 financial statements.

We found no prior OIG or U.S. Government Accountability Office reports with findings or recommendations related to EPA's Recovery Act financial reporting.

## **Results of Review**

EPA submitted accurate and timely Recovery Act financial reports in compliance with OMB guidance and Recovery Act requirements.

### ***EPA Complied with OMB Guidance and Recovery Act Requirements***

EPA complied with OMB guidance and Recovery Act requirements for submitting its financial activity reports by:

- Submitting weekly reports of its cumulative Recovery Act obligations and gross outlays in the prescribed format.
- Using separate TAFSs for Recovery Act funds.
- Using the same U.S. standard general ledger accounts that it reported to FACTS II.
- Including in the weekly reports a list of the major Recovery Act actions completed to date and the major planned actions.
- Obtaining approval of the EPA senior accountable official to release the communications.
- Ensuring Recovery Act financial reporting is transparent to the public by posting data to the EPA Recovery Act Website and submitting data to the RAT Board for posting to the government-wide Website.

### ***EPA Submitted Accurate Financial Reports***

We found that EPA submitted accurate weekly reports of cumulative Recovery Act obligations and gross outlays. We verified the accuracy of EPA's reports by matching them to reports that we independently developed. We generated data from EPA's IFMS accounting system and tested five EPA reports. All five reports were accurate. However, OCFO's written instructions for preparing the weekly financial reports contained a misstatement about reporting Recovery Act funds transfers within EPA. The instructions stated that vendor code type 9 transactions representing funds transfers within EPA should be excluded from the weekly financial reports. However, OMB guidance states that weekly reports should include transfers within an agency from one TAFS account to another. Because EPA's reports correctly included transfers within EPA, there was no inaccurate accounting, only a misstatement in the written instructions. OCFO provided us corrected internal instructions on April 7, 2010.

### ***EPA Submitted Timely Financial Reports***

We found that EPA submitted timely financial reports to the RAT Board. The reports include obligation and gross outlay activity through the prior Friday. EPA transmits the weekly reports to the RAT Board through an e-mail to a General Services Administration feed. OMB requires federal agencies to transmit the reports each Tuesday by 5:30 p.m., but will allow an extension until 10:00 a.m. Wednesday. The RAT Board includes, in its weekly posting to [www.recovery.gov](http://www.recovery.gov), the reports of agencies transmitted by 10:00 a.m. Wednesday. Of the five reports reviewed, EPA submitted one report to the RAT Board after the deadline, on Tuesday, February 2, 2010, at 10:48 p.m. However, the RAT Board included the posting to [www.recovery.gov](http://www.recovery.gov) due to its extension policy. EPA's late transmission had no effect on the timely posting of Recovery Act activity for public access.

### **Agency Comments and OIG Evaluation**

In an e-mail dated June 11, 2010, the Agency stated it had no comments on our report.



# **Status of Recommendations and Potential Monetary Benefits**

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
No recommendations							

<sup>1</sup> O = recommendation is open with agreed-to corrective actions pending  
C = recommendation is closed with all agreed-to actions completed  
U = recommendation is undecided with resolution efforts in progress

**Appendix A**

***Distribution***

Office of the Administrator  
Chief Financial Officer  
Deputy Assistant Administrator for Environmental Information and  
    Deputy Chief Information Officer  
Assistant Administrator for Administration and Resources Management  
Agency Follow-up Coordinator  
General Counsel  
Associate Administrator for Congressional and Intergovernmental Relations  
Associate Administrator for Public Affairs  
Audit Follow-up Coordinator, Office of the Chief Financial Officer  
Audit Follow-up Coordinator, Office of Environmental Information  
Acting Inspector General