




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

OFFICE OF
INSPECTOR GENERAL

May 14, 2021

MEMORANDUM

SUBJECT: Notification of Audit:
EPA's Fiscal Year 2021 Financial Statements
Project No. OA-FY21-0170

FROM: Paul C. Curtis, Director 
Financial Directorate
Office of Audit

TO: David Bloom, Acting Chief Financial Officer

We are beginning our audit of the U.S. Environmental Protection Agency's fiscal year 2021 financial statements in May 2021. This audit is statutorily required by the Government Management Reform Act of 1994. This audit also addresses the following top management challenge for the Agency, as identified in the [EPA's FYs 2020-2021 Top Management Challenges](#) report, issued July 21, 2020: fulfilling mandated reporting requirements.

We are providing this memorandum to (1) continue our mutual efforts to establish a high level of expectations for and commitments by all offices to provide timely and accurate information in support of the financial statements and other information included in the EPA's *Annual Financial Report* and (2) help ensure a mutual understanding of our respective roles and responsibilities during the audit. We include more details about our respective responsibilities in Attachment 1, "Audit Expectations." Attachment 2, "Key Milestones," highlights critical dates that must be met to complete this audit in a timely manner.

High Level of Expectations and Commitments

We appreciate the continued level of commitment and cooperation exhibited by staff and managers from your office during our audit of the EPA's FY 2020 financial statements. Their support allowed us to complete the audit by the deadline. We encourage you to continue your efforts to strengthen the Agency's coordination and quality-control processes to ensure that accurate data are available in a timely manner to prepare the annual financial statements and that these statements and supporting documentation are made available in an expeditious manner for our audit. For the FY 2021 financial statements, we will issue an audit report with our opinion in accordance with the Office of Management and Budget's deadline.

We will keep you promptly informed of any delays, with the goal of keeping our respective staffs on track to meet the Office of Management and Budget's deadline for submitting audited financial statements. We will also be glad to assist you in updating office directors regarding the progress and status of the audited financial statements, including briefing senior officials, if necessary.

It is extremely important that any new processes or procedures developed be provided to us in a timely manner—especially any new processes involving Compass or changes in controls as a result of modifications to the system. If such processes or procedures are provided late in the audit, the delay may complicate or prevent the development of procedures to audit such information in time to meet the deadline. If the EPA has made substantial changes to Compass, we will need additional support from your staff to update our documentation of your controls.

Planning and Coordination of Audit Work

We will conduct an entrance conference with your office before transaction testing begins. The estimated timetable for the audit and the types of assistance needed will be discussed at that time. We understand that the EPA expects to prepare an annual financial report for FY 2021 that will include the audited comparative financial statements and other information required by the Office of Management and Budget.

We expect that our audit work will involve all EPA finance centers, as well as other financial and program offices at the EPA headquarters and in the EPA regions, as needed. Audit work will be performed remotely until mandatory telework due to the coronavirus pandemic is ended and staff return to their offices. Even after most EPA offices reopen to staff, we expect most of our work will still be conducted remotely; however, if we need to perform any on-site work, we will coordinate with the relevant offices. We may also contact offices where we do not plan to perform work to obtain information needed for our audit.

We request that you provide the following data as soon as possible, but no later than two weeks from the date of this notification memo. Furthermore, we request that you continue to provide this information throughout the audit as it is developed:

1. The most current Compass business process reengineering maps.
2. The most current posting models at the general ledger account-entry level.
3. Recent policies or procedures on posting transactions in Compass (including, but not limited to, spending adjustment documents developed by the Compass contractor, and current crosswalks).
4. A list of any new accounts in FY 2021.
5. A list of new document types, transaction types, general ledger accounting entries, and standard vouchers.
6. A list of changes to existing document types, transaction types, and standard vouchers.
7. Any general ledger account variance analysis or analytical review performed.
8. The most current cumulative Compass contractor change request list.
9. The most current cumulative schedule of posting model changes, known as “Reference Table Updates.”
10. Briefing materials or a summary of significant information provided to the Office of the Chief Financial Officer senior management on subjects not otherwise addressed by the items listed above, such as the quarterly variance analysis.

In addition to the items listed above, we will request separately a list of additional items to be provided by the Agency.

We respectfully note that the OIG is authorized by the Inspector General Act of 1978, as amended, to have timely access to personnel and all materials necessary to complete its objectives. We will request that you immediately resolve the situation if an Agency employee or contractor refuses to provide requested

materials to or otherwise fails to cooperate with the OIG. We may report unresolved access matters to the administrator and include the incident in the *Semiannual Report to Congress*.

We will work closely with your staff to ensure that the audit meets the Office of Management and Budget's deadline. If you know of issues that you would like us to address during the audit, we can discuss them at the entrance conference.

We will post this memorandum on our public website at www.epa.gov/oig.

Attachments (2)

cc: Dan Utech, Chief of Staff, Office of the Administrator
Wesley J. Carpenter, Acting Deputy Chief of Staff, Office of the Administrator
Avi Garbow, Special Advisor to the Administrator
Assistant Administrators
Deputy Assistant Administrators
Melissa Hoffer, Acting General Counsel
Robin Richardson, Acting Associate Administrator for Congressional and Intergovernmental Relations
Victoria Arroyo, Associate Administrator for Policy
Helen Wooden-Aguilar, Deputy Associate Administrator for Policy
Lindsay Hamilton, Associate Administrator for Public Affairs
Lance McCluney, Director, Office of Administrative and Executive Services, Office of the Administrator
Stefan Martiyan, Director, Office of Continuous Improvement, Office of the Chief Financial Officer
Andrew LeBlanc, Agency Follow-Up Coordinator
José Kercado, Backup Agency Follow-Up Coordinator
Michael Benton, Audit Follow-Up Coordinator, Office of the Administrator
Regional Administrators, Regions 1–10
Carol Terris, Associate Chief Financial Officer
Jeanne Conklin, Controller
Meshell Jones-Peeler, Deputy Controller
Richard Gray, Associate Deputy Controller
Kathy Sedlak O'Brien, Director, Office of Planning, Analysis and Accountability, Office of the Chief Financial Officer
Michael Clanton, Director, Office of Technology Solutions, Office of the Chief Financial Officer
David Burkholder, Acting Deputy Director, Office of Technology Solutions, Office of the Chief Financial Officer
Maria Williams, Director, Office of Budget, Office of the Chief Financial Officer
Angel Robinson, Acting Deputy Director, Office of Budget, Office of the Chief Financial Officer
Aileen Atcherson, Director, Policy, Training and Accountability Division, Office of the Controller, Office of the Chief Financial Officer
Nikki (Wood) Newton, Chief, Management, Integrity and Accountability Branch, Policy Training and Accountability Division, Office of the Controller
Renee Miller, Director, Business Planning and Operations Division, Office of the Controller

Lynnann Hitchens, Acting Deputy Assistant Administrator for Administration and Resources Management, Office of Mission Support
Vaughn Noga, Deputy Assistant Administrator for Environmental Information and Chief Information Officer, Office of Mission Support
Dan Coogan, Acting Director, Office of Resources and Business Operations, Office of Mission Support
Jan Jablonski, Acting Deputy Director, Office of Resources and Business Operations, Office of Mission Support
Marilyn Armstrong, Deputy Director, Office of Resources and Business Operations, Administrative Operations Division, Office of Mission Support
Kimberly Patrick, Director, Office of Acquisition Solutions, Office of Mission Support
Mara Kamen, Director, Office of Human Resources, Office of Mission Support
Yvette Jackson, Director, Office of Administration, Office of Mission Support
Alva Daniels, Deputy Director, Office of Administration, Office of Mission Support
Arron Helm, Director, Office of Administration and Resources Management-Research Triangle Park, Office of Mission Support
Vique Caro, Director, Office of Administration and Resources Management-Cincinnati, Office of Mission Support
Michael Osinski, Director, Office of Grants and Debarment, Office of Mission Support
Kysha Holliday, Deputy Director, National Policy, Training and Compliance Division, Office of Grants and Debarment, Office of Mission Support
Brian Epley, Director, Office of Information Technology Operations, Office of Mission Support
Dany Lavergne, Director, Accounting and Cost Analysis Division, Office of the Controller, Office of the Chief Financial Officer
Vonda Jennette, Deputy Director, Accounting and Cost Analysis Division, Office of the Controller, Office of the Chief Financial Officer
Carmelita Chadwick-Gallo, Director, Research Triangle Park Finance Center, Office of the Controller, Office of the Chief Financial Officer
Greg Luebbering, Director, Cincinnati Finance Center, Office of the Controller, Office of the Chief Financial Officer
Ebonie Smith, Deputy Director, Research Triangle Park Finance Center, Office of the Controller, Office of the Chief Financial Officer
Stacey Church, Chief, Fees and Collections Branch, Office of the Chief Financial Officer
Brian Webb, Chief, Business Analysis Branch, Office of the Controller
Simranjeet Jassal, Chief, General Ledger Analysis and Reporting Branch, Office of the Controller
Herbert Pankey, Director, Facilities Management and Services Division, Office of Administration, Office of Mission Support
Neil Stewart, Acting Deputy Director, Facilities Management and Services Division, Office of Administration, Office of Mission Support
Willie Abney, Director, Desktop Support Services, Office of Information Technology Operations, Office of Mission Support
Steve Blankenship, Director, Real Property Services Division, Office of Administration, Office of Mission Support
Cyndy Mackey, Director, Office of Site Remediation Enforcement, Office of Enforcement and Compliance Assurance
Alana Maye, Audit Liaison, Office of Technology Solutions, Office of the Chief Financial Officer

Larisha McKnight, Backup Audit Liaison, Office of Technology Solutions, Office of the Chief Financial Officer
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Gwendolyn Spriggs, Audit Follow-Up Coordinator, Office of Enforcement and Compliance Assurance
Eleanor Marusiak, Audit Follow-Up Coordinator, Office of Air and Radiation
Tiffany Crawford, Audit Follow-Up Coordinator, Office of Water
Kelly Van Bronkhorst, Audit Follow-Up Coordinator, Office of Research and Development
Janet Weiner, Senior Audit Liaison, Office of Chemical Safety and Pollution Prevention
Kecia Thornton, Audit Follow-Up Coordinator, Office of Land and Emergency Management
Celia Vaughn, Audit Liaison, Office of Acquisition Solutions, Office of Mission Support
Jenny Bae, Audit Liaison, Office of Grants and Debarment, Office of Mission Support
Lenore Connell, Audit Follow-up Coordinator, Office of International and Tribal Affairs
Shan Anderson, Audit Follow-Up Coordinator, Office of General Counsel
Regional Audit Follow-Up Coordinators, Regions 1–10
Sean W. O'Donnell, Inspector General
Charles J. Sheehan, Deputy Inspector General
Edward S. Shields, Associate Deputy Inspector General
Benjamin May, Counsel to the Inspector General
Kellie J. Walker, Acting Deputy Chief of Staff
Katherine Trimble, Assistant Inspector General for Audit
Rashmi Bartlett, Acting Assistant Inspector General for Evaluation
Helina P. Wong, Assistant Inspector General for Investigations
Jee Kim, Acting Assistant Inspector General for Management
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Jeffrey Lagda, Congressional and Media Liaison, Office of Inspector General
Lori Hoffman, Congressional and Media Liaison, Office of Inspector General
LaSharn Barnes, Director, Information Resources Management Directorate, Office of Inspector General
Damon Jackson, Associate Director, Financial Directorate, Office of Inspector General
Wanda Arrington, Project Manager, Financial Directorate, Office of Inspector General
Demetrios Papakonstantinou, Project Manager, Financial Directorate, Office of Inspector General
Mairim Lopez, Project Manager, Financial Directorate, Office of Inspector General
Claire McWilliams, Project Manager, Financial Directorate, Office of Inspector General
Vincent Campbell, Project Manager, Information Resources Management Directorate, Office of Inspector General

Audit Expectations

We will audit the EPA's consolidated balance sheet as of September 30, 2021, and September 30, 2020; the related consolidated statements of net cost, net cost by major program, changes in net position, and custodial activity; the combined statement of budgetary resources for the years then ended; and related notes to the financial statements. We confirm our acceptance and our understanding of this audit engagement by means of this memorandum. Our audit will be conducted with the objective of our expressing an opinion on the financial statements and to determine whether the:

1. Financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles.
2. EPA's internal control structure over financial reporting related to the financial statements is in place and provides reasonable assurances that:
 - a. Financial transactions are executed in compliance with applicable laws, regulations, contracts, and grant agreements.
 - b. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
 - c. Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements.
3. Agency has complied with laws, regulations, contracts, and grant agreements that have a direct and material effect on the financial statements, including determining whether the Agency has substantially complied with the Federal Financial Management Improvement Act provisions.
4. Information and manner of presentation contained in the "Management's Discussion and Analysis" and any other accompanying information are materially consistent with the information contained in the principal statements.

Auditor's Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the comptroller general of the United States; and Office of Management and Budget Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. The standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures that are selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by EPA management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with the standards.

In making our risk assessments, we consider internal control relevant to the EPA's preparation and fair presentation of the financial statements, including its Federal Managers' Financial Integrity Act of 1982 process to design audit procedures that are appropriate in the circumstances. We will not express an opinion on the effectiveness of the EPA's internal control. We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Management's Responsibilities

The financial statements are the responsibility of the EPA's management. Our audit will be conducted on the basis that the EPA's management acknowledges and understands that it has responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States.
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
3. To provide the OIG with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that we may request from management for the purpose of the audit.
 - c. Unrestricted access to persons within the EPA from whom we determine it necessary to obtain audit evidence.
4. For implementing and maintaining financial management systems that substantially comply with federal financial management system requirements, federal accounting standards, and the United States Standard General Ledger at the transaction level.
5. For the selection and application of the accounting policies.
6. To identify and ensure that the EPA complies with the laws, regulations, contracts, and grant agreements applicable to its activities.
7. To make sure all financial records and related information are available to us in a timely manner.

We will request that key senior managers provide us with management representation letters at the conclusion of our fieldwork.

Reporting

We will issue a written report upon completion of our audit of the EPA’s fiscal year 2021 consolidated financial statements in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the comptroller general of the United States; and Office of Management and Budget Bulletin 19-03, *Audit Requirements for Federal Financial Statements*.

Our report will be addressed to EPA management. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s). We will issue our audit report with our opinion in accordance with the Office of Management and Budget’s deadline, regardless of the readiness of the agency’s financial statements.

Please sign and return the attached copy of this memorandum to indicate your acknowledgment of, and agreement with, the arrangements of our audit of the EPA’s fiscal years 2021 and 2020 financial statements, including our respective responsibilities.

David Bloom
Acting Chief Financial Officer

Date

Key Milestones

To ensure the success and timely completion of this audit, please see the key milestones below.

| Milestones | Date or timeline | Responsible party |
|---|---|---|
| Entrance conference | At least 15 days after notification memorandum issuance date | All |
| Finance centers and property management officers' management representation letters | Two weeks after fiscal year end close | -Headquarters -Cincinnati Finance Center -Research Triangle Park Finance Center |
| Draft financial statements and footnotes, including support and Management's Discussion and Analysis. All Agency adjustments are to be included in the draft. No additional adjustments are allowed except from the schedule of audit differences. | Three weeks after fiscal year end close | Office of the Chief Financial Officer |
| Final financial statements and footnotes, including support and Management's Discussion and Analysis | Three business days after receipt of the schedule of audit differences | Office of the Chief Financial Officer |
| Agency management representation letter | Five business days after final financial statements are provided to the OIG | Office of the Chief Financial Officer |