Fiscal Year 2022 Agency Financial Report

ABOUT THIS REPORT

The U.S. Environmental Protection Agency is pleased to present the Fiscal Year 2022 Agency Financial Report. This report provides an overview of the financial and performance results for the fiscal year spanning October 1, 2021, through September 30, 2022.

The information, data, and analyses presented in this AFR is to provide assistance to the President, Congress, and the American people in evaluating the agency's yearly activities and accomplishments towards its mission of protecting human health and the environment.

The FY 2022 AFR encompasses the EPA Office of Inspector General's FY 2022 Financial Statements Audit Report and the agency's FY 2022 *Federal Managers' Financial Integrity Act* Report, including the Administrator's statement assuring the soundness of the agency's internal controls.

The AFR reports information in accordance with the Chief Financial Officers Act and Office of Management and Budget Circular A-136, Financial Reporting Requirements, and fulfills the requirements set forth in OMB Circular A-11, Preparation, Submission and Execution of the Budget, and the Government Performance and Results Act Modernization Act of 2010.

The AFR is one of two annual reports publishing information on EPA's programmatic and financial activities. The financial information within the AFR will be supplemented by the EPA's Annual Performance Report, which will present the agency's FY 2022 performance results as measured against the targets established in its FY 2022 Annual Performance Plan and Budget and the goals established in the FY 2022–2026 EPA Strategic Plan. The EPA's FY 2022 APR will be included with the agency's FY 2024 Congressional Budget Justification and will be posted on the agency's website.

Collectively, the AFR and APR present a complete summary of the agency's activities, accomplishments, progress, and financial information for each fiscal year. Both prior year reports are available at: https://www.epa.gov/planandbudget/fy-2022-2026-data-quality-records.

How the Report Is Organized

The EPA's FY 2022 AFR is organized into three sections to provide clear insight into the agency's financial results.

Section I—Management's Discussion and Analysis

This section contains an overview on the EPA's mission and organizational structure; a summary of performance results; an analysis of the financial statements and stewardship data; information on systems, legal compliance, and controls; and other management initiatives.

Section II—Financial Section

This section includes the agency's independently audited financial statements, which comply with the Chief Financial Officer Act, the related Independent Auditors' Report and other information on the agency's financial management.

Section III—Other Accompanying Information

This section contains additional material as specified under OMB Circular A-136*, Financial Reporting Requirements,* and the Reports Consolidation Act of 2000. The subsection titled "Management Integrity and Challenges" describes the EPA's progress toward strengthening management practices to achieve program results and presents the OIG's list of top management challenges.

Appendices

The appendices include links to relevant information on the agency website and a glossary of acronyms and abbreviation.

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Message from the Administrator

November 15, 2022

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

It is my privilege to present the U.S. Environmental Protection Agency's Fiscal Year 2022 Agency Financial Report and to inform you that the EPA for the 23rd consecutive year has earned a clean, unmodified financial audit opinion from its independent auditors – an achievement that speaks to the dedication, professionalism, and integrity of the agency's career staff. This report outlines how the EPA used its financial resources to advance the Administration's public health and environmental priorities, ensure accountability and demonstrate financial integrity.

This Administration has made it clear since its first day that America is back as the global leader on climate change. We promised bold action to tackle the climate crisis and advance environmental justice, and FY 2022 will be remembered as a pivotal year for the agency's commitment to facing these environmental challenges. It is also the year when the EPA established a new national office charged with advancing environmental justice and civil rights, another key priority of the Administration. The new Office of Environmental Justice and External Civil Rights elevates these critical issues to the highest levels of the government and solidifies the agency's commitment to delivering justice and equity for all.

The Biden-Harris Administration and the American people have entrusted the EPA with historic levels of funding The unprecedented increase in funding is approximately 10 times the amount that the agency sees in a typical year. The American people expect the EPA to do big things, and I assure you that the

with the urgency they demand.

At the same time, the EPA will continue to advance its ongoing programmatic work. From responding to natural disasters and cleaning up contaminated sites to setting policies and regulations, the agency has a rich history of delivering results. For example, the combined emissions of the six common pollutants that are regulated through the National Ambient Air Quality Standards have dropped by 74 percent since 1970 and our Nation's waters are dramatically cleaner than they were 50 years ago. This did not happen by accident; it is thanks to the EPA's scientists and environmental professionals who, in collaboration with states and tribes, meticulously developed the regulatory and permitting framework that delivered these results and, when necessary, held violators accountable through enforcement actions. During my time as the agency's Administrator, I am committed to building on these historic accomplishments while ensuring that the communities that had previously been left behind to bear the brunt of the public health impacts of pollution get the attention and justice they deserve.

As laid out in the EPA's new FY 2022-2026 Strategic Plan published earlier this year, the agency will employ the full array of policy and legal tools at our disposal to incorporate environmental and climate justice commitment to scientific integrity as the underpinning of all EPA decisions and rulemakings. We are dramatically stepping up the pace on efforts to modernize the country's drinking and wastewater systems; safeguard communities and ecological systems from perfluoroalkyl and polyfluoroalkyl substances contamination; clean up and revitalize contaminated sites; and strengthen energy security while confronting the climate crisis. At the same time, these investments provide economic opportunities and create good jobs across the country.

I am proud to work alongside the agency's dedicated staff during this exciting time at the EPA. As we take advantage of these transformational opportunities to more fully protect human health and the environment for all Americans, I am inspired by the talented and committed public servants at the agency and our partners in the states and tribes across this beautiful country. I have great confidence that we will accomplish these ambitious goals together.

Respectfully,

Michael S. Regan

Section I
Management's Discussion and Analysis

ABOUT EPA

History and Purpose

Since its establishment in 1970, the EPA has worked for over five decades to identify, evaluate, and execute sustainable solutions to existing and emerging environmental and public health concerns. The negative impact and hazards of environmental pollution warrant continued EPA involvement. The American people deserve a clean, healthy, and safe environment where they live, work, and play.

The EPA incorporates environmental research, monitoring, standard-setting, and enforcement functions under the guidance of a single, independent agency. As a result, the agency ensures environmental protection remains an integral part of all U.S. policies, whether related to economic growth, climate change, environmental justice, natural resource use, energy, transportation, agriculture, or human health.

The EPA has made and continues to make great strides in providing a cleaner, safer, and healthier environment for all Americans and future generations. Focused cleanup efforts have helped remedy the practices of the past, and the EPA continuously works to monitor and regulate pollutants, evaluate new chemicals, and inspire better decision-making to safeguard our environmental future.

The EPA is committed to collaboration. Identifying and addressing the complex environmental issues affecting the nation and the world requires consistent, efficient cooperation and communication among a diverse group of partnerships, ranging from state, tribal, and local governments to foreign governments and international organizations throughout the world.

Mission

What EPA Does

- ✓ ***Enforce environmental laws***
- ✓ ***Responds to the release of hazardous substances***
- ✓ ***Gives grants to states, local communities, and tribes***
- ✓ ***Studies environmental issues***
- ✓ ***Sponsors partnerships***

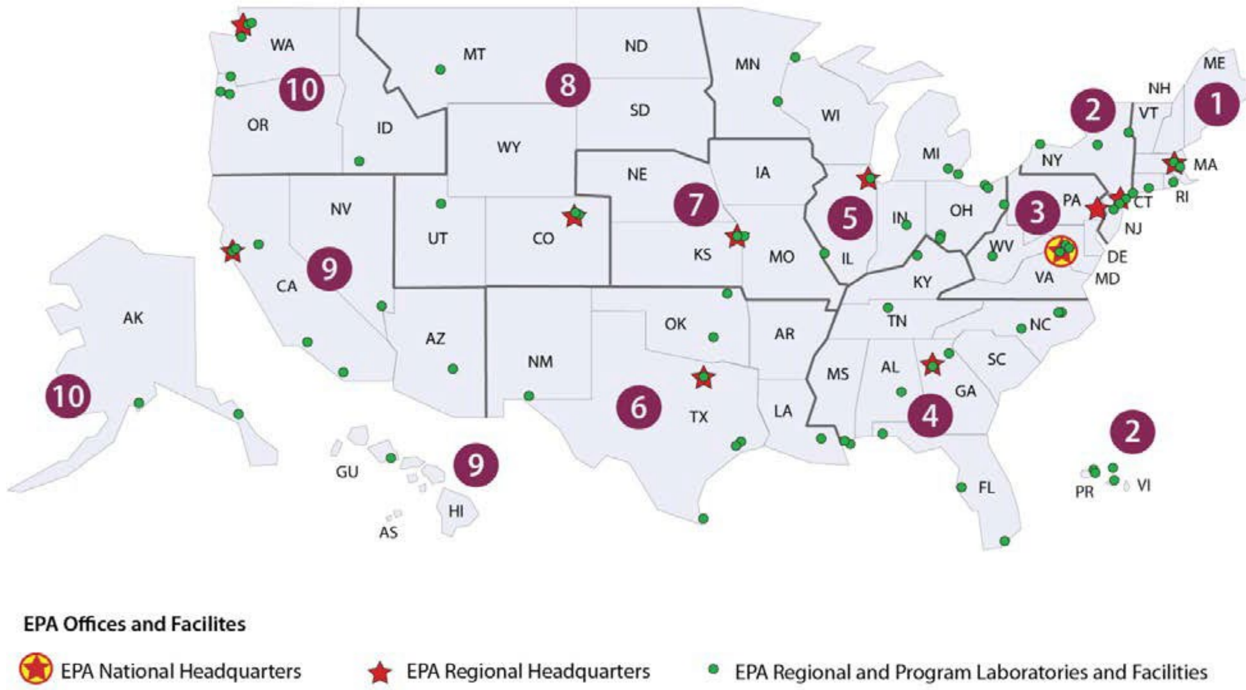
The mission of the EPA is to protect human health and the environment.

To accomplish this mission, the EPA works to ensure that Americans have clean air, land, and water for present and future generations. This includes the EPA's commitment to take brave steps and align its actions to respond to the climate crisis and continue engaging the global community. Also, the EPA will take critical actions to advance environmental justice and enforce civil rights laws that impact underserved and overburdened communities. The EPA relies on accurate scientific information to identify human health and environmental matters that affect policy decisions and enforcement actions. The EPA works to ensure all communities, individuals, businesses, and state, local and tribal governments have access to accurate sufficient information to effectively participate in delivering a cleaner, safer, and healthier environment. The EPA is committed to effectively and efficiently serving the American people and conducting business with transparency in a manner worthy of the public's trust and confidence.

Organization

The EPA's headquarters is located in Washington, D.C. Together, the EPA's headquarters offices, 10 regional offices, and more than a dozen laboratories and field offices across the country employ a diverse, highly educated, and technically trained workforce of roughly 14,000 people.

Regional Map



Collaborating with Partners and Stakeholders

The EPA's partnerships with states, tribes, local governments, and the global community are central to the success of protecting human health and the environment. For five decades, this collaboration has strengthened federal environmental protection laws that are implemented within state, tribal, and local jurisdictions. The EPA recognizes that improvements to protecting human health and the environment can be achieved when the states, tribes, and EPA, in conjunction with affected communities, work together in a spirit of trust, collaboration, and partnership. This foundation involves active platforms for public participation, including building the capacity for the most vulnerable community stakeholders to provide input and has improved the EPA's ability to fulfill its mission locally and internationally.

FY 2022 PROGRAM PERFORMANCE

Detailed FY 2022 performance results will be presented in the *EPA's FY 2022 Annual Performance Report*. The EPA will include its *FY 2022 APR* with its *FY 2024 Annual Performance Plan and Budget*. These reports, along with FY 2022 performance results will be posted at http://www.epa.gov/planandbudget concurrent with the publication of the *FY 2024 President's Budget*.

FINANCIAL ANALYSIS AND STEWARDSHIP INFORMATION

Sound Financial Management: Good for the Environment, Good for the Nation

The financial management overview below highlights some of the EPA's most significant financial achievements carried out during the agency's efforts to execute its mission to protect human health and the environment during FY 2022:

- **Agency Financial Statements.** For the 23rd consecutive year, the EPA's OIG issued a "clean", unmodified, audit opinion for the agency's financial statements. This accomplishment underlines EPA's consistency in timely, reliable, and accurate financial information that is reported in all material aspects.
- **Water Infrastructure Finance and Innovation Act (WIFIA)**. In FY 2022, the EPA announced the availability of approximately $6.5 billion in WIFIA loans to help finance over $13 billion in water infrastructure investments, while creating more than 40,000 jobs. The EPA is prioritizing increasing investment in economically stressed communities, making rapid progress on lead service line replacement, addressing PFAS and emerging contaminants, and supporting one water innovation and resilience for the FY 2022 selection round. To date, the EPA's 89 WIFIA loans are providing over $15 billion in credit assistance to help finance nearly $32 billion for water infrastructure, while creating approximately 100,000 jobs and saving taxpayers over $5 billion.
- **OCFO Technical Training Conference**. In June 2022, the Office of the Chief Financial Officer held its annual Technical Training Conference for the EPA employees both virtually and in person. The event continued to push forward best practices for budget, planning, and financial management to an audience of roughly 700 participants. The OCFO offered a range of 40+ professional development and Continuing Learning Credit courses. These courses offered agency employees the opportunity to learn various financial tools and processes, which expanded their financial skills.
- **Working Capital Fund Financial Statements.** The EPA's Working Capital Fund provides common administrative services to the EPA and other federal agencies, where the costs of goods and services provided are charged to users on a fee-for-service basis. In FY 2022, the WCF began its 26th year of operation. The WCF is not mandated to be audited by a third-party; however, the EPA's WCF has contracted with an external Certified Public Accounting firm to conduct an annual audit. For the 19th consecutive year, the EPA's WCF received a clean opinion, indicating its financial statements were presented fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles.
- **Invoice Processing Platform.** The EPA continues to make great strides in providing a shared services approach to our financial tools and processes. In October 2019, the agency launched the Invoice Processing Platform as an electronic invoicing system for all invoices that are currently processed through the agency's Contract Payment System. IPP is a web- based system used to efficiently manage government invoicing from contract award through payment notification. The IPP system provides a secure online platform that vendors use to submit invoices, while centralizing all invoice transaction data and documents in one place. During FY 2022, the EPA continued to increase IPP use, paying over 25,000 vendor invoices (approximately $1 billion) through IPP. This represents

approximately 85% of all agency contract invoices. The EPA continues to work with vendors to ensure their use of the IPP system and is planning to process simplified acquisitions payments in IPP in early FY 2023.

- **Compass Consolidated Upgrade:** This initiative consolidated key projects into a single effort helping to reduce resource demands, while ensuring these tightly coupled efforts were successful. The activities included the Compass Version Enhancement 3, which consisted of the upgrade of the agency financial system, Compass, from version 7.7 to 7.9; Unique Entity Identifier, which replaced the Data Universal Numbering System with the federally-mandated Unique Entity Identifier ; Invoice Processing Platform, which included the previously completed e-Invoicing effort and moves us to Full IPP, resulting in the decommissioning of Contract Payment System and Small Purchase Invoice Tracking System; and G-Invoicing which will allow the federal government to streamline its Inter-Agency agreement process. The first phase of this effort, CVE3/UEI, was deployed successfully in February 2022 and the team returned systems to normal operations 7 days early with no major impacts post go-live. This initial phase deployed the acquisition module which is the foundation for the remaining portions of the consolidated project.
- **Program Integrity over Supplemental Infrastructure Funding:** In FY2022, the EPA was a part of the Infrastructure Investment and Jobs Act. This bipartisan infrastructure deal will expand access to clean drinking water, provide electric school buses to school districts across America, tackle the climate crisis, advance environmental justice, and invest in communities that have too often been left behind. The EPA received roughly $60B (to be distributed over the next 5 years) in supplementary funding to move out on supporting actions to these objectives. To ensure the proper stewardship of the funding, the OCFO established an extensive program integrity framework which would aid the agency in assessing the risks, implementing internal controls, and preparing for oversight engagements. The goal of the program is to push the planning and control needed to protect the funding early in the life-cycle process. As the program moves into its second year in FY2023, it is an opportunity for the agency to further safeguard its public resources against fraud, waste, and abuse.
- **Budget Load Efficiencies.** Making funds available to the agency when an appropriations bill is passed is extremely time sensitive. The EPA loads upwards of seven budgets annually into the financial system. The Office of Budget utilizes the Budget Formulation System to develop and create each of these budget files that need to be loaded into Compass, which then allows the agency to spend funding against the approved budget. Loading a budget has traditionally involved numerous hours of staff resources to ensure that the agency budget reflects what congress appropriated and OMB apportioned. In FY 2022 the OCFO leveraged robotic process automation technology to automate the strenuous task of using Compass to upload and verify budget files. Prior to the implementation of RPA, the budget load process was a transaction intensive task that required very little analytical decision making but countless processing steps. The use of RPA helped to save valuable staff time allowing the team to focus on more important analytical tasks. The Budget Load RPA was used to load six budgets in FY 2022 and significantly reduced processing time.

- **Publication of the FY 2022-2026 EPA Strategic Plan**. The EPA's Strategic Plan is a public expression of our values, goals, and path forward for the important work the agency will accomplish to help create a healthier, more just environment for everyone. The *Plan* renews the EPA's commitment to the three foundational principles that have guided agency work since they were first articulated by former Administrator William Ruckelshaus—follow the science, follow the law, and be transparent. It also adds, for the first time, a fourth foundational principle: advance justice and equity. These principles shape the EPA's strategic goals, which include a new goal focused exclusively on tackling the climate crisis and an unprecedented strategic goal to advance environmental justice and civil rights. These priorities are integrated throughout the plan's programmatic goals and cross-agency strategies — the bedrock of which is ensuring scientific integrity and science-based decision making. To hold the agency accountable, the *Plan* includes measurable outcomes of success under each strategic objective and cross-agency strategy. Also, for the first time, the EPA's *Strategic Plan* includes a Learning Agenda and Capacity Assessment, to advance a culture of evidence-building, continuous learning, and evaluation in agency operations and decisions. The agency has already taken key actions to deliver on these commitments, such as issuing the most protective national greenhouse gas emissions standards for passenger cars and light trucks ever, developing program and regional climate adaptation plans, and putting in place targeted plans to implement EPA's scientific integrity policy.

- **CARES Act.** In FY 2022, the agency continued to use funds received under the *Coronavirus Aid, Relief, and Economic Security Act*, to support Environmental Program Management, Science and Technology, Building and Facilities, and Superfund program efforts in response to the COVID-19 pandemic. This includes cleaning and disinfecting equipment and facilities, as well as maintaining the operational continuity of the EPA programs and related activities.
- **Inflation Reduction Act.** In FY 2022, the agency received an additional $40 billion that will be used to deliver unparalleled progress for people and the planet. The agency will direct resources toward cleaning up harmful air pollution in places where people live, work, play, and go to school; accelerating our work on environmental justice and empowering community-driven solutions in overburdened neighborhoods; and aggressively reducing harmful climate pollution while supporting our transition to cleaner technologies and materials.

Financial Condition and Results

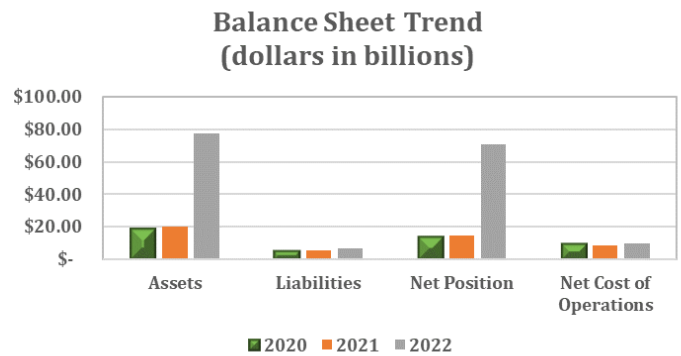
Financial statements are formal financial records that document the EPA's activities at the transaction level, where a "financial event" occurs. A financial event is any occurrence having financial consequences to the federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, and other potential liabilities; or other reportable financial activities.

The EPA prepares four consolidated statements (a balance sheet, a statement of net cost, a statement of changes in net position, and a statement of custodial activity) and one combined statement, the Statement of Budgetary Resources. Together, these statements with their accompanying notes provide the complete picture of the EPA's financial situation. The complete statements with accompanying notes, as well as the auditors' opinion, are available in Section II of this report.

Key Terms

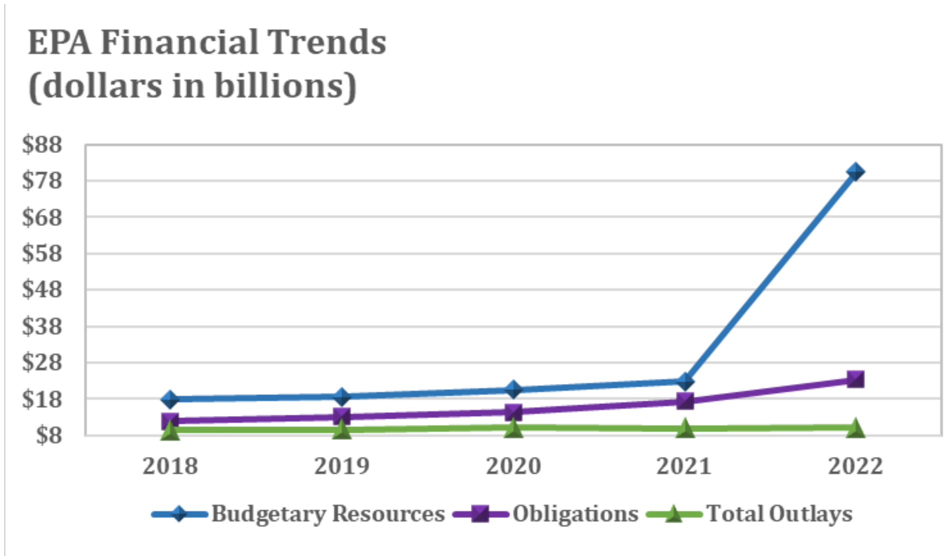
Assets: What the EPA owns and manages.
Liabilities: Amounts the EPA owes because of past transactions or events.
Net position: The difference between the EPA's assets and liabilities.
Net cost of operations: The difference between the costs incurred by the EPA's programs and the EPA's revenues.

The balance sheet displays assets, liabilities, and net position as of September 30, 2022, and September 30, 2021. The statement of net cost shows the EPA's gross cost to operate, minus exchange revenue earned from its activities. Together, these two statements provide information about key components of the EPA's financial condition—assets, liabilities, net position, and net cost of operations. The balance sheet trend chart depicts the agency's financial activity levels since FY 2020.



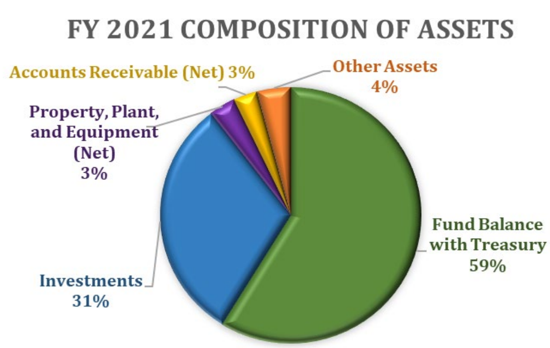
EPA Resources and Spending

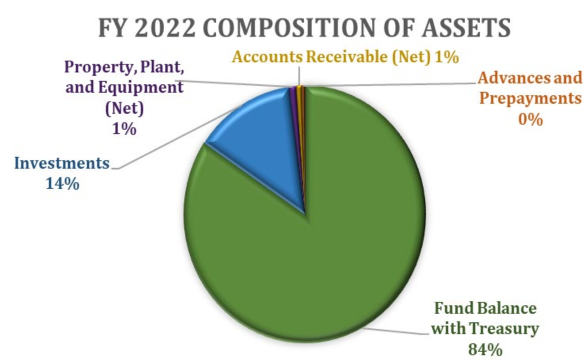
The figure below depicts the EPA's aggregate budgetary resources (congressional appropriations and some agency collections), obligations (authorized commitment of funds), and total outlays (cash payments) for each of the last five fiscal years. The Statement of Budgetary Resources in Section II provides more information on the makeup of the agency's resources.



Assets—What EPA Owns and Manages

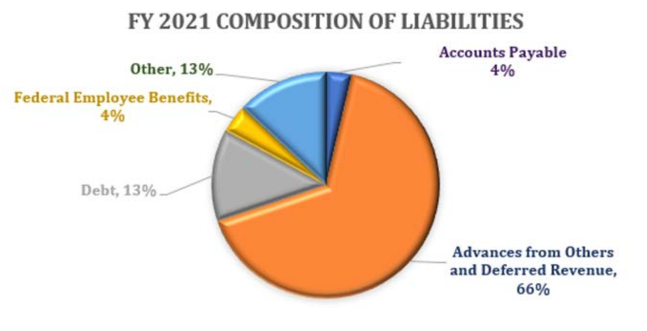
The EPA's assets totaled $77 billion at the end of FY 2022, an increase of $57 billion from the FY 2021 level. In FY 2022, approximately 98 percent of the EPA's assets fall into two categories: fund balance with the Department of the Treasury and investments. All of the EPA's investments are backed by U.S. government securities. The graph below compares the agency's FY 2022 and FY 2021 assets by major categories.

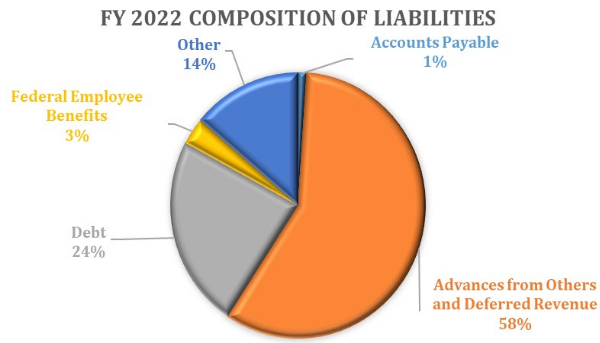




Liabilities—What EPA Owes

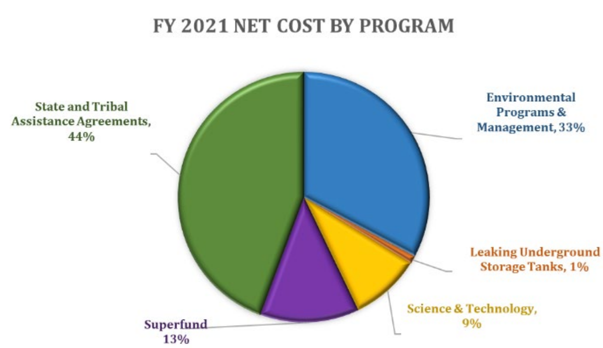
The EPA's liabilities were $6.64 billion at the end of FY 2022, an increase of $940 million from the FY 2021 level. In FY 2022, the EPA's largest liability (58 percent) was advances from others and deferred revenue. Additional categories include accounts payable, federal employee benefits, and debt. The graphs compare FY 2022 and FY 2021 liabilities by major categories.

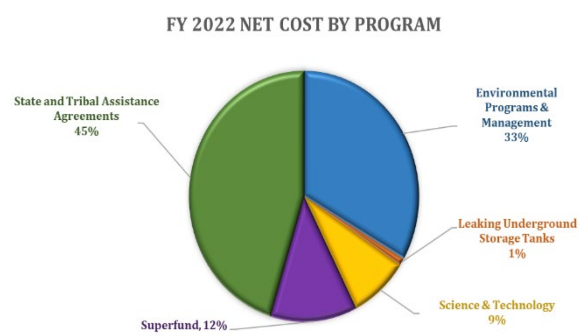




Net Cost of Operations—How EPA Used Its Funds

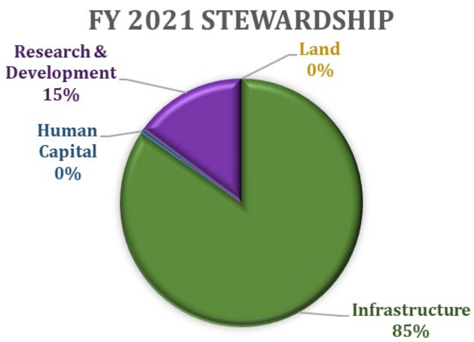
The graph that follows show how the EPA's funds are expended among five expenditure accounts in FY 2022 and FY 2021.

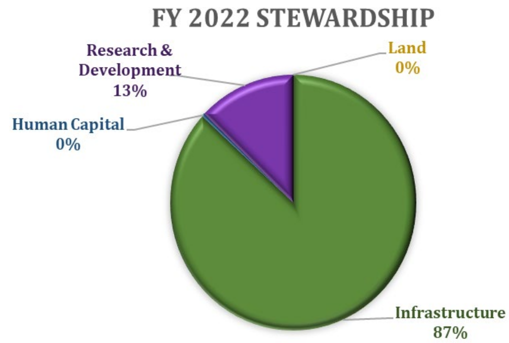




Stewardship Funds

The EPA serves as a steward on behalf of the American people. The chart below presents four categories of stewardship: land, research and development, infrastructure, and human capital. In FY 2022, the EPA devoted a total of $4.69 billion to its stewardship activities.





Per the Federal Accounting Standards Advisory Board, stewardship investments consist of expenditures made by the agency for the long-term benefit of the nation that do not result in the federal government acquiring tangible assets.

- Some of the largest infrastructure programs within the agency are the Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs that provide grant funds to states for water infrastructure projects, such as the construction of wastewater and drinking water treatment facilities. States lend the majority of these funds to localities or utilities to fund the construction and or upgrade of facilities (some may also be used for loan forgiveness or given as grants). Loan repayments then revolve at the state level to fund future water infrastructure projects. The EPA's budget included nearly $6.41 billion in FY 2022 appropriated funds for the SRFs for states' use. In addition, states lent billions of dollars from funds they received as repayments from previous State Revolving Fund loans. These funds provide assistance to public drinking water and wastewater systems for the enhancement of water infrastructure, allowing for cleaner water bodies and crucial access to safer drinking water for millions of people.
- Research and development activities enable the EPA to identify and assess important risks to human health and the environment. This critical research investment provides the basis for the EPA's regulatory work, including regulations to protect children's health and at-risk communities, drinking water, and the nation's ecosystems.
- Land includes contaminated sites to which the EPA acquires title under the Superfund authority. This land needs remediation and cleanup because its quality is well below any usable and manageable standards. To gain access to contaminated sites, the EPA may acquire easements that are in good and usable condition. These easements may also serve to isolate the site and restrict usage while the cleanup is taking place.
- The agency's investment in human capital through training, public awareness, and research fellowships are components of many of the agency's programs and effective in achieving the agency's mission of protecting public health and the environment.

Financial Management for the Future

During times of environmental challenges, sound stewardship of the EPA's financial resources continues to be critical to the agency's ability to protect the environment and human health. Reliable, accurate, and timely financial information is essential to ensure cost-effective decisions for addressing land, water, air and ecosystem issues. To strengthen the EPA's financial stewardship capabilities, the agency focuses on the fundamental elements of financial management: people and systems.

People: The EPA leverages every available tool to recruit the best people with the necessary skills to meet tomorrow's financial challenges. Staff members are trained in financial analysis and forecasting to understand financial data and what it means.

Systems: The EPA is integrating financial information into everyday decision-making so that it maximizes the use of its resources. The EPA's core financial system, Compass, is based on a commercial-off-the-shelf software solution. Compass has improved the EPA's financial stewardship by strengthening accountability, data integrity and internal controls within the following business areas:

- General ledger
- Accounts payable
- Accounts receivable
- Property
- Project cost
- Intra-governmental transactions
- Budget execution

Compass provides core budget execution and accounting functions while facilitating more efficient transaction processing. The system posts updates to ledgers and tables as transactions are processed and generates source data for the preparation of financial statements and budgetary reports. During the next year, the agency plans to look at opportunities to review all remaining payment tracking systems and seek to move them into the financial system, where applicable.

The OMB has outlined several planned solutions to assist agencies with modernizing and maximizing information technology while retiring aging administrative systems. The implementation of shared solutions will allow the EPA to continue efforts already begun to streamline and enhance the delivery of financial management information and services. As part of the Compass Consolidated Upgrade project, the EPA implemented a version upgrade with the Unique Entity Identifier in February 2022. In addition, the EPA is implementing G-Invoicing (for federal interagency agreements) and the IPP (for contracts and simplified acquisitions). The latter two initiatives will be guided by the Treasury. This upgrade effort will require significant investment in updating and preparing existing systems for new interfaces, as well as changing business processes and migrating data.

Limitations of the Principal Financial Statements

The EPA prepared the principal financial statements to report the financial position and results of its operations, pursuant to the requirements of 31 U.S.C. 3515 (b). The EPA has prepared the statements from the books and records of the entity in accordance with federal generally accepted accounting principles and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the final U.S. Government financial statements.

IMPROVING MANAGEMENT AND RESULTS

Office of Inspector General Audits, Evaluations, and Investigations

The OIG contributes to the EPA's mission to protect human health and the environment by assessing the efficiency and effectiveness of the agency's program management and results. The OIG ensures that agency resources are used as intended, develops recommendations for improvements and cost savings, and provides oversight and advisory assistance in helping the EPA carry out its objectives. The OIG detects and prevents fraud, waste, and abuse to help the agency protect human health and the environment more efficiently and cost effectively. The OIG performs its mission through independent oversight of the programs and operations of the EPA. The OIG also contributes to the oversight integrity of, and public confidence in the agency's programs and to the security of its resources by preventing and detecting possible fraud, waste, and abuse and pursuing judicial and administrative remedies.

In FY 2022, the OIG identified key management challenges and internal control weaknesses and the audits, evaluations, and investigations resulted in:

- 94 recommendations accounting for over $55 million in potential savings and recoveries;
- 81 actions taken by the Agency for improvement from OIG recommendations; and
- 89 criminal, civil, or administrative enforcement actions.

Grants Management

The EPA has two major grants management metrics, one for grant competition, the other for grants closeout. For FY 2022, the agency exceeded the grant competition metric by 6%, and met the 90% and 99% targets for grant closeouts.

Grants Management Performance Measures for EPA

Performance Measure	Target	Progress in FY 2022	Progress in FY 2021
Percentage of grants closed out	90%*	91.7% closure of grants that expired in 2021	89% closure of grants that expired in 2020
	99%**	99.3% closure of grants that expired in 2020 and earlier	99.3% closure of grants that expired in 2019 and earlier
Percentage of new grants subject to the competition policy that are competed***	90%	96%	94%

*Percentage of open grants that expired in 2021 that were closed in performance year.
**Percentage of open grants that expired in 2020 and earlier that were closed in performance year.
***The Environmental Protection Agency Policy for Competition of Assistance Agreements establishes requirements for the competition of assistance agreements (grants, cooperative agreements, and fellowships) to the maximum extent practicable.

ACCOUNTABILITY: SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Managers' Financial Integrity Act

FMFIA requires federal agencies to conduct ongoing evaluations of their internal controls over program operations and financial activities and report the results to the President and Congress. Additionally, agencies are required to assess and report on whether financial management systems comply with federal standards.

The EPA evaluated its internal controls in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The agency operates a comprehensive internal control program, which ensures compliance with the requirements of FMFIA and other laws and regulations. The EPA's national programs and regional offices conduct risk and internal control assessments and submit annual assurance letters attesting to the soundness of the internal controls within their organizations. These assurance letters provide the basis for the Administrator's statement of assurance on the overall effectiveness of the EPA's internal controls designed for operations and financial management systems.

In FY 2022, the EPA did not identify any new material weaknesses related to effectiveness and efficiency of operations. The EPA continues to emphasize the importance of maintaining effective internal controls in order to comply with FMFIA and other applicable laws and regulations.

Internal Controls Over Financial Reporting

The agency has evaluated the key internal controls spanning its financial processes. Based on this evaluation, the EPA did not identify any new material weaknesses. Subsequent to the agency's review, The EPA's OIG identified no new material weaknesses during the FY 2022 financial statement audit.

Internal Controls Over Financial Management Systems

The FMFIA requires agencies to ensure that financial management systems consistently provide reliable data that comply with government-wide principles, standards, and requirements. Based on the agency's evaluation of its financial management systems, no material weaknesses were identified. The assessment included a review of the agency's core financial system, Compass, as well as those considered as financially related or mixed systems that support or interface with the core financial system. The EPA has determined that its financial management systems substantially comply with FMFIA requirements and federal standards.

Based on the results of the agency and the OIG's FY 2022 evaluations, the Administrator provides reasonable assurance on the adequacy and effectiveness of the EPA's internal controls over financial management systems.

The Digital Accountability and Transparency Act

The DATA Act of 2014 was designed to increase the standardization and transparency of federal spending. It requires agencies to report data, consistent with data standards established by OMB and the Treasury, for publication on USASpending.gov.

The EPA has continually complied with OMB guidance and provided reasonable assurance that internal controls support the reliability and validity of account-level and award-level data reported on USASpending.gov. This level of assurance in the internal controls has been enabled through three elements of the EPA DATA Act submission process: 1) establishment of the DATA Act Evaluation and Approval Repository Tool; 2) multi-level approval process; and 3) documentation of all associated warnings in its statement of assurance.

The DEAR Tool was designed to transform data to meet the data standards, pre-validate all of the warnings and edits that would be triggered when submitting the information to the DATA Act broker, and to standardize and fully document the multi-level approval process, culminating in the Senior Accountable Official approval.

The multi-level approval process within the DATA Act submission process allowed all parties of the approval process to be informed of the issues present and documented within the files. The approval process consists of three independent reviews of the DATA Act files: appropriations and programs/BOC (Files A and B), contract awards (File C and D1), and grant awards (File C and D2). The case manager for each review ensures that all warnings and edits have been resolved or adequately justified and that the files are ready for certification. Next, the Office Director is provided a memorandum which includes an explanation as to why particular warnings could not be fully resolved. By signing the memorandum, the Office Directors are confirming that the information submitted is valid and can be certified for publishing to USA Spending. The final briefing gives the appropriate assurance to the Senior Accountable Official and addresses any questions or concerns prior to official certification that the files fully comply with the law.

The Statement of Assurance is the central piece of information for the agency to document its data issues that triggered the DATA Act warnings but remain unresolved. The EPA's approach was to address all data issues that could easily be resolved with changes to the host financial system or the DEAR, but for what could not be addressed timely, to fully document the cause of the warnings within the Statement of Assurance. Therefore, the EPA used the Statement of Assurance as the document to illustrate that even though our data had flaws, the agency understood and thought about the issues in the larger context of the DATA Act submission.

In FY 2022, the agency continued to provide accurate and timely data for the DATA Act. The agency has continually worked to resolve data issues as they have arisen during submissions or in the form of warnings. Moving into FY 2023, the agency aims to continue to focus on improving data quality and streamlining the review processes to ensure that it continues to maintain exemplary transparency to the public on spending.

Federal Financial Management Improvement Act (FFMIA)

FFMIA requires that agencies implement and maintain financial management systems that comply with the following:

- federal financial management system requirements,
- applicable federal accounting standards, and
- U.S. Standard General Ledger at the transaction level.

The agency evaluated its financial management systems and has determined they comply with FFMIA requirements. Additionally, FFMIA requires independent auditors to report on agency compliance with the three requirements as part of financial statement audit reports.

Fiscal Year 2022 Annual Assurance Statement

The U.S. Environmental Protection Agency's management is responsible for managing risk and maintaining effective internal control to meet the objectives of the Federal Managers' Financial Integrity Act.

In accordance with Section 2 of FMFIA and the Office of Management and Budget's Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," the EPA identified and evaluated risks and assessed the effectiveness of its internal control to support the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations. Section 4 of FMFIA and the Federal Financial Management Improvement Act of 1996 requires management to ensure financial management systems provide reliable, consistent disclosure of financial data. In accordance with Appendix D of OMB's Circular A-123, the agency evaluated whether financial management systems substantially comply with the FFMIA requirements.

The EPA did not identify any new material weaknesses during FY 2022. The one previously identified weakness related to the financial statement preparation process was downgraded to a significant deficiency after the completion of the FY 2020 financial statement audit. Therefore, the agency should have had a beginning balance of zero material weaknesses at the end of FY 2021.

Although no new material weaknesses were identified, the EPA will continue to monitor its programmatic, financial and administrative controls to ensure compliance with laws and regulations.

Based on the results of the agency's assessments and recent program improvements, I can provide reasonable assurance that the agency's internal control over operations is effective and the EPA's financial management systems conform to governmentwide standards as of September 30, 2022. The agency's internal controls over financial reporting are operating effectively as well.

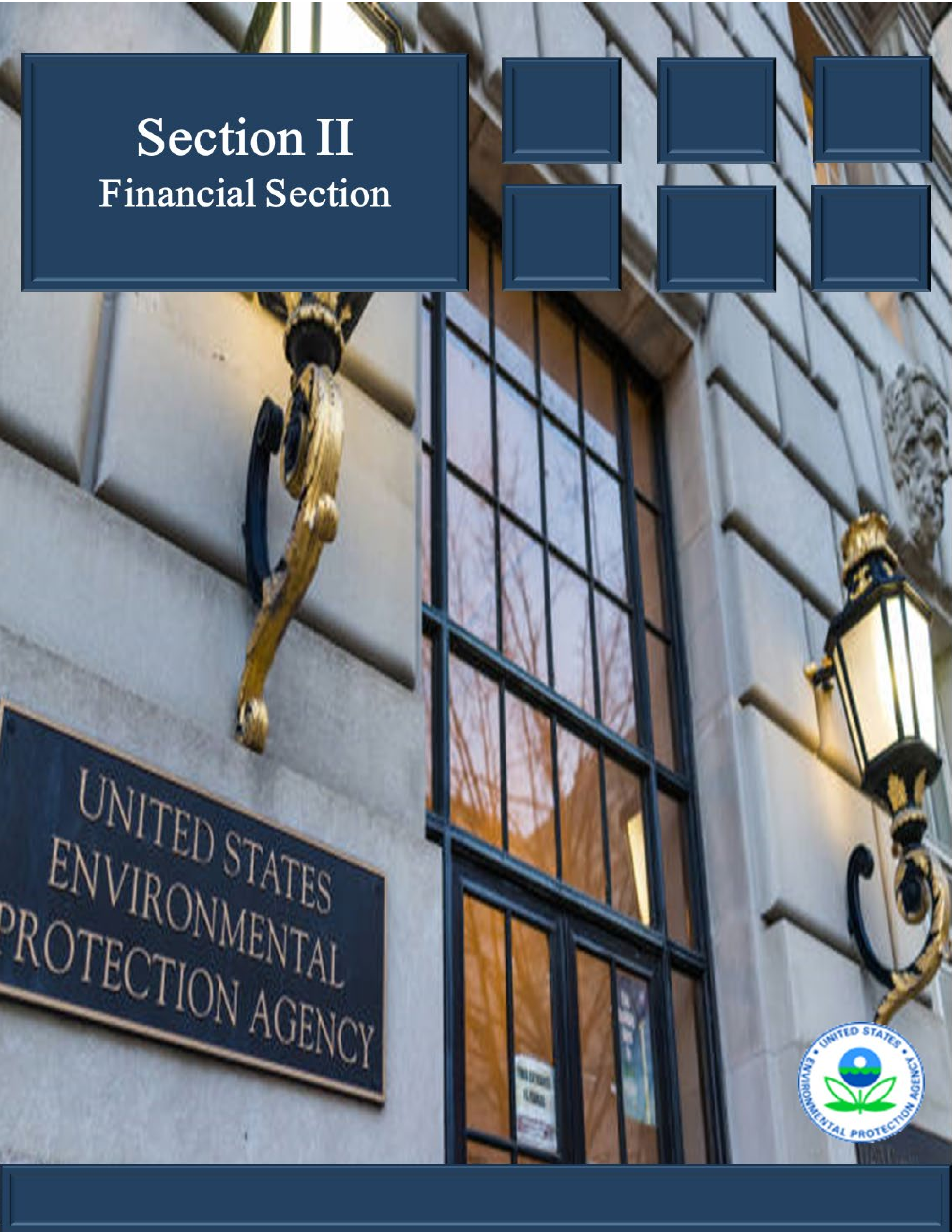
Michael S. Regan

NOV 15 2022

Michael S. Regan
Administrator

Date

Section II
Financial Section



Message from the Chief Financial Officer

November 15, 2022

On behalf of the Office of the Chief Financial Officer, I am pleased to present the U.S. Environmental Protection Agency's Fiscal Year 2022 Agency Financial Report. In this ever-changing environment of hybrid work, the EPA and its financial stewards have remained steadfast in the pursuit of excellence in financial management. This report summarizes the agency's financial results and presents the EPA's Assurance Statement and Financial Statement Audit Report. This report also highlights some of our most notable achievements in FY 2022, including the innovations and improvements undertaken to ensure the agency has effectively managed the resources entrusted to us by the American people to finance and fulfill our mission to protect human health and the environment.

FY 2022 brought unprecedented challenges and ensuing opportunities for the EPA to further its mission. On November 15, 2021, President Biden signed the Bipartisan Infrastructure Law that dedicates over $60 billion to the agency over the next five years. More than $50 billion towards clean water projects – *the single largest investment in water infrastructure in United States history* – will make a profound, wide-ranging impact on the health and wellness of our current and future generations, whether it is by eliminating drinking water contamination, allowing for safe swimming, fishing, and play in our waters, or protecting our national water treasures. Another $5 billion is included to clean up longstanding pollution at Superfund and brownfield sites that will provide necessary environmental justice and exciting economic opportunities to communities that have long suffered in unsafe environments and depressed areas. In addition, $5 billion for decarbonizing our nation's school bus fleet will reduce greenhouse gas emissions and protect our children from damage to their developing lungs.

Additionally, President Biden signed the Inflation Reduction Act into law on August 16, 2022. The legislation directs an additional $40 billion to the EPA that will be used to deliver unparalleled progress for people and the planet. We will use these unprecedented resources to reduce harmful air pollution in places where people live, work, play, and go to school, and aggressively combat damaging climate pollution while supporting the creation of good jobs and lowering energy costs for families. While implementing these projects, the agency will continue to maintain its focus on environmental justice, moving the nation towards a healthy and sustainable environment for all, regardless of race, color, national origin, or income.

The EPA further strengthened its commitment to improving water infrastructure in FY 2022, providing more than

. In addition, the Water Infrastructure Finance and Innovation Act program, which offers innovative and flexible financing for water system improvements, continued to make a tremendous impact. Through the WIFIA program and its state equivalent, SWIFIA, the agency provided up

Throughout the OCFO, our mission has been to establish and implement a framework to ensure that every BIL dollar is used with the proper care and control it deserves. With extraordinary opportunities comes unparalleled responsibility, and the OCFO has instilled this sentiment into the EPA's core rubric when managing the BIL and IRA funds. The agency's staff has always been committed to conducting the EPA's business with the utmost financial integrity and transparency. These historic investments have strengthened our resolve and have reaffirmed our commitment to maintaining the public's trust.

In this past fiscal year, the agency achieved an unmodified "clean" audit opinion on its FY 2022 financial statements from the Office of Inspector General, marking the 23rd consecutive year in which the EPA has accomplished this impressive feat. The agency is proud to be among only a small number of federal agencies to have achieved this milestone, and we view it as a testament to our staff's dedication to maintaining the highest standards of financial integrity. In addition, FY 2022 represented the 26th year of the EPA's Working Capital Fund. The WCF provides various administrative services to the EPA and other federal agencies on a fee-for-service basis. Although there is no requirement for the WCF to be audited by a third party, the agency elects to use an external certified public accounting firm to audit the financial management of these funds. In FY 2022, for the 19th consecutive year, the EPA's WCF received a "clean" opinion indicating the WCF financial statements were presented fairly, in all material respects, in accordance with United States Generally Accepted Accounting Principles.

In March 2022, the agency published its final FY 2022-2026 EPA Strategic Plan. This Strategic Plan affirms the EPA's commitment to protect human health and the environment for all people while placing an emphasis on historically overburdened and underserved communities. The ambitious Plan is backed by four guiding principles: follow the science, follow the law, be transparent, and advance justice and equity. The OCFO will play a crucial role in the success of the Plan, particularly regarding "Cross-Agency Strategy 3: Advance EPA's Organizational Excellence and Workforce Equity" and "Cross-Agency Strategy 4: Strengthen Tribal, State, and Local Partnerships and Enhance Engagement." In service of these strategies, the OCFO continues to modernize information technology financial management systems and tools, to implement efficient and effective processes across the agency, and to advance our shared governance model with states and tribes through the E-Enterprise for the Environment program.

These are just a few examples of the profoundly important work that the OCFO is doing to support the agency's mission to protect human health and the environment. Our team remains fully committed to serving our many stakeholders, both internal and external, through providing quality products, tools, and services. We will continue to seek greater efficiency and make the necessary improvements to agency operations in this thrilling time at the EPA.

Sincerely,

Faisal Amin
Chief Financial Officer

EPA’S FISCAL YEARS 2022 AND 2021 CONSOLIDATED FINANCIAL STATEMENTS (WITH RESTATEMENT)

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United States Environmental Protection Agency
Consolidated Balance Sheet
As of September 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
ASSETS:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$ 64,103,829	$ 11,778,430
Investments, Net (Note 4)	10,297,779	6,155,838
Accounts Receivable, Net (Note 5)	5,717	7,602
Advances and Prepayments	261,776	245,934
Total Intragovernmental	74,669,101	18,187,804
Other Than Intragovernmental:		
Cash and Other Monetary Assets (Note 3)	10	10
Accounts Receivable, Net (Note 5)	548,525	580,736
Loans Receivable, Net (Note 7)	1,291,508	586,138
Inventory and Related Property, Net (Note 6)	531	428
General Property, Plant and Equipment, Net (Note 9)	730,992	670,637
Advances and Prepayments	10,536	7,298
Total Other Than Intragovernmental	2,582,102	1,845,247
Total Assets	**$ 77,251,203**	**$ 20,033,051**
Stewardship Property Plant and Equipment (Note 11)		
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Note 8)	$ 163	$ 3,367
Debt (Note 10)	1,557,180	746,839
Advances from Others and Deferred Revenue	183,791	154,235
Other Liabilities		
Liability to the General Fund for Custodial Assets (Note 12)	106,560	51,241
Other (Note 13)	199,697	206,237
Total Intragovernmental	2,047,391	1,161,919
Other Than Intragovernmental:		
Accounts Payable (Note 8)	65,817	56,319
Federal Employee and Veteran Benefits Payable (Note 29)	223,785	235,144
Environmental and Disposal Liabilities (Note 18)	32,156	25,723
Advances from Others and Deferred Revenue	125,105	125,526
Other Liabilities		
Deferred Revenue (Note 15)	3,541,093	3,476,737
Other (Note 13)	597,993	618,483
Total Other Than Intragovernmental	4,585,949	4,537,932
Total Liabilities	**$ 6,633,340**	**$ 5,699,851**
Commitments and Contingencies (Note 16)		
NET POSITION:		
Unexpended Appropriations - Funds from Dedicated Collections (Note 17)	$ 178	$ 187
Unexpended Appropriations - Funds from Other than Dedicated Collections	62,618,529	10,400,345
Total Unexpended Appropriations	62,618,707	10,400,532
Cumulative Results of Operations - Funds from Dedicated Collections (Note 17)	7,717,484	3,551,640
Cumulative Results of Operations - Funds from Other than Dedicated Collections	281,672	381,028
Total Cumulative Results of Operations	7,999,156	3,932,668
Total Net Position	70,617,863	14,333,200
Total Liabilities and Net Position	**$ 77,251,203**	**$ 20,033,051**

United States Environmental Protection Agency
Consolidated Statement of Net Cost
For the Fiscal Years Ending September 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
COSTS		
Gross Costs	$ 10,142,639	$ 9,138,699
Less: Earned Revenue	400,059	555,481
NET COST OF OPERATIONS (Note 32)	**$ 9,742,580**	**$ 8,583,218**

United States Environmental Protection Agency
Statement of Net Cost by Major Program
For the Fiscal Years Ending September 30, 2022
(Dollars in Thousands)

	Environmental Programs & Management	Leaking Underground Storage Tanks	Science & Technology	Superfund	State & Tribal Assistance Agreements	Other	Totals
Costs:							
Gross Costs	$ 3,161,870	$ 92,373	$ 784,144	$ 1,350,585	$ 4,254,533	$ 821,116	$ 10,464,621
WCF Elimination	-	-	-	-	-	(321,982)	(321,982)
Total Costs	3,161,870	92,373	784,144	1,350,585	4,254,533	499,134	10,142,639
Less:							
Earned Revenue	35,036	-	6,328	202,969	-	477,708	722,041
WCF Elimination	-	-	-	-	-	(321,982)	(321,982)
Total Earned Revenue	35,036	-	6,328	202,969	-	155,726	400,059
NET COST OF OPERATIONS	**$ 3,126,834**	**$ 92,373**	**$ 777,816**	**$ 1,147,616**	**$ 4,254,533**	**$ 343,408**	**$ 9,742,580**

United States Environmental Protection Agency
Statement of Net Cost by Major Program
For the Fiscal Years Ending September 30, 2021
(Dollars in Thousands)

	Environmental Programs & Management	Leaking Underground Storage Tanks	Science & Technology	Superfund	State & Tribal Assistance Agreements	Other	Totals
Costs:							
Gross Costs	$ 2,820,994	$ 86,157	$ 765,510	$ 1,364,410	$ 3,710,627	$ 698,694	$ 9,446,392
WCF Elimination	-	-	-	-	-	(307,693)	(307,693)
Total Costs	2,820,994	86,157	765,510	1,364,410	3,710,627	391,001	9,138,699
Less:							
Earned Revenue	79,315	-	5,001	295,471	-	483,387	863,174
WCF Elimination	-	-	-	-	-	(307,693)	(307,693)
Total Earned Revenue	79,315	-	5,001	295,471	-	175,694	555,481
NET COST OF OPERATIONS	**$ 2,741,679**	**$ 86,157**	**$ 760,509**	**$ 1,068,939**	**$ 3,710,627**	**$ 215,307**	**$ 8,583,218**

United States Environmental Protection Agency
Consolidated Statement of Changes in Net Position
For the Fiscal Years Ending September 30, 2022
(Dollars in Thousands)

	Funds from Dedicated Collections	Funds from Other Than Dedicated Collections	Consolidated Totals
UNEXPENDED APPROPRIATIONS:	(Note 17)		
Beginning Balance	$ 187	$ 10,400,345	$ 10,400,532
Appropriations Received	-	65,051,983	65,051,983
Other Adjustments (Note 30)	-	(20,398)	(20,398)
Appropriations Used	(9)	(12,813,401)	(12,813,410)
Change in Unexpended Appropriations	(9)	52,218,184	52,218,175
Total Unexpended Appropriations	**$ 178**	**$ 62,618,529**	**$ 62,618,707**
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balance	$ 3,551,640	$ 381,028	$ 3,932,668
Appropriations Used	9	12,813,401	12,813,410
Non-Exchange Revenue (Note 31)	752,635	-	752,635
Transfers-In/(Out) Without Reimbursements	4,584,789	(4,610,710)	(25,921)
Imputed Financing (Note 28)	26,687	242,257	268,944
Other	48,268	(48,268)	-
Net Cost of Operations	(1,246,544)	(8,496,036)	(9,742,580)
Net Change in Cumulative Results of Operations	4,165,844	(99,356)	4,066,488
Total Cumulative Results of Operations	**7,717,484**	**281,672**	**7,999,156**
Net Position	**$ 7,717,662**	**$ 62,900,201**	**$ 70,617,863**

United States Environmental Protection Agency
Consolidated Statement of Changes in Net Position
For the Fiscal Years Ending September 30, 2021
(Dollars in Thousands)

	Funds from Dedicated Collections (Note 17)	Funds from Other Than Dedicated Collections	Consolidated Totals
Unexpended Appropriations:			
Beginning Balance	$ (189)	$ 9,600,037	$ 9,599,848
Appropriations Received	-	9,200,494	9,200,494
Other Adjustments (Note 30)	-	(49,123)	(49,123)
Appropriations Used	376	(8,351,063)	(8,350,687)
Change in Unexpended Appropriations	376	800,308	800,684
Total Unexpended Appropriations	**$ 187**	**$ 10,400,345**	**$ 10,400,532**
Cumulative Results of Operations:			
Beginning Balance	$ 3,307,079	$ 410,430	$ 3,717,509
Appropriations Used	(376)	8,351,063	8,350,687
Non-Exchange Revenue (Note 31)	276,988	-	276,988
Transfers-In/(Out) Without Reimbursements	1,081,150	(1,082,591)	(1,441)
Imputed Financing (Note 28)	26,006	146,137	172,143
Other	769	(769)	-
Net Cost of Operations	(1,139,976)	(7,443,242)	(8,583,218)
Net Change in Cumulative Results of Operations	244,561	(29,402)	215,159
Total Cumulative Results of Operations	**3,551,640**	**381,028**	**3,932,668**
Net Position	**$ 3,551,827**	**$ 10,781,373**	**$ 14,333,200**

United States Environmental Protection Agency
Combined Statement of Budgetary Resources
For the Fiscal Years Ending September 30, 2022 and 2021
(Dollars in Thousands)

	2022		2021	
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
BUDGETARY RESOURCES				
Unobligated Balance From Prior Year Budget Authority, Net (discretionary and mandatory) (Note 23)	$ 5,674,107	$ -	$ 5,951,313	$ 615,240
Appropriations (discretionary and mandatory)	70,271,764	-	10,832,321	-
Borrowing Authority (discretionary and mandatory)	-	3,693,794	-	4,726,214
Spending Authority from offsetting collections (discretionary and mandatory)	542,709	181,898	463,239	141,081
Total Budgetary Resources	**$ 76,488,580**	**$ 3,875,692**	**$ 17,246,873**	**$ 5,482,535**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward adjustments (total)	$ 19,513,330	$ 3,875,692	$ 11,874,288	$ 5,482,535
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	56,844,168	-	5,279,575	-
Unapportioned, Unexpired accounts	24,464	-	1,996	-
Expired Unobligated Balance, End of Year	106,618	-	91,014	-
Unobligated Balance, End of Year (total): (Note 24)	56,975,250	-	5,372,585	-
Total Budgetary Resources	**$ 76,488,580**	**$ 3,875,692**	**$ 17,246,873**	**$ 5,482,535**
OUTLAYS, NET AND DISBURSEMENTS, NET				
Outlays, Net (total) (discretionary and mandatory)	$ 14,318,219		$ 9,852,094	
Distributed Offsetting Receipts (-) (Note 26)	(5,038,820)		(1,481,411)	
Agency Outlays, Net (discretionary and mandatory)	$ 9,279,399		$ 8,370,683	
Disbursements, Net (total) (mandatory)		$ 840,409		$ 494,357

United States Environmental Protection Agency
Statement of Custodial Activity
For the Fiscal Years Ending September 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Revenue Activity:		
Sources of Cash Collections:		
Fines and Penalties	$ 56,390	$ 41,035
Other	(3,810)	22,085
Total Cash Collections	52,580	63,120
Accrual Adjustment	5,935	(20,623)
Total Custodial Revenue (Note 21)	$ 58,515	$ 42,497
Disposition of Collections:		
Transferred to Others (General Fund)	$ 52,761	$ 21,273
Increases/Decreases in Amounts to be Transferred	5,754	21,224
Total Disposition of Collections	$ 58,515	$ 42,497
Net Custodial Revenue Activity	**$ -**	**$ -**

Note 1. Summary of Significant Accounting Policies

A. Reporting Entities

The EPA was created in 1970 by executive reorganization from various components of other federal agencies to better marshal and coordinate federal pollution control efforts. The Agency is generally organized around the media and substances it regulates: air, water, waste, pesticides, and toxic substances.

The FY 2022 financial statements are presented on a consolidated basis for the Balance Sheet, Statement of Net Cost, Statement of Net Costs by Major Program, and Statement of Changes in Net Position. The Statement of Custodial Activity and the Statement of Budgetary Resources are presented on a combined basis. The financial statements include the accounts of all funds described in this note by their respective Treasury fund group.

B. Basis of Presentation

The accompanying financial statements have been prepared to report the financial position and results of operations of the U. S. Environmental Protection Agency (the EPA or Agency) as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The reports have been prepared from the financial system and records of the Agency in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and the EPA accounting policies, which are summarized in this note.

C. Budgets and Budgetary Accounting

I. General Funds

Congress enacts an annual appropriation for State and Tribal Assistance Grants (STAG), Buildings and Facilities (B&F), and for payments to the Hazardous Substance Superfund to be available until expended. Annual appropriations for the Science and Technology (S&T), Environmental Programs and Management (EPM) and for the Office of Inspector General (OIG) are available for two fiscal years. When the appropriations for the General Funds are enacted, Treasury issues a warrant for the respective appropriations. As the Agency disburses obligated amounts, the balance of funds available in the appropriation is reduced at the U.S. Treasury (Treasury).

The EPA has three-year appropriation accounts and a no-year revolving fund account to provide funds to carry out section 3024 of the Solid Waste Disposal Act, including the development, operation, maintenance, and upgrading of the hazardous waste electronic manifest system. The Agency is authorized to establish and collect user fees for the Hazardous Waste Electronic Manifest System Fund (e-Manifest) to recover the full cost of providing the hazardous waste electronic manifest fund system related services.

The EPA receives two-year appropriated funds to carry out the Frank R. Lautenberg Chemical Safety for the 21st Century Act. Under the Act, the Agency is authorized to collect user fees (up to $25 million annually) from chemical manufacturers and processors. Fees collected will defray costs for new chemical reviews and a range of Toxic Substances Control Act Service Fee Fund (TSCA) implementation activities for existing chemicals.

The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) established a federal credit program administered by the EPA for eligible water and wastewater infrastructure projects. The program is financed from appropriations to cover the estimated long-term cost of the loan. The long-term cost of the loans is defined as the net present value of the estimated cash flows associated with the loans. A permanent indefinite appropriation is available to finance the costs of reestimated loans that occur in subsequent years after the loans are disbursed. The Agency received two-year appropriations in fiscal years 2022 and 2021 to finance the administrative portion of the program.

EPA reestimates the risk on each individual loan annually. Proceeds issued by EPA cannot exceed forty-nine percent of eligible project costs. Project costs must exceed a minimum of $20 million for large communities and $5 million for communities with populations of 25,000 or less. After substantial completion of a project, the borrower may defer up to five years to start loan repayment and cannot exceed thirty-five years for the final loan maturity date.

Funds transferred from other federal agencies are processed as non-expenditure transfers. Clearing accounts and receipt accounts receive no appropriated funds. Amounts are recorded to the clearing accounts pending further disposition. Amounts recorded to the receipt accounts capture amounts collected for or payable to the Treasury General Fund.

On November 15, 2021, the Infrastructure Investment and Jobs Act (Public Law 117-58) was signed into law, appropriating approximately $60 billion to the Agency over fiscal years 2022 through 2026; some funds have five year availability but most are available until expended. The Inflation Reduction Act (IRA), signed in August 2022, appropriated the Agency an additional $41.5 billion, available for a minimum of two and a maximum of ten fiscal years.

II. Revolving Funds

Funding of the Reregistration and Expedited Processing Fund (FIFRA) and Hazardous Waste Electronic Manifest System Fund (e-Manifest) is provided by fees collected from industry to offset costs incurred by the Agency in carrying out these programs. Each year, the Agency submits an apportionment request to OMB based on the anticipated collections of industry fees.

Funding of the Working Capital Fund (WCF) is provided by fees collected from other Agency appropriations and other federal agencies to offset costs incurred for providing the Agency administrative support for computer and telecommunication services, financial system services, employee relocation services, background investigations, continuity of operations, and postage.

The EPA Damage Assessment and Restoration Revolving Fund was established through the U.S. Department of the Treasury and OMB for funds received for critical damage assessments and restoration of natural resources injured as a result of the Deepwater Horizon oil spill.

III. Special Funds

The Environmental Services Receipts Account Fund obtains fees associated with environmental programs. The Pesticide Registration Improvement Act Fund (PRIA) collects pesticide registration service fees for specified registration and amended registration and associated tolerance actions which set maximum residue levels for food and feed. The Toxic Substances Control Act Fund (TSCA) collects user fees to defray costs for new chemical reviews and range of implementation activities for existing chemicals.

IV. Deposit Funds

Deposit accounts receive no appropriated funds. Amounts are recorded to the deposit accounts pending further disposition. Until a determination is made, these are not the EPA's funds. The amounts are reported to the U.S. Treasury through the Government-Wide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

V. Trust Funds

Congress enacts an annual appropriation for the Hazardous Substance Superfund, Leaking Underground Storage Tank (LUST) and the Inland Oil Spill Programs accounts to remain available until expended. Transfer accounts for the Superfund and LUST Trust Funds have been established to record appropriations moving from the Trust Fund to allocation accounts for purposes of carrying out the program activities. As the Agency disburses obligated amounts from the expenditure account, the Agency draws down monies from the Superfund and LUST Trust Funds held at Treasury to cover the amounts being disbursed. The Agency draws down all the appropriated monies from the Principal Fund of the Oil Spill Liability Trust Fund when Congress enacts the Inland Oil Spill Programs appropriation amount to the EPA's Inland Oil Spill Programs account.

In 2015, the EPA established a receipt account for Superfund special account collections. Special accounts are comprised of reimbursements from other federal agencies, state cost share payments under Superfund State Contracts (SSCs), and settlement proceeds from Potentially Responsible Parties (PRPs) under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Section 122(b)(3). This allows the Agency to invest the funds until drawdowns are needed for special accounts disbursements.

VI. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

VII. Allocation Transfers

The EPA is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations from one entity of its authority to obligate budget authority and outlay funds to another entity. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations and budget apportionments are derived. The EPA allocates funds, as the parent, to the Center for Disease Control. The EPA receives allocation transfers, as the child, from the Bureau of Land Management.

D. Basis of Accounting

Generally Accepted Accounting Principles (GAAP) for federal entities is the standard prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal Government, and the American Institute of Certified Public Accountants (AICPA). The financial statements are prepared in accordance with GAAP for federal entities.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds posted in accordance with OMB directives and the U.S. Treasury regulations.

EPA uses a modified matching principle since federal entities recognize unfunded liabilities (without budgetary resources) in accordance FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 5 *Accounting for Liabilities of the Federal Government*.

E. Revenues and Other Financing Sources

The following EPA policies and procedures to account for inflow of revenue and other financing sources are in accordance with SFFAS No. 7, *Accounting for Revenues and Other Financing Sources*.

I. Superfund

The Superfund program receives most of its funding through appropriations that may be used within specific statutory limits for operations and capital expenditures (primarily equipment). Additional financing for the Superfund program is obtained through reimbursements from other federal agencies, state cost share payments under Superfund State Contracts (SSCs), and settlement proceeds from PRPs under CERCLA Section 122(b)(3) which are placed into special accounts. Special accounts and corresponding interest are classified as mandatory appropriations due to the 'retain and use' authority under CERCLA 122(b) (3). Cost recovery settlements that are not placed in special accounts are deposited in the Superfund Trust Fund.

II. Other Funds

Funds under the Federal Credit Reform Act of 1990 receive program guidance and funding needed to support loan programs through appropriations which may be used within statutory limits for operations and capital expenditures. The WIFIA program receives additional funding to support awarding, servicing and collecting loans through application fees collected in the program fund. WIFIA authorizes the EPA to charge fees to recover all or a portion of the Agency's cost of providing credit assistance and the costs of retaining expert firms, including financial, engineering, and legal services, to assist in the underwriting and servicing of federal credit instruments. The fees are to cover costs to the extent not covered by congressional appropriations.

The FIFRA and PRIA funds receive funding through fees collected for services provided and interest on invested funds and can obligate collections up to the amount of anticipated collections within the fiscal year on the approved letter of apportionment. The Hazardous Waste Electronic Manifest System Fund receives funding through fees collected for use of the Hazardous Waste Electronic Manifest System and can obligate collections up to the amount of anticipated collections on the approved letter of apportionment. The Toxic Substances Control Act Fund (TSCA) collects user fees to defray costs for new chemical reviews and a range of implementation activities for existing chemicals and can obligate collections up to the amount of anticipated collections on the approved letter of apportionment. The WCF receives revenue through fees collected from the Agency program offices for services provided. Such revenue is eliminated with related Agency program expenses upon consolidation of the Agency's financial statements.

Appropriated funds are recognized as other financing sources expended when goods and services have been rendered without regard to payment of cash. Other revenues are recognized when earned (i.e., when services have been rendered).

F. Funds with the Treasury (See Note 2)

The Agency does not maintain cash in commercial bank accounts; cash receipts and disbursements are handled by Treasury. The major funds maintained with Treasury are General Funds, Revolving Funds, Trust Funds, Special Funds, Deposit Funds, and Clearing Accounts. These funds have balances available to pay current liabilities and finance authorized obligations, as applicable.

G. Investments in U.S. Government Securities (See Note 4)

Investments in U.S. Government securities are maintained by Treasury and are reported at amortized cost net of unamortized discounts or premiums. Discounts or premiums are amortized over the term of the investments and reported as interest income. No provision is made for unrealized gains or losses on these securities because they generally are held to maturity.

H. Marketable Securities (See Note 4)

The Agency records marketable securities at cost as of the date of receipt. Marketable securities are held by Treasury and reported at their cost value in the financial statements until sold.

I. Accounts Receivable and Interest Receivable (See Note 5)

Superfund accounts receivable represent recovery of costs from PRPs as provided under CERCLA as amended by the Superfund Amendments and Reauthorization Act of 1986 (SARA). Since there is no assurance that these funds will be recovered, cost recovery expenditures are expensed when incurred (see Note 5). The Agency also records allocations receivable from the Superfund Trust Fund, which are eliminated in the consolidated totals.

The Agency records accounts receivable from PRPs for Superfund site response costs when a consent decree, judgment, administrative order, or settlement is entered. These agreements are generally negotiated after at least some, but not necessarily all, of the site response costs have been incurred. It is the Agency's position that until a consent decree or other form of settlement is obtained, the amount recoverable should not be recorded.

The Agency also records accounts receivable from states for a percentage of Superfund site remedial action costs incurred by the Agency within those states. As agreed to under SSCs, cost sharing arrangements may vary according to whether a site was privately or publicly operated at the time of hazardous substance disposal and whether the Agency response action was removal or remedial. SSC agreements are usually for 10 percent or 50 percent of site remedial action costs, depending on who has the primary responsibility for the site (i.e., publicly or privately owned). States may pay the full amount of their share in advance or incrementally throughout the remedial action process.

Most remaining receivables for non-Superfund funds represent penalties and interest receivable for general fund receipt accounts, unbilled intragovernmental reimbursements receivable, and refunds receivable for the STAG appropriation.

J. Advances and Prepayments

Advances and prepayments represent funds paid to other entities both internal and external to the Agency for which a budgetary expenditure has not yet occurred.

K. Loans Receivable (See Note 7)

Loans are accounted for as receivables after funds have been disbursed. Loans receivable resulting from loans obligated on or after October 1, 1991, are reduced by an allowance equal to the present value of the subsidy costs associated with these loans. The subsidy cost is calculated based on the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries offset by fees collected, and other estimated cash flows associated with these loans. Loan proceeds are disbursed pursuant to the terms of the loan agreement. Interest is calculated semi-annually on a per loan basis. Repayments are made pursuant to the terms of the loan agreement with the option to repay loan amounts early.

L. Appropriated Amounts Held by Treasury (See Note 33)

Cash available to the Agency that is not needed immediately for current disbursements of the Superfund and LUST Trust Funds and amounts appropriated from the Superfund Trust Fund to the OIG and Science and Technology appropriations, remains in the respective Trust Funds managed by Treasury.

M. Property, Plant, and Equipment (See Note 9)

The EPA accounts for its personal and real property accounting records in accordance with SFFAS No. 6, *Accounting for Property, Plant and Equipment* as amended. For EPA-held property, the Fixed Assets Subsystem (FAS) maintains the official records and automatically generates depreciation entries monthly based on in-service dates.

A purchase of EPA-held or contractor-held personal property is capitalized if it is valued at $25 thousand or more and has an estimated useful life of at least two years. For contractor-held property, depreciation is taken on a modified straight-line basis over a period of six years depreciating 10 percent the first and sixth year, and 20 percent in years two through five. For contractor-held property, detailed records are maintained and accounted for in contractor systems, not in EPA's FAS. Acquisitions of EPA-held personal property are depreciated using the straight-line method over the specific asset's useful life, ranging from two to fifteen years.

Personal property includes capital leases. To be defined as a capital lease, a lease, at its inception, must have a lease term of two or more years and the lower of the fair value or present value of the projected minimum lease payments must be $75 thousand or more. Capital leases containing real property (therefore considered in the real property category as well), have a $150 thousand capitalization threshold. In addition, the lease must meet one of the following criteria: transfers ownership at the end of the lease to the EPA; contains a bargain purchase option; the lease term is equal to 75 percent or more of the estimated economic service life; or the present value of the projected cash flows of the lease and other minimum lease payments is equal to or exceeds 90 percent of the fair value.

Superfund contract property used as part of the remedy for a site-specific response action is capitalized in accordance with the Agency's capitalization threshold. This property is part of the remedy at the site and eventually becomes part of the site itself. Once the response action has been completed and the remedy implemented, the EPA retains control of the property (i.e., pump and treat facility) for 10 years or less, and transfers its interest in the facility to the respective state for mandatory operation and maintenance – usually 20 years or more. Consistent with the EPA's 10-year retention period, depreciation for this property is based on a 10-year useful life. However, if any property is transferred to a state in a year or less, this property is charged to expense. If any property is sold prior to the EPA relinquishing interest, the proceeds from the sale of that property shall be applied against contract payments or refunded as required by the Federal Acquisition Regulations. An exception to the accounting of contract property includes equipment purchased by the WCF. This property is retained in EPA's FAS and depreciated utilizing the straight-line method based upon the asset's in-service date and useful life.

Real property consists of land, buildings, capital and leasehold improvements and capital leases. In FY 2017, the EPA increased the capitalization threshold for real property, other than land, to $150 thousand from $85 thousand for buildings and improvements and $25 thousand for plumbing, heating, and sanitation projects. The new threshold was applied prospectively. Land is capitalized regardless of cost. Buildings are valued at an estimated original cost basis, and land is valued at fair market value, if purchased prior to FY 1997. Real property purchased after FY 1996 is valued at actual cost. Depreciation for real property is calculated using the straight-line method over the specific asset's useful life, ranging from 10 to 50 years. Leasehold improvements are amortized over the lesser of their useful life or the unexpired lease term. Additions to property and improvements not meeting the capitalization criteria, expenditures for minor alterations, and repairs and maintenance are expensed when incurred.

Internal use software includes purchased commercial off-the-shelf software, contractor-developed software, and software that was internally developed by Agency employees. In FY 2017, the EPA reviewed its capitalization threshold levels for PP&E. The Agency performed an analysis of the values of software assets, reviewed capitalization of other federal entities, and evaluated the materiality of software account balances. Based on the review, the Agency increased the capitalization threshold from $250 thousand to $5 million to better align with major software acquisition investments. The $5 million threshold was applied prospectively to software acquisitions and modifications/enhancements placed into service after September 30, 2016. Software assets placed into service prior to October 1, 2016 were capitalized at the $250 thousand threshold. Internal use software is capitalized at full cost (direct and indirect) and amortized using the straight-line method over its useful life, not exceeding five years.

Internal use software purchased or developed for the working capital fund is capitalized at $250 thousand and is amortized using the straight-line method over its useful life, not exceeding five years.

N. Liabilities (See Notes 8 & 13)

Liabilities represent the amount of monies or other resources that are more likely than not to be paid by the Agency as the result of an Agency transaction or event that has already occurred and can be reasonably estimated. However, no liability can be paid by the Agency without an appropriation or other collections authorized for retention. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities and there is no certainty that the appropriations will be enacted. Liabilities of the Agency arising from other than contracts can be abrogated by the Government acting in its sovereign capacity.

O. Debt (See Note 10)

Debt payable to Treasury results from loans from Treasury to fund the non-subsidy portion of the WIFIA direct loans. The Agency borrows the funds from Treasury when the loan disbursements agreed upon in the loan agreement are made. Principal payments are made to Treasury periodically based on the collection of loan receivables.

P. Accrued Unfunded Annual Leave (See Note 29)

Annual, sick and other leave is expensed as taken during the fiscal year. Annual leave earned but not taken at the end of the fiscal year is accrued as an unfunded liability. Accrued unfunded annual leave is included in the Balance Sheet as a component of “Federal Employee and Veteran Benefits Payable.” Sick leave earned but not taken is not accrued as a liability; it is expensed as it is used.

Q. Retirement Plan (See Note 29)

There are two primary retirement systems for federal employees. Employees hired prior to January 1, 1987, may participate in the Civil Service Retirement System (CSRS). On January 1, 1987, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1986, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1987, elected to either join FERS and Social Security or to remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Agency automatically contributes one percent of pay and matches any employee contributions up to an additional four percent of pay. The Agency also contributes the employer’s matching share for Social Security.

With the issuance of SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, accounting and reporting standards were established for liabilities relating to the federal employee benefit programs (Retirement, Health Benefits, and Life Insurance). SFFAS No. 5 requires that the employing agencies recognize the cost of pensions and other retirement benefits during their employees’ active years of service. SFFAS No. 5 requires that the Office of Personnel Management (OPM), as administrator of the CSRS and FERS, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, provide federal agencies with the actuarial cost factors to compute the liability for each program.

R. Prior Period Adjustments and Restatements

Prior period adjustments, if any, are made in accordance with SFFAS No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*. Specifically, prior period adjustments will only be made for material prior period errors to: (1) the current period financial statements, and (2) the prior period financial statements presented for comparison. Adjustments related to changes in accounting principles will only be made to the current period financial statements, but not to prior period financial statements presented for comparison.

S. Deepwater Horizon Oil Spill

The April 20, 2010 Deepwater Horizon (DWH) oil spill was the largest oil spill in U.S. history. In the wake of the spill, the National Contingency Plan regulation was revised to reflect the EPA's designation as a DWH Natural Resource Trustee. The DWH Natural Resources Damage Assessment is a legal process pursuant to the Oil Pollution Act and the April 4, 2016 Consent Decree between the U.S., the five Gulf states, and British Petroleum (BP) entered by a federal court in New Orleans. Under the Consent Decree, a payment schedule was set forth for BP to pay $7.1 billion in natural resource damages. The Natural Resource Damage Assessments (NRDA) trustees are then jointly responsible to use those funds in the manner set forth in Appendix 2 of the Consent Decree to restore natural resources injured by the DWH oil spill. In FY 2016, the EPA received an advance of $184 thousand from BP and $2 million from the U.S. Coast Guard, to participate in addressing injured natural resources and service resulting from the Deepwater Horizon Oil Spill. As additional projects are identified, the EPA may continue to receive funding through the 2016 Consent Decree to implement its DWH NRDA Trustee responsibilities in the Agency's Damage Assessment and Restoration Revolving Trust Fund.

T. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, including environmental and grant liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(Dollars in Thousands)

U. Reclassifications and Comparative Figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements and footnotes in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised June 3, 2022. As a result, the form and content of the Balance Sheet, Statement of Changes in Net Position and footnotes have changed to conform with OMB Circular No. A-136.

Note 2. Fund Balance With Treasury (FBWT)

Fund Balance with Treasury as September 30, 2022 and 2021 consists of the following:

	2022			2021		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Trust Funds:						
Superfund	$ 244,972	$ -	$ 244,972	$ 138,254	$ -	$ 138,254
LUST	24,166	-	24,166	43,540	-	43,540
Oil Spill & Misc.	18,919	-	18,919	27,351	-	27,351
Revolving Funds:						
FIFRA/Tolerance	31,338	-	31,338	38,362	-	38,362
Working Capital	112,992	-	112,992	109,800	-	109,800
E-Manifest	32,240	-	32,240	19,312	-	19,312
NRDA	2,123	-	2,123	2,161	-	2,161
WIFIA	769	-	769	30,837	-	30,837
Appropriated	63,039,162	-	63,039,162	10,798,706	-	10,798,706
Other Fund Types	592,723	4,425	597,148	566,449	3,658	570,107
Total	**$ 64,099,404**	**$ 4,425**	**$ 64,103,829**	**$ 11,774,772**	**$ 3,658**	**$ 11,778,430**

Entity fund balances, except for special fund receipt accounts, are available to pay current liabilities and to finance authorized purchase commitments (see Status of Fund Balances below). Entity Assets for Other Fund Types consist of special purpose funds and special fund receipt accounts, such as the Pesticide Registration funds and the Environmental Services receipt account. The Non-Entity Assets for Other Fund Types consist of clearing accounts and deposit funds, which are either awaiting documentation for the determination of proper disposition or being held by the EPA for other entities.

Status of Fund Balances:	**2022**	**2021**
Unobligated Amounts in Fund Balance:		
Available for Obligation	$ 56,789,464	$ 5,278,005
Unavailable for Obligation	188,011	97,541
Net Receivables from Invested Balances	(8,748,354)	(5,055,979)
Balances in Treasury Trust Fund (Note 33)	117,500	29,603
Obligated Balance not yet Disbursed	15,179,725	10,876,050
Non-Budgetary FBWT	577,483	553,210
Total	**$ 64,103,829**	**$ 11,778,430**

(Dollars in Thousands)

The funds available for obligation may be apportioned by OMB for new obligations at the beginning of the following fiscal year. Funds unavailable for obligation are generally balances in expired funds, which are available only for adjustments of existing obligations. For September 30, 2022 and 2021, no differences existed between Treasury's accounts and the EPA's statements for fund balances with Treasury. See Note 1 paragraph F for additional information.

Note 3. Cash and Other Monetary Assets

As of September 30, 2022 and 2021, the balance in the imprest fund was $10 thousand.

Note 4. Investments, Net

As of September 30, 2022 and 2021, investments consist of the following:

		Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
Intragovernmental Securities:						
Non-Marketable	FY 2022	$ 10,610,897	317,928	4,810	10,297,779	$ 10,297,779
Non-Marketable	FY 2021	$ 6,084,927	(64,613)	6,298	6,155,838	$ 6,155,838

CERCLA, as amended by SARA, authorizes the EPA to recover monies to clean up Superfund sites from responsible parties (RPs). Some RPs file for bankruptcy under Title 11 of the U.S. Code. In bankruptcy settlements, the EPA is an unsecured creditor and is entitled to receive a percentage of the assets remaining after secured creditors have been satisfied. Some RPs satisfy their debts by issuing securities of the reorganized company. The Agency does not intend to exercise ownership rights to these securities and instead will convert them to cash as soon as practicable. All investments in Treasury securities are funds from dedicated collections (see Note 17).

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from sources other than intragovernmental for dedicated collection funds are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the EPA as evidence of its receipts. Treasury securities are an asset to the EPA and a liability to the U.S. Treasury. Because the EPA and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or liability in the U.S. Government-wide financial statements.

Treasury securities provide the EPA with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the EPA requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures. See Note 1 paragraphs G and H for additional information.

(Dollars in Thousands)

Note 5. Accounts Receivable, Net

Accounts Receivable as of September 30, 2022 and 2021, consist of the following:

	2022	2021
Intragovernmental:		
Accounts & Interest Receivable	$ 6,579	$ 10,775
Less: Allowance for Uncollectible Accounts	(862)	(3,173)
Total	**$ 5,717**	**$ 7,602**

	2022	2021
Other Than Intragovernmental:		
Unbilled Accounts Receivable	$ 130,572	$ 131,461
Accounts & Interest Receivable	2,625,563	2,664,810
Less: Allowance for Uncollectible Accounts	(2,207,610)	(2,215,535)
Total	**$ 548,525**	**$ 580,736**

The Allowance for Uncollectible Accounts is determined both on a specific identification basis, as a result of a case-by-case review of receivables, and on a percentage basis for receivables not specifically identified. See Note 1 paragraph I for additional information.

Note 6. Inventory and Related Property

Inventory and related property as September 30, 2022 and 2021, consist of the following:

	2022	2021
Inventory Purchased for Resale	$ 531	$ 428
Total	**$ 531**	**$ 428**

Note 7. Loans Receivable, Net

Direct loans receivable disbursed from obligations made after FY 1991 are governed by the Federal Credit Reform Act, which mandates that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, anticipated delinquencies, and defaults) associated with direct loans be recognized as a cost in the year the loan is disbursed. The net loan present value is the gross loan receivable less the subsidy present value. EPA does not have any loans obligated prior to 1992.

EPA administers the WIFIA Direct Loans program. In fiscal years 2022 and 2021, the Agency received borrowing authority of $6.0 billion and $6.0 billion respectively for the non-subsidy portion of loan proceeds disbursed. For the fiscal year ended September 30, 2022 and 2021, the Agency closed $6.2 billion and $5.7 billion in WIFIA loans, respectively.

Interest on the loans is accrued based on the terms of the loan agreement. For the fiscal years ended September 30, 2022 and 2021, the WIFIA program has incurred $256.3 million and $38.2 million in administrative expenses, respectively.

United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2022 and 2021
(Dollars in Thousands)

Obligated after FY 1991

Direct Loan Program		2022 Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property/ Allowance for Loan Losses	Allowance for Subsidy Cost		Value of Assets Related to Direct Loans, Net
WIFIA	$	1,681,958	1,998	-	(392,448)	$	1,291,508

Direct Loan Program		2021 Loans Receivable, Gross	Interest Receivable	Foreclosed Property/ Allowance for Loan Losses	Allowance for Subsidy Cost		Value of Assets Related to Direct Loans, Net
WIFIA	$	734,357	566	-	(148,785)	$	586,138

Total Amount of Direct Loans Disbursed (Post-1991)

Direct Loan Program		2022		2021
WIFIA	$	955,452	$	545,668

Subsidy Expense for Direct Loans by Program and Component
Subsidy Expense for New Direct Loans Disbursed

Direct Loan Program		2022 Interest Differential	Defaults	Fees and Other Collections	Other Subsidy Costs		Total
WIFIA	$	-	-	-	(5,015)	$	(5,015)

Direct Loan Program		2021 Interest Differential	Defaults	Fees and Other Collections	Other Subsidy Costs		Total
WIFIA	$	-	-	-	(2,577)	$	(2,577)

Modifications and Reestimates

Direct Loan Program		2022 Total Modifications	Interest Rate Reestimates	Technical Reestimates	FAI Reestimates		Total Reestimates
WIFIA	$	-	22,769	208,342	7,536	$	238,647

Direct Loan Program	2021 Total Modifications	Interest Rate Reestimates	Technical Reestimates	FAI Reestimates	Total Reestimates

WIFIA	$	-	7,226	114,482	-	$ 121,708

(Dollars in Thousands)

Total Direct Loans Subsidy Expense

Direct Loan Program	2022	2021
WIFIA	$ 5,015	$ 26,448

Budget Subsidy Rates for Direct Loans for the Current Year Cohort

Direct Loan Program	2022 Interest Differential	Defaults	Fees and Other Collections	Other Subsidy Costs	Total
WIFIA	0.02%	0.47%	0%	0%	0.49%

Direct Loan Program	2021 Interest Differential	Defaults	Fees and Other Collections	Other Subsidy Costs	Total
WIFIA	-.03%	0.83%	0%	0%	0.80%

The subsidy rates disclosed pertain to the current year's cohort. The rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursement of loans from both current year cohorts and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Schedule for Reconciling Subsidy Cost Allowance Balances **Beginning Balance, Changes and Ending Balance**	2022	2021
Beginning Balance of the Subsidy Allowance	$ (148,785)	$ (24,500)
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Other Subsidy Costs	(5,015)	(2,577)
Total of the Above Subsidy Expense Components	$ (5,015)	$ (2,577)
Adjustments		
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimates	(22,769)	(7,226)
Technical/Default Reestimates	(208,343)	(114,482)
FAI Adjustment	(7,536)	-
Total of the Above Reestimate Components	$ (238,648)	$ (121,708)
Ending Balance of the Subsidy Cost Allowance	$ (392,448)	$ (148,785)

(Dollars in Thousands)

The economic assumptions of the WIFIA upward and downward adjustments were a reassessment of risk levels as well as estimated changes in future cash flows on loans. Actual interest rates used for FY 2022 loan disbursements were higher than the interest rate assumptions used during the budget formulation process at loan origination. See Note 1 paragraph K for additional information.

	2022
Beginning balance of loans receivable, net	**$ 586,138**
Add loan disbursements	955,452
Less principal and interest payments received	(28,498)
Add interest accruals	21,745
Add fees accrued	334
Add upward reestimates	(164,438)
Less downward reestimates	48,268
Allowance for loan and interest loss adjustments	(127,493)
Ending balance of loans receivable, net	$ 1,291,508

Note 8. Accounts Payable

The Accounts Payable are current liabilities and consist of the following amounts as of September 30, 2022 and 2021:

	Covered by Budgetary Resources	
	2022	2021
Intragovernmental:		
Accounts Payable	$ 163	$ 3,367
Accrued Liabilities	-	-
Liabilities for Allocation	-	-
Total	**$ 163**	**$ 3,367**
	2022	**2021**
Other Than Intragovernmental:		
Accounts Payable	$ 39,579	$ 56,306
Advances Payable	26,223	(2)
Interest Payable	15	15
Total	**$ 65,817**	**$ 56,319**

(Dollars in Thousands)

Note 9. General Property, Plant and Equipment, Net

General property, plant, and equipment (PP&E) consist of software, real property, EPA-held and contractor-held personal property, and capital leases. See Note 1 paragraph M for additional information.

As of September 30, 2022, General PP&E Cost consisted of the following:

	2022						
	EPA-Held Equipment	**Software (Production)**	**Software (Development)**	**Contractor Held Equipment**	**Land and Buildings**	**Capital Leases**	**Total**
Balance, Beginning of Year	**$ 330,579**	**$ 440,896**	**$ 55,537**	**$ 31,618**	**$ 828,716**	**$ 24,485**	**$ 1,711,831**
Additions	12,239	-	38,844	-	52,018	-	103,101
Dispositions	(10,623)	-	-	-	(6,986)	-	(17,609)
Revaluations	-	-	2,259	7,908	(10,973)	-	(806)
Balance, September 30, 2022	**$ 332,195**	**$ 440,896**	**$ 96,640**	**$ 39,526**	**$ 862,775**	**$ 24,485**	**$ 1,796,517**

As of September 30, 2022, General PP&E Accumulated Depreciation consisted of the following:

	2022						
	EPA-Held Equipment	**Software (Production)**	**Software (Development)**	**Contractor Held Equipment**	**Land and Buildings**	**Capital Leases**	**Total**
Balance, Beginning of Year	**$ 225,982**	**$ 433,822**	**$ -**	**$ 19,851**	**$ 339,775**	**$ 21,764**	**$ 1,041,194**
Dispositions	(9,799)	-	-	-	-	-	(9,799)
Revaluations	(301)	-	-	(8,667)	-	1	(8,967)
Depreciation Expense	19,748	4,685	-	-	17,849	815	43,097
Balance, September 30, 2022	**$ 235,630**	**$ 438,507**	**$ -**	**$ 11,184**	**$ 357,624**	**$ 22,580**	**$ 1,065,525**

(Dollars in Thousands)

As of September 30, 2022, General PP&E, Net consisted of the following:

	2022						
	EPA-Held Equipment	**Software (Production)**	**Software (Development)**	**Contractor Held Equipment**	**Land and Buildings**	**Capital Leases**	**Total**
Balance, September 30, 2022	$ 96,565	$ 2,389	$ 96,640	$ 28,342	$ 505,151	$ 1,905	$ 730,992

As of September 30, 2021, General PP&E Cost consisted of the following:

	2021						
	EPA-Held Equipment	**Software (Production)**	**Software (Development)**	**Contractor Held Equipment**	**Land and Buildings**	**Capital Leases**	**Total**
Balance, Beginning of Year	**$ 321,002**	**$ 439,787**	**$ 45,865**	**$ 33,895**	**$ 802,321**	**$ 24,485**	**$ 1,667,355**
Additions	23,898	1,109	11,959	12,010	30,623	-	79,599
Dispositions	(14,389)	-	(2,262)	(14,287)	(4,228)	-	(35,166)
Revaluations	68	-	(25)	-	-	-	43
Balance, September 30, 2021	**$ 330,579**	**$ 440,896**	**$ 55,537**	**$ 31,618**	**$ 828,716**	**$ 24,485**	**$ 1,711,831**

As of September 30, 2021, General PP&E Accumulated Depreciation consisted of the following:

	2021						
	EPA-Held Equipment	**Software (Production)**	**Software (Development)**	**Contractor Held Equipment**	**Land and Buildings**	**Capital Leases**	**Total**
Balance, Beginning of Year	**$ 217,928**	**$ 420,502**	**$ -**	**$ 26,484**	**$ 321,799**	**$ 20,948**	**$ 1,007,661**
Additions	(14,481)	(63)	-	-	-	-	(14,544)
Dispositions	1,518	63	-	(3,742)	-	-	(2,161)
Revaluations	68	-	-	-	-	-	68
Depreciation Expense	20,949	13,320	-	(2,891)	17,976	816	50,170
Balance, September 30, 2021	**$ 225,982**	**$ 433,822**	**$ -**	**$ 19,851**	**$ 339,775**	**$ 21,764**	**$ 1,041,194**

(Dollars in Thousands)

As of September 30, 2021, General PP&E, Net consisted of the following:

	2021						
	EPA-Held Equipment	Software (Production)	Software (Development)	Contractor Held Equipment	Land and Buildings	Capital Leases	Total
Balance September 30, 2021	$ 104,597	$ 7,074	$ 55,537	$ 11,767	$ 488,941	$ 2,721	$ 670,637

Note 10. Debt

All debt is classified as not covered by budgetary resources, except for direct loan and guaranteed loan financing account debt to Treasury and that portion of other debt covered by budgetary resources at the Balance Sheet date.

EPA borrows funds from the Bureau of Public Debt right before funds are disbursed to the borrower for the non-subsidy portion of WIFIA loans. As of September 30, 2022 and 2021, the EPA had debt due to Treasury consisting entirely of funds borrowed to finance the non-subsidy portion of the WIFIA Direct Loan Program:

	2021			2022	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
Debt to the Treasury	$ 221,652	$ 525,187	**$ 746,839**	$ 810,341	**$ 1,557,180**

See Note 1 paragraph O for additional information.

Note 11. Stewardship Property, Plant and Equipment

The Agency acquires title to certain property and property rights under the authorities provided in Section 104(j) CERCLA related to remedial clean-up sites. The property rights are in the form of fee interests (ownership) and easements to allow access to clean-up sites or to restrict usage of remediated sites. The Agency takes title to the land during remediation and transfers it to state or local governments upon the completion of clean-up. A site with "land acquired" may have more than one acquisition property. Sites are not counted as a withdrawal until all acquired properties have been transferred under the terms of 104(j).

(Dollars in Thousands)

As of September 30, 2022 and 2021, the Agency possessed the following land and land rights:

	2022	2021
Superfund Sites with Easements:		
Beginning Balance	45	43
Additions	2	2
Ending Balance	**47**	**45**
Superfund Sites with Land Acquired:		
Beginning Balance	32	32
Additions	1	1
Withdrawals	-	(1)
Ending Balance	**33**	**32**

Note 12. Liability to the General Fund for Custodial Assets

Liability to the General Fund for Custodial Assets represents the amount of net accounts receivable that, when collected, will be deposited to the Treasury General Fund. Included in the custodial liability are amounts for fines and penalties, interest assessments, repayments of loans, and miscellaneous other accounts receivable. As of September 30, 2022 and 2021, custodial liability is approximately $106,560 and $51,241 thousand, respectively.

(Dollars in Thousands)

Note 13. Other Liabilities

Other Liabilities consist of the following as of September 30, 2022:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Other Liabilities - Intragovernmental:			
Current			
Employer Contributions & Payroll Taxes	$ 16,126	$ -	$ 16,126
Other Accrued Liabilities	152,350	-	152,350
Loan Reestimates	-	769	769
Liability for Deposit Funds	-	(2)	(2)
Non-Current			
Unfunded FECA Liability	-	8,447	8,447
Unfunded Unemployment Liability	-	7	7
Payable to Treasury Judgement Fund	-	22,000	22,000
Total Intragovernmental	**$ 168,476**	**$ 31,221**	**$ 199,697**
Other Liabilities - Other Than Intragovernmental:			
Current			
Liability for Deposit Funds, Other Than Intragovernmental	$ 5,128	$ -	$ 5,128
Commitment and Contingencies	-	1,770	1,770
Other Accrued Liabilities	126,411	-	126,411
Grant Liabilities	360,811	-	360,811
Accrued Funded Payroll and Benefits	103,166	-	103,166
Capital Lease Liabilities	1,476	-	1,476
Direct Loans Subsidy Liability	-	(769)	(769)
Total Other Than Intragovernmental	**$ 596,992**	**$ 1,001**	**$ 597,993**

(Dollars in Thousands)

Other Liabilities consist of the following as of September 30, 2021:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Current			
Employer Contributions & Payroll Taxes	$ 29,503	$ -	$ 29,503
Other Accrued Liabilities	144,640	-	144,640
Loan Reestimates	-	770	770
Liability for Deposit Funds	-	(2)	(2)
Non-Current			
Unfunded FECA Liability	-	9,018	9,018
Unfunded Unemployment Liability	-	308	308
Payable to Treasury Judgement Fund	-	22,000	22,000
Total Intragovernmental	**$ 174,143**	**$ 32,094**	**$ 206,237**
Other Liabilities - Other Than Intragovernmental			
Current			
Liability for Deposit Funds, Other Than Intragovernmental	$ 5,626	$ -	$ 5,626
Other Accrued Liabilities	147,393	-	147,393
Grant Liabilities	369,003	-	369,003
Accrued Funded Payroll and Benefits	94,136	-	94,136
Capital Lease Liabilities	2,325	-	2,325
Total Other Than Intragovernmental:	**$ 618,483**	**$ -**	**$ 618,483**

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Other Accrued Liabilities are mostly comprised of contractor accruals.

See Note 1 paragraph N for additional information.

Note 14. Leases

The value of assets held under Capital Leases as of September 30, 2022 and 2021, are as follows:

Capital Leases:

	2022	2021
Summary of Assets Under Capital Lease:		
Real Property	$ 24,485	$ 24,485
Total	**24,485**	**24,485**
Accumulated Amortization	$ 22,581	$ 21,764

(Dollars in Thousands)

The EPA has one capital lease for land and buildings housing scientific laboratories. This lease includes a base rental charge and escalation clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to escalators in the Consumer Price Indices published by the Bureau of Labor Statistics, U.S. Department of Labor. The EPA's lease will terminate in FY 2025.

Future Payments Due **Fiscal Year**	**Capital Leases**
2023	$ 931
2024	962
2025	325
Total Future Minimum Lease Payments	**2,218**
Less: Imputed Interest	(742)
Net Capital Lease Liability	**1,476**
Liabilities not Covered by Budgetary Resources	$ 1,476

Note 15. Deferred Revenue

Deferred revenue is fully comprised of cashout advances. Cashout advances are funds received by the EPA, a state, or another responsible party under the terms of a settlement agreement (e.g., consent decree) to finance response action costs at a specified Superfund site. Under CERCLA Section 122(b)(3), cash-out funds received by the EPA are placed in site-specific, interest-bearing accounts known as special accounts and are used for potential future work at such sites in accordance with the terms of the settlement agreement. Funds placed in special accounts may be disbursed to PRPs, to states that take responsibility for the site, or to other Federal agencies to conduct or finance response actions in lieu of the EPA without further appropriation by Congress. As of September 30, 2022 and 2021, cash-out advances total $3,541.1 million and $3,476.7 million, respectively.

Note 16. Commitments and Contingencies

The EPA may be a party in various administrative proceedings, actions and claims brought by or against it. These include:

a) Various personnel actions, suits, or claims brought against the Agency by employees, and others.

b) Various contract and assistance program claims brought against the Agency by vendors, grantees, and others.

c) The legal recovery of Superfund costs incurred for pollution cleanup of specific sites, to include the collection of fines and penalties from responsible parties.

d) Claims against recipients for improperly spent assistance funds which may be settled by a reduction of future EPA funding to the grantee or the provision of additional grantee matching funds.

As of September 30, 2022, there were $1.77M of accrued liabilities for commitments and potential loss contingencies. As of September 30, 2021, there were no accrued liabilities for commitments and potential loss contingencies.

A. Gold King Mine

On August 5, 2015, the EPA and its contractors were investigating under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) the Gold King Mine, an inactive mine in Colorado, when a release of acid mine drainage occurred. While the EPA team was excavating above the mine adit, water began leaking from the mine adit. The small leak quickly turned into a significant breach, releasing approximately three million gallons of mine water into the North Fork of Cement Creek, a tributary of the Animas River. The plume of acid mine water traveled from Colorado's Animas River into New Mexico's San Juan River, passed through the Navajo Nation, and deposited into Utah's Lake Powell. As of September 30, 2022, legal claims exist for which the potential loss could not be determined related to *McDaniel et al v United States of America et al.* In this case, plaintiffs are seeking damages under the Federal Tort Claims Act for alleged property damage and personal injuries resulting from the Gold King Mine release on August 5, 2015.

In addition, as of September 30, 2022, legal claims exist for which the potential loss could not be determined related to *Hennis v. United States.* In this case, EPA built and operates an interim water treatment plant to treat ongoing discharge of mine-impacted water from the Gold King Mine on plaintiff's property. Plaintiff alleges that the Government's ongoing access to, occupation, and use of his property constitutes a physical taking without just compensation.

B. Flint, Michigan

The EPA has received claims from over 9,400 individuals under the Federal Tort Claims Act for alleged injuries and property damages caused by the EPA's alleged negligence related to the water health crisis in Flint, Michigan. There is no estimated loss amount related to the water health crisis; they are only reasonably possible, and the final outcomes are not probable.

C. Superfund

Under CERCLA Section 106(a), the EPA issues administrative orders that require parties to clean up contaminated sites. CERCLA Section 106(b) allows a party that has complied with such an order to petition the EPA for reimbursement of its reasonable costs of responding to the order plus interest. To be eligible for reimbursement, the party must demonstrate either that it was not a liable party under CERCLA Section 107(a) for the response action ordered or that the Agency's selection of the response action was arbitrary and capricious or otherwise not in accordance with law. As of September 30, 2022, there is one case related to Superfund. This case is *August Mack Environmental, Inc. v. EPA* for $2.7 million; it is only reasonably possible, and the outcome is not probable. August Mack Environmental (AME) was a contractor for Vertellus, one of three PRPs (Potentially Responsible Parties) at the Big John Salvage Site in Fairmont, WV. The site was being cleaned up pursuant to a consent decree which named Vertellus the performing defendant; there is a Special Account at the site funded by the PRPs. Vertellus filed for bankruptcy and AME did not recover in bankruptcy the moneys it claimed it was owed by Vertellus. AME made a claim against the Superfund and/or the Special Account. EPA Region 3 denied the claim and AME appealed to the Administrative Law Judge (ALJ) who also denied it. AME then filed suit in district court. The court ruled in favor of EPA on a Motion to Dismiss and AME appealed to the 4th Circuit. The 4th Circuit ruled in AME's favor and the case was remanded back to the ALJ.

D. Environmental Liabilities

As of September 30, 2022, there is one case pending against the EPA that is reported under Environmental Liabilities. The case is *ThermalKem a/k/a Phillip Services CERCLA Site*, which is categorized under probable; $1.77 million has been accrued. This case is a claim against several EPA regions for generator liability under CERCLA, based on waste sent to Site from other sites being cleaned-up by EPA and/or under EPA oversight. It also includes a claim for generator liability for waste sent to Site from EPA's labs and research facilities.

E. Other Pending Cases

As of September 30, 2022, legal claims exist for which the potential loss could not be determined. These include cases: *United Affiliates Corp., et al. v. United States,* involving alleged taking of property for which plaintiff is seeking just compensation under the 5th Amendment; and *Resort Center Associates, LLC v. Wheeler*, in which plaintiff alleges that EPA violated CERCLA and failed to perform non-discretionary duties under CERCLA in connection with designating a portion of its development property as part of the Richardson Flat Tailings Superfund site. This matter also includes 5th Amendment taking and Federal Tort Claims Act allegations.

F. Judgement Fund

In cases that are paid by the U.S. Treasury Judgment Fund, the EPA must recognize the full cost of a claim regardless of which entity is actually paying the claim. Until these claims are settled or a court judgment is assessed where the Judgment Fund is determined to be the appropriate source for the payment, claims that are probable and estimable must be recognized as an expense and liability of the Agency. For these cases, at the time of settlement or judgment, the liability will be reduced and an imputed financing source recognized. See Interpretation of Federal Financial Accounting Standards No. 2, Accounting for Treasury Judgment Fund Transactions. The EPA has a $22 million liability to the Treasury Judgment Fund for a payment made by the Fund to settle a contract dispute claim. As of September 30, 2022, there is no other case pending in the court.

G. Other Commitments

EPA has a commitment to fund the U.S. Government's payment to the Commission of the North American Agreement on Environmental Cooperation between the Government of Canada, the Government of the United Mexican States, and the Government of the United States of America (commonly referred to as CEC). According to the terms of the agreement, each government pays an equal share to cover the operating costs of the CEC. EPA paid $3.6 million in period ending September 30, 2022, and $3.6 million in period ending September 30, 2021 to the CEC.

EPA has a legal commitment under a noncancelable agreement, subject to the availability of funds, with the United Nations Environmental Program (UNEP). This agreement enables EPA to provide funding to the Multilateral Fund for the Implementation of the Montreal Protocol. EPA made payments totaling $8.3 million in the period ending September 30, 2022, and $8.3 million in the period ending September 30, 2021.

(Dollars in Thousands)

Note 17. Funds from Dedicated Collections

Balance Sheet for Fiscal the Year Ended 2022	Environmental Services	LUST	Superfund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections Combined	Eliminations between Dedicated Collections Funds	Total Funds from Dedicated Collections Consolidated
Intragovernmental							
Fund Balance with Treasury	$ 572,474	$ 24,166	$ 551,926	$ 105,639	$ 1,254,205	$ (306,954)	$ 947,251
Investments, Net	-	1,218,255	9,079,524	-	10,297,779	-	10,297,779
Accounts Receivable, Net	-	92,713	8,657,245	287,177	9,037,135	(8,748,509)	288,626
Advances and Prepayments	-	88	20,272	1,007	21,367	-	21,367
Total Intragovernmental Assets	**572,474**	**1,335,222**	**18,308,967**	**393,823**	**20,610,486**	**(9,055,463)**	**11,555,023**
Other Than Intragovernmental							
Accounts Receivable, Net	-	-	460,932	4,541	465,473	-	465,473
Loans Receivable, Net	-	-	-	1,291,124	1,291,124	-	1,291,124
General Property, Plant, and Equipment, Net	-	59	32,357	20,593	53,009	-	53,009
Advances and Prepayments	-	-	772	-	772	-	772
Total Other Than Intragovernmental	**-**	**59**	**494,061**	**1,316,258**	**1,810,378**	**-**	**1,810,378**
Total Assets	**$ 572,474**	**$ 1,335,281**	**$ 18,803,028**	**$ 1,710,081**	**$ 22,420,864**	**$ (9,055,463)**	**$ 13,365,401**
Intragovernmental							
Accounts Payable	$ -	$ 92,715	$ 8,688,339	$ -	$ 8,781,054	$ (8,748,489)	$ 8,781,054
Debt	-	-	-	1,557,180	1,557,180	-	1,557,180
Advances from Others and Deferred Revenue	-	-	164,486	4,789	169,275	-	169,275
Liability to the General Fund for Custodial Assets	-	-	22,362	-	22,362	-	22,362
Other Liabilities	-	485	41,337	51,621	93,443	-	93,443
Total Intragovernmental Liabilities	-	93,200	8,916,524	1,613,590	10,623,314	(8,748,489)	10,623,314
Other Than Intragovernmental							
Accounts Payable	-	49	33,685	984	34,718	-	34,718
Federal Employee Benefits Payable	-	36	10,135	261	10,432	-	10,432
Advances from Others and Deferred Revenue	-	-	44,970	45,988	90,958	-	90,958
Deferred Revenue	-	-	3,541,093	-	3,541,093	-	3,541,093
Other Liabilities	-	6,358	84,736	4,619	95,713	-	95,713
Total Other Than Intragovernmental Liabilities	-	6,443	3,714,619	51,852	3,772,914	-	3,772,914
Total Liabilities	**$ -**	**$ 99,643**	**$ 12,631,143**	**$ 1,665,442**	**$ 14,396,228**	**$ (8,748,489)**	**$ 5,647,739**
Unexpended Appropriations	$ -	$ -	$ (113)	$ 291	$ 178	$ -	$ 178
Cumulative Results of Operations	572,474	1,235,638	6,171,998	44,348	8,024,458	(306,974)	7,717,484
Total Liabilities and Net Position	**$ 572,474**	**$ 1,335,281**	**$ 18,803,028**	**$ 1,710,081**	**$ 22,420,864**	**$ (9,055,463)**	**$ 13,365,401**

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(Dollars in Thousands)

Statement of Net Cost for the Fiscal Year Ended 2022	Environmental Services	LUST	Superfund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections Combined	Eliminations between Dedicated Collections Funds	Total Funds from Dedicated Collections Consolidated
Gross Program Costs	$ -	$ 92,373	$ 1,350,585	$ 138,211	$ 1,581,169	$ -	$ 1,581,169
Less: Earned Revenues	(513)	-	506,923	132,169	638,579	(303,954)	334,625
Net Costs of Operations	**$ 513**	**$ 92,373**	**$ 843,662**	**$ 6,042**	**$ 942,590**	**$ 303,954**	**$ 1,246,544**
Statement of Changes in Net Position for the Fiscal Year Ended 2022							
Unexpended Appropriations							
Beginning Balance	$ -	$ -	$ (104)	$ 291	$ 187	$ -	$ 187
Appropriations Used	-	-	(9)	-	(9)	-	(9)
Total Unexpended Appropriations	**$ -**	**$ -**	**$ (113)**	**$ 291**	**$ 178**	**$ -**	**$ 178**
Cumulative Results of Operations							
Beginning Balance	$ 546,001	$ 1,072,946	$ 1,899,380	$ 33,333	$ 3,551,660	$ (20)	$ 3,551,640
Appropriations Used	-	-	9	-	9	-	9
Excise tax & customs	-	245,048	413,002	-	658,050	-	658,050
Misc. taxes & receipts	26,986	9,716	60,652	230	97,584	(3,000)	94,584
Total Other Than Intragovernmental Non-Exchange Revenue	26,986	254,764	473,654	230	755,634	(3,000)	752,634
Transfers-In/(Out) Without Reimbursement	-	-	4,616,482	(31,693)	4,584,789	-	4,584,789
Imputed Financing	-	301	26,135	251	26,687	-	26,687
Other Financing Sources	-	-	-	48,269	48,269	-	48,269
Net Cost of Operations	(513)	(92,373)	(843,662)	(6,042)	(942,590)	(303,954)	(1,246,544)
Net Change in Cumulative Results of Operations	26,473	162,692	4,272,618	11,015	4,472,798	(306,954)	4,165,844
Cumulative Results of Operations: Ending	**572,474**	**1,235,638**	**6,171,998**	**44,348**	**8,024,458**	**(306,974)**	**7,717,484**
Net Position, End of Period	**$ 572,474**	**$ 1,235,638**	**$ 6,171,885**	**$ 44,639**	**$ 8,024,636**	**$ (306,974)**	**$ 7,717,662**

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Balance Sheet for Fiscal the Year Ended 2021	Environmental Services	LUST	Superfund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections Combined	Eliminations between Dedicated Collections Funds	Total Funds from Dedicated Collections Consolidated
Intragovernmental							
Fund Balance with Treasury	$ 546,001	$ 43,540	$ 389,847	$ 135,505	$ 1,114,893	$ (251,593)	$ 863,300
Investments, Net	-	1,037,121	5,118,717	-	6,155,838	-	6,155,838
Accounts Receivable, Net	-	85,921	4,971,593	122,479	5,179,993	(5,055,995)	123,998
Advances and Prepayments	-	155	17,047	493	17,695	-	17,695
Total Intragovernmental Assets	**546,001**	**1,166,737**	**10,497,204**	**258,477**	**12,468,419**	**(5,307,588)**	**7,160,831**
Other Than Intragovernmental							
Accounts Receivable, Net	-	-	490,569	7,114	497,683	-	497,683
Loans Receivable, Net	-	-	-	586,087	586,087	-	586,087
General Property, Plant, and Equipment, Net	-	73	24,516	3,407	27,996	-	27,996
Advances and Prepayments	-	-	775	-	775	-	775
Total Other Than Intragovernmental	**-**	**73**	**515,860**	**596,608**	**1,112,541**	**-**	**1,112,541**
Total Assets	**$ 546,001**	**$ 1,166,810**	**$ 11,013,064**	**$ 855,085**	**$ 13,580,960**	**$ (5,307,588)**	**$ 8,273,372**
Intragovernmental							
Accounts Payable	$ -	$ 86,187	$ 5,002,107	$ -	$ 5,088,294	$ (5,056,121)	$ 5,088,294
Debt	-	-	-	746,839	746,839	-	746,839
Advances from Others and Deferred Revenue	-	-	125,956	13,873	139,829	-	139,829
Liability to the General Fund for Custodial Assets	-	-	22,362	-	22,362	-	22,362
Other Liabilities	-	597	61,026	2,085	63,708	-	63,708
Total Intragovernmental Liabilities	-	86,784	5,211,451	762,797	6,061,032	(5,056,121)	6,061,032
Other Than Intragovernmental							
Accounts Payable	-	3	31,903	1,220	33,126	-	33,126
Federal Employee Benefits Payable	-	32	10,858	192	11,082	-	11,082
Advances from Others and Deferred Revenue	-	-	40,518	51,730	92,248	-	92,248
Deferred Revenue	-	-	3,476,732	-	3,476,732	-	3,476,732
Other Liabilities	-	7,045	90,879	5,522	103,446	-	103,446
Total Other Than Intragovernmental Liabilities	-	7,080	3,650,890	58,664	3,716,634	-	3,716,634
Total Liabilities	**$ -**	**$ 93,864**	**$ 8,862,341**	**$ 821,461**	**$ 9,777,666**	**$ (5,056,121)**	**$ 4,721,545**
Unexpended Appropriations	$ -	$ -	$ (104)	$ 291	$ 187	$ -	$ 187
Cumulative Results of Operations	546,001	1,072,946	2,150,827	33,333	3,803,107	(251,467)	3,551,640
Total Liabilities and Net Position	**$ 546,001**	**$ 1,166,810**	**$ 11,013,064**	**$ 855,085**	**$ 13,580,960**	**$ (5,307,588)**	**$ 8,273,372**

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Statement of Net Cost for the Fiscal Year Ended 2021	Environmental Services	LUST	Superfund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections Combined	Eliminations between Dedicated Collections Funds	Total Funds from Dedicated Collections Consolidated
Gross Program Costs	$ -	$ 86,157	$ 1,364,410	$ 137,107	$ 1,587,674	$ -	$ 1,587,674
Less: Earned Revenues	13	-	545,408	152,214	697,635	(249,937)	447,698
Net Costs of Operations	**$ (13)**	**$ 86,157**	**$ 819,002**	**$ (15,107)**	**$ 890,039**	**$ 249,937**	**$ 1,139,976**
Statement of Changes in Net Position for the Fiscal Year Ended 2021							
Unexpended Appropriations							
Beginning Balance	$ -	$ -	$ (89)	$ (100)	$ (189)	$ -	$ (189)
Appropriations Used	-	-	(15)	391	376	-	376
Total Unexpended Appropriations	**$ -**	**$ -**	**$ (104)**	**$ 291**	**$ 187**	**$ -**	**$ 187**
Cumulative Results of Operations							
Beginning Balance	$ 518,165	$ 916,564	$ 1,828,018	$ 22,511	$ 3,285,258	$ 21,628	$ 3,306,886
Appropriations Used	-	-	15	(391)	(376)	-	(376)
Excise tax & customs	-	241,786	-	-	241,786	-	241,786
Misc. taxes & receipts	27,823	476	4,901	3,855	37,055	(1,656)	35,399
Total Other Than Intragovernmental Non-Exchange Revenue	27,823	242,262	4,901	3,855	278,841	(1,656)	277,185
Transfers-In/(Out) Without Reimbursement	-	-	1,111,423	(8,774)	1,102,649	(21,502)	1,081,147
Imputed Financing	-	277	25,472	256	26,005	-	26,005
Other Financing Sources	-	-	-	769	769	-	769
Net Cost of Operations	13	(86,157)	(819,002)	15,107	(890,039)	(249,937)	(1,139,976)
Net Change in Cumulative Results of Operations	27,836	156,382	322,809	10,822	796,690	(273,095)	523,595
Cumulative Results of Operations: Ending	**546,001**	**1,072,946**	**2,150,827**	**33,333**	**4,081,948**	**(251,467)**	**3,830,481**
Net Position, End of Period	**$ 546,001**	**$ 1,072,946**	**$ 2,150,723**	**$ 33,625**	**$ 3,803,295**	**$ (251,467)**	**$ 3,551,828**

A. Funds from Dedicated Collections

i. Environmental Services Receipt Account:

The Environmental Services Receipt Account, authorized by a 1990 act, "To amend the Clean Air Act (P.L. 101-549)," was established for the deposit of fee receipts associated with environmental programs, including radon measurement proficiency ratings and training, motor vehicle engine certifications, and water pollution permits. Receipts in this special fund can only be appropriated to the S&T and EPM appropriations to meet the expenses of the programs that generate the receipts if authorized by Congress in the Agency's appropriations bill.

ii. Leaking Underground Storage Tank (LUST) Trust Fund:

The LUST Trust Fund was authorized by the SARA as amended by the Omnibus Budget Reconciliation Act of 1990. The LUST appropriation provides funding to prevent and respond to releases from leaking underground petroleum tanks. The Agency oversees cleanup and enforcement programs which are implemented by the states. Funds are allocated to the states through cooperative agreements and prevention grants to inspect and clean up those sites posing the greatest threat to human health and the environment. Funds are used for grants to non-state entities including Indian tribes under Section 8001 of the Resource Conservation and Recovery Act.

iii. Superfund Trust Fund:

In 1980, the Superfund Trust Fund was established by CERCLA to provide resources to respond to and clean up hazardous substance emergencies and abandoned, uncontrolled hazardous waste sites. The Superfund Trust Fund financing is shared by federal and state governments as well as industry. The EPA allocates funds from its appropriation to the Department of Justice to carry out CERCLA. Risks to public health and the environment at uncontrolled hazardous waste sites qualifying for the Agency's National Priorities List (NPL) are reduced and addressed through a process involving site assessment and analysis and the design and implementation of cleanup remedies. NPL cleanups and removals are conducted and financed by the EPA, private parties, or other Federal agencies. The Superfund Trust Fund includes Treasury's collections, special account receipts from settlement agreements, and investment activity.

B. Other Funds from Dedicated Collections

i. Inland Oil Spill Programs Account:

The Inland Oil Spill Programs Account was authorized by the Oil Pollution Act of 1990 (OPA). Monies are appropriated from the Oil Spill Liability Trust Fund to the EPA's Inland Oil Spill Programs Account each year. The Agency is responsible for directing, monitoring and providing technical assistance for major inland oil spill response activities. This involves setting oil prevention and response standards, initiating enforcement actions for compliance with OPA and Spill Prevention Control and Countermeasure requirements, and directing response actions when appropriate. The Agency carries out research to improve response actions to oil spills including research on the use of remediation techniques such as dispersants and bioremediation. Funding for specific oil spill cleanup actions is provided through the U.S. Coast Guard from the Oil Spill Liability Trust Fund through reimbursable Pollution Removal Funding Agreements (PRFAs) and other inter-agency agreements.

ii. Pesticide Registration Fund:

The Pesticide Registration Fund was authorized by a 2004 Act, "Consolidated Appropriations Act (P.L. 108-199)," and reauthorized until September 30, 2023, for the expedited processing of certain registration petitions and the associated establishment of tolerances for pesticides to be used in or on food and animal feed. Fees covering these activities, as authorized under the FIFRA Amendments of 1988, are to be paid by industry and deposited into this fund group.

iii. Reregistration and Expedited Processing Fund:

The Revolving Fund was authorized by the FIFRA of 1972, as amended by the FIFRA Amendments of 1988 and as amended by the Food Quality Protection Act of 1996. Pesticide maintenance fees are paid by industry to offset the costs of pesticide re-registration and the reassessment of tolerances for pesticides used in or on food and animal feed, as required by law.

iv. Tolerance Revolving Fund:

The Tolerance Revolving Fund was authorized in 1963 for the deposit of tolerance fees. Fees were paid by industry for Federal services to set pesticide chemical residue limits in or on food and animal feed. Fees collected prior to January 2, 1997 were accounted for under this fund. Presently, collection of these fees is prohibited by statute enacted in the Consolidated Appropriations Act, 2004 (P.L. 108-199).

v. Hazardous Waste Electronic Manifest System

The Hazardous Waste Electronic Manifest System Fund, authorized in 2014, receives funding through fees collected for use of the Hazardous Waste Electronic Manifest System.

Note 18. Environmental and Disposal Liabilities

Annually, the EPA is required to disclose its audited estimated future costs associated with:

a) Cleanup of hazardous waste and restoration of the facility when it is closed, and

b) Costs to remediate known environmental contamination resulting from the Agency's operations.

The EPA has 25 sites for which it is responsible for clean-up costs incurred under federal, state, and/or local regulations to remove, contain, or dispose of hazardous material found at these facilities.

The EPA is also required to report the estimated costs related to:

a) Clean-up from federal operations resulting in hazardous waste

b) Accidental damage to nonfederal property caused by federal operations, and

c) Other damage to federal property caused by federal operations or natural forces.

The key to distinguishing between future clean-up costs versus an environmental liability is to determine whether the event (accident, damage, etc.) has already occurred and whether we can reasonably estimate the cost to remediate the site.

The EPA has elected to recognize the estimated total clean-up cost as a liability and record changes to the estimate in subsequent years.

As of September 30, 2022, the EPA has one site that requires clean up stemming from its activities. The claimants' chances of success are characterized as probable with costs amounting to $1.77 million that may be paid out of the Treasury Judgment Fund.

The EPA has 25 sites for which it is required to fund the environmental cleanup. As of September 30, 2022, the estimated costs for site clean-up were $32.2 million unfunded, and no amount funded, respectively. In 2021 the estimated costs for site clean-up were $25.7 million unfunded, and $971 thousand funded, respectively. Since the clean-up costs associated with permanent closure were not primarily recovered through user fees, the EPA has elected to recognize the estimated total clean-up cost as a liability and record changes to the estimate in subsequent years.

(Dollars in Thousands)

In FY 2022, the estimate for unfunded clean-up cost increased by $6.5 million from the FY 2021 estimate. This is primarily due to decreased estimates of future lab cleanup actions.

Note 19. State Credits

Authorizing statutory language for Superfund and related Federal regulations requires states to enter into Superfund State Contracts (SSC) when the EPA assumes the lead for a remedial action in their state. The SSC defines the state's role in the remedial action and obtains the state's assurance that it will share in the cost of the remedial action. Under Superfund's authorizing statutory language, states will provide the EPA with a 10 percent cost share for remedial action costs incurred at privately owned or operated sites, and at least 50 percent of all response activities (i.e., removal, remedial planning, remedial action, and enforcement) at publicly operated sites. In some cases, states may use EPA-approved credits to reduce all or part of their cost share requirement that would otherwise be borne by the states. The credit is limited to state site-specific expenses the EPA has determined to be reasonable, documented, direct out-of-pocket expenditures with the public funds for remedial action.

Once the EPA has reviewed and approved a state's claim for credit, the state must first apply the credit at the site where it was earned. The state may apply any excess/remaining credit to another site when approved by the EPA. As of September 30, 2022 and 2021, the total remaining state credits have been estimated at $17.9 million, and $17.9 million, respectively.

Note 20. Preauthorized Mixed Funding Agreements

Under Superfund preauthorized mixed funding agreements, PRPs agree to perform response actions at their sites with the understanding that the EPA will reimburse them a certain percentage of their total response action costs. The EPA's authority to enter into mixed funding agreements is provided under CERCLA Section 111(a) (2). Under CERCLA Section 122(b)(1), as amended by SARA, PRPs may assert a claim against the Superfund Trust Fund for a portion of the costs they incurred while conducting a preauthorized response action agreed to under a mixed funding agreement. As of September 30, 2022, the EPA had three outstanding preauthorized mixed funding agreements with obligations totaling $7.3 million. As of September 30, 2021, the EPA had three outstanding preauthorized mixed funding agreements with obligations totaling $10.2 million. A liability is not recognized for these amounts until all work has been performed by the PRP and has been approved by the EPA for payment. Further, the EPA will not disburse any funds under these agreements until the PRP's application, claim and claims adjustment processes have been reviewed and approved by the EPA.

Note 21. Custodial Revenues and Accounts Receivable

The EPA uses the accrual basis of accounting for the collection of fines, penalties and miscellaneous receipts. Collectability by the EPA of the fines and penalties is based on the respondents' willingness and ability to pay. As of September 30, 2022 and 2021 Custodial Revenues and Accounts Receivable are:

	2022	2021
Fines, Penalties and Other Miscellaneous Receipts	$ 58,515	$ 42,497
Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts:		
Accounts Receivable	$ 236,617	$ 174,590
Less: Allowance for Uncollectible Accounts	(152,300)	(144,142)
Total	**$ 84,317**	**$ 30,448**

Note 22. Reconciliation of President's Budget to the Statement of Budgetary Resources

Budgetary resources, obligations incurred and outlays, as presented in the audited FY 2021 Statement of Budgetary Resources, will be reconciled to the amounts included in the FY 2021 Budget of the United States Government when they become available. The Budget of the United States Government with actual numbers for FY 2022 has not yet been published. We expect it will be published by early 2023, and it will be available on the Office of Management and Budget website at https://www.whitehouse.gov/

The actual amounts published for the year ended September 30, 2021 are listed immediately below (dollars in millions):

FY 2021	Budgetary Resources	Obligations	Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 22,730	$ 17,357	$ 1,481	$ 10,346
Reported in the Budget of the U.S. Government	$ 22,620	$ 17,256	$ 1,481	$ 10,286

Note 23. Recoveries and Resources Not Available, Statement of Budgetary Resources

Recoveries of Prior Year Obligations, Temporarily Not Available, and Permanently Not Available on the Statement of Budgetary Resources consist of the following amounts as of September 30, 2022 and 2021:

	2022	2021
Unobligated Balance Brought Forward, Oct 1.	**$ 5,372,585**	**$ 5,640,267**
Adjustments to Budgetary Resources Made During the Current Year		
Downward Adjustments of Prior Year Undelivered Orders	310,599	335,603
Downward Adjustments of Prior Year Delivered Orders	11,898	19,061
Permanent Reduction Prior Year Balances	-	(27,991)
Other Adjustments	(20,975)	(15,627)
Total	**301,522**	**311,046**
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	**$ 5,674,107**	**$ 5,951,313**
Temporarily Not Available - Rescinded Authority	**$ (6,563)**	**$ (6,428)**
Permanently Not Available:		
Rescinded Authority	$ -	$ 6,428
Cancelled Authority	21,065	27,991
Total Permanently Not Available	**$ 21,065**	**$ 34,419**

(Dollars in Thousands)

Note 24. Unobligated Balances Available

Unobligated balances are a combination of two lines on the Statement of Budgetary Resources: Apportioned, Unobligated Balances and Unobligated Balances Not Available. Unexpired unobligated balances are available to be apportioned by the OMB for new obligations at the beginning of the following fiscal year. The expired unobligated balances are only available for upward adjustments of existing obligations.

The unobligated balances available consist of the following as of September 30, 2022 and 2021:

	2022	2021
Unexpired Unobligated Balance	$ 56,868,632	$ 5,281,571
Expired Unobligated Balance	106,618	91,014
Total	**$ 56,975,250**	**$ 5,372,585**

Note 25. Undelivered Orders at the End of the Period

Budgetary resources obligated for undelivered orders as of September 30, 2022 and 2021:

	2022	2021
Intragovernmental:		
Unpaid Undelivered Orders	$ 1,309,147	$ 617,433
Paid Undelivered Orders	330,617	300,357
Other Than Intragovernmental:		
Unpaid Undelivered Orders	27,441,476	20,650,862
Paid Undelivered Orders	3,736	297,852
Total	**$ 29,084,976**	**$ 21,866,504**

Note 26. Offsetting Receipts

Distributed offsetting receipts are amounts that an agency collects from the public or from other Government agencies that are used to offset or reduce an agency's budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts). As of September 30, 2022 and 2021, the following receipts were generated from these activities:

	2022	2021
Trust Fund Recoveries	$ 303,954	$ 249,937
Special Fund Services	29,368	76,466
Trust Fund Appropriation	4,675,799	1,153,462
Miscellaneous Receipt and Clearing Accounts	29,699	1,546
Total	**$ 5,038,820**	**$ 1,481,411**

(Dollars in Thousands)

Note 27. Transfers-In and Out, Statement of Changes in Net Position

A. Appropriations Transfers, In/Out:

As of September 30, 2022 and 2021, the Appropriation Transfers under Budgetary Financing Sources on the Statement of Changes in Net Position are comprised of non-expenditure transfers that affect Unexpended Appropriations for non-invested appropriations. These amounts are included in the Budget Authority, Net Transfers and Prior Year Unobligated Balance, and Net Transfers lines on the Statement of Budgetary Resources. Details of the Appropriation Transfers on the Statement of Changes in Net Position and reconciliation with the Statement of Budgetary Resources follow for September 30, 2022 and 2021:

	2022	2021
Net Transfers from Invested Funds	$ 5,041,849	$ 1,525,315
Transfer to the Department of Transportation	85,500	-
Transfers to Another Agency	6,055	29,854
Total of Net Transfers on the Statement of Budgetary Resources	**$ 5,133,404**	**$ 1,555,169**

B. Transfers In/Out Without Reimbursement, Budgetary:

For September 30, 2022 and 2021, Transfers In/Out under Budgetary Financing Sources on the Statement of Changes in Net Position consist of transfers between EPA funds. These transfers affect Cumulative Results of Operations. Details of the transfers-in and transfers-out, expenditure and non-expenditure, follow for September 30, 2022 and 2021:

	2022		2021	
Type of Transfer/Funds:	**Funds From Dedicated Collections**	**Other Funds**	**Funds From Dedicated Collections**	**Other Funds**
Transfers-in (out) nonexpenditure, Science and Technology and Environmental Program Management funds	$ -	$ 5,661	$ -	$ 28,624
Transfers-in (out) nonexpenditure, Oil Spill	20,262	-	20,098	-
WIFIA	(48,268)	-	-	-
Transfers-in (out), TSCA	(5,045)	-	(28,624)	-
PRIA	346	-	(708)	-
National Resource Damage Assessment	1,010	-	1,229	-
Total Transfer in (out) without Reimbursement, Budgetary	**$ (31,695)**	**$ 5,661**	**$ (8,005)**	**$ 28,624**

(Dollars in Thousands)

Note 28. Imputed Financing

In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, Federal agencies must recognize the portion of employees' pensions and other retirement benefits to be paid by the OPM trust funds. These amounts are recorded as imputed costs and imputed financing for each Agency. Each year the OPM provides Federal agencies with cost factors to calculate these imputed costs and financing that apply to the current year. These cost factors are multiplied by the current year's salaries or number of employees, as applicable, to provide an estimate of the imputed financing that the OPM trust funds will provide for each Agency. The estimates for FY 2022 were $132.0 million. For FY 2021, the estimates were $128.5 million.

SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts* and SFFAS No. 30, *Inter-Entity Cost Implementation*, requires Federal agencies to recognize the costs of goods and services received from other Federal entities that are not fully reimbursed, if material. The EPA estimates imputed costs for inter-entity transactions that are not at full cost and records imputed costs and financing for these unreimbursed costs subject to materiality. The EPA applies its Headquarters General and Administrative indirect cost rate to expenses incurred for inter-entity transactions for which other Federal agencies did not include indirect costs to estimate the amount of unreimbursed (i.e., imputed) costs. For FY 2022 total imputed costs were $39.1 million.

In addition to the pension and retirement benefits described above, the EPA also records imputed costs and financing for Treasury Judgment Fund payments made on behalf of the Agency. Entries are made in accordance with the Interpretation of Federal Financial Accounting Standards No. 2, *Accounting for Treasury Judgment Fund Transactions*. For FY 2022, entries for Judgment Fund payments totaled $97.8 million. For FY 2021, entries for Judgment Fund payments totaled $11 million.

Note 29. Federal Employee and Veteran Benefits Payable

Payroll and benefits payable to the EPA employees for the fiscal years ending September 30, 2022 and 2021, consist of the following:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
FY 2022 Payroll and Benefits Payable			
Employer Contributions Payable - Thrift Savings Plan	$ 2,813	$ -	$ 2,813
Actuarial FECA Liability	-	45,758	45,758
Accrued Unfunded Annual Leave	-	175,214	175,214
Total - Current	**$ 2,813**	**$ 220,972**	**$ 223,785**

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
FY 2021 Payroll and Benefits Payable			
Employer Contributions Payable - Thrift Savings Plan	$ 2,509	$ -	$ 2,509
Actuarial FECA Liability	-	51,143	51,143
Accrued Unfunded Annual Leave	-	181,492	181,492
Total - Current	**$ 2,509**	**$ 232,635**	**$ 235,144**

(Dollars in Thousands)

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Annually, the EPA allocates the portion of the long-term FECA actuarial liability attributable to the entity. The liability is calculated to estimate the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability amounts and the calculation methodologies are provided by the Department of Labor. The FY 2022 present value of these estimated outflows is calculated using a discount rate of 2.119 percent in the first year, and 2.119 percent in the years thereafter. The estimated future costs are recorded as an unfunded liability.

See Note 1 paragraph P for additional information.

Note 30. Other Adjustments, Statement of Changes in Net Position

The Other Adjustments under Budgetary Financing Sources on the Statement of Changes in Net Position consist of rescissions to appropriated funds and cancellation of funds that expired 7 years earlier. These amounts affect Unexpended Appropriations. Other Adjustments, Statement of Changes in Net Position for the years ended September 30, 2022 and 2021, consist of the following:

	Other Funds 2022	Other Funds 2021
Cancelled General Authority	$ 20,398	$ 49,123
Total Other Adjustments	**$ 20,398**	**$ 49,123**

Note 31. Non-Exchange Revenue, Statement of Changes in Net Position

Non-Exchange Revenue on the Statement of Changes in Net Position for the fiscal years ended September 30, 2022 and 2021:

	2022		2021	
	Funds from Dedicated Collections	All Other Funds	Funds from Dedicated Collections	All Other Funds
Interest on Trust Fund	$ 66,012	$ -	$ 6,421	$ -
Tax Revenue, Net of Refunds	658,050	-	241,786	-
Fines and Penalties Revenue	1,587	-	(2,740)	-
Special Receipt Fund Revenue	26,986	-	31,521	-
Total Nonexchange Revenue	**$ 752,635**	**$ -**	**$ 276,988**	**$ -**

(Dollars in Thousands)

Note 32. Reconciliation of Net Cost of Operations to Net Outlays

For the Fiscal Year Ended September 30, 2022:

	Intra-governmental	Other Than Intra-governmental	Total 2022
NET COST	**$ 1,840,316**	**$ 7,902,264**	**$ 9,742,580**
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation		(43,097)	(43,097)
Property, Plant and Equipment Disposal & Revaluation		(952)	(952)
Applied Overhead/Cost Capitalization Offset		109,348	109,348
Gains/Losses on All Other Investments		32	32
Increase/(Decrease) in Assets:			
Accounts Receivable	(1,941)	(32,154)	(34,095)
Loans Receivable	1,432	947,601	949,033
Investments	(44,891)	-	(44,891)
Other Assets	15,839	3,238	19,077
(Increase)/Decrease in Liabilities:			
Accounts Payable and Accrued Liabilities	39,769	(9,498)	30,271
Loans Guarantee Liability (Non-FCRA)/Loans Payable	(810,341)	-	(810,341)
Environmental and Disposal Liabilities	-	(6,433)	(6,433)
Payroll and Benefits Payable	-	11,359	11,359
Other Liabilities	(29,058)	(73,967)	(103,025)
Other Financing Sources:			
Other Imputed Financing	(268,943)	-	(268,943)
Total Components of Net Cost That Are Not Part of Net Outlays	**742,182**	**8,807,741**	**9,549,923**
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Inventory	-	309	309
Acquisition of Investments	-	4,186,832	4,186,832
Other Financing Sources:			
Transfer Out (In) Without Reimbursement	(17,397)	-	(17,397)
Total Components of Budget Outlays That Are Not Part of Net Operating Cost	**(17,397)**	**4,187,141**	**4,169,744**
Miscellaneous Items			
Distributed Offsetting Receipts	(5,038,820)	-	(5,038,820)
Custodial/Non-Exchange Revenue	45	306,387	306,432
Appropriated Receipts for Trust Fund/Special Funds	-	23,554	23,554
Other Temporary Timing Differences	**-**	**268,566**	**268,566**
NET OUTLAYS	**$ (4,313,990)**	**$ 13,593,389**	**$ 9,279,399**

United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2022 and 2021
(Dollars in Thousands)

For the Fiscal Year Ended September 30, 2021:	Intra-governmental	Other Than Intra-governmental	Total 2021
NET COST	**$ 1,500,235**	**$ 7,082,983**	**$ 8,583,218**
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	57,687	57,687
Property, Plant and Equipment Disposal & Revaluation	-	4,186	4,186
Applied Overhead/Cost Capitalization Offset	-	(72,607)	(72,607)
Increase/(Decrease) in Assets:			
Accounts Receivable	(20,495)	77,112	56,617
Loans Receivable	50	513,387	513,437
Investments	(70,576)	-	(70,576)
Other Assets	47,670	(624)	47,046
(Increase)/Decrease in Liabilities:			
Accounts Payable and Accrued Liabilities	29,710	3,623	33,333
Loans Guarantee Liability (Non-FCRA)/Loans Payable	525,187	-	525,187
Environmental and Disposal Liabilities	-	(12,660)	(12,660)
Payroll and Benefits Payable	-	(2,595)	(2,595)
Other Liabilities	56,867	56,111	112,978
Other Financing Sources:			
Other Imputed Financing	(172,143)	-	(172,143)
Total Components of Net Cost That Are Not Part of Net Outlays	**1,896,505**	**7,706,603**	**-**
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Inventory	-	375	375
Other Financing Sources:			
Transfer Out (In) Without Reimbursement	(25,286)	-	(25,286)
Total Components of Budget Outlays That Are Not Part of Net Operating Cost	**(25,286)**	**375**	**(24,911)**
Miscellaneous Items			
Custodial/Non-Exchange Revenue	23	22,106	22,129
Appropriated Receipts for Trust Fund/Special Funds	-	20,028	20,028
Other Temporary Timing Differences	**-**	**231,740**	**231,740**
NET OUTLAYS	**$ 1,871,242**	**$ 7,980,852**	**$ 9,852,094**

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The reconciliation explains the relationship between the net cost of operations and net outlays by presenting components of net cost that are not part of net outlays (e.g., depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities), components of net outlays that are not part of net cost (e.g., acquisition of capital assets), other temporary timing difference (e.g., prior period adjustments due to correction of errors). The analysis above illustrates this reconciliation by listing the key differences between net cost and net outlays.

(Dollars in Thousands)

Note 33. Amounts Held by Treasury

Amounts held by Treasury for future appropriations consist of amounts held in trusteeship by Treasury in the Superfund and LUST Trust Funds.

A. Superfund

Superfund is supported by general revenues, cost recoveries of funds spent to clean up hazardous waste sites, interest income, and fines and penalties.

The following reflects the Superfund Trust Fund maintained by Treasury as of September 30, 2022 and 2021. The amounts contained in these notes have been provided by Treasury. As indicated, a portion of the outlays represents amounts received by the EPA's Superfund Trust Fund; such funds are eliminated on consolidation with the Superfund Trust Fund maintained by Treasury.

SUPERFUND FY 2022	**EPA**	**Treasury**	**Combined**
Undistributed Balances			
Uninvested Fund Balance	$ -	$ 103,683	$ 103,683
Total Undistributed Balance	-	103,683	103,683
Interest Receivable	-	4,694	4,694
Investments, Net	8,655,640	419,190	9,074,830
Total - Assets	**$ 8,655,640**	**$ 527,567**	**$ 9,183,207**
Liabilities and Equity			
Equity	$ 8,655,640	$ 527,567	$ 9,183,207
Total Liabilities and Equity	**$ 8,655,640**	**$ 527,567**	**$ 9,183,207**
Receipts			
Corporate Environmental	$ -	$ 413,002	$ 413,002
Cost Recoveries	-	303,954	303,954
Fines and Penalties	-	3,000	3,000
Total Revenue	-	719,956	719,956
Appropriations Received	-	4,675,799	4,675,799
Interest Income	-	56,135	56,135
Total Receipts	**$ -**	**$ 5,451,890**	**$ 5,451,890**
Outlays			
Transfers to/from EPA, Net	$ 5,076,897	$ (5,076,897)	$ -
Total Outlays	**$ 5,076,897**	**$ (5,076,897)**	**$ -**
Net Income	**$ 5,076,897**	**$ 374,993**	**$ 5,451,890**

(Dollars in Thousands)

In FY 2022, the EPA received an appropriation of $4.7 billion for Superfund. Treasury's Bureau of the Fiscal Service (BFS), the manager of the Superfund Trust Fund assets, records a liability to the EPA for the amount of the appropriation. BFS does this to indicate those trust fund assets that have been assigned for use and therefore are not available for appropriation. As of September 30, 2022 and 2021, the Treasury Trust Fund has a liability to the EPA for previously appropriated funds and special accounts of $8.7 billion and $5.2 billion, respectively.

SUPERFUND FY 2021	**EPA**	**Treasury**	**Combined**
Undistributed Balances			
Uninvested Fund Balance	$ -	$ 3,917	$ 3,917
Total Undistributed Balance	-	3,917	3,917
Interest Receivable	-	6,298	6,298
Investments, Net	4,970,058	142,361	5,112,419
Total - Assets	**$ 4,970,058**	**$ 152,576**	**$ 5,122,634**
Liabilities and Equity			
Equity	$ 4,970,058	$ 152,576	$ 5,122,634
Total Liabilities and Equity	**$ 4,970,058**	**$ 152,576**	**$ 5,122,634**
Receipts			
Cost Recoveries	$ -	$ 249,937	$ 249,937
Fines and Penalties	-	1,656	1,656
Total Revenue	-	251,593	251,593
Appropriations Received	-	1,153,462	1,153,462
Interest Income	-	5,927	5,927
Total Receipts	**$ -**	**$ 1,410,982**	**$ 1,410,982**
Outlays			
Transfers to/from EPA, Net	$ 1,475,171	$ (1,475,171)	$ -
Total Outlays	**$ 1,475,171**	**$ (1,475,171)**	**$ -**
Net Income	**$ 1,475,171**	**$ (64,189)**	**$ 1,410,982**

(Dollars in Thousands)

B. LUST

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FY 2022 and 2021, there were no fund receipts from cost recoveries. The amounts contained in these notes are provided by Treasury. Outlays represent appropriations received by the EPA's LUST Trust Fund; such funds are eliminated on consolidation with the LUST Trust Fund maintained by Treasury.

LUST FY 2022	EPA	Treasury	Combined
Undistributed Balances			
Uninvested Fund Balance	$ -	$ 13,817	$ 13,817
Total Undistributed Balance	-	13,817	13,817
Interest Receivable	-	116	116
Investments, Net	92,714	1,125,426	1,218,140
Total - Assets	**$ 92,714**	**$ 1,139,359**	**$ 1,232,073**
Liabilities and Equity			
Equity	$ 92,714	$ 1,139,359	$ 1,232,073
Total Liabilities and Equity	**$ 92,714**	**$ 1,139,359**	**$ 1,232,073**
Receipts			
Highway TF Tax	$ -	$ 234,170	$ 234,170
Airport TF Tax	-	7,607	7,607
Inland TF Tax	-	3,270	3,270
Total Revenue	-	245,047	245,047
Interest Income	-	9,716	9,716
Total Receipts	**$ -**	**$ 254,763**	**$ 254,763**
Outlays			
Transfers to/from EPA, Net	$ 92,293	$ (92,293)	$ -
Total Outlays	**$ 92,293**	**$ (92,293)**	**$ -**
Net Income	**$ 92,293**	**$ 162,470**	**$ 254,763**

(Dollars in Thousands)

LUST FY 2021	EPA	Treasury	Combined
Undistributed Balances			
Uninvested Fund Balance	$ -	$ 25,686	$ 25,686
Total Undistributed Balance	-	25,686	25,686
Investments, Net	85,921	951,201	1,037,122
Total - Assets	**$ 85,921**	**$ 976,887**	**$ 1,062,808**
Liabilities and Equity			
Equity	$ 85,921	$ 976,887	$ 1,062,808
Total Liabilities and Equity	**$ 85,921**	**$ 976,887**	**$ 1,062,808**
Receipts			
Highway TF Tax	$ -	$ 214,252	$ 214,252
Airport TF Tax	-	28,268	28,268
Inland TF Tax	-	(734)	(734)
Total Revenue	-	241,786	241,786
Interest Income	-	476	476
Total Receipts	$ -	$ 242,262	$ 242,262
Outlays			
Transfers to/from EPA, Net	$ 92,203	$ (92,203)	$ -
Total Outlays	**$ 92,203**	**$ (92,203)**	**$ -**
Net Income	**$ 92,203**	**$ 150,059**	**$ 242,262**

Note 34. COVID-19 Activity

On March 27, 2020, President Donald Trump signed into law The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in response to the economic fallout of the COVID-19 pandemic in the United States. The EPA received a supplemental appropriation of $7.2 million to support Environmental Program Management, Science and Technology, Building and Facilities, and Superfund program efforts related to the virus. As of September 30, 2022 $62.2 thousand has been obligated and the remaining budgetary resources have been used.

On March 11, 2021, President Joe Biden signed into law the American Rescue Plan Act (American Rescue Plan) also called the COVID-19 Stimulus Package, to speed up the United States' recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession. The EPA received a supplemental appropriation of $100 million to support Environmental Program Management and State and Tribal Assistance Grants program efforts related to recovery from the virus. As of September 30, 2022, $33.0 million remains available for obligation, $67.0 million has been obligated and the remaining budgetary resources have been used.

Additional COVID-19 activities are discussed in Section I, Management's Discussion and Analysis, *Financial Analysis and Stewardship Information*.

(Dollars in Thousands)

Note 35. Reclassified Financial Statement for Government-wide Reporting

To prepare the Financial Report of the U.S. Government (Financial Report), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost. Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the Financial Report statements. This note shows the agency's financial statements and reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated Financial Report line items. A copy of the 2021 Financial Report can be found here: Bureau of the Fiscal Service -Reports, Statements & Publications (treasury.gov) and a copy of the 2022 Financial Report will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "Non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for For the Year Ended September 30, 2022

FY 2022 EPA SNC		Line Items Used to Prepare the FY 2022 Government-wide SNC					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated and Other**	**Total**	**Reclassified Statement Line**
Gross Costs	$ 10,142,639						***Other Than Intragovernmental Costs***
	-	1,190,190	-	7,149,534	-	8,339,724	Other Than Intragovernmental Gross Costs
	-	1,190,190	-	7,149,534	-	8,339,724	***Total Other Than Intragovernmental Costs***
							Intragovernmental Costs
	-	94,343	-	369,334	-	463,677	Benefits Program Costs
	-	26,687	-	3,432	-	30,119	Imputed Costs
	-	216,442	-	800,798	-	1,017,240	Buy/Sell Costs
	-	-	-	89	-	89	Purchase of Assets
	-	53,588	-	-	-	53,588	Borrowing and Other Interest Expense
	-	-	-	(6,278)	-	(6,278)	Other Expenses (w/o Reciprocals)
	-	391,060	-	1,167,375	-	1,558,435	***Total Intragovernmental Costs***
Total Gross Costs	$ 10,142,639	$ 1,581,250	$ -	$ 8,316,909	$ -	$ 9,898,159	***Total Reclassified Gross Costs***
Earned Revenue	$ 400,059	$ 617,780	$ (303,954)	$ (27,791)	$ -	$ 286,035	Non-Federal Earned Revenue
							Intragovernmental Revenue
	-	20,799	-	47,829	-	68,628	Buy/Sell Revenue
	-	-	-	89	-	89	Purchase of Assets Offset
	-	20,799	-	47,918	-	68,717	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	$ 400,059	$ 638,579	$ (303,954)	$ 20,127	$ -	$ 354,752	***Total Reclassified Earned Revenue***
NET COST	**$ 9,742,580**	**$ 942,671**	**$ 303,954**	**$ 8,296,782**	**$ -**	**$ 9,543,407**	**NET COST**

United States Environmental Protection Agency
For the Fiscal Years Ending September 30, 2022 and 2021
(Dollars in Thousands)

Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended.

Deferred Maintenance is described as the act of keeping fixed assets in acceptable condition.

Such activities include preventive maintenance, replacement of parts, systems, or components, and other activities needed to preserve or maintain the asset.

The deferred maintenance as of September 30, 2022 and 2021:

	2022	2021
Asset Category		
Buildings	$ 142,324	$ 119,869
Total Deferred Maintenance	$ 142,324	$ 119,869

Required Supplementary Information (Unaudited) Cont.

In Fiscal Year 2022, in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs*: *Amending Statements of Federal Financial Accounting Standards* 6, 14, 29 and 32, the EPA presents Deferred Maintenance and Repairs (DM&R) information by asset category as follows:

Buildings:

Policy	Explanation
Maintenance and repairs policies and how they are applied.	The maintenance and repair policies are to maintain facilities and real property installed equipment to fully meet mission needs at each site. Systems are maintained to function efficiently at full capacity and to meet or exceed life expectancy of buildings and building systems.
How we rank and prioritize maintenance and repair activities among other activities.	Building and facility program projects are scored and ranked individually based on seven weighted factors to determine priority needs. High scoring projects are prioritized above lower scoring projects. The seven factors considered are: health and safety, energy conservation, environmental compliance, program requirements, repair and upkeep, space alteration, and operational urgency. Repair and Improvement (R&I) projects are identified and prioritized on a local basis.
Factors considered in determining acceptable condition standards.	The nine building systems must function at a level that fully meet mission needs. The nine building systems are: structure, roof, exterior components and finish, interior finish, HVAC, electrical, plumbing, conveyance, and specialized program support equipment. Each system is rated from 0 to 5 during facility assessments. Ratings are used to determine facility condition index and estimated deferred maintenance.
State whether DM&R relate solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E.	Facilities assessments and the resulting DM&R estimates are applied to capitalize PP&E only. Full facility assessments using the NASA parametric model are used to determine facilities and systems indices and deferred maintenance estimates.
PP&E for which management does not measure and/or report DM&R and the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E.	Buildings are not excluded from DM&R estimates.
Explain significant changes from the prior year.	No significant changes.

Required Supplementary Information (Unaudited) Cont.

EPA Held Equipment:

Policy	Explanation
Maintenance and repairs policies and how they are applied.	Managers of the equipment consider manufacturers recommendations in determining maintenance requirements.
How we rank and prioritize maintenance and repair activities among other activities.	Equipment is maintained based on manufacture's recommendations.
Factors considered in determining acceptable condition standards.	Manufacturer recommendations.
State whether DM&R relate solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E.	DM&R relates to all EPA Held Equipment as determined by individual site managers.
PP&E for which management does not measure and/or report DM&R and the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E.	Individual site managers determine the need to measure and/or report DM&R based on mission needs.
Explain significant changes from the prior year.	Individual site equipment managers decide on a case-by-case basis the need to maintain equipment.

Vehicles:

Policy	Explanation
Maintenance and repairs policies and how they are applied.	Vehicle managers maintain vehicles owned by the EPA in accordance with the recommendations of the manufacturer.
How we rank and prioritize maintenance and repair activities among other activities.	The goal is to maintain the vehicle as built and as recommended by the manufacturer. Repairs and maintenance are also described as *system critical* or *minor.* System critical repairs and maintenance are high priority and are immediately taken care of. Minor repairs are lower priority and may be taken care of at a later date (time/scheduling permitting). These are not critical to in-field functionality, but the repairs are needed to maintain the vehicle as built.
Factors considered in determining acceptable condition standards.	The vehicle is inspected to ensure that it (the vehicle) and related specialized equipment are in good working order. The criteria being that the vehicle is being maintained as built and as recommended by the manufacturer.
State whether DM&R relate solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E.	All vehicles are capitalized.
PP&E for which management does not measure and/or report DM&R and the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E.	None.
Explain significant changes from the prior year.	No significant changes.

Beginning in FY 2015, requirements for recognizing and reporting significant and expected-to-be-permanent impairment of general PP&E (except Internal Use Software) remaining in use are in SFFAS No. 44, *Accounting for Impairment of General Property, Plant, and Equipment (G-PP&E) Remaining in Use*.

This statement establishes accounting and financial reporting standards for impairment of general property, plant, and equipment remaining in use, except for internal use software. G-PP&E is considered impaired when there is a significant and permanent decline in the service utility of G-PP&E or expected service utility for construction work in progress. A decline is permanent when management has no reasonable expectation that the lost service utility will be replaced or restored.

Required Supplementary Information (Unaudited) Cont.

This statement does not anticipate that entities will have to establish additional or separate procedures beyond those that may already exist, such as those related to deferred maintenance and repairs, to search for impairments. Impairments can be identified and brought to management's attention in a variety of ways. Although a presumption exists that there are existing processes and internal controls in place to reasonably assure identification and communication of potential material impairments, this statement does not require entities to conduct an annual or other periodic survey solely for the purpose of applying these standards.

Management may determine that existing processes and internal controls are not sufficient to reasonably assure identification of potential material impairments and impairments and implement appropriate additional processes and internal controls.

Land:

Estimated Acreage by Predominant Use

Below details the predominant use of Land in Property, Plant and Equipment on the balance sheet by acreage.

	Commercial	Conservation and Preservation	Operational	Total Estimated Acreage
End of FY 2021/Start of FY 2022	-	-	576	576
End of FY 2022	-	-	576	576

Supplemental Combining Statement of Budgetary Resources (Unaudited)

United States Environmental Protection Agency
For the Fiscal Years Ending September 30, 2022
(Dollars in Thousands)

	Environmental Programs & Management	Leaking Underground Storage Tanks	Science & Technology	Superfund	State Tribal Assistance Agreements	Other	Totals
BUDGETARY RESOURCES							
Unobligated Balance From Prior Year Budget Authority, Net	$ 494,871	$ 11,629	$ 149,483	$ 3,698,435	$ 962,007	$ 357,682	$ 5,674,107
Appropriations (discretionary and mandatory)	6,546,366	85,500	750,174	5,077,704	11,338,047	46,473,974	70,271,765
Borrowing Authority (discretionary and mandatory)	-	-	-	-	-	3,693,794	3,693,794
Spending Authority From Offsetting Collection	44,457	6,793	38,030	26,340	-	608,985	724,605
Total Budgetary Resources	$ 7,085,694	$ 103,922	$ 937,687	$ 8,802,479	$12,300,054	$ 51,134,435	$ 80,364,271
STATUS OF BUDGETARY RESOURCES							
New Obligations and Upward Adjustments (total)	$ 3,281,512	$ 84,446	$ 780,771	$ 2,586,267	$ 4,258,742	$ 12,397,284	$ 23,389,022
Unobligated Balance, End of Year:							
Apportioned, Unexpired Accounts	3,717,612	19,458	140,761	6,215,552	8,041,312	38,709,473	56,844,168
Unapportioned, Unexpired Accounts	-	18	-	-	-	24,445	24,463
Expired Unobligated Balance, End of Year	86,570	-	16,155	660	-	3,233	106,618
Unobligated Balance, End of Year (total):	3,804,182	19,476	156,916	6,216,212	8,041,312	38,737,151	56,975,249
Total Status of Budgetary Resources	$ 7,085,694	$ 103,922	$ 937,687	$ 8,802,479	$12,300,054	$ 51,134,435	$ 80,364,271
OUTLAYS, NET							
Outlays, Net (total) (discretionary and mandatory)	$ 2,901,448	$ 93,005	$ 748,632	$ 1,384,363	$ 4,268,037	$ 4,922,734	$ 14,318,219
Distributed Offsetting Receipts (-) (Note 26)	-	-	-	(4,979,753)	-	(59,067)	(5,038,820)
Agency Outlays, Net (discretionary and mandatory)	$ 2,901,448	$ 93,005	$ 748,632	$ (3,595,390)	$ 4,268,037	$ 4,863,667	$ 9,279,399
Disbursements, Net (total) (mandatory)						$ 840,409	$ 840,409

AUDIT OF EPA’S FISCAL YEARS 2022 AND 2021 CONSOLIDATED FINANCIAL STATEMENTS

OFFICE OF INSPECTOR GENERAL

U.S. ENVIRONMENTAL PROTECTION AGENCY

CUSTOMER SERVICE ★ INTEGRITY ★ ACCOUNTABILITY

Operating efficiently and effectively

The EPA's Fiscal Years 2022 and 2021 Consolidated Financial Statements

Report No. 23-F-0002 November 15, 2022

Abbreviations:		
	EPA	U.S. Environmental Protection Agency
	FFMIA	Federal Financial Management Improvement Act of 1996
	FY	Fiscal Year
	OCFO	Office of the Chief Financial Officer
	OIG	Office of Inspector General
	OMB	Office of Management and Budget
	PRISM	Pesticide Registration Information System
	U.S.C.	United States Code
	WIFIA	Water Infrastructure Finance and Innovation Act of 2014

Office of Inspector General
U.S. Environmental Protection Agency
At a Glance

23-F-0002
November 15, 2022

Why We Did This Audit

We performed this audit in accordance with the Government Management Reform Act of 1994, which requires the U.S. Environmental Protection Agency Office of Inspector General to audit the financial statements prepared by the Agency each year. Our primary objectives were to determine whether:

- The EPA's consolidated financial statements were fairly stated in all material respects.
- The EPA's internal controls over financial reporting were in place.
- EPA management complied with applicable laws, regulations, contracts, and grant agreements.

This requirement for audited financial statements was enacted to help bring about improvements in agencies' financial management practices, systems, and control so that timely, reliable information is available for managing federal programs.

This report addresses the following:

- *Operating efficiently and effectively.*

This audit addresses a top EPA management challenge:

- *Managing infrastructure funding and business operations.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG_WEBCOMMENTS@epa.gov.

List of OIG reports.

The EPA's Fiscal Years 2022 and 2021 Consolidated Financial Statements

The EPA Receives an Unmodified Opinion for Fiscal Years 2022 and 2021

We rendered an unmodified opinion on the EPA's consolidated financial statements for fiscal years 2022 and 2021, meaning that they were fairly presented and free of material misstatement.

We found the EPA's financial statements to be fairly presented and free of material misstatement.

Significant Deficiencies Noted

We noted the following significant deficiencies:

- The EPA improperly recorded Water Infrastructure Finance and Innovation Act of 2014 fee fund revenue.
- The unearned advances account had an abnormal balance.
- Unneeded funds were not deobligated timely.
- Capitalized software-in-development costs were inaccurately recorded.
- The EPA processed standard vouchers without adequate procedures.

Compliance with Laws, Regulations, Contracts, and Grant Agreements

We did not note any significant noncompliance with laws, regulations, contracts, and grant agreements.

Recommendations and Planned Agency Corrective Actions

The EPA agreed with all eight recommendations and has either completed corrective actions or provided an estimated time frame for completion.

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

OFFICE OF
INSPECTOR GENERAL

November 15, 2022

MEMORANDUM

SUBJECT: The EPA's Fiscal Years 2022 and 2021 Consolidated Financial Statements
Report No. 23-F-0002

FROM: Damon Jackson, Director
Financial Directorate
Office of Audit

Damon M. Jackson

TO: Faisal Amin, Chief Financial Officer

Daniel Blackman, Regional Administrator
Region 4

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was OA-FY22-0121. This report contains findings that describe the problems the OIG has identified and the corrective actions the OIG recommends. Final determination on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of the Chief Financial Officer and Region 4 have primary responsibility for the issues discussed in the report.

In accordance with EPA Manual 2750, your offices completed corrective actions for Recommendations 1 and 2. Your offices also provided acceptable planned corrective actions and estimated milestone dates in response to Recommendations 3, 4, 5, 6, 7, and 8. These recommendations are resolved, and no final response to this draft is required. If you submit a response, however, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with accessibility requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

Attachments:

1. Significant Deficiencies.
2. Status of Prior Audit Report Recommendations.
3. Status of Recommendations and Potential Monetary Benefits.

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Inspector General's Report on the EPA's Fiscal Years 2022 and 2021 Consolidated Financial Statements

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Inspector General's Report on the Fiscal Years 2022 and 2021 Consolidated Financial Statements

The Administrator
U.S. Environmental Protection Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the U.S. Environmental Protection Agency, which comprise the consolidated balance sheets, as of September 30, 2022 and 2021, and the related consolidated statement 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 the related notes to the financial statements.

In our opinion, the consolidated financial statements, including the accompanying notes, present fairly, in all material respects, the consolidated assets, liabilities, net position, net cost, net cost by major program, changes in net position, custodial activity, and combined budgetary resources of the EPA as of and for the years ended September 30, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, known as generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the EPA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.[1]

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute

[1] *Management*, as used throughout this report, refers to the EPA's management.

assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the EPA’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The financial statements include expenses of grantees, contractors, and other federal agencies. Our audit work pertaining to these expenses included testing only within the EPA. The U.S. Department of the Treasury collects and accounts for excise taxes that are deposited into the Leaking Underground Storage Tank Trust Fund. Treasury is also responsible for investing amounts not needed for current disbursements and transferring funds to the EPA as authorized in legislation. Since Treasury, and not the EPA, is responsible for these activities, our audit work did not cover these activities.

The Office of Inspector General is not independent with respect to amounts pertaining to OIG operations that are presented in the financial statements. The amounts included for the OIG are not material to the EPA’s financial statements. The OIG is organizationally independent with respect to all other aspects of the Agency’s activities.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information in the Required Supplementary Information, Supplemental Information, and Management’s Discussion and Analysis sections be presented to supplement the EPA’s financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Office of Management and Budget and the Federal Accounting Standards Advisory

Board, which consider it to be an essential part of the financial reporting that places the basic consolidated financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the Required Supplementary Information, Supplemental Information, and Management's Discussion and Analysis, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing it for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during the audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control over Financial Reporting

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of the internal control was for the limited purpose of expressing an opinion on the EPA's financial statements and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, such deficiencies in internal control may exist that were not identified during the course of our audit. A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to the EPA's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the EPA's internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements and to comply with the OMB's audit guidance, but not to express an opinion on the effectiveness of the EPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the EPA's internal control over financial reporting.

Intended Purpose of Report on Internal Control over Financial Reporting

Because of inherent limitations in internal control, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted a certain matter, which we discuss below, involving the internal control and its operation that we consider to be significant deficiencies. These issues are summarized below and detailed in Attachment 1.

Significant Deficiencies

The EPA Improperly Recorded Water Infrastructure Finance and Innovation Act of 2014 Fee Fund Revenue

We found that the EPA did not properly record approximately $7 million of Water Infrastructure Finance and Innovation Act of 2014, known as WIFIA, fee fund exchange revenue during fiscal year 2022. Federal accounting standards require federal entities to recognize exchange revenue when a government entity provides goods or services to the public or another government entity at a price. This error occurred because the EPA did not create the appropriate accounting models to properly classify WIFIA fee revenue as exchange revenue. When the EPA misclassifies revenue, the financial statements may be misstated.

Unearned Advances Account Had an Abnormal Balance

We found that the EPA had an abnormal balance of more than $9 million in the *Unearned Advances, Non-Federal* general ledger account. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* requires accurate and timely recording of transactions and events. The Agency did not proactively resolve the abnormal balance. The Agency's failure to correct the abnormal balance could result in unearned advances being misstated in the financial statements.

Unneeded Funds Not Deobligated Timely

The EPA did not timely deobligate unneeded funds, totaling $5.8 million, identified during the FY 2022 annual review of unliquidated obligations. Agency directives require that unliquidated obligations be reviewed annually and that responsible offices review inactive unliquidated obligations and take appropriate action to deobligate unneeded funds. While the EPA met the requirement to review unliquidated obligations at least annually, it did not take timely actions to deobligate the unneeded funds. As a result, the EPA has no assurance that unliquidated obligations are accurate and represent valid and viable obligations.

Capitalized Software-In-Development Costs Inaccurately Recorded

We found that the EPA improperly accounted for prior years' capitalized software transactions for the Pesticide Registration Information System, known as PRISM. Federal standards for internal control require that transactions be recorded accurately and promptly. The finance center responsible for recording software-in-development costs was not aware of costs incurred in prior years until FY 2022. As a result, software-in-development activity disclosed in the General Property, Plant & Equipment, Net note is misstated. Failure to properly record property transactions in the Agency's property management system and Compass Financials, which is the EPA's financial system, compromises the accuracy of the EPA's property accounts and expenses, as well as the accuracy of the Agency's financial statements.

The EPA Processed Standard Vouchers Without Adequate Procedures

We found that EPA Region 4 recorded five standard vouchers totaling $129,000 in Compass Financials without evidence of adequate review or approval. Federal standards for internal control require management to design policies and procedures that allow management to effectively monitor control activities. Region 4 did not have written standard operating procedures in place for processing standard vouchers and did not use a standard template to document reviews and approvals. Without adequate controls and procedures over the preparation and review of vouchers increases the EPA's risk of potential errors and inaccuracies that could materially misrepresent its financial position and calls into question the reliability of its financial statements.

Attachment 2 contains the status of issues reported in prior years' reports on the EPA's consolidated financial statements. The issues included in Attachment 2 should be considered among the EPA's significant deficiencies for FY 2022. We reported less significant internal control matters to the Agency during the course of the audit. We will not issue a separate management letter.

Comparison of the EPA's Federal Managers' Financial Integrity Act Report with Our Evaluation of Internal Control

OMB Bulletin 22-01, *Audit Requirements for the Federal Financial Statements*, requires the OIG to compare material weaknesses disclosed during the audit with those material weaknesses reported in the Agency's Federal Managers' Financial Integrity Act report that relate to the financial statements. The OIG is also required to identify material weaknesses disclosed by the audit that were not reported in the Agency's Federal Managers' Financial Integrity Act report.

For financial statement audit and financial reporting purposes, OMB Bulletin 22-01 defines material weaknesses in internal control as a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Details concerning our finding of the significant deficiencies can be found in Attachment 1.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Providing an opinion on compliance with provisions of laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

We did not identify any instances of noncompliance that would result in a material misstatement to the audited financial statements.

Basis of Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, including those governing the use of budgetary authority, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

EPA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

We also performed certain other limited procedures as described in *Codification of Statements on Auditing Standards*, AU-C 250.14-16, "The Auditor's Consideration of Compliance With Laws and Regulations." OMB Bulletin 22-01 requires that we evaluate compliance with federal financial statement system requirements, including the requirements referred to in the Federal Financial Management Improvement Act of 1996, or FFMIA. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to the EPA.

Intended Purposes of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

FFMIA Noncompliance

Under FFMIA, we are required to report whether the Agency's financial management systems substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet the FFMIA requirement, we performed tests of compliance with FFMIA section 803(a) requirements and used OMB Memorandum M-09-06, *Implementation Guidance for the Federal Financial Management Improvement Act*, dated January 9, 2009, to determine whether there was any substantial noncompliance with FFMIA.

The results of our tests did not disclose any instances of noncompliance with FFMIA requirements, including where the Agency's financial management systems did not substantially comply with the applicable federal accounting standard.

We did not identify any significant matters involving compliance with laws, regulations, contracts, or grant agreements related to the Agency's financial management systems that came to our attention during the course of the audit.

Other Governmental Reporting Requirements

Audit Work Required Under the Hazardous Substance Superfund Trust Fund

We also performed audit work to meet the requirements found in 42 U.S.C. § 9611(k) with respect to the Hazardous Substance Superfund Trust Fund and the stipulation to conduct an annual audit of payments, obligations, reimbursements, or other uses of the fund. The significant deficiencies reported above also relate to Superfund.

Prior Audit Coverage

During previous financial statement audits, we reported significant deficiencies, as detailed in Attachment 2. Those deficiencies include that:

- Originating offices did not forward accounts receivable source documents in a timely manner to the finance center.
- The EPA needs to improve its financial statement preparation process.

This report is intended solely for the information and use of the management of the EPA, the OMB, and Congress, and it is not intended to be and should not be used by anyone other than these specified parties.

Damon M. Jackson

Damon Jackson
Certified Public Accountant
Director, Financial Directorate
Office of Audit
Office of Inspector General
U.S. Environmental Protection Agency
November 8, 2022

Attachment 1

Significant Deficiencies

Table of Contents

1 – The EPA Improperly Recorded WIFIA Fee Fund Revenue

We found that the EPA did not properly record approximately $7 million of WIFIA fee fund exchange revenue during FY 2022. Federal accounting standards require federal entities to recognize exchange revenue when a government entity provides goods or services to the public or another government entity at a price. This error occurred because the EPA did not create the appropriate accounting models to properly classify WIFIA fee revenue as exchange revenue. When the EPA misclassifies revenue, the financial statements may be misstated.

Statement of Federal Financial Accounting Standards 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, states:

> Exchange revenue and gains are inflows of resources to a Government entity that the Entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. That is, exchange revenue arises when a Government entity provides something of value to the public or another Government entity at a price.

WIFIA at 33 U.S.C. § 3909 authorizes the EPA to collect and spend fees to cover all or a portion of the costs of servicing WIFIA loans.

In addition, the *Standards for Internal Control in the Federal Government* defines the five components of internal control in government, one of which is the standard for control activities. It defines control activities as "actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system." Under this standard, management should design control activities "so that all transactions are completely and accurately recorded."

The EPA recognizes revenue when WIFIA fee fund expenses are incurred. During FY 2022, the EPA improperly recorded approximately $7 million of WIFIA fee fund revenue as nonexchange revenue instead of exchange revenue. This error occurred because the EPA did not create the appropriate accounting models to properly impact exchange revenue. Furthermore, the EPA did not identify the error during its internal review processes. When the EPA misclassifies revenue, the financial statements may be misstated.

Recommendations

We recommend that the chief financial officer:

1. Analyze exchange and nonexchange revenue general ledger accounts and reclassify fiscal year 2022 Water Infrastructure Finance and Innovation Act nonexchange revenue to exchange revenue.

2. Update the Water Infrastructure Finance and Innovation Act expense accounting models to properly impact exchange revenue.

Agency Response and OIG Assessment

The Agency agreed with our findings and recommendations and has completed its corrective actions. During FY 2022, the Agency reclassified the WIFIA revenue from nonexchange revenue to exchange revenue and updated the accounting models to properly record the exchange revenue.

2 – Unearned Advances Account Had an Abnormal Balance

We found that the EPA had an abnormal balance of more than $9 million in the *Unearned Advances, Non-Federal* general ledger account. The *Standards for Internal Control in the Federal Government* requires accurate and timely recording of transactions and events. The Agency did not proactively resolve the abnormal balance. The Agency's failure to correct the abnormal balance could result in unearned advances being misstated in the financial statements.

The *Standards for Internal Control in the Federal Government* defines the five components of internal control in government, one of which is the standard for control activities. It defines control activities as "actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system." Under this standard, management should design control activities "so that all transactions are completely and accurately recorded."

We found that the EPA general ledger had an abnormal balance of more than $9 million in the unused *Unearned Advances, Non-Federal* general ledger account because the account had a debit balance instead of a credit balance. The account has had an abnormal balance since FY 2019, when special account collections, used for cleanup and enforcement activities, no longer impacted the *Unearned Advances, Non-Federal* general ledger account.

According to the EPA, the $9 million in the unearned advances account dates back to when the regions were responsible for recording collections. The Agency did not proactively identify and correct the abnormal balance. An abnormal balance could result in unearned advances being misstated in the financial statements. Furthermore, failure to identify an abnormal balance in an unused general ledger account could indicate inadequate internal review processes.

Recommendations

We recommend that the chief financial officer:

3. Research and correct the $9 million activity in the *Unearned Advances, Non-Federal* general ledger account to ensure unearned advances are properly reflected in the financial statements.

4. Identify any abnormal balances in advance general ledger accounts and make necessary corrections to ensure debit and credit balances are properly reflected.

Agency Response and OIG Assessment

The EPA agreed with our findings and recommendations. The Agency's estimated completion date for corrective actions is July 31, 2023.

3 – Unneeded Funds Not Deobligated Timely

The EPA did not timely deobligate unneeded funds, totaling $5.8 million, identified during the FY 2022 annual review of unliquidated obligations. Agency directives require that unliquidated obligations be reviewed annually and that responsible offices review inactive unliquidated obligations and take appropriate action to deobligate unneeded funds. While the EPA met the requirement to review unliquidated obligations at least annually, it did not take timely actions to deobligate the unneeded funds. As a result, the EPA has no assurance that unliquidated obligations are accurate and represent valid and viable obligations.

Resource Management Directive System Number 2520-03-P1, *Responsibilities for Reviewing Unliquidated Obligations,* requires all responsible parties to review at least annually all inactive unliquidated obligations to ensure that all recorded obligations are still valid and properly documented. According to the directive:

- An inactive obligation is one in which there has been no activity for six months (180 days) or more.
- A valid obligation is one "for which appropriated funds are still available for the purpose and time period specified, and for which an actual need still exists within the life of the appropriation."

Resource Management Directive System 2520-03-P1 requires that all unneeded funds be deobligated by the end of the fiscal year. The directive requires that all responsible officials certify that their office or region took the necessary actions to deobligate funds as provided in the Office of the Controller's year-end requirements for the fiscal year.

We found that the EPA did not timely deobligate unneeded funds, totaling $5.8 million, identified during the FY 2022 annual review of unliquidated obligations. During this review, the Agency identified unliquidated obligations, totaling $6.8 million, which remained opened as of September 30, 2022; however, it was determined during the review that unliquidated obligations totaling $928,000 were valid obligations and should remain open. See Table 1-1.

Table 1-1: Funds for deobligation

Program offices/regions	Amount
Office of Research and Development	$38,602.88
Office of Enforcement and Compliance Assurance/Office of Criminal Enforcement, Forensics and Training	307.80
Region 1	16,402.60
Region 2	248,442.64
Region 3	1,780,681.90
Region 5	728,401.05
Region 6	3,020,732.38
Total	**$5,833,571.25**

Source: OIG analysis of the EPA's data. (EPA OIG table)

There are several reasons why the unliquidated obligations were not deobligated by the end of the fiscal year. Some regions and program offices noted in their certifications that the processing of their identified unliquidated obligations were incomplete as of their certification dates. Others noted that the deobligation of funds either was pending, was in process, or would occur during FY 2023.

By not taking timely and appropriate action to deobligate unneeded funds, the EPA has no assurance that the unliquidated obligations are accurate and represent valid and viable obligations reported in the financial statements. Furthermore, inadequate unliquidated obligation reviews could affect the financial statements by not identifying unneeded funds that should be deobligated. The deobligation of these funds would allow for more effective utilization of resources for other environmental purposes.

Recommendation

We recommend that the chief financial officer:

5. Reiterate to headquarters program offices and regional offices the importance of deobligating unneeded funds identified during the annual unliquidated obligations review by the end of the fiscal year.

Agency Response and OIG Assessment

The EPA agreed with our finding and recommendation. The Agency’s estimated completion date for the corrective action is September 1, 2023.

4 – Capitalized Software-In-Development Costs Inaccurately Recorded

We found that the EPA improperly accounted for prior years' capitalized software transactions for PRISM. Federal standards for internal control require that transactions be recorded accurately and promptly. The finance center responsible for recording software-in-development costs was not aware of costs incurred in prior years until FY 2022. As a result, software-in-development activity disclosed in the General Property, Plant & Equipment, Net note is misstated. Failure to properly record property transactions in the Agency's property management system and Compass Financials compromises the accuracy of the EPA's property accounts and expenses, as well as the accuracy of the Agency's financial statements.

Statement of Federal Financial Accounting Standards No. 10, *Accounting for Internal Use Software*, requires entities to capitalize the costs of software that meet the criteria for general property, plant, and equipment. The software life cycle includes three phases: planning, development, and operations. Capitalized software costs should include the full costs (direct and indirect) incurred during the development phase. The software-in-development general ledger account represents costs incurred in the development phase.

The *Standards for Internal Control in the Federal Government* defines the five components of internal control in government, one of which is the standard for control activities. It defines control activities as "actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system." Under this standard, management should design control activities "so that all transactions are completely and accurately recorded." In addition, it states:

> [T]ransactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records.

We found that the EPA improperly accounted for prior years' capitalized software transactions for the PRISM project. During FY 2022, the Agency capitalized $25.4 million in PRISM software-in-development costs; however, $20.6 million were for costs incurred from FYs 2019 through 2021. See Table 1-2.

Table 1-2: PRISM software-in-development costs

Fiscal year	Development expenditures	Overhead	Total development costs
FY 2019	$3,576,770.58	$593,449.78	$4,170,220.36
FY 2020	6,495,693.32	1,064,989.76	7,560,683.08
FY 2021	7,445,489.14	1,385,197.99	8,830,687.13
Subtotal for prior FYs development costs:			**$20,561,590.57**
FY 2022 Quarter **1**	$1,826,114.01	$346,520.89	$2,172,634.90
FY 2022 Quarter **2**	1,209,568.34	234,563.02	1,444,131.36
FY 2022 Quarter **3**	730,883.49	144,411.45	875,294.94
FY 2022 Quarter **4**	315,392.82	62,726.50	378,119.32
Subtotal FY 2022 development costs:			**$4,870,180.52**
	TOTAL:		**$25,431,771.09**

Source: OIG recalculation of the EPA's data. (EPA OIG table)

The PRISM software project was not brought to the Research Triangle Park Finance Center staff's attention in the appropriate year that the development costs were incurred. Stakeholders are responsible for informing staff of new investments and changes in current software projects during the annual software meeting with program managers, contracting officer's representatives, and others. This project was brought to the attention of staff during the FY 2022 communication with program managers. The decision was made to record the prior years' development costs during FY 2022 rather than make a prior period adjustment.

As a result, software-in-development activity disclosed in the General Property, Plant & Equipment, Net note is misstated. Failure to properly record property transactions in the Agency's property management system and Compass Financials compromises the accuracy of the EPA's property accounts and expenses, as well as the accuracy of the Agency's financial statements.

Recommendation

We recommend that the chief financial officer, in coordination with the assistant administrator for Chemical Safety and Pollution Prevention:

6. Implement a plan to ensure that Pesticide Registration Information System software-in-development costs are recorded accurately and timely.

Agency Response and OIG Assessment

The EPA agreed with our finding and recommendation. The Agency's estimated completion date for corrective action is September 15, 2023.

5 – The EPA Processed Standard Vouchers Without Adequate Procedures

We found that EPA Region 4 recorded five standard vouchers totaling $129,000 in Compass Financials, the EPA's financial system, without evidence of adequate review or approval. Federal standards for internal control require management to design policies and procedures that allow management to effectively monitor control activities. Region 4 did not have written standard operating procedures in place for processing standard vouchers and did not use a standard template to document reviews and approvals. Inadequate controls and procedures over the preparation and review of standard vouchers increase the EPA's risk of potential errors and inaccuracies that could materially misrepresent its financial position and call into question the reliability of its financial statements.

The *Standards for Internal Control in the Federal Government* states that "management is responsible for designing the policies and procedures to fit an entity's circumstances and building them in as an integral part of the entity's operations." It defines the five components of internal control in government, one of which is the standard for control activities. It defines control activities as "actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system." The standard for control activities requires appropriate documentation of policies, transactions, and internal controls. It also requires that policies include "the appropriate level of detail to allow management to effectively monitor the control activity."

Resource Management Directive System Number 2540-20, *Financial Management Systems and Interfaces*, states that the EPA's financial management systems shall have common data elements, common transaction processing, and consistent internal controls. Resource Management Directive System Number 2530-01, *Overview of Accounting Handbook*, states that the Office of the Chief Financial Officer "[o]versees the EPA's accounting and financial management operations and provides accounting and financial management guidance to the agency." Directive 2530-01 also assigns financial management responsibilities to EPA managers, including regional administrators. Resource Management Directive System Number 2530-02, *Processing Journal Vouchers and Standard Vouchers*, provides procedures and controls for processing standard vouchers. While this directive states that the purpose is to provide voucher processing procedures for the Office of the Controller, it does not state that it is applicable to the EPA regional offices. In addition, Directive 2530-02 states that "[e]ach office documents and maintains standard operating procedures for processing and approving [standard voucher] transactions." The OCFO uses a standard template to document the voucher details, reviews, and approvals.

During our standard voucher testing, we found that Region 4 recorded five standard vouchers totaling $129,000 in Compass Financials, without documented review or approval of the transactions. Standard vouchers are transactions where the debits and credits are predefined in the financial system to record accounting events that occur on a recurring basis. The EPA provided supporting documentation but did not have evidence of the review or approval of the transactions. Table 1-3 includes the standard voucher details.

Table 1-3: Standard vouchers recorded without documented review or approval

Voucher number	Amount
0422SV2001	$800.00
04-22SV2002	12,600.00
0422SV2003	44,300.00
0422SV2004	26,300.00
0422SV2005	45,000.00
Total	**$129,000.00**

Source: OIG analysis of the EPA's financial transactions. (EPA OIG table)

The supporting documentation provided to us did not include transactional details such as the finance object code or evidence of review or approval of the transaction. In response to our inquiries, the EPA stated that Region 4 did not use a standard template to document reviews and approvals and did not have written standard operating procedures in place for processing standard vouchers. Region 4 stated that it has been recording the vouchers based on the processing method used in prior years without written procedures.

Without policies and standard operating procedures in place, the EPA increases its risk of errors and inaccuracies. Recording transactions without established policies or standard operating procedures that include proper review and approval of transactions can result in unauthorized and erroneous transactions recorded in the financial system. Failure to apply proper controls over the preparation and review of vouchers could result in material errors in the financial system that misrepresent the Agency's financial position and calls into question the reliability of the Agency's financial statements.

Recommendations

We recommend that the chief financial officer:

7. Incorporate in Resource Management Directive System 2530-02, *Processing Journal Vouchers and Standard Vouchers*, responsibilities for all regional offices that post voucher transactions into Compass Financials to ensure consistent accounting and financial management operations.

We recommend that the regional administrator for Region 4:

8. Establish standard operating procedures for the processing of standard vouchers that include applicable internal control elements to ensure transactions are complete, accurate, and effectively monitored through reviews and approvals.

Agency Response and OIG Assessment

The EPA agreed with our findings and recommendations. The Agency's estimated completion date for Recommendation 7 is June 30, 2023. For Recommendation 8, the Agency's estimated completion date is February 1, 2023.

Status of Prior Audit Report Recommendations

The EPA continues to strengthen its audit management practices and procedures to address audit findings in a timely manner and to complete corrective actions expeditiously and effectively. In FY 2022, the EPA's chief financial officer, as the agency follow-up official, continued to encourage managers to evaluate the OIG's recommendations thoroughly, develop suitable and attainable corrective actions, and implement the corrective actions in the agreed-upon time frame. The OCFO implemented the following actions to strengthen its audit management procedures:

- Worked closely with Agency audit follow-up coordinators during FY 2022 to ensure adherence to corrective action dates and submission of the required certification memorandums. The OCFO efforts were critical and significantly helped with the EPA's responses to the Spring 2022 *Semiannual Report to Congress*.

- Initiated a comprehensive update to *EPA Manual 2750: Audit Management Procedures*, the primary guidance document for ensuring consistent audit management and follow-up practices agencywide. The updates included adding a narrative to the audit management section and a resource link to the EPA OIG audit process section.

- Provided monthly reporting for the agencywide metric on the number of late audit corrective actions. The metric measures the completion of Agency-identified corrective actions that were not completed in a timely manner. The intended purpose of the monthly reporting is to facilitate the implementation of Agency corrective actions to OIG audit recommendations and decrease the number of late audit corrective actions.

- Enhanced the utility of the Enterprise Audit Management System, the Agency's audit tracking tool, for improved tracking of OIG and Government Accountability Office audits and evaluations. The Enterprise Audit Management System facilitates the Agency's activities and corrective actions in response to the OIG and Government Accountability Office audits and evaluations.

- Prepared a monthly OIG and Government Accountability Office tracker intended to provide Agency senior leadership with visibility on OIG and Government Accountability Office audits and evaluations. The tracker includes the most recent audit and evaluation updates and is distributed monthly to Agency senior leaders.

- Maintained the audit community intranet site, which serves as a resource for the Agency's audit follow-up coordinators and audit liaisons. This collaborative site includes resources and reference materials, such as standard operating procedures, response templates, frequently asked questions, reporting links, deadlines, and other useful information.

- Established a shared intranet website for the EPA's audit follow-up coordinators and audit liaisons to work collaboratively, share best practices, and contribute to community projects.

- Provided training during the OCFO technical training series for Agency subject matter experts participating in OIG or Government Accountability Office projects. The training provided an overview of the audit process, introduced key Agency contacts, and discussed best practices for audit participants.

- Established biweekly meetings with audit follow-up coordinators and audit liaisons agencywide to provide regular updates, offer training, and discuss audit-related issues and concerns.

These and other efforts are a testament to the OCFO's continued commitment to improving the Agency's audit and evaluation management practices. In addition, the EPA maintained its commitment to engage early with the OIG on audit and evaluation findings and to develop effective corrective actions that address OIG recommendations.

As noted in the table below, however, there are still recommendations from previous financial statement audits that have not been fully implemented.

Table 2-1: Significant deficiency issues not fully resolved

Originating Offices Did Not Timely Forward Accounts Receivable Source Documents to the Finance Center During our FY 2021 audit, we found that EPA regions did not timely submit supporting source documents to the EPA's Cincinnati Finance Center for accounts receivable, which then delayed the recording and processing of those receivables. The EPA's Resource Management Directives state that the responsible offices must forward to the Cincinnati Finance Center source documents supporting an accounts receivable for settlements or orders demonstrating a debt owed to the Agency within five business days. The regional program office, the Office of Regional Counsel, and the regional legal enforcement office staff are responsible for providing these documents to the Cincinnati Finance Center. When the Cincinnati Finance Center is unable to create receivables timely, the debtor may not be billed appropriately, interest may not accrue, and the EPA may not collect all that it is owed. Furthermore, the EPA's delayed recording of accounts receivable could result in a material misstatement of the financial statements. While we have noted some improvements in the timely receipt of legal documents, we still identified instances of untimely receipt during FYs 2015 through 2022. Therefore, the Agency's corrective actions are not completely effective, and we will continue to evaluate whether the Agency timely receives legal source documents going forward.
The EPA Needs to Improve Its Financial Statement Preparation Process During our FY 2019 audit (OIG Report No. 22-F-0033), we found multiple misstatements in the Agency's financial transactions and financial statements. We recommended that the chief financial officer evaluate and improve the EPA's process for preparing financial statements and provide accurate and reliable supporting documentation for adjustments and corrections to the financial statements. The EPA agreed with our findings and recommendations. The Agency's estimated completion date for corrective actions for Recommendation 1 was originally July 31, 2020; however, the EPA subsequently revised its estimated completion date to September 30, 2021. The EPA's estimated completion date for Recommendation 2 was February 29, 2020. During FY 2020, we continued to find misstatements and adjustment errors in the EPA's financial statement preparation process. We recommended that the chief financial officer develop a plan to strengthen and improve the preparation and management review of the financial statements and adjustments entered into the accounting system to detect and correct errors and misstatements in a timely manner. In response to our recommendation, the OCFO developed and implemented new review procedures for journal and standard voucher transactions. The OCFO continues to work on finalizing review procedures for financial statement preparation. During the FYs 2021 and 2022 audits, we continued to find various errors during our examination of the financial statements. During our FY 2022 audit, we identified various errors in the balance sheet, statement of net cost, footnote disclosures and in the Required Supplementary Information. Failure to exercise due diligence in the preparation and management review of the financial statements compromises the accuracy of the financial statements and the reliance on them to be free of material misstatement.

Source: OIG analysis of prior year recommendations and the Agency's corrective actions. (EPA OIG table)

Attachment 3

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status[1]	Action Official	Planned Completion Date	Potential Monetary Benefits (in $000s)
1	9	Analyze exchange and nonexchange revenue general ledger accounts and reclassify fiscal year 2022 Water Infrastructure Finance and Innovation Act nonexchange revenue to exchange revenue.	C	Chief Financial Officer	10/25/22	$7,087
2	9	Update the Water Infrastructure Finance and Innovation Act expense accounting models to properly impact exchange revenue.	C	Chief Financial Officer	10/25/22	
3	11	Research and correct the $9 million activity in the *Unearned Advances, Non-Federal* general ledger account to ensure unearned advances are properly reflected in the financial statements.	R	Chief Financial Officer	7/31/23	$9,324
4	11	Identify any abnormal balances in advance general ledger accounts and make necessary corrections to ensure debit and credit balances are properly reflected.	R	Chief Financial Officer	7/31/23	
5	13	Reiterate to headquarters program offices and regional offices the importance of deobligating unneeded funds identified during the annual unliquidated obligations review by the end of the fiscal year.	R	Chief Financial Officer	9/1/23	$5,833
6	15	In coordination with the assistant administrator for Chemical Safety and Pollution Prevention, implement a plan to ensure that Pesticide Registration Information System software-in-development costs are recorded accurately and timely.	R	Chief Financial Officer	9/15/23	
7	17	Incorporate in Resource Management Directive System 2530-02, *Processing Journal Vouchers and Standard Vouchers*, responsibilities for all regional offices that post voucher transactions into Compass Financials to ensure consistent accounting and financial management operations.	R	Chief Financial Officer	6/30/23	
8	17	Establish standard operating procedures for the processing of standard vouchers that include applicable internal control elements to ensure transactions are complete, accurate, and effectively monitored through reviews and approvals.	R	Regional Administrator for Region 4	2/1/23	

[1] C = Corrective action completed.
R = Recommendation resolved with corrective action pending.
U = Recommendation unresolved with resolution efforts in progress.

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

November 11, 2022

OFFICE OF THE
CHIEF FINANCIAL OFFICER

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA-FY22-0121, *"EPA's Fiscal Years 2022 and 2021 Consolidated Financial Statements,"* dated November 10, 2022

FROM: Faisal Amin, Chief Financial Officer
Office of the Chief Financial Officer

Amin, Faisal
Digitally signed by Amin, Faisal
Date: 2022.11.11 08:36:53 -05'00'

TO: Damon Jackson, Director
Financial Directorate
Office of Audit

Thank you for the opportunity to respond to the issues and recommendations in the subject draft report. The following is a summary of the U.S. Environmental Protection Agency's overall position, along with its position on the report's recommendations. This response has been coordinated with and agreed upon by Region 4.

AGENCY'S OVERALL POSITION

The draft report contains seven recommendations for the Office of the Chief Financial Officer and one recommendation for Region 4. The EPA agrees with the Office of Inspector General's recommendations.

AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATIONS

No.	Recommendation	Office	High-Level Corrective Action(s)	Estimated Completion Date
1	Analyze exchange and nonexchange revenue general ledger accounts and reclassify fiscal year 2022 Water Infrastructure Finance and Innovation Act nonexchange revenue to exchange revenue.	OCFO/ OC/ ACAD	Concur. The FY 2022 WIFIA revenue recorded as nonexchange revenue has been reclassified to exchange revenue.	Completed 10/25/2022
2	Update the Water Infrastructure Finance and Innovation Act expense accounting models to properly impact exchange revenue.	OCFO/ OC/ ACAD	Concur. The WIFIA accounting models have been updated to properly record exchange revenue.	Completed 10/25/2022

No.	Recommendation	Office	High-Level Corrective Action(s)	Estimated Completion Date
3	Research and correct the $9 million activity in the Unearned Advances, Non-Federal general ledger account to ensure unearned advances are properly reflected in the financial statements.	OCFO/ OC/ ACAD	Concur. The Office of the Controller's Accounting and Cost Analysis Division will research and correct the $9 million abnormal balance in the Unearned Advances account.	7/31/2023
4	Identify any abnormal balances in advance general ledger accounts and make necessary corrections to ensure debit and credit balances are properly reflected.	OCFO/ OC/ ACAD	Concur. The OC's ACAD will review the advance general ledger accounts to identify and correct any abnormal balances.	7/31/2023
5	Reiterate to headquarters program offices and regional offices the importance of deobligating unneeded funds identified during the annual unliquidated obligations review by the end of the fiscal year.	OCFO/ OC/ PTAD	Concur. The OC's Policy, Training and Analysis Division will send communications to Senior Resource Officials after the agency has completed its Unliquidated Obligation Reviews, but before the final certifications are provided in October, to emphasize the importance of timely deobligations of funds in the current fiscal year.	9/1/2023
6	Implement a plan to ensure that Pesticide Registration Information System software-in-development costs are recorded accurately and timely.	OCFO/ OC/ RTPFC	Concur. In FY 2023, the OC's Research Triangle Park Finance Center will develop a plan that outlines guidance, training, and a certification process for the recording of software-in-development to the financial system. In advance of the plan, the OC's RTPFC will emphasize the importance of timely notification during the Annual Software Kickoff meeting.	9/15/2023

No.	Recommendation	Office	High-Level Corrective Action(s)	Estimated Completion Date
7	Incorporate in Resources Management Directive System 2530-02, Processing Journal Vouchers and Standard Vouchers, responsibilities for all regional offices that post voucher transactions into Compass Financials to ensure consistent accounting and financial management operations.	OCFO/ OC/ PTAD	Concur. The OC's PTAD will establish a workgroup and update Resource Management Directive System 2530-02 to include the responsibilities of the regional offices for processing standard vouchers.	6/30/2023
8	Establish standard operating procedures for the processing of standard vouchers that include applicable internal control elements to ensure transactions are complete, accurate, and effectively monitored through reviews and approvals.	Region 4	Concur. Region 4 is currently developing regional standard operating procedures for processing standard vouchers. The procedures will identify the proper standard voucher process and the required documentation for standard voucher transactions. Additionally, the procedures will define the appropriate level of management reviews and approvals required in the standard voucher process.	2/1/2023

CONTACT INFORMATION

If you have any questions regarding this response, please contact the OCFO's Audit Follow-up Coordinator, Andrew LeBlanc, at leblanc.andrew@epa.gov or (202) 564-1761.

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Section III
Other Accompanying Information

MANAGEMENT INTEGRITY AND CHALLENGES

Overview of EPA's Efforts

Management challenges and internal control weaknesses represent vulnerabilities in program operations that may impair the EPA's ability to achieve its mission and threaten the agency's safeguards against fraud, waste, abuse, and mismanagement. These areas are identified through internal agency reviews and independent reviews by the EPA's external evaluators, such as the OMB, the Government Accountability Office and EPA's OIG. This section of the AFR discusses in detail two components: 1) key management challenges identified by EPA's OIG, followed by the agency's response and 2) a brief discussion of EPA's progress in addressing its FY 2022 material weaknesses.

Under the FMFIA, all federal agencies must provide reasonable assurance that internal controls are adequate to support the achievement of their intended mission, goals, and objectives. (See Section I, "Management Discussion and Analysis," for the Administrator's Statement of Assurance.) Additionally, agencies must report any material weaknesses identified through internal and/or external reviews and their strategies to remedy the problems. Material weaknesses are vulnerabilities that could significantly impair or threaten fulfillment of the agency's programs or mission. In FY 2022, the EPA did not identify any new material weaknesses. As well, no new material weaknesses were identified by OIG. (See following subsection for a discussion of the EPA's progress in addressing its material weakness.)

The agency's senior managers remain committed to maintaining effective and efficient internal controls to ensure that program activities are carried out in accordance with agency policy and applicable laws and regulations. The agency will continue to address its remaining weaknesses and report on its progress, as appropriate.

2023 KEY MANAGEMENT CHALLENGES

Office of Inspector General-Identified Key Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to report on the agency's most serious management and performance challenges, known as the key management challenges. Management challenges represent vulnerabilities in program operations and their susceptibility to fraud, waste, abuse or mismanagement. For FY 2023, the OIG identified eight challenges. The table below includes issues the OIG identified as key management challenges facing the EPA and the years in which the OIG identified the challenge.

OIG-identified key management challenges for the EPA	FY 2022	FY 2023
Mitigating the Causes and Adapting to the Impacts of Climate Change. The EPA must take a leadership role in addressing climate change and mitigating its effect on human health and the environment.	•	•
Integrating and Leading Environmental Justice Across the Agency and Government. The EPA must identify and address disproportionally high and adverse human health or environmental effects on environmental justice communities.	•	•
Providing for the Safe Use of Chemicals. The public must be able to depend on the EPA's ability to conduct credible and timely assessments of the risks posed by pesticides toxic chemicals, and other environmental chemicals.	•	•
Safeguarding Scientific Integrity Principles. The EPA must ground science-based decisions in principles of scientific integrity to ensure that human health and the environment are protected by using the best available science.	•	•
Ensuring Agency Systems and Other Critical Infrastructure Are Protected Against Cyberthreats. Information technology is a fundamental and essential resource for the EPA to carry out its mission, and the Agency must ensure its systems and our nation's critical infrastructure are protected against cyberthreats.	•	•
Managing Business Operations and Resources. The EPA must have effective business operations to achieve its mission and safeguard taxpayer dollars.		•
Enforcing Compliance and Environmental Laws and Regulations. Through enforcement, the EPA ensures that regulated entities are following environmental laws and will continue to do so, as enforcement actions effectively deter future noncompliance.	•	•
Managing Increased Investment in Infrastructure. The EPA must ensure that its infrastructure projects, which constitute the Agency's largest investment, use Infrastructure and Jobs Act appropriations effectively.		•

* This management challenge was retained from the *EPA's FYs 2023 Top Management Challenges*, issued October 28, 2022, located on the OIG's website at: https://www.epa.gov/office-inspector-general/top-management-challenges-epa-and-csb#EPA.

Office of Inspector General
U.S. Environmental Protection Agency
At a Glance

The EPA's Fiscal Year 2023 Top Management Challenges

What We Found

We identified eight top management challenges for the EPA for fiscal year 2023:

1. **Mitigating the Causes and Adapting to the Impacts of Climate Change.** The EPA must take a leadership role in addressing climate change and mitigating its effect on human health and the environment.

2. **Integrating and Leading Environmental Justice Across the Agency and Government.** The EPA must identify and address disproportionately high and adverse human health or environmental effects on environmental justice communities.

3. **Providing for the Safe Use of Chemicals.** The public must be able to depend on the EPA's ability to conduct credible and timely assessments of the risks posed by pesticides, toxic chemicals, and other environmental chemicals.

4. **Safeguarding Scientific Integrity Principles.** The EPA must ground science-based decisions in principles of scientific integrity to ensure that human health and the environment are protected by using the best-available science.

5. **Ensuring Agency Systems and Other Critical Infrastructure Are Protected Against Cyberthreats.** Information technology is a fundamental and essential resource for the EPA to carry out its mission, and the Agency must ensure its systems and our nation's critical infrastructure are protected against cyberthreats.

6. **Managing Business Operations and Resources.** The EPA must have effective business operations to achieve its mission and safeguard taxpayer dollars.

7. **Enforcing Compliance with Environmental Laws and Regulations.** Through enforcement, the EPA ensures that regulated entities are following environmental laws and will continue to do so, as enforcement actions effectively deter future noncompliance.

8. **Managing Increased Investment in Infrastructure.** The EPA must ensure that its infrastructure projects, which constitute the Agency's largest investment, use Infrastructure Investment and Jobs Act appropriations effectively.

We have identified these as the most serious management and performance challenges facing the EPA, representing vulnerabilities to waste, fraud, abuse, and mismanagement or the most significant barriers to the EPA accomplishing its mission.

What Are Management Challenges?

The Reports Consolidation Act of 2000 requires each inspector general to prepare an annual statement summarizing what the inspector general considers to be "the most serious management and performance challenges facing the agency" and to briefly assess the agency's progress in addressing those challenges.

To identify these top challenges for fiscal year 2023, the U.S. Environmental Protection Agency Office of Inspector General considered the body of our work, as well as our objective and professional observations, work conducted by the U.S. Government Accountability Office, and Agency documentation and statements.

Report No. 22-N-0004, *EPA's Fiscal Year 2022 Top Management Challenges,* identified seven top management challenges facing the Agency. We retained all of these challenges for fiscal year 2023, with one modification: the "managing infrastructure funding and business operations" challenge was split into two separate challenges. As such, we identified eight top management challenges for the EPA for fiscal year 2023.

Address inquiries to our public affairs office at (202) 566-2391 or OIG_WEBCOMMENTS@epa.gov.

List of OIG reports.

Agency Response to Office of Inspector General-Identified Management Challenges

The Office of the Inspector General has not transmitted the final *"EPA's FY 2023 Top Management Challenges"* report. Once the OIG issues the final report, the agency plans to review the revised final and prepare a response, which will be separately transmitted no later than 30 days from the issuance of this report.

PROGRESS IN ADDRESSING FY 2022 WEAKNESSES

In FY 2022, no new material weaknesses were identified. The EPA continues to make progress in addressing its one previously identified material weakness for which corrective actions are still underway. The agency expects to implement and validate all corrective for this material weakness in FY 2022.

Material Weakness

EPA Needs to Improve Its Financial Statement Preparation Process

During the FY 2019 financial statement audit, the OIG stated that failure to properly record accounting transactions and exercise due diligence in the preparation of the agency's financial statements compromises the accuracy of the financial statements and the reliance on them to be free of material misstatement. However, after the completion of the FY 2021 financial statement audit, the OIG (in coordination with OMB) made the determination this finding should be identified as an agency significant deficiency, not a material weakness.

The EPA continues to address this issue based upon the established corrective plan of action to evaluate and improve its financial statement preparation process and to provide accurate and reliable supporting documentation for adjustments and corrections. Specifically, the agency informed staff of the need to include more supporting analysis and the rationale for the adjustments made and the accounting basis for determining the adjustments. To increase efficiency, the agency implemented the CaseWare software that provides format controls and footnote cross checks. The agency developed Standard Operating Procedures and a reviewer's checklist for the preparation of its financial statement audit. The SOPs and the checklist will be reviewed annually to validate effectiveness. The agency expects to complete implementation and validation of all corrective actions in FY 2023.

For reporting purposes, the EPA considers the material weakness identified in the FY 2019 financial statement audit as resolved.

Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Modified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control Over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0

Conformance With Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform to Financial Management Systems Requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Conformances	0	0	0	0	0	0

Compliance With FFMIA		
	Agency	**Auditor**
1. System Requirement	No lack of compliance noted.	No lack of compliance noted.
2. Accounting Standards	No lack of compliance noted.	No lack of compliance noted.
3. USSGL at Transaction Level	No lack of compliance noted.	No lack of compliance noted.

PAYMENT INTEGRITY

I. Payment Reporting

The Payment Integrity Information Act of 2019 requires executive branch agencies to review all programs and activities annually, identify those that may be susceptible to significant improper payments and report the results of their improper payment activities to the President and Congress through their annual Agency Financial Report or Performance and Accountability Report. PIIA further requires each agency's OIG to determine if their agencies programs or activities are compliant with the statute.

The EPA is dedicated to reducing fraud, waste, and abuse and presents the following improper payment information in accordance with PIIA; OMB guidance found in Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement;* and the reporting requirements contained in OMB Circular A-136, *Financial Reporting Requirements.* The OMB implementing guidance directs federal agencies to take the following steps:

1) Review all programs and activities at least once every three years to identify those that are susceptible to significant improper payments, defined as gross annual improper payments exceeding (a) both 1.5 percent of program outlays and $10 million of estimated improper payments or (b) $100 million of estimated improper payments (regardless of the rate).
2) Obtain a statistically valid estimate of the annual amounts of improper payments in programs identified as susceptible to significant improper payments.
3) Implement a plan to reduce improper payments in these programs.
4) Report the annual amount of each program's overpayments and recoveries.

An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirements. And it includes any payment to an ineligible recipient; any payment for an ineligible good or service; any duplicate payment; any payment for a good or service not received, except for those payments where authorized by law; and any payment that does not account for credit for applicable discounts. Further, the term "payment for an ineligible good or service" includes a payment for any good or service that is rejected under any provision of any contract, grant, lease, cooperative agreement, or other funding mechanism.

The term "payment" means any transfer or commitment for future transfer of federal funds such as cash, securities, loans, loan guarantees, and insurance subsidies to any non-federal person or entity or a federal employee, that is made by a federal agency, a federal contractor, a federal grantee, or a governmental or other organization administering a federal program or activity.

In FY 2022, to meet the OMB guidance requirement to review all programs and activities at least once every three years, the EPA conducted improper payment risk assessments using a systematic approach to determine whether each program or payment stream is susceptible to significant improper payments. The risk assessments required an evaluation of risk factors that could contribute to the potential for significant improper payments. In completing the risk assessments, each office addressed risks known at the time of completion. Results showed that all payment streams were unlikely to be susceptible to significant improper payments.

Office of Inspector General's Compliance Determination for FY 2021

On June 27, 2022, the EPA's Office of Inspector General's released its annual report of the agency's PIIA compliance. In the report, the EPA's OIG stated that:

> *"The EPA was not compliant with the Payment Integrity Information Act of 2019 because the agency did not adhere to all of the Office of Management and Budget's improper payment reporting requirements*

for fiscal year 2021. Specifically, the EPA did not adequately conclude whether its programs with annual outlays greater than $10 million were likely to make improper payments above or below the statutory threshold."

The OIG basis for making the non-compliance determination was as follows:

"For the Grants payment stream, the agency's improper payment procedures did not require the use of the cost-allowance principles in 2 C.F.R. part 200, subpart E, when determining whether a payment was improper."

"For the remaining payment streams, the EPA's risk assessments were insufficient because the EPA had not established an adequate methodology for determining risk-assessment attributes and results."

After reviewing the EPA's response to the draft version of this report, the OIG reiterated its conclusions and recommendations as follows:

"We make four recommendations to the chief financial officer, which address reviewing the OIG-identified questioned costs, determining the payment allowability, recovering costs and recalculating the error rate, conducting an off-cycle risk assessment, updating applicable standard operating procedures, and training agency personnel on the application of cost principles. The EPA agreed with our recommendations and provided an acceptable corrective action for one recommendation."

Although, the EPA does not agree with the non-compliance findings, since the OMB expanded guidance for improper payment reviews was distributed after the agency had completed its FY2021 review, the EPA has proposed corrective actions to address the concerns raised in the OIG recommendations. Many of those corrective actions are under way while the EPA waits to receive a formal response from the OIG on the proposed corrective actions. Also, noteworthy, despite making a non-compliance finding, the OIG did not identify any program or payment stream as susceptible to significant improper payments.

During the OIG's review of the EPA's grants payments, the OIG questioned the allowability of the costs from part, or in total, of certain payments due to the lack of the agency incorporating 2 C.F.R. Part 200, Subpart E – Cost Principles as part of their grant payment stream improper payments review. Although incorporating Cost Principles was not a requirement at the time of its review, the EPA has reassessed those payments identified by the OIG during their audit using the more stringent Cost Principles requirements. As a result, the EPA is restating the FY 2021 improper payments rate (in Table 2 below) to reflect the adjusted rate. Nevertheless, the increased rate did not cause the grants payment stream to exceed the threshold to be considered susceptible to improper payments.

The OIG also recommended for the agency to conduct an "off-cycle" risk assessment in FY 2023 for all programs and activities with greater than $10 million in outlays. The agency agrees that given the updated OMB guidance an interim review is needed and it will complete the Qualitative Risk Assessment in FY 2023.

Another OIG recommendation states the agency should develop a standard operating procedure document for conducting qualitative risk assessments, which should include language on a sufficient methodology for concluding whether payment streams are susceptible to significant improper payments. The EPA conferred with other leading agencies in the area of improper payment prevention and identified best practices that can be incorporated into its review. Standard operating procedures and risk assessment templates have been developed or updated to fulfill the OIG recommendation and the agency will use them for the FY 2023 off-cycle qualitative risk assessments.

The final OIG recommendation stated the agency must periodically train its personnel on procedures and methodology for performing quantitative risk assessments on the agency's programs. In particular, the OIG encouraged the emphasis of the application of the Cost Principles and adherence to the terms and conditions of federal awards for the grants program. Working with the Office of Grants and Debarment, OCFO will be enhancing the training provided to its review staff to identify potential questioned costs based on the new OMB guidance. If question costs arise, then OGD will apply a more detailed 2 CFR cost principles review to determine whether a payment was improper or proper.

Summary of current risk levels in EPA programs

The OMB uses three levels to classify federal agency improper payments risk: High Priority, Susceptible to Significant Improper Payments, and Not Susceptible to Improper Payments. None of the agency's programs were identified as high priority, as defined under PIIA exceeding $100 million of annual estimated improper payments. As of FY 2021, no agency programs/payment streams were considered susceptible to improper payments. In FY 2021, the agency determined that the grants program was no longer considered susceptible to significant improper payments. Therefore, the program discontinued annual statistical testing of program grants in FY2022 but will undertake a qualitative and quantitative risk assessments in FY2023 based on the recommended interim review. Table 1 summarizes the risk level for each of the agency's payment streams.

Table 1: Risk Level

Payment Stream	Not Susceptible to Significant Ips	Susceptible to Significant IPs	High Priority
Commodities	X		
Contracts	X		
CWSRF	X		
DWSRF	X		
Grants	X		
Hurricane Sandy	X		
Payroll	X		
Purchase Cards	X		
Travel	X		
2018 Disaster Relief Funds	X		

II. Risk Assessment

Federal agencies are required to conduct risk assessments of their programs or activities to determine whether they are susceptible to significant improper payments. PIIA requires risk assessments to be conducted at least once every three years for programs that are not deemed susceptible to significant improper payments.

A quantitative risk assessment may consist of a true statistical sample or a non-statistical assessment where a subset of the population is sampled non-randomly, for which the ratio of improper payments is projected to the annual outlays. A qualitative risk assessment is an evaluation of risk factors that could contribute to the occurrence of significant improper payments EPA utilizes both qualitative and quantitative methods to assess the risk of improper payments in its payment streams.

The following risk factors are addressed in the agency's qualitative risk assessments:

1) Whether the program reviewed is new to the agency;

2) The complexity of the program reviewed;

3) The volume of payments made through the program reviewed;

4) Whether payments or payment eligibility decisions are made outside of the agency, such as by a State or local government;

5) Recent major changes in program funding, authorities, practices, or procedures;

6) The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate;

7) Significant deficiencies in the audit report or other relevant management findings of the agency that might hinder accurate payment certification;

8) Similarities (a combination of outlays, mission, payment process, etc.) to other programs that have reported IP and UP estimates or been deemed susceptible to significant IPs;

9) The accuracy and reliability of IP and UP estimates previously reported for the program, or other indicator of potential susceptibility to IPs and UPs identified by the OIG of the executive agency, the Government Accountability Office, other audits performed by or on behalf of the Federal, State, or local government, disclosures by the executive agency, or any other means;

10) Whether the program lacks information or data systems to confirm eligibility or provide for other payment integrity needs; and

11) The risk of fraud as assessed by the agency under the Standards for Internal Control in the Federal Government published by the Government Accountability Office (commonly known as the 'Green Book').

12) Whether the agency has adequately addressed the risk factors identified in the Government Charge Card Abuse Prevention Act of 2012;

The qualitative risk assessments consist of a questionnaire designed to provide the payment streams with a tool for self-evaluation of these risk factors in consideration of their existing internal controls. Directions for completion of the questionnaire are provided to the program managers of each payment stream. Payment streams justify their ratings with a brief narrative and supporting documentation. The payment stream self-assessment ratings provide the basis for the assigned risk scores. Upon completion, the OCFO tabulates a scorecard providing an overall risk rating for each payment stream on a scale of 1 to 5.

If the final score is between 1.0 - 2.5, the payment stream is not susceptible to significant improper payments; if the score is between 2.6 – 3.6, the payment stream is considered likely to be susceptible to significant improper payments; and if the score is 3.7 or above, the payment stream is at high risk of significant improper payments.

In FY 2022, improper payment risk assessments were performed in commodities, contracts, CWSRF, DWSRF, Hurricane Sandy payroll, purchase cards, and travel, all of which were identified as not susceptible to significant per payments.

III. Recoveries of Improper Payments

Programs Susceptible to Improper Payments

Table 2 is an updated calculation of the grants payment stream improper payments rate from the EPA incorporating Cost Principles when reassessing costs identified by the OIG during their audit. After reassessing the OIG-identified costs, the EPA was able to re-confirm the finding of the grants program being not susceptible to improper payments. The website https://paymentaccuracy.gov/ contains more detailed information on improper payments as well as information reported in prior year AFRs.

Table 2. Restatement of FY 2021 Grants Improper Payment Rate ($ in millions)

		FY 2021	FY 2021 Restated
FY 2021	$ Outlays	1,634.58	1,634.58
	$ Proper	1,626.39	1,611.50
	$ Improper	8.18	23.08
	IP %	0.50%	1.41%
	Proper %	99.50%	98.59%
	$ Overpay	0.03	14.93
	$ Underpay	0.00	0.00
	$ Insufficient Documentation	8.15	8.15
	% Sample Overpaid	6.67%	26.3%
	% Sample Underpaid	0.00%	0.00%
	% Sample Insufficient Documentation	93.33%	73.7%
	Sampling Timeframe Start	Oct 1, 2019	Oct 1, 2019
	Sampling Timeframe End	Sept 30, 2020	Sept 30, 2020

Table 3 provides information on the estimated number of improper payments made directly by the federal government and improper payments made by recipients of federal money.

Table 3: Monetary Loss ($ in millions)

Program	Estimated Total Monetary Loss to the Government	Monetary Loss within the Agency's Control	Monetary Loss Outside the Agency's Control	Estimated Non-Monetary Loss to the Government	Unknown (Insufficient Documentation to Determine)
Grants	14.93	$0.00	14.93	0.00	8.15

Table 4 identifies the root causes of error.

Table 4: Improper Payment Root Cause Category Matrix (Grants) ($ in millions)					
Reason for Improper Payment		**Type of Improper Payment**			
		Overpayments	Underpayments	Unknown	Totals
Program Design or Structural Issue		–	–	–	–
Inability to Authenticate Eligibility:	Inability to Access Data	–	–	–	
	Data Needed Does Not Exist	–	–	–	
Failure to Verify:	Death Data	–	–	–	
	Financial Data	–	–	–	
	Excluded Party Data	–	–	–	
	Prisoner Data	–	–	–	–
	Other Eligibility Data	–	–	–	–
Administrative or Process Error Made by:	Federal Agency	–	–	–	–
	State or Local Agency	10.55	–	–	10.55
	Other Party	4.38	–	–	4.38
Medical Necessity		–	–	–	–
Insufficient Documentation to Determine		–	–	8.15	8.15
Other Reason		–	–	–	–
Totals		14.93	–	8.15	23.08

Recoveries of Improper Payments

PIIA requires agencies to conduct payment recapture audit reviews in any program expending more than $1 million annually. The low dollar value of improper payments recovered by an external payment recapture auditor resulted in an effort that was not cost-effective for the agency or the contractor. Therefore, the EPA no longer uses a payment recapture audit firm to conduct formal payment recapture audits.

Nevertheless, the agency performs overpayment recovery activities internally, leveraging the work of agency employees and agency resources. As part of this process, each payment stream is routinely monitored to assure the effectiveness of internal controls and identify issues that could give rise to overpayments. The agency's payment review and recovery activities are part of its overall program of internal control over disbursements, which includes establishing and assessing internal controls to prevent improper payments, reviewing disbursements, assessing root causes of error, developing corrective action plans where appropriate, and tracking the recovery of overpayments.

The following table quantifies the results of the agency's efforts to identify and recapture overpayments across all payment streams.

Table 5: Overpayments Recaptured Outside of Payment Recapture Audits [1] *($ in millions)*		
Program	**Amount Identified in FY 2022**[2]	**Amount Recovered in FY 2022**[2]
Commodities [3]	0.065	0.062
Contracts [3]	0.16	0.16
CWSRF	0.31	0.03
DWSRF	2.47	2.64
Grants	0.87	0.72
Hurricane Sandy	0.18	0.18
Payroll [4]	1.32	0.74
Purchase Cards	0.00	0.00
Travel	0.009	0.008
2018 Disaster Relief	0.00	0.00
Other [5]	0.97	0.17
Total	6.35	4.71
Recapture Rate – 74%		

(1) The amounts displayed in this table were identified and recovered using a variety of means available to the Agency.
(2) The Amount Recovered can include overpayments identified in prior fiscal years (as well as from the current fiscal year) but residual repayments were only received in FY 2022. This can lead to payment stream fiscal year recapture rates of greater than 100%.
(3) The amounts for contracts and commodities do not include lost discounts, which are considered improper payments but uncollectible.
(4) Payroll consists of salary, benefits, and awards. The amount of improper payments can be overstated if this figure also includes adjustments to pay (factors impacting changes include: changes to employee grade/step and health plans may lag behind bi-weekly payroll payments).
(5) "Other" consists of improper payments identified either by audits, or by criminal, civil, and administrative case investigations, closed out during FY 2022. Repayments can, and often do, take several years to complete.

The information provided below summarizes the actions and methods used by the agency to recoup overpayments, a justification of any overpayments determined not to be collectible, and any conditions giving rise to improper payments and how those conditions are being resolved.

A) Commodities and Contracts

Given the historically low percentage of improper payments in commodities and contracts, the agency relies on its internal review process to detect and recover overpayments. The agency produces monthly reports for each payment stream and uses these reports as its primary tool for tracking and resolving improper payments. These reports identify the number and dollar amount of improper payments, the source and reason for the improper payment, the number of preventive reviews conducted, and the value of recoveries.

The commercial payments are subject to financial review, invoice approval, and payment certification. Since all commercial payments are subject to rigorous internal controls, the agency relies upon its system of internal controls to minimize errors. Below is a summary of the internal controls in place over the agency's commercial invoice payment process.

The payment processing cycle requires that all invoices be subjected to rigorous review and approval by separate entities. Steps taken to ensure payment accuracy and validity, which serve to prevent improper payments, include 1) the Research Triangle Park Finance Center's review for adequate funding and proper invoice acceptance; 2) comprehensive system edits to guard against duplicate payments, exceeding ceiling cost and fees, billing against incorrect period of performance dates, and payment to wrong vendor; 3) electronic submission of the invoice to Project Officers and Approving Officials for validation of proper receipt of goods and services, period of performance dates, labor rates, and appropriateness of payment, citing disallowances or disapprovals of costs if appropriate; and 4) review by the RTP Finance Center of suspensions and disallowances, if taken, prior to the final payment certification for the Treasury processing. Additional preventive reviews are performed by the RTP Finance Center on all credit and re-submitted invoices. Furthermore, the EPA Contracting Officers perform annual reviews of invoices on each contract they administer, and DCAA audits are performed on cost-reimbursable contracts at the request of the agency.

Vendors doing business with federal agencies occasionally offer discounts when invoices are paid in full and within the specified discount period (e.g., within 10 days of billing). The EPA makes its best effort to take all discounts, as they represent a form of savings to the agency. However, there are valid reasons for which it is not feasible to take every discount that is offered, including: 1) an insufficient discount period to process a discount offer, such as a discount offer in which the required processing time for payment exceeds the number of days of the offer; and 2) a situation in which it is not economically advantageous to take the discount. Specifically, if the discount rate exceeds the Treasury's current value of funds rate, taking the discount saves the government money, so the discount is accepted by paying the invoice early. However, if the discount rate is less than the current value of funds rate, taking the discount is not cost-effective for the government, so the discount is rejected, and the invoice is paid as close to the payment due date as possible. For FY 2022 reporting, improper payments stemming from lost discounts totaled just under $16,000 for commodities and contracts combined.

Improper payments can result from typographical errors, payments to incorrect vendors, duplicate payments, or lost discounts. Numerous training sessions have been conducted, and standard operating procedures have been updated to ensure the most current processes are properly documented. Any significant changes in policy or procedures are communicated in a timely manner. Despite the agency's best efforts to collect all overpayments, some overpayments are not recoverable. For example, lost discounts can result when the agency is unable to pay an invoice within the specified time by the vendor. While reported as improper payments, lost discounts are not recoverable and are excluded from the recovery percentage for both contracts and commodities.

B) Clean and Drinking Water State Revolving Funds

The SRFs are not susceptible to significant improper payments. For the SRFs, the agency both identifies and recovers improper payments during the state review process. The EPA Regions are required to conduct annual reviews of state SRF programs using checklists developed by headquarters. Included in the checklist are questions about potential improper payments which the regions discuss with the state SRF staff during the reviews. Errors in the SRFs most often arise from duplicate payments, funds drawn from the wrong account, incorrect proportionality used for drawing federal funds, ineligible expenses, transcription errors, or inadequate cost documentation. Many of the payment errors are immediately corrected by the state or are resolved by adjusting a subsequent cash draw. For issues requiring more detailed analysis, the state provides the agency with a plan for resolving the improper payments and reaches an agreement on the planned course of action. The agreement is described in the EPA's Program Evaluation Report, and the agency follows up with the state to ensure compliance.

C) Grants

For the agency's grants payment stream, overpayments principally consist of unallowable costs or lack of supporting documentation. When overpayments arise, the EPA seeks to recover them either by establishing a receivable and collecting money from the recipient or by offsetting future payment requests. The agency follows established debt collection procedures to recapture overpayments.

The EPA identifies overpayments in grants both through statistical sampling and through non-statistical means. As part of its non-statistical activity, the agency conducts transaction testing of active grant recipients through Advanced Administrative Monitoring reviews. Recipients selected for non-statistical reviews are chosen based on the results of risk assessments performed by grants management officers. Using a standard protocol, an onsite or desk review is performed, and each recipient's administrative and financial management controls are examined. The reviews include an analysis of the recipient's administrative policies and procedures and the testing of a judgmental sample of three non-consecutive draws.

In addition, the agency responds to single audits and audits conducted by the OIG and uses them as a means of identifying and recovering improper payments. The agency follows established processes for evaluating questioned costs, validating, or disallowing costs where appropriate, and seeking the recovery of any sustained overpayments. The EPA also identifies improper payments originating from enforcement actions, grant adjustments, and recipient overdraws. Grant adjustments arise when a recipient must return any unexpended drawn amounts prior to close out of the grant. Recipient overdraws occur when funds are erroneously drawn in advance of immediate cash needs, and the recipient is directed to repay the funds while also being reminded of the immediate cash needs rule. Depending on the type of error, improper payment information is tracked by the Office of the Controller and the Office of Grants and Debarment, and the records of each are reconciled to ensure complete and accurate reporting. The EPA also seeks to prevent improper payments. Prior to the issuance of a grant award, OGD's Compliance Team conduct pre-award certification of non-profit recipients that receive awards in excess of $200K to ensure their written policies and procedures specify acceptable internal controls for safeguarding federal funds. Re-certifications are conducted every four years. Grants Management Officers concur on all certifications. GMOs are also required to ensure that recipients are not listed in the Excluded Parties List System within the System for Award Management. The EPA conducts annual baseline monitoring reviews of all recipients to ensure overall compliance with assistance agreement terms and conditions, as well as all applicable federal regulations. If deemed necessary, recipients can be placed on a reimbursement payment plan which requires submission of cost documentation (receipts, invoices, etc.) for review and approval prior to receiving reimbursement.

D) Hurricane Sandy

Due to several years of sustained low improper payment rates, Hurricane Sandy funding is no longer considered susceptible to significant improper payments. The EPA continues to conduct oversight of SRF-related Hurricane Sandy funds through ongoing transaction testing. In FYs 2018 - 2022, one improper payment for this program was identified due to a proportionality miscalculation. All funds have been recovered.

E) Payroll

The agency's payroll is not susceptible to significant improper payments. Payroll is a largely automated process driven by the submission of employee time and attendance records and personnel actions. In-service debt can arise for a variety of reasons during the period of employment. When in-service debt arises, the employee is notified of the debt, given the right to dispute the debt, provided payment options, and an account receivable is recorded by the agency's shared service payroll provider, the Interior Business Center. Debts are typically recovered through payroll deductions in subsequent pay periods.

Out-of-service debt can arise when an employee leaves the agency and owes funds back to the EPA following separation. The EPA establishes the debt and tracks recovery status. A small portion of the EPA's out-of-service debt was uncollectible due to the separating employee retiring on disability. For both in-service and out-of-service debt, recoveries are actively pursued by following established debt collection procedures.

In late FY 2022, personnel based out of specific regions in Alaska contacted the EPA that their Cost-of-Living Adjustments were not processed. Interior Business Center, the agency's payroll provider, identified this as an issue beyond the EPA findings and impacting other agencies. IBC and the EPA will be working to resolve the payroll issue with the affected parties. At the time of the year-end reporting, the exact dollar amounts associated with these improper payments were not known. The agency will include updated improper payment information for this matter in the FY 2023 Annual Financial Report.

F) Purchase Cards

The purchase card program is not susceptible to significant improper payments, and no improper payments were identified in FY 2022.

G) Travel

Travel is not susceptible to significant improper payments. For travel, improper payments can include ineligible expenses and insufficient or missing supporting documentation. When an overpayment is identified for travel, the Agency establishes a receivable, and existing procedures are followed to ensure prompt recovery.

IV. Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

PIIA requires federal agencies to implement the Do Not Pay initiative, a government-wide solution designed to prevent payment errors and detect waste, fraud, and abuse in programs administered by the federal government. The EPA's payments are screened by the Treasury's DNP working system to detect improper payments. The Treasury analyzes each agency's payments and provides a monthly report itemizing any payments that were made to potentially ineligible recipients. These potential matches are identified when the name of an agency's payee matches the name of an individual or entity listed in federal data sources contained in the Treasury's DNP working system.

In FY 2022, the Treasury screened the EPA payments through the following DNP data sources on a post-payment basis: the Social Security Administration's Death Master File and the General Services Administration's System for Award Management Exclusion List. Through September 30, 2022, approximately $2.42 billion of the EPA payments were screened, and no improper payments were identified. In addition, 54,977 the EPA payments totaling $4.2 billion were made via the Automated Standard Application for Payments, and ASAP's grantee listing is monitored by the Treasury. Finally, agency payments are routinely monitored by the Treasury Offset Program, which offsets federal payments to recipients with delinquent federal nontax debt. These different tools provide a valuable external check of the agency's payment integrity.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

Report on Inflationary Adjustments to Civil Monetary Penalties

Pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, EPA and other federal agencies are required to adjust their maximum and minimum statutory civil penalty amounts by January 15 each year to account for inflation. In accordance with this requirement, EPA promulgated the Civil Monetary Penalty Inflation Adjustment Rule (Rule) on January 12, 2022, which became effective the same day. For details on this Rule, see 87 Fed. Reg. 1676-1679, codified in Table 1 of 40 CFR § 19.4. EPA will amend 40 CFR § 19.4 by January 15, 2023, to reflect changes in inflation since the last adjustment.

Current Statutory Maximum/Minimum Civil Penalties under EPA's 2022 Civil Monetary Penalty Inflation Adjustment Rule

U.S. Code Citation	Environmental statute	Year statutory penalty authority was enacted	Latest year of adjustment (via statute or regulation)	Statutory civil penalties for violations that occurred after November 2, 2015, where penalties are assessed on or after January 12, 2022
7 U.S.C. 136*l*.(a)(1)	FEDERAL INSECTICIDE, FUNGICIDE, AND RODENTICIDE ACT (FIFRA)	1972	2022	$21,805
7 U.S.C. 136*l*.(a)(2)	FIFRA	1972	2022	$3,198
7 U.S.C. 136*l*.(a)(2)	FIFRA	1978	2022	$3,198/$2,061
15 U.S.C. 2615(a)(1)	TOXIC SUBSTANCES CONTROL ACT (TSCA)	2016	2022	$43,611
15 U.S.C. 2647(a)	TSCA	1986	2022	$12,537
15 U.S.C. 2647(g)	TSCA	1990	2022	$10,360
31 U.S.C. 3802(a)(1)	PROGRAM FRAUD CIVIL REMEDIES ACT (PFCRA)	1986	2022	$12,537
31 U.S.C. 3802(a)(2)	PFCRA	1986	2022	$12,537
33 U.S.C. 1319(d)	CLEAN WATER ACT (CWA)	1987	2022	$59,973
33 U.S.C. 1319(g)(2)(A)	CWA	1987	2022	$23,989/$59,973
33 U.S.C. 1319(g)(2)(B)	CWA	1987	2022	$23,989/$299,857
33 U.S.C. 1321(b)(6)(B)(i)	CWA	1990	2022	$20,719/$51,796
33 U.S.C. 1321(b)(6)(B)(ii)	CWA	1990	2022	$20,719/$258,978
33 U.S.C. 1321(b)(7)(A)	CWA	1990	2022	$51,796/$2,072

U.S. Code Citation	Environmental statute	Year statutory penalty authority was enacted	Latest year of adjustment (via statute or regulation)	Statutory civil penalties for violations that occurred after November 2, 2015, where penalties are assessed on or after January 12, 2022
33 U.S.C. 1321(b)(7)(B)	CWA	1990	2022	$51,796
33 U.S.C. 1321(b)(7)(C)	CWA	1990	2022	$51,796
33 U.S.C. 1321(b)(7)(D)	CWA	1990	2022	$207,183/$6,215
33 U.S.C. 1414b(d)(1)	MARINE PROTECTION, RESEARCH, AND SANCTUARIES ACT (MPRSA)	1988	2022	$1,380
33 U.S.C. 1415(a)	MPRSA	1972	2022	$218,048/$287,632
33 U.S.C. 1901 note (*see* 1409(a)(2)(A))	CERTAIN ALASKAN CRUISE SHIP OPERATIONS (CACSO)	2000	2022	$15,897/$39,740
33 U.S.C. 1901 note (*see* 1409(a)(2)(B))	CACSO	2000	2022	$15,897/$198,698
33 U.S.C. 1901 note (*see* 1409(b)(1))	CACSO	2000	2022	$39,740
33 U.S.C. 1908(b)(1)	ACT TO PREVENT POLLUTION FROM SHIPS (APPS)	1980	2022	$81,540
33 U.S.C. 1908(b)(2)	APPS	1980	2022	$16,307
42 U.S.C. 300g-3(b)	SAFE DRINKING WATER ACT (SDWA)	1986	2022	$62,689
42 U.S.C. 300g-3(g)(3)(A)	SDWA	1986	2022	$62,689
42 U.S.C. 300g-3(g)(3)(B)	SDWA	1986/1996	2022	$12,537/$43,678
42 U.S.C. 300g-3(g)(3)(C)	SDWA	1996	2022	$43,678
42 U.S.C. 300h-2(b)(1)	SDWA	1986	2022	$62,689
42 U.S.C. 300h-2(c)(1)	SDWA	1986	2022	$25,076/$313,448
42 U.S.C. 300h-2(c)(2)	SDWA	1986	2022	$12,537/$313,448
42 U.S.C. 300h-3(c)	SDWA	1974	2022	$21,805/$46,517
42 U.S.C. 300i(b)	SDWA	1996	2022	$26,209
42 U.S.C. 300i-1(c)	SDWA	2002	2022	$152,557/$1,525,582
42 U.S.C. 300j(e)(2)	SDWA	1974	2022	$10,902
42 U.S.C. 300j-4(c)	SDWA	1986	2022	$62,689

U.S. Code Citation	Environmental statute	Year statutory penalty authority was enacted	Latest year of adjustment (via statute or regulation)	Statutory civil penalties for violations that occurred after November 2, 2015, where penalties are assessed on or after January 12, 2022
42 U.S.C. 300j-6(b)(2)	SDWA	1996	2022	$43,678
42 U.S.C. 300j-23(d)	SDWA	1988	2022	$11,506/$115,054
42 U.S.C. 4852d(b)(5)	RESIDENTIAL LEAD-BASED PAINT HAZARD REDUCTION ACT OF 1992	1992	2022	$19,507
42 U.S.C. 4910(a)(2)	NOISE CONTROL ACT OF 1972	1978	2022	$41,219
42 U.S.C. 6928(a)(3)	RESOURCE CONSERVATION AND RECOVERY ACT (RCRA)	1976	2022	$109,024
42 U.S.C. 6928(c)	RCRA	1984	2022	$65,666
42 U.S.C. 6928(g)	RCRA	1980	2022	$81,540
42 U.S.C. 6928(h)(2)	RCRA	1984	2022	$65,666
42 U.S.C. 6934(e)	RCRA	1980	2022	$16,307
42 U.S.C. 6973(b)	RCRA	1980	2022	$16,307
42 U.S.C. 6991e(a)(3)	RCRA	1984	2022	$65,666
42 U.S.C. 6991e(d)(1)	RCRA	1984	2022	$26,269
42 U.S.C. 6991e(d)(2)	RCRA	1984	2022	$26,269
42 U.S.C. 7413(b)	CLEAN AIR ACT (CAA)	1977	2022	$109,024
42 U.S.C. 7413(d)(1)	CAA	1990	2022	$51,796/$414,364
42 U.S.C. 7413(d)(3)	CAA	1990	2022	$10,360
42 U.S.C. 7524(a)	CAA	1990	2022	$51,796/$5,179
42 U.S.C. 7524(c)(1)	CAA	1990	2022	$414,364
42 U.S.C. 7545(d)(1)	CAA	1990	2022	$51,796
42 U.S.C. 9604(e)(5)(B)	COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION, AND LIABILITY ACT (CERCLA)	1986	2022	$62,689
42 U.S.C. 9606(b)(1)	CERCLA	1986	2022	$62,689
42 U.S.C. 9609(a)(1)	CERCLA	1986	2022	$62,689
42 U.S.C. 9609(b)	CERCLA	1986	2022	$62,689/$188,069
42 U.S.C. 9609(c)	CERCLA	1986	2022	$62,689/$188,069

U.S. Code Citation	Environmental statute	Year statutory penalty authority was enacted	Latest year of adjustment (via statute or regulation)	Statutory civil penalties for violations that occurred after November 2, 2015, where penalties are assessed on or after January 12, 2022
42 U.S.C. 11045(a)	EMERGENCY PLANNING AND COMMUNITY RIGHT-TO-KNOW ACT (EPCRA)	1986	2022	$62,689
42 U.S.C. 11045(b)(1)(A)	EPCRA	1986	2022	$62,689
42 U.S.C. 11045(b)(2)	EPCRA	1986	2022	$62,689/$188,069
42 U.S.C. 11045(b)(3)	EPCRA	1986	2022	$62,689/$188,069
42 U.S.C. 11045(c)(1)	EPCRA	1986	2022	$62,689
42 U.S.C. 11045(c)(2)	EPCRA	1986	2022	$25,076
42 U.S.C. 11045(d)(1)	EPCRA	1986	2022	$62,689
42 U.S.C. 14304(a)(1)	MERCURY-CONTAINING AND RECHARGEABLE BATTERY MANAGEMENT ACT (BATTERY ACT)	1996	2022	$17,474
42 U.S.C. 14304(g)	BATTERY ACT	1996	2022	$17,474

BIENNIAL REVIEW OF USER FEES

The CFO Act of 1990 and OMB Circular No. A-25 Revised, User Charges, directs agencies to biennially review their fees, royalties, rents, and other charges and recommend adjustments, as appropriate, to reflect unanticipated changes in costs or market values. OMB Circular No. A-25 Revised also directs agencies to review other agency programs and determine whether fees should be initiated for government services or goods for which fees are not charged.

The EPA administers eight user fee programs. The bold-highlighted programs are statutorily required to recover the full cost of the goods and services provided.

EPA's User Fee Programs	
Pesticide Registration Service Fees	**Pesticide Maintenance Fees**
Motor Vehicle and Engine Compliance Fee Program	**Water Infrastructure Finance and Innovation Act Fees**
e-Manifest Fees	**Toxic Substance Control Act Fees**
Lead-Based Paint Fee Program	**Clean Air Part 71 Permit Fees**

During FY 2022, EPA reviewed the Clean Air Part 71 Permit Fees, Pesticide Maintenance Fees, Pesticide Registration Fees, and the e-Manifest Fees. The agency review concluded the fee program to be compliant with the statutory requirements and regulations to recover the cost share of the fees' activities. No recommendations were made to adjust the fee levels. Fees not reviewed during this reporting period will be reviewed in FY 2023.

The agency also conducted a review to determine whether fees should be assessed for programs that provide special benefits to recipients beyond the public. The review looked at a subset of the total universe of potential fee programs identified as part of the FY 2022 user fee process.

The EPA will be working with OMB in FY 2023 to determine if exceptions are justified for each program that was reviewed. For some programs, the cost of collecting fees can often represent an unduly large part of the activity or other conditions may exist that would cause the implementation of a fee to be inappropriate.

The agency is exploring options and opportunities for programs where collecting fees may be appropriate, for which the EPA is not recommending an exception to OMB. In the FY 2023 President's Budget, the agency outlined the following legislative proposals to expand the range of activities that the EPA can fund with existing pesticide registration and maintenance fees.

GRANTS PROGRAM

The EPA has tracked assistance agreement closeout performance since its first five-year Grants Management Plan was issued in 2002. The EPA reports to the OMB in its AFR on two grants closeout performance measures: 90% closure of recently expired grants and 99% closure of grants that expired in earlier years. The agency has consistently exceeded or met these targets or, in limited instances, missed them by a few percentage points. Below is a summary table showing the total number of federal grant and cooperative agreement awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by more than two years.

CATEGORY	2-3 Years FY19-20	4-5 Years FY17-18	>5 Years Before FY17
Number of Grants/Cooperative Agreements with Zero Dollar Balances	29	6	9
Number of Grants/Cooperative Agreements with Undisbursed Balances	24	10	3
Total Amount of Undisbursed Balances	$3,786,532	$2,118,873	$1,231,630

The EPA has made great progress in reducing the cost of undisbursed balances on expired grants as well as reducing the number of older grants that have expired but have not been closed out. The timely closeout of grants can be delayed for a variety of reasons, but generally these include open audits with unresolved findings and where recipient appeal rights have not yet been exhausted, or lack of required documentation from the recipient. The EPA monitors unliquidated obligations on expired assistance agreements as well, requiring an annual review of ULOs to determine if funds are no longer needed and can be deobligated and the assistance agreement closed out.

CLIMATE-RELATED FINANCIAL RISK

Climate Adaptation Plan

In 2021, EPA released its new US EPA's Climate Adaptation Plan: October 2021 in response to Executive Order (E.O.) 14008: *Tackling the Climate Crisis at Home and Abroad*. EPA's Climate Adaptation Action Plan accelerates and focuses attention on five priority actions the Agency will take over the next four years to increase human and ecosystem resilience as the climate changes and disruptive impacts increase:

1. Integrate climate adaptation into the EPA programs, policies, rulemaking processes, and enforcement activities.
2. Consult and partner with tribes, states, territories, local governments, environmental justice organizations, community groups, businesses, and other federal agencies to strengthen adaptive capacity and increase the resilience of the nation, with a particular focus on advancing environmental justice.
3. Implement measures to protect the agency's workforce, facilities, critical infrastructure, supply chains, and procurement processes from the risks posed by climate change.
4. Measure and evaluate performance.
5. Identify and address climate adaptation science needs.

The EPA Program and Regional Offices developed Climate Adaption Implementation Plans. Final plans are located at: https://www.epa.gov/climate-adaptation/climate-adaptation-plan. Additional information on the Plan is located on the EPA Climate Adaptation Website: EPA.gov/Climate-Adaptation

EPA Sustainability Plans

Strategic plans help the EPA meet federal sustainability requirements and its own internal goals to reduce greenhouse gas emissions, resource use and other environmental impacts.

EPA's Sustainability Report and Implementation Plan identifies targets for reducing agencywide GHG emissions and outlines steps to reduce energy, water, waste, and other resource use. It also addresses ways the agency will incorporate sustainability across its facilities, purchases, and operations. Goal areas include:

- Facility energy efficiency
- Efficiency measures, investment and performance contracting
- Renewable energy
- Water efficiency
- High performance sustainable buildings
- Waste management and diversion
- Transportation/fleet management
- Sustainable acquisition
- Electronics stewardship
- GHG emissions reductions

Read EPA's latest Sustainability Report and Implementation Plan.

Section IV
Appendices

APPENDIX A
PUBLIC ACCESS

The EPA invites the public to access its website at www.epa.gov to obtain the latest environmental news, browse agency topics, learn about environmental conditions in their communities, obtain information on interest groups, research laws and regulations, search specific program areas, or access the EPA's historical database.

EPA newsroom: www.epa.gov/newsroom
News releases: www.epa.gov/newsroom/news-releases
Regional newsrooms: https://www.epa.gov/newsroom/browse-news-releases#region

Laws, regulations, guidance and dockets: https://www.epa.gov/laws-regulations
Major environmental laws: https://www.epa.gov/laws-regulations/laws-and-executive-orders
EPA's *Regulations* website: https://www.epa.gov/laws-regulations/regulations

Where you live: https://www.epa.gov/children/where-you-live
Community Information: https://www.epa.gov/nutrientpollution/what-you-can-do-your-community
EPA regional offices: https://www.epa.gov/aboutepa/visiting-regional-office

Information sources: https://www.epa.gov/quality/epa-information-quality-guidelines
Hotlines and clearinghouses: https://www.epa.gov/home/epa-hotlines
Publications: https://nepis.epa.gov/EPA/html/pubindex.html

Education resources: www.epa.gov/students/
Office of Environmental Education: www.epa.gov/education

About EPA: www.epa.gov/aboutepa
EPA organizational structure: www.epa.gov/aboutepa/epa-organizational-structure

EPA programs with a geographic focus: https://www.epa.gov/environmental-topics/environmental-information-location

EPA for business and nonprofits:
https://www.epa.gov/grants/grants-management-guidance-non-profit-organizations
Small Business Gateway: www.epa.gov/osbp/
Grants, fellowships, and environmental financing: https://www.epa.gov/grants

Budget and performance: www.epa.gov/planandbudget

Careers: www.epa.gov/careers/

EPA en Español: https://espanol.epa.gov/
EPA tiếng Việt: https://www.epa.gov/lep/vietnamese
EPA 한국어: https://www.epa.gov/lep/korean

APPENDIX B
ACRONYMS AND ABBREVIATIONS

ACE	Affordable Clean Energy
ADA	Anti-deficiency Act
ADP	Action Development Process
ALJ	Administrative Law Judge
AFR	Agency Financial Report
AME	August Mack Environmental
AICPA	American Institute of Certified Public Accountants
APPS	Act to Prevent Pollution from Ships
APR	Annual Performance Report
ASAP	Automated Standard Application for Payments
B&F	Building and Facilities
BFS	Bureau of Fiscal Services
BP	British Petroleum
BIL	Bipartisan Infrastructure Law
CAA	Clean Air Act
CACSO	Certain Alaskan Cruise Ship Operations
CARES	Coronavirus Aid, Relief and Economic Security Act
CEC	Commission of the North American Agreement on Environmental Cooperation
CERCLA	Comprehensive Environmental Response Compensation and Liability Act
CDPHE	Colorado Department of Public Health and Environment
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CO	Contracting Officer
CSRS	Civil Service Retirement System
CW	Clean Water
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GMO	Grants Management Office
GSA	U.S. General Services Administration
GTAS	Governmentwide Treasury Accounting Symbol
HVAC	Heating, Ventilation, and Air Conditioning
IA	Interagency Agreement
IBC	Interior Business Center
IP	Improper Payment
IPERA	Improper Payments Elimination and Recovery Act
IIJA	Infrastructure Investment & Jobs Act
IRA	Inflation Reduction Act
IPIA	Improper Payments Information Act
IPP	Invoice Processing Platform
LUST	Leaking Underground Storage Tank
MOU	Memorandum of Understanding
MPRSA	Marine, Protection, Research, and Sanctuaries Act
NEIC	National Enforcement Investigations Center
NPL	National Priorities List
NRDA	Natural Resource Damages Assessment
OCE	Office of Civil Enforcement
OECA	Office of Enforcement and Compliance Assurance
OCFO	Office of the Chief Financial Officer
OFR	Office of the Federal Register
OGD	Office of Grants and Debarment
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPA	Oil Pollution Act
OPM	Office of Personnel Management

DATA	Data Accountability and Transparency Act
DCAA	Defense Contract Audit Agency
DM&R	Deferred Maintenance and Repairs
DNP	Do Not Pay
DW	Drink Water
DWH	Deepwater Horizon
DWSRF	Drinking Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
EPCRA	Emergency Planning and Community Right-to-know Act
EPM	Environmental Programs and Management
FAR	Federal Acquisition Regulations
FAS	Fixed Assets Subsystem
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FECA	Federal Employees Compensation Act
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FIFRA	Federal Insecticide, Fungicide and Rodenticide Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report
FRPP	Federal Real Property Profile
FY	Fiscal Year
ORD	Office of Research and Development
PFCRA	Program Fraud Civil Remedies Act
PMA	President's Management Agenda
PO	Project Officer
PP&E	Plant, Property and Equipment
PRASA	Puerto Rico Aqueduct and Sewer Authority
PRIA	Pesticides Registration Improvement Act
PIIA	Payment Integrity Information Act
PFCRA	Program Fraud Civil Remedies Act
PRFA	Pollution Removal Funding Agreements
PROMESA	Puerto Rico Oversight, Management, and Economic Stability Act
PRP	Potential Responsible Party
UNEP	United Nations Environmental Program
UP	Unknown Payment
ULO	Unliquidated Obligation
RCRA	Resource Conservation and Recovery Act
R&I	Repair and Improvement
RTF	Reduce the Footprint
RTP	Research Triangle Park
SARA	Superfund Amendments and Reauthorization Act
SDWA	Safe Drinking Water Act
SFFAS	Statement of Federal Financial Accounting Standards
SOP	Standard Operating Procedures
SRF	State Revolving Fund
SSC	Superfund State Contracts
S&T	Science & Technology
STAG	State and Tribal Assistance Grants
TED	Talent Enterprise Diagnostic
Treasury	U.S. Department of Treasury
TSCA	Toxic Substance Control Act
USSGL	U.S. Standard General Ledger
WCF	Working Capital Fund
WIFIA	Water Infrastructure Finance and Innovation Act

WE WELCOME YOUR COMMENTS!

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