Audit of the EPA's Fiscal Years 2023 and 2022 (Restated) Consolidated Financial Statements

November 15, 2023 | Report No. 24-F-0009

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Abbreviations

C.F.R.	Code of Federal Regulations
CIO	Chief Information Officer
EPA	U.S. Environmental Protection Agency
FFMIA	Federal Financial Management Improvement Act of 1996
FY	Fiscal Year
ISA and MOA	Interconnection Security Agreement and Memorandum of Agreement
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
SSC	Superfund State Contract
U.S.C.	United States Code

Cover Image

EPA headquarters building. (EPA image)

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24-F-0009
November 15, 2023

At a Glance

Audit of the EPA's Fiscal Years 2023 and 2022 (Restated) Consolidated Financial Statements

Why We Did This Audit

To accomplish this objective:

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:

- Financial statements were fairly stated in all material respects in accordance with generally accepted accounting principles.
- Internal control over financial reporting was in place.
- Management complied with applicable laws, regulations, contracts, and grant agreements.

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

To support this EPA mission-related effort:

- *Operating efficiently and effectively.*

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

List of OIG reports.

The EPA Receives an Unmodified Opinion for Fiscal Years 2023 and 2022 (Restated)

We rendered an unmodified opinion on the EPA's consolidated financial statements for fiscal years 2023 and 2022 (restated), 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 did not provide accurate information for its revenue accruals.
- The EPA did not deobligate unneeded funds in a timely manner.
- The EPA operated under an expired Interconnection Security Agreement and Memorandum of Agreement, which could hamper invoice processing.
- The EPA did not review user accounts for EPA contracting personnel every 60 days, as required by its information security procedure.

Compliance with Applicable 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

We make seven recommendations to the EPA, including that the chief financial officer instruct the regions to take action to correct the accrual and to provide information on a quarterly basis, develop and implement plans to deobligate unneeded funds in a timely manner and to ensure that future Interconnection Security Agreement and Memorandum of Agreement documents are reauthorized before the current agreements expire, and determine how to review user accounts in compliance with the EPA's information security procedure. We also recommend that the Great Lakes National Program Office review accrual information to ensure its accuracy. The EPA agreed with all seven recommendations, completed corrective actions in response to one, and provided acceptable planned corrective actions and estimated milestone dates for the others.

OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

November 15, 2023

MEMORANDUM

SUBJECT: Audit of the EPA's Fiscal Years 2023 and 2022 (Restated) Consolidated Financial Statements
Report No. 24-F-0009

FROM: Damon Jackson, Director *Damon Jackson*
Financial Directorate
Office of Audit

TO: Faisal Amin, Chief Financial Officer

Teresa Siedel, Director
Great Lakes National Program Office

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-FY23-0078. 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 management in accordance with established audit resolution procedures.

The Office of the Chief Financial Officer and the Great Lakes National Program Office are responsible for the issues discussed in the report.

In accordance with EPA Manual 2750, your offices completed corrective actions for Recommendation 3. Your offices also provided acceptable planned corrective actions and estimated milestone dates in response to Recommendations 1, 2, 4, 5, 6, and 7. 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.epaoig.gov.

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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, 2023 and 2022 (restated); 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, 2023 and 2022 (restated), in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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.

Emphasis of Matter Restatements of Fiscal Year 2022

As described in note 30, "Restatements," to the financial statements, the EPA restated its fiscal year 2022 financial statements. The Water Infrastructure Finance and Innovation Act of 2014 loan financing account was previously reported as a dedicated collections fund, but it is specifically excluded from such per Statement of Federal Financial Accounting Standards 27, *Identifying and Reporting Funds from Dedicated Collections*, and Statement of Federal Financial Accounting Standards 43, *Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds*.

The restatement resulted in an $8,206,000 increase to the funds from dedicated collections net position and an $8,206,000 decrease to the funds other than those from dedicated collections net position. There was no impact to the total net position.

The change impacts the FY 2022 balance sheet and statement of changes in net position—cumulative results of operations between funds from dedicated collections and funds from other than dedicated collections.

Our opinion is not modified with respect to these corrections.

Responsibilities of Management for the Financial Statements

The EPA's 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.

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 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, we express no such opinion.

- 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, or OMB, 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 inquiring management about the methods of preparing and comparing the information 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 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, 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.

We noted certain matters, which we discuss below, involving internal control and its operation that we consider to be significant deficiencies. These issues are summarized below and detailed in Attachment A.

Significant Deficiencies

The EPA Did Not Provide Accurate Information for Its Revenue Accruals

We found multiple instances in which the Agency did not provide accurate information for its revenue accruals resulting from cost-share agreements for Superfund State Contracts, or SSCs, and Great Lakes Legacy Act project agreements. *Revenue* is an inflow of resources that the government earns. An *accrual* is an estimate of the percentage of completion based on the work performed under cost-share agreements. Agency directives describe the processes for managing the financial aspects of the revenue accruals; however, not all Agency personnel followed these processes, which resulted in the Cincinnati Finance Center not having all the information that it needed to properly calculate the revenue accruals. In addition, over $1.5 million of Superfund appropriated funds were not available for other site cleanup projects that would help to protect human health. Furthermore, without accurate information, revenue accruals and the financial statements may be misstated.

The EPA Did Not Deobligate Unneeded Funds in a Timely Manner

The EPA did not deobligate in a timely manner $10 million of unneeded funds that it identified during its annual review of unliquidated obligations. We also identified this deficiency during the FY 2022 consolidated financial statement audit. Furthermore, while we made no determination as to whether the funds were needed, we recently reported that from FY 2018 through 2023, the EPA had over $1.55 billion in unliquidated obligations with inactivity of 180 days or more. This includes approximately $429 million in Infrastructure Investment and Jobs Act appropriations in FY 2022 and 2023. Agency directives require that responsible offices annually review unliquidated obligations, including 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, almost $10 million in unobligated funds were not deobligated and made available for other uses. Further, without the timely deobligation of unneeded funds, the EPA does not have reasonable assurance that unliquidated obligations are accurate and represent valid obligations.

The EPA Operated Under an Expired Interconnection Security Agreement and Memorandum of Agreement, Which Could Hamper Invoice Processing

The Office of the Chief Financial Officer and Treasury operated under an expired Interconnection Security Agreement and Memorandum of Agreement, a combined single document referred to as the ISA and MOA, for more than six months, from March to September 2023. The ISA and MOA document each entity's responsibility to design and implement security controls for the connection between the EPA's Compass Financials system and Treasury's Invoice Processing Platform. This connection, which implements the OMB's requirement for electronic invoicing, must be secure to protect the confidentiality, integrity, and availability of the invoice processing function. Furthermore, security controls are needed to protect the data being transmitted over this connection, which contain not only federal financial information but also data subject to the Privacy Act, 5 U.S.C. § 552a. A lack of an approved ISA and MOA could cause the EPA and Treasury to be unaware of changes made either to the connection or to the design configurations of the systems, which could disrupt operations and potentially prevent vendors from submitting invoices and EPA personnel from approving invoices in a timely manner.

The EPA Did Not Review User Accounts for EPA Contracting Personnel Every 60 Days As Required By Its Information Security Procedure

The OCFO's management of EPA employee user accounts that can access Treasury's Invoice Processing Platform is not compliant with the Agency's information technology account management requirements. The Invoice Processing Platform was fully implemented within the EPA on May 23, 2023, for EPA contracting personnel to manage and approve vendor invoices. Despite EPA requirements to conduct user account reviews every 60 days, the OCFO had not conducted the required review as of September 30, 2023. These user account reviews help confirm whether all of the EPA's approximately 2,300 active Invoice Processing Platform user accounts are still necessary. Removing unnecessary user accounts could help reduce the risk of unauthorized access, which could potentially lead to the disclosure, modification, or destruction of financial information and the disruption of system operations.

Attachment B contains the status of issues reported in prior year reports on the EPA's consolidated financial statements. The issues included in Attachment B should be considered among the EPA's significant deficiencies for FY 2023. We reported less significant internal control matters to the Agency during the course of the audit. We will not issue a separate management letter.

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 government auditing standards generally accepted in the United States of America.

Responsibilities of Management for Internal Control over Financial Reporting

The EPA's 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, 2023, in accordance with generally accepted auditing standards, we considered the EPA's internal control over financial reporting as a basis for designing audit procedures, which are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and of complying with OMB Bulletin 24-01, *Audit Requirements for Federal Financial Statements*, but not for the purpose of expressing 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.

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

OMB Bulletin 24-01 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 24-01 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.

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

The EPA's 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 the American Institute of Certified Public Accountants' *Codification of Statements on Auditing Standards*, AU-C 250.14-16, "Consideration of Laws and Regulations in an Audit of Financial Statements." OMB Bulletin 24-01 mandates that we evaluate compliance with federal financial statement system requirements, including those 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 Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope and results of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with government auditing standards generally accepted in the United States of America. 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 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 comply with 42 U.S.C. § 9611(k), including the requirement to conduct an annual audit of payments, obligations, reimbursements, or other uses of the Hazardous Substance Superfund Trust 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 B. These deficiencies include that:

- Originating offices did not forward accounts receivable source documents to the finance center in a timely manner.
- The EPA did not deobligate unneeded funds in a timely manner.

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 Jackson

Damon Jackson
Certified Public Accountant
Director, Financial Directorate
Office of Audit
Office of Inspector General
U.S. Environmental Protection Agency
November 9, 2023

Attachment A

Significant Deficiencies

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1 – The EPA Did Not Provide Accurate Information for Its Revenue Accruals

We found multiple instances in which the Agency did not provide accurate information for revenue accruals resulting from cost-share agreements for SSCs and Great Lakes Legacy Act project agreements. Agency directives describe the processes for managing the financial aspects of the revenue accruals; however, not all Agency personnel followed these processes, which resulted in the Cincinnati Finance Center not having all the information that it needed to properly calculate the revenue accruals. In addition, over $1.5 million of Superfund appropriated funds were not available for other site cleanup projects that would help to protect human health. Furthermore, without accurate information, revenue accruals and the financial statements may be misstated.

Regulations and Agency Directives Require Accurate Information Be Provided

EPA regulations at 40 C.F.R. § 35.6805 state that an SSC "remains in effect until the financial settlement of project costs and final reconciliation of response costs (including all change orders, claims, overmatch of cost share, reimbursements, etc.) ensures that both [the] EPA and the State have satisfied the cost share requirement" in section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act, as amended. This Act is informally known as Superfund.

Also pertaining to SSCs, the EPA's Resource Management Directive System 2550D-09-P1, *Financial Management of Superfund Program - State Cost Share Provisions for Superfund State Contracts and Remedial Cooperative Agreements,* directs regional offices to conduct the SSC financial closeout process, which includes the reconciliation of the state's final cost share and reclassification of disbursements when applicable. When the EPA has not used reimbursable (TR1) resources concurrently with Superfund appropriated (T) obligations, a TR1 resource reclassification may be appropriate. The directive further states that the SSC accrual calculation for a financially closed SSC should be reviewed and adjusted, if needed, to reflect a zero-accrual balance. In addition, the directive describes the EPA's process for managing the financial aspects of Superfund program remedial state cost-share provisions in state contracts and cooperative agreements. Regional program offices are responsible for the overall management of SSCs. The directive requires regions, on a quarterly basis, to respond to the Cincinnati Finance Center's request for information with respect to new and amended SSCs.

Pertaining to the Great Lakes Legacy Act project agreements, the EPA's Resource Management Directive System 2540-09-P6, *Accounts Receivable - Non-Federal Sponsor Cost Share Provisions for Great Lakes Legacy Act Project Agreements,* contains the procedures for financial management of Great Lakes Legacy Act cost-share provisions. The Great Lakes Legacy Act of 2002 requires a minimum of a 35 percent nonfederal cost share for all projects carried out under the Act.

The EPA Did Not Always Follow Processes to Provide Accurate Information

We found multiple instances in which the Agency did not provide accurate information for its revenue accruals. Specifically, during FY 2023, we identified the following issues:

- ***The EPA did not properly analyze its revenue accruals for financially closed SSCs with available reimbursable funds***. During our analysis of the SSC accrual, we found eight financially closed SSCs with available reimbursable funds that resulted in corresponding accruals totaling over $1.5 million. These SSCs should have been closed and their accrual should have been zero. Table 1-1 lists the financially closed SSCs with available reimbursable funds.

Table 1-1: Financially closed SSCs with available reimbursable funds

Site identification	Available reimbursable funds ($)
019L	38,179.39
02GP	41,612.74
0277	47,751.00
A301	73,541.64
0417	512,348.87
047U	46,291.76
047U	200,693.96
0441	625,360.23
Total	**1,585,779.59**

Source: OIG analysis of EPA data. (EPA OIG table)

- ***SSC credits were not included in the accrual***. Approved SSC credits totaling $3,048,485 for one Region 10 Superfund site, 102Q, were not included in the accrual. The total of $3,048,485 had been previously approved by Region 10 as meeting the definition of Superfund SSC credits and applied toward the state's 10 percent cost-share obligation. Of this amount, $2,497,029 was approved as SSC creditable costs earned from FY 2003 through 2008, and the remaining $551,456 was approved for costs earned from FY 2008 through 2015.

- ***The Great Lakes Legacy Act accruals contained inaccurate project amounts and site numbers.*** Four Great Lakes Legacy Act accruals did not contain either the correct project amount or site numbers, which are used to track the appropriated and reimbursable disbursements and collections for the accrual. Table 1-2 lists the exceptions that we identified.

Table 1-2: Great Lakes Legacy Act accruals with project amount and site number errors

Project number	Project amount recorded in accrual ($)	Correct project amount ($)	Site numbers recorded in accrual	Correct site numbers
GLLA2004-007A-C	45,000,000.00	44,200,000.00	—	—
GLLA2013-005	35,112,354.00	70,892,940.00	—	—
GLLA2018-002	—	—	551222	551222 551224
GLLA2011-005	—	—	251201T1 251201T2 551224	251201T1, 251201T2

Source: OIG analysis of EPA data. (EPA OIG table)

These reclassification errors occurred because the regions did not follow the Agency SSC closeout process and did not review SSCs on the accrual to financially close the lines and reclassify the Superfund appropriated T fund disbursements to reimbursable TR1 fund disbursements. Therefore, SSC final financial reconciliations were not complete on the accrual, resulting in regions assessing accruals for closed SSCs. In addition, over $1.5 million of Superfund appropriated funds were not available for other site cleanup projects that would help to protect human health. Without accurate information, revenue accruals and the financial statements may be misstated.

The other errors occurred because Region 10 and the Great Lakes National Program Office did not follow Agency directives and did not provide the Cincinnati Finance Center with accurate information. In response to our inquiries, Region 10 and the Great Lakes National Program Office subsequently provided the Cincinnati Finance Center with the SSC credit and Great Lakes Legacy Act project information required to properly calculate the SSC and Great Lakes Legacy Act accruals.

Recommendations

We recommend that the chief financial officer:

1. Instruct the regions to perform an analysis of financially closed Superfund State Contracts to reclassify appropriated and reimbursable disbursements and financially close lines on the accrual.

2. Instruct the regions to provide current Superfund State Contract information quarterly to the Cincinnati Finance Center.

We recommend that the director for the Great Lakes National Program Office:

3. Review the Great Lakes Legacy Act accrual project information prior to its submission to the Cincinnati Finance Center to ensure its accuracy.

Agency Response and OIG Assessment

The EPA agreed with our recommendations. The Agency provided an acceptable planned corrective actions for Recommendations 1 and 2, as well as an estimated milestone date of June 30, 2024, for Recommendation 1 and January 15, 2024, for Recommendation 2. We consider these recommendations resolved with corrective action pending. The Agency completed Recommendation 3 on October 18, 2023.

2 – The EPA Did Not Deobligate Unneeded Funds in a Timely Manner

The EPA did not deobligate in a timely manner $10 million of unneeded funds that it identified during its annual review of unliquidated obligations. We also identified this deficiency during our FY 2022 consolidated financial statement audit. Furthermore, while we made no determination as to whether the funds were needed, we recently reported that from FY 2018 through 2023, the EPA had over $1.55 billion in unliquidated obligations with inactivity of 180 days or more. This includes approximately $429 million in Infrastructure Investment and Jobs Act appropriations in FY 2022 and 2023.[1] Agency directives require that responsible offices annually review unliquidated obligations and 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, almost $10 million in unobligated funds were not deobligated and made available for other uses. Further, without timely deobligation of unneeded funds, the EPA has does not have reasonable assurance that unliquidated obligations are accurate and represent valid obligations.

Resource Management Directive System 2520-03-P1, *Responsibilities for Reviewing Unliquidated Obligations,* requires all responsible parties to review at least annually all current and prior year 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, and 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 each fiscal year. The directive requires that all responsible officials certify that their office or region took the necessary actions to deobligate the funds as provided in the Office of the Controller's year-end requirement for the fiscal year.

We found that the EPA did not deobligate unneeded funds in FY 2023 in a timely manner. During its annual review of unliquidated obligations, the Agency identified $10.5 million of unliquidated obligations that remained opened as of September 30, 2023. The EPA determined that $471,143 of these unliquidated obligations were valid and should remain open. As shown in Table 2-1, the Agency determined that approximately $10 million of unliquidated obligations were unneeded, but these funds were not deobligated by the end of fiscal year, as required.

Table 2-1: Unneeded funds identified for deobligation

Offices and regions	Funds ($)
Office of the Administrator	4,889.65
Office of Chemical Safety and Pollution Prevention	498,527.83
OCFO	455,920.35

[1] OIG Report No. 23-N-0036, Status of Unliquidated Obligations for Programs Receiving Funding from the Infrastructure Investment and Jobs Act, issued September 28, 2023.

Offices and regions	Funds ($)
Office of International and Tribal Affairs	777,898.62
Office of Land and Emergency Management's Office of Emergency Management	360,659.99
Office of Land and Emergency Management's Office of Superfund Remediation and Technology Innovation	270,564.22
Office of Research and Development	5,759.45
Region 3	2,980,930.07
Region 5	70,339.76
Region 6	175,785.59
Region 8	1,292,038.52
Region 9	*3,102,619.85
Total	**9,995,933.90**

Source: OIG analysis of EPA data. (EPA OIG table)

* This amount includes $2,518,007.12 for Region 8 for a mixed-funded contract with Regions 8 and 9 funds.

Program offices and regions noted several reasons why unliquidated obligations were not deobligated by the end of the fiscal year. Some said that they experienced technical issues related to the EPA's adoption of the Treasury's Invoice Processing Platform in May 2023, while some said that they were awaiting final invoices before deobligating funds. In addition, others noted either that the deobligation of funds should occur, was in process, or would occur in FY 2024 or that the funds would be expended in FY 2024.

By not taking timely and appropriate action to deobligate unneeded funds, the EPA does not have reasonable assurance that the unliquidated obligations are accurate and represent valid obligations reported in the financial statements. Further, obligated funds are overstated if unneeded funds are not deobligated. By deobligating funds no longer needed for their original purpose by the required deadline, the EPA can make these funds available for other purposes.

Recommendation

We recommend that the chief financial officer:

4. Develop a plan to improve the Office of the Chief Financial Officer processes for headquarters program offices and regional offices to deobligate unneeded funds in a timely manner by the end of the fiscal year, as required.

Agency Response and OIG Assessment

The EPA agreed with our recommendation and provided an acceptable planned corrective action and estimated milestone date of July 1, 2024. We consider this recommendation resolved with corrective action pending.

3 – The EPA Operated Under an Expired ISA and MOA, Which Could Hamper Invoice Processing

The OCFO and the Treasury were operating under an expired ISA and MOA for more than six months, from March to September 2023. The ISA and MOA documents each entity's responsibility to design and implement security controls for the connection between the EPA's Compass Financials system and the Treasury's Invoice Processing Platform. This connection, which implements the OMB's requirement for electronic invoicing, must be secure to protect the confidentiality, integrity, and availability of the invoice processing function. Furthermore, security controls are needed to protect the data being transmitted over this connection, which contain not only federal financial information but also data subject to the Privacy Act, 5 U.S.C. § 552a. A lack of an approved agreement could cause the EPA and the Treasury to be unaware of changes made either to the connection or to the design configurations of the systems, which could disrupt operations and potentially prevent vendors from submitting invoices and EPA personnel from approving invoices in a timely manner.

OMB Memorandum M-15-19, *Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing*, dated July 17, 2015, mandates that federal agencies implement electronic invoicing. The EPA implements the electronic invoicing requirement via a connection between its financial system, Compass Financials, and the Treasury's Invoice Processing Platform. Section CA-3, "Information Exchange," of the EPA Chief Information Officer Directive No. CIO 2150-P-04.3, *Information Security – Assessment, Authorization and Monitoring Procedure,* signed June 8, 2023, requires the approval and management of the exchange of information between systems using an ISA or MOA. The directive also requires that the ISA and MOA be reviewed and updated "as agreed upon by the participating signatories but not to exceed three (3) years or whenever there is a significant change to any of the systems covered by the agreements."

In accordance with CIO 2150-P-04.3, the OCFO and the Treasury signed the ISA and MOA on March 14, 2020, for a new connection between the Compass Financials system and the Invoice Processing Platform to implement the OMB's electronic invoicing requirement. The ISA and MOA documents each entity's responsibility to implement security controls to protect the confidentiality, integrity, and availability of invoice processing between the Compass Financials system and the Invoice Processing Platform. The data being transmitted over this connection contain federal financial information, as well as data subject to the Privacy Act, 5 U.S.C. § 552a. Consistent with CIO 2150-P-04.3, this original agreement was in effect for a three-year period, expiring on March 14, 2023. Section 5, "Timeline," of the expired ISA and MOA states:

> This agreement will remain in effect for three (3) years after the last date on either signature in the signature block below. After three (3) years, this agreement will expire without further action. If the parties wish to extend this agreement, they may do so by reviewing, updating, and reauthorizing this agreement.

However, a new ISA and MOA was not reauthorized before the original agreement expired. As such, the OCFO and the Treasury were operating without an approved agreement for approximately six months, from March to September 2023. Furthermore, the OCFO did not start the ISA and MOA renewal process until February 2023, one month before the expiration of the original agreement. The OCFO did not explain why the ISA and MOA was not renewed prior to the original agreement expiring; it only provided us with a timeline of its progress in updating and renewing the agreement. According to that timeline, the renewal process was in process for more than seven months, from February to September 2023. A new ISA and MOA was signed and became effective on September 25, 2023.

Based on the timeline provided to us, we concluded that the OCFO did not have a plan with milestone dates to ensure that the ISA and MOA would be reauthorized prior to its expiration. Without a current ISA and MOA in place that accounts for any system updates that would affect the connection and related security controls for the Compass Financials system and the Invoice Processing Platform, the EPA and the Treasury had no enforceable agreement to govern the development, management, operation, and security of the systems' connection. This leaves both federal entities with limited assurance that they are fully aware of any significant changes or updates that could impact the connection between the two systems. As a result, they cannot ensure that the security controls are properly designed to protect the transmission of financial and privacy information across the connection.

Recommendation

We recommend that the chief financial officer:

5. Develop and implement a plan with milestones to ensure that future Interconnection Security Agreement and Memorandum of Agreement documents for each external connection with Office of the Chief Financial Officer systems are reauthorized before the current agreements expire.

Agency Response and OIG Assessment

The EPA agreed with our recommendation and provided an acceptable planned corrective action and estimated milestone date of June 30, 2024. We consider this recommendation resolved with corrective action pending.

4 – The EPA Did Not Review User Accounts for EPA Contracting Personnel Every 60 Days As Required By Its Information Security Procedure

The OCFO's management of EPA employee user accounts that can access the Treasury's Invoice Processing Platform are not compliant with the Agency's information technology account management requirements. The Invoice Processing Platform was fully implemented within the EPA on May 23, 2023, for EPA contracting personnel to manage and approve vendor invoices. Despite the EPA requirements to conduct user account reviews every 60 days starting June 8, the OCFO had not conducted the required review as of September 30, 2023. The user account reviews help confirm whether all of the EPA's approximately 2,300 active Invoice Processing Platform user accounts are still necessary. Removing unnecessary user accounts could help reduce the risk of unauthorized access, which could lead to the disclosure, modification, or destruction of financial information and the disruption of system operations.

Section AC-2, "Account Management," of Chief Information Officer Directive No. CIO 2150-P-01.3, *Information Security – Access Control Procedure,* signed June 8, 2023, requires service managers for systems operated by or on behalf of the EPA to take security measures including:

1. Review accounts for compliance with account management every 60 (sixty) days and align account management processes with personnel termination and transfer processes.
2. Create, enable, modify, disable, and remove accounts in accordance with EPA information security requirements.
3. Notify account managers, Information Security Officer, and Information System Security Officers within:
   a) Three (3) days when accounts are no longer required.
   b) Four (4) hours of departure for involuntary terminations and same day of departure for voluntary terminations when users are terminated or transferred.
   c) Three (3) days when system usage or need-to-know changes for an individual.

In addition to the EPA's 60-day user account reviews, the Treasury requires an annual user account recertification.

The OCFO conducted only the annual user account recertification in June 2023, despite CIO 2150-P-01.3 requirements to conduct user account reviews every 60 days. The OCFO advised us that it did not adhere to CIO 2150-P-01.3 because it is developing standard operating procedures that will not include the 60-day requirement but will instead leverage the Treasury's annual user account recertification process. However, the OCFO's plans to incorporate account management practices for the Invoice Processing Platform user accounts as part of an annual user account recertification process do not comply with CIO 2150-P-01.3 requirements that accounts be reviewed every 60 days. Additionally, the OCFO stated that it intends to rely on Invoice Processing Platform system controls that disable a user account when there is a period of inactivity as part of its account management practices. According to

Treasury personnel, the Invoice Processing Platform will disable a user account after 120 days of inactivity. However, this period is twice the duration of the EPA's required 60-day user account reviews.

The Invoice Processing Platform provides contracting personnel with the ability to approve vendor invoices ranging from hundreds to millions of dollars of federal funds. By not following the Agency's account management requirements, the OCFO risks exposing the EPA's systems and the Treasury's Invoice Processing Platform to unauthorized access, which could potentially lead to the disclosure, modification, or destruction of financial information and the disruption of system operations. The 60-day user account reviews required by EPA information technology directive serve as a preventive control to limit unauthorized access.

Recommendations

We recommend that the chief financial officer:

6. In consultation with the Office of Mission Support's chief information officer, determine how the Office of the Chief Financial Officer will conduct reviews of active Invoice Processing Platform user accounts to comply with Chief Information Officer Directive No. CIO 2150-P-01.3, *Information Security – Access Control Procedure.*

7. Develop and implement a strategy to ensure that future reviews of active Invoice Processing Platform user accounts comply with Chief Information Officer Directive No. CIO 2150-P-01.3, *Information Security – Access Control Procedure.*

Agency Response and OIG Assessment

The EPA agreed with these recommendations and provided acceptable planned corrective actions. For both recommendations, the EPA provided an estimated milestone date of June 30, 2024. We consider these recommendations resolved with corrective actions pending.

Attachment B

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 2023, 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 the Agency's audit follow-up coordinators 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 OIG's *Semiannual Report to Congress* published in May 2023.

- Conducted a comprehensive review of open OIG and U.S. Government Accountability Office recommendations and corrective actions to identify common themes and challenges. The review included data calls and interviews with individual offices and a brief to OCFO and Agency leadership.

- Provided monthly reporting for the agencywide metric on the number of past-due audit corrective actions. The metric measures the completion of Agency-identified corrective actions that were not completed by the proposed completion date. The intended purpose of the monthly reporting is to facilitate the implementation of Agency corrective actions in response to OIG audit recommendations and to 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 regular reports on OIG and Government Accountability Office audits and evaluations for broad agency distribution. The report includes the most recent audit and evaluation updates, open recommendations, and metric status.

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

- Continued regular use of the audit community's internet site for the Agency'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 best practices for audit preparedness.
- 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 B-1: Significant deficiency issues not fully resolved

Originating Offices Did Not Forward Accounts Receivable Source Documents to the Finance Center in a Timely Manner During our FY 2021 audit, we found that EPA regions did not submit supporting source documents to the EPA's Cincinnati Finance Center for accounts receivable in a timely manner, which then delayed 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 from FY 2015 through FY 2023. Therefore, the Agency's corrective actions are not completely effective, and we will continue to evaluate whether the Agency receives legal source documents in a timely manner going forward.
The EPA Did Not Deobligate Unneeded Funds in a Timely Manner During the FY 2022 audit, we found the EPA did not deobligate in a timely manner the $5.8 million of unliquidated obligations that it identified in its FY 2022 unliquidated obligations annual review. Agency directives require that unliquidated obligations be reviewed annually and that responsible offices review inactive unliquidated obligations at least annually. As a result, the EPA has no assurance that unliquidated obligations are accurate and represent valid and viable obligations. We recommended that the chief financial officer reiterate to headquarters program offices and regional offices the importance of deobligating by the end of the fiscal year the unneeded funds that they identified during their annual unliquidated obligations review. The EPA concurred with our recommendation and completed corrective action on May 8, 2023. However, during our 2023 audit, we continued to find that unneeded funds were not deobligated by the required deadline. Therefore, the Agency's corrective action is not completely effective, and we will continue to evaluate whether the Agency deobligates unneeded funds by the required deadline in FY 2024.

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

Attachment C

Status of Recommendations and Potential Monetary Benefits

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date	Potential Monetary Benefits (in $000s)
1	12	Instruct the regions to perform an analysis of financially closed Superfund State Contracts to reclassify appropriated and reimbursable disbursements and financially close lines on the accrual.	R	Chief Financial Officer	6/30/24	$1,586
2	12	Instruct the regions to provide current Superfund State Contract information quarterly to the Cincinnati Finance Center.	R	Chief Financial Officer	1/15/24	
3	12	Review the Great Lakes Legacy Act accrual project information prior to its submission to the Cincinnati Finance Center to ensure its accuracy.	C	Director for the Great Lakes National Program Office	10/18/23	
4	14	Develop a plan to improve the Office of the Chief Financial Officer processes for headquarters program offices and regional offices to deobligate unneeded funds in a timely manner by the end of the fiscal year, as required.	R	Chief Financial Officer	7/1/24	$9,995
5	16	Develop and implement a plan with milestones to ensure that future Interconnection Security Agreement and Memorandum of Agreement documents for each external connection with Office of the Chief Financial Officer systems are reauthorized before the current agreements expire.	R	Chief Financial Officer	6/30/24	
6	18	In consultation with the Office of Mission Support's chief information officer, determine how the Office of the Chief Financial Officer will conduct reviews of active Invoice Processing Platform user accounts to comply with Chief Information Officer Directive No. CIO 2150-P-01.3, *Information Security – Access Control Procedure.*	R	Chief Financial Officer	6/30/24	
7	18	Develop and implement a strategy to ensure that future reviews of active Invoice Processing Platform user accounts comply with Chief Information Officer Directive No. CIO 2150-P-01.3, *Information Security – Access Control Procedure.*	R	Chief Financial Officer	6/30/24	

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

Appendix 1

The EPA's Fiscal Year 2023 and 2022 Consolidated Financial Statements (with Restatement)

EPA's Fiscal Year 2023 and 2022
Consolidated Financial Statements (With Restatement)

Financial Section

Table of Contents

Principal Financial Statements

United States Environmental Protection Agency
Consolidated Balance Sheet (Restated)
As of September 30, 2023 and 2022
(Dollars in Thousands)

	2023	(Restated) 2022
ASSETS:		
Intragovernmental Assets:		
Fund Balance With Treasury (Note 2)	$ 74,589,768	$ 64,103,829
Investments, Net (Note 4)	12,159,283	10,297,779
Accounts Receivable, Net (Note 5)	7,686	5,717
Advances and Prepayments	1,569,525	261,776
Total Intragovernmental Assets	88,326,262	74,669,101
Other Than Intragovernmental Assets:		
Cash and Other Monetary Assets (Note 3)	10	10
Accounts Receivable, Net (Note 5)	520,692	548,525
Loans Receivable, Net (Note 7)	2,401,922	1,291,508
Inventory and Related Property, Net (Note 6)	626	531
Property, Plant and Equipment, Net (Note 9)	743,207	730,992
Advances and Prepayments	11,602	10,536
Total Other Than Intragovernmental Assets	3,678,059	2,582,102
Total Assets	**$ 92,004,321**	**$ 77,251,203**
Stewardship Property Plant and Equipment (Note 11)		
LIABILITIES:		
Intragovernmental Liabilities:		
Accounts Payable (Note 8)	$ 2,921	$ 3,067
Debt (Note 10)	2,953,225	1,557,180
Advances from Others and Deferred Revenue	173,381	183,791
Other Liabilities		
Liability to the General Fund for Custodial Assets (Note 12)	105,995	106,560
Other (Note 13)	208,187	199,697
Total Intragovernmental Liabilities	3,443,709	2,050,295
Other Than Intragovernmental Liabilities:		
Accounts Payable (Note 8)	116,234	62,913
Federal Employee and Veteran Benefits Payable (Note 24)	229,748	223,785
Environmental and Disposal Liabilities (Note 18)	37,357	32,156
Advances from Others and Deferred Revenue (Note 15)	3,676,206	3,666,198
Other Liabilities (Note 13)	623,349	597,993
Total Other Than Intragovernmental Liabilities	4,682,894	4,583,045
Total Liabilities	**$ 8,126,603**	**$ 6,633,340**
Commitments and Contingencies (Note 16)		
NET POSITION:		
Unexpended Appropriations - Funds from Dedicated Collections (Note 17)	$ 281	$ 178
Unexpended Appropriations - Funds from Other than Dedicated Collections	74,602,484	62,618,529
Total Unexpended Appropriations (Consolidated)	74,602,765	62,618,707
Cumulative Results of Operations - Funds from Dedicated Collections (Note 17, 30)	9,309,893	7,744,123
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Note 30)	(34,940)	255,033
Total Cumulative Results of Operations (Consolidated)	9,274,953	7,999,156
Total Net Position	83,877,718	70,617,863
Total Liabilities and Net Position	**$ 92,004,321**	**$ 77,251,203**

The accompanying notes are an integral part of these financial statements.

United States Environmental Protection Agency
Consolidated Statement of Net Cost
For the Fiscal Years Ending September 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
COSTS		
Gross Costs	$ 12,487,285	$ 10,142,639
Less: Earned Revenue	520,394	400,059
NET COST OF OPERATIONS (Note 26)	**$ 11,966,891**	**$ 9,742,580**

The accompanying notes are an integral part of these financial statements.

United States Environmental Protection Agency
Statement of Net Cost by Major Program
For the Fiscal Years Ending September 30, 2023
(Dollars in Thousands)

	Environmental Programs & Management	Leaking Underground Storage Tanks	Science & Technology	Superfund	State & Tribal Assistance Agreements	Other	Totals
Costs:							
Gross Costs	$ 3,152,262	$ 91,478	$ 799,818	$ 1,690,188	$ 5,871,185	$ 1,238,522	$ 12,843,453
WCF Elimination	-	-	-	-	-	(356,168)	(356,168)
Total Costs	3,152,262	91,478	799,818	1,690,188	5,871,185	882,354	12,487,285
Less:							
Earned Revenue	37,771	-	4,711	239,104	-	594,976	876,562
WCF Elimination	-	-	-	-	-	(356,168)	(356,168)
Total Earned Revenue	37,771	-	4,711	239,104	-	238,808	520,394
NET COST OF OPERATIONS	**$ 3,114,491**	**$ 91,478**	**$ 795,107**	**$ 1,451,084**	**$ 5,871,185**	**$ 643,546**	**$ 11,966,891**

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**

The accompanying notes are an integral part of these financial statements.

United States Environmental Protection Agency
Consolidated Statement of Changes in Net Position
For the Fiscal Years Ending September 30, 2023
(Dollars in Thousands)

	Funds from Dedicated Collections	Funds from Other Than Dedicated Collections	Consolidated Totals
UNEXPENDED APPROPRIATIONS:	(Note 17)		
Beginning Balance	$ 178	$ 62,618,529	$ 62,618,707
Appropriations Received	-	23,138,776	23,138,776
Appropriations Transferred In/(Out)	-	(1,500)	(1,500)
Other Adjustments	-	(34,496)	(34,496)
Appropriations Used	103	(11,118,825)	(11,118,722)
Net Change in Unexpended Appropriations	103	11,983,955	11,984,058
Total Unexpended Appropriations	**$ 281**	**$ 74,602,484**	**$ 74,602,765**
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balance	$ 7,744,123	$ 255,033	$ 7,999,156
Other Adjustments	-	(52,084)	(52,084)
Appropriations Used	(103)	11,118,825	11,118,722
Non-Exchange Revenue (Note 25)	1,880,795	-	1,880,795
Transfers-In/(Out) Without Reimbursements	1,195,958	(1,172,693)	23,265
Imputed Financing (Note 23)	38,002	203,655	241,657
Other	-	30,333	30,333
Net Cost of Operations	(1,548,882)	(10,418,009)	(11,966,891)
Net Change in Cumulative Results of Operations	1,565,770	(289,973)	1,275,797
Total Cumulative Results of Operations	**9,309,893**	**(34,940)**	**9,274,953**
Net Position	**$ 9,310,174**	**$ 74,567,544**	**$ 83,877,718**

The accompanying notes are an integral part of these financial statements.

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

	(Restated) Funds from Dedicated Collections (Note 17)	(Restated) Funds from Other Than Dedicated Collections	(Restated) Consolidated Totals
UNEXPENDED APPROPRIATIONS:			
Beginning Balance	$ 187	$ 10,400,345	$ 10,400,532
Appropriations Received	-	65,051,983	65,051,983
Other Adjustments	-	(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	$ 3,559,846	$ 372,822	$ 3,932,668
Other Adjustments (Note 30)	-	(769)	(769)
Appropriations Used	9	12,813,401	12,813,410
Non-Exchange Revenue (Note 25)	752,635	-	752,635
Transfers-In/(Out) Without Reimbursements (Note 30)	4,633,057	(4,610,710)	22,347
Imputed Financing (Note 23)	26,687	242,257	268,944
Other (Note 30)	-	(47,499)	(47,499)
Net Cost of Operations (Note 30)	(1,228,111)	(8,514,469)	(9,742,580)
Net Change in Cumulative Results of Operations	4,184,277	(117,789)	4,066,488
Total Cumulative Results of Operations	**7,744,123**	**255,033**	**7,999,156**
Net Position	**$ 7,744,301**	**$ 62,873,562**	**$ 70,617,863**

The accompanying notes are an integral part of these financial statements.

United States Environmental Protection Agency
Combined Statement of Budgetary Resources
For the Fiscal Years Ending September 30, 2023 and 2022
(Dollars in Thousands)

	2023		2022	
	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 22)	$ 57,282,366	$ -	$ 5,674,107	$ -
Appropriations (discretionary and mandatory)	25,003,271	-	70,271,764	-
Borrowing Authority (discretionary and mandatory)	-	2,884,452	-	3,693,794
Spending Authority from offsetting collections (discretionary and mandatory)	639,195	374,140	542,709	181,898
Total Budgetary Resources	**$ 82,924,832**	**$ 3,258,592**	**$ 76,488,580**	**$ 3,875,692**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward adjustments (total)	$ 23,652,487	$ 3,258,592	$ 19,513,330	$ 3,875,692
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	59,166,962	-	56,844,168	-
Unapportioned, Unexpired accounts	600	-	24,464	-
Expired Unobligated Balance, End of Year	104,783	-	106,618	-
Unobligated Balance, End of Year (total): (Note 22)	59,272,345	-	56,975,250	-
Total Budgetary Resources	**$ 82,924,832**	**$ 3,258,592**	**$ 76,488,580**	**$ 3,875,692**
OUTLAYS, NET AND DISBURSEMENTS, NET				
Outlays, Net (total) (discretionary and mandatory)	$ 14,155,184		$ 14,318,219	
Distributed Offsetting Receipts (-) (Note 22)	(1,568,936)		(5,038,820)	
Agency Outlays, Net (discretionary and mandatory)	$ 12,586,248		$ 9,279,399	
Disbursements, Net (total) (mandatory)		$ 1,379,374		$ 840,409

The accompanying notes are an integral part of these financial statements.

United States Environmental Protection Agency
Statement of Custodial Activity
For the Fiscal Years Ending September 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Total Custodial Revenue:		
Sources of Cash Collections:		
Fines and Penalties	$ 85,601	$ 56,390
Other	(25,935)	(3,810)
Total Cash Collections	59,666	52,580
Accrual Adjustments	29,999	5,935
Total Custodial Revenue (Note 21)	$ 89,665	$ 58,515
Disposition of Collections:		
Transferred to Others (General Fund)	$ 106,802	$ 52,761
Increases/Decreases in Amounts to be Transferred	(17,137)	5,754
Total Disposition of Collections	$ 89,665	$ 58,515
Custodial Revenue Less Disposition of Collections	**$ -**	**$ -**

The accompanying notes are an integral part of these financial statements.

United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2023 and 2022
(Dollars in Thousands)

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 2023 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* revised May 19, 2023, 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 loans. 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 2023 and 2022 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 $42 billion, available for a minimum of two and a maximum of ten fiscal years.

II. Revolving Funds

Funding of the Pesticides 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 settlements from other federal agencies and 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, and 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 with FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 5 *Accounting for Liabilities of the Federal Government*.

E. Revenue and Other Financing Sources

As a component of the Government-wide reporting entity, the entity is subject to the Federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in entity and Government-wide financial reports.

The reporting entity's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

The following EPA policies and procedures to account for the 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 settlements from other federal agencies and 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. Fund Balance with Treasury (See Note 2)

FBWT is an asset of a reporting entity and a liability of the General Fund. Similarly, investments in Federal Government securities that are held by Dedicated Collections accounts are assets of the reporting entity responsible for the Dedicated Collections and liabilities of the General Fund. In both cases, the amounts represent commitments by the Government to provide resources for particular programs, but they do not represent assets to the Government as a whole.

When the reporting entity seeks to use FBWT or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

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. 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 27)

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 24)

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 24)

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.

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 May 19, 2023. As a result, the form and content of the Balance Sheet, Statement of Changes in Net Position and footnotes have been changed to conform with OMB Circular No. A-136.

United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2023 and 2022
(Dollars in Thousands)

Note 2. Fund Balance With Treasury (FBWT)

Fund Balance with Treasury as of September 30, 2023 and 2022 consists of the following:

	2023			2022		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Trust Funds:						
Superfund	$ (56,699)	$ -	$ (56,699)	$ 244,972	$ -	$ 244,972
LUST	20,603	-	20,603	24,166	-	24,166
Oil Spill & Misc.	20,556	-	20,556	18,919	-	18,919
Revolving Funds:						
FIFRA/Tolerance	30,826	-	30,826	31,338	-	31,338
Working Capital	116,764	-	116,764	112,992	-	112,992
E-Manifest	45,425	-	45,425	32,240	-	32,240
NRDA	2,544	-	2,544	2,123	-	2,123
WIFIA	17,441	-	17,441	769	-	769
Appropriated	73,765,838	-	73,765,838	63,039,162	-	63,039,162
Other Fund Types	622,876	3,594	626,470	592,723	4,425	597,148
Total	**$ 74,586,174**	**$ 3,594**	**$ 74,589,768**	**$ 64,099,404**	**$ 4,425**	**$ 64,103,829**

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:	**2023**	**2022**
Unobligated Amounts in Fund Balance:		
Available for Obligation	$ 59,166,962	$ 56,789,464
Unavailable for Obligation	114,325	188,011
Net Receivables from Invested Balances	(8,822,692)	(8,748,354)
Balances in Treasury Trust Fund (Note 27)	(182,653)	117,500
Obligated Balance not yet Disbursed	23,705,591	15,179,725
Non-Budgetary FBWT	608,235	577,483
Total	**$ 74,589,768**	**$ 64,103,829**

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, 2023 and 2022, 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.

(Dollars in Thousands)

Note 3. Cash and Other Monetary Assets

As of September 30, 2023 and 2022, the balance in the imprest fund was $10.

Note 4. Investments, Net

As of September 30, 2023 and 2022, investments consist of the following:

		Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
Intragovernmental Securities:							
Non-Marketable	FY 2023	$ 12,438,324	Straight Line	289,586	10,545	12,159,283	$ 12,159,283
Non-Marketable	FY 2022	$ 10,610,897	Straight Line	317,928	4,810	10,297,779	$ 10,297,779

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, 2023 and 2022, consist of the following:

	2023	2022
Intragovernmental:		
Accounts & Interest Receivable	$ 8,938	$ 6,579
Less: Allowance for Uncollectible Accounts	(1,252)	(862)
Total	**$ 7,686**	**$ 5,717**

	2023	2022
Other Than Intragovernmental:		
Unbilled Accounts Receivable	$ 110,567	$ 130,572
Accounts & Interest Receivable	2,647,893	2,625,563
Less: Allowance for Uncollectible Accounts	(2,237,768)	(2,207,610)
Total	**$ 520,692**	**$ 548,525**

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 of September 30, 2023 and 2022, consist of the following:

	2023	2022
Inventory Purchased for Resale	$ 626	$ 531
Total	**$ 626**	**$ 531**

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. The EPA does not have any loans obligated prior to 1992.

The EPA administers the WIFIA Direct Loans program. In fiscal years 2023 and 2022, the Agency received borrowing authority of $6 billion and $6 billion respectively for the non-subsidy portion of loan proceeds disbursed. For the fiscal years ended September 30, 2023 and 2022, the Agency closed $6 billion and $6 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, 2023 and 2022, the WIFIA program has incurred $550 million and $256 million in administrative expenses, respectively.

(Dollars in Thousands)

Obligated after FY 1991

Direct Loan Program	2023 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	$ 3,261,931	1,398	-	(861,407)	$ 2,401,922

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

Total Amount of Direct Loans Disbursed (Post-1991)

Direct Loan Program	2023	2022
WIFIA	$ 1,594,232	$ 955,452

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

Direct Loan Program	2023 Interest Differential	Defaults	Fees and Other Collections	Other Subsidy Costs	Total
WIFIA	$ -	-	-	(8,687)	$ (8,687)

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

Modifications and Reestimates

Direct Loan Program	2023 Total Modifications	Interest Rate Reestimates	Technical Reestimates	FAI Reestimates	Total Reestimates
WIFIA	$ -	76,295	461,383	-	$ 537,678

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

(Dollars in Thousands)

Total Direct Loans Subsidy Expense

Direct Loan Program	2023	2022
WIFIA	$ 8,687	$ 5,015

Budget Subsidy Rates for Direct Loans for the Current Year Cohort

Direct Loan Program	2023 Interest Differential	Defaults	Fees and Other Collections	Other Subsidy Costs	Total
WIFIA	0.0%	0.73%	0%	0%	0.73%

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

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**	2023	2022
Beginning Balance of the Subsidy Allowance	$ (392,448)	$ (148,785)
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Other Subsidy Costs	(8,688)	(5,015)
Reversal of PY subsidy costs	3,815	-
Total of the Above Subsidy Expense Components	**$ (4,873)**	**$ (5,015)**
Adjustments		
Subsidy Allowance Amortization	73,592	-
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**(323,729)**	**(153,800)**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimates	(76,295)	(22,769)
Technical/Default Reestimates	(461,383)	(208,343)
FAI Adjustment	-	(7,536)
Total of the Above Reestimate Components	**$ (537,678)**	**$ (238,648)**
Ending Balance of the Subsidy Cost Allowance	**$ (861,407)**	**$ (392,448)**

(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 2023 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.

	2023	2022
Beginning balance of loans receivable, net	**$ 1,291,508**	**$ 586,138**
Add loan disbursements	1,594,232	955,452
Less principal and interest payments received	(46,601)	(28,498)
Add interest accruals	32,125	21,745
Add fees accrued	(384)	334
Add upward reestimates	(687,880)	(164,438)
Less downward reestimates	514,526	48,268
Allowance for loan and interest loss adjustments	-	(127,493)
Subsidy allowance	(295,604)	-
Ending balance of loans receivable, net	**$ 2,401,922**	**$ 1,291,508**

Note 8. Accounts Payable

Accounts Payable are current liabilities and consist of the following amounts as of September 30, 2023 and 2022:

	Covered by Budgetary Resources	
	2023	2022
Intragovernmental:		
Accounts Payable	$ 16	$ 159
Disbursements in Transit	2,905	2,908
Total	**$ 2,921**	**$ 3,067**
	2023	**2022**
Other Than Intragovernmental:		
Accounts Payable	$ 53,978	$ 39,579
Advances Payable	4	4
Interest Payable	24	15
Disbursements in Transit	62,228	23,315
Total	**$ 116,234**	**$ 62,913**

(Dollars in Thousands)

Note 9. Property, Plant and Equipment, Net

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, 2023, PP&E Cost consisted of the following:

	2023						
	EPA-Held Equipment	Software (Production)	Software (Development)	Contractor Held Equipment	Land and Buildings	Capital Leases	Total
Balance, Beginning of Year	**$ 332,195**	**$ 440,896**	**$ 96,640**	**$ 39,526**	**$ 862,775**	**$ 24,485**	**$ 1,796,517**
Additions	13,543	-	15,122	693	1,105	-	30,463
Dispositions	(13,489)	-	-	(3,914)	-	-	(17,403)
Revaluations	-	-	8,784	-	18,234	-	27,018
Balance, September 30, 2023	**$ 332,249**	**$ 440,896**	**$ 120,546**	**$ 36,305**	**$ 882,114**	**$ 24,485**	**$ 1,836,595**

As of September 30, 2023, PP&E Accumulated Depreciation consisted of the following:

	2023						
	EPA-Held Equipment	Software (Production)	Software (Development)	Contractor Held Equipment	Land and Buildings	Capital Leases	Total
Balance, Beginning of Year	**$ 235,630**	**$ 438,507**	**$ -**	**$ 11,184**	**$ 357,624**	**$ 22,580**	**$ 1,065,525**
Dispositions	(12,237)	-	-	(3,914)	-	-	(16,151)
Revaluations	-	-	-	-	4	68	72
Depreciation Expense	17,243	1,207	-	7,489	17,188	815	43,942
Balance, September 30, 2023	**$ 240,636**	**$ 439,714**	**$ -**	**$ 14,759**	**$ 374,816**	**$ 23,463**	**$ 1,093,388**

(Dollars in Thousands)

As of September 30, 2023, PP&E, Net consisted of the following:

	2023						
	EPA-Held Equipment	Software (Production)	Software (Development)	Contractor Held Equipment	Land and Buildings	Capital Leases	Total
Balance, September 30, 2023	$ 91,613	$ 1,182	$ 120,546	$ 21,546	$ 507,298	$ 1,022	$ 743,207

As of September 30, 2022, 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, 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, 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**

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.

The 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, 2023 and 2022, the EPA had debt due to Treasury consisting entirely of funds borrowed to finance the non-subsidy portion of the WIFIA Direct Loan Program:

	2022			2023	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
Debt to the Treasury	$ 746,839	$ 810,341	**$ 1,557,180**	$ 1,396,045	**$ 2,953,225**

See Note 1 paragraph O for additional information.

(Dollars in Thousands)

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).

As of September 30, 2023 and 2022, the Agency possessed the following land and land rights:

	2023	2022
Superfund Sites with Easements:		
Beginning Balance	47	45
Additions	1	2
Ending Balance	**48**	**47**
Superfund Sites with Land Acquired:		
Beginning Balance	33	32
Additions	-	1
Withdrawals	(1)	-
Ending Balance	**32**	**33**

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, 2023 and 2022, custodial liability is approximately $105,995 and $106,560 respectively.

(Dollars in Thousands)

Note 13. Other Liabilities

Other Liabilities consist of the following as of September 30, 2023:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Other Liabilities - Intragovernmental:			
Current			
Employer Contributions & Payroll Taxes	$ 9,653	$ -	$ 9,653
Other Accrued Liabilities	167,401	-	167,401
Loan Reestimates	-	769	769
Non-Current			
Unfunded FECA Liability	-	8,292	8,292
Unfunded Unemployment Liability	-	72	72
Payable to Treasury Judgement Fund	-	22,000	22,000
Total Intragovernmental	**$ 177,054**	**$ 31,133**	**$ 208,187**
Other Liabilities - Other Than Intragovernmental:			
Current			
Liability for Deposit Funds, Other Than Intragovernmental	$ 510	$ 4,313	$ 4,823
Other Accrued Liabilities	132,683	-	132,683
Grant Liabilities	446,873	-	446,873
Accrued Funded Payroll and Benefits	38,217	-	38,217
Capital Lease Liabilities	-	1,007	1,007
Liability for Clearing Accounts	-	(254)	(254)
Total Other Than Intragovernmental	**$ 618,283**	**$ 5,066**	**$ 623,349**

(Dollars in Thousands)

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

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
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
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
Commitment and Contingencies	-	1,770	1,770
Direct Loans Subsidy Liability	-	(769)	(769)
Total Other Than Intragovernmental:	**$ 596,992**	**$ 1,001**	**$ 597,993**

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, 2023 and 2022, are as follows:

Capital Leases:

	2023	2022
Summary of Assets Under Capital Lease:		
Real Property	$ 24,485	$ 24,485
Total	**24,485**	**24,485**
Accumulated Amortization	$ 23,464	$ 22,581

(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**
2024	$ 970
2025	323
Total Future Minimum Lease Payments	**1,293**
Less: Imputed Interest	(286)
Net Capital Lease Liability	**1,007**
Liabilities not Covered by Budgetary Resources	**$ 1,007**

Note 15. Advances from Others and Deferred Revenue

As of September 30, 2023 Advances from Others and Deferred Revenue consist of the following:

	2023	**2022**
Other Than Intragovernmental:		
Cashout Advances, Superfund	$ 3,544,466	$ 3,541,093
Unearned Advances	131,740	125,105
Total	**$ 3,676,206**	**$ 3,666,198**

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), cashout 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.

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.

(Dollars in Thousands)

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, 2023, there were no accrued liabilities for commitments and potential loss contingencies. As of September 30, 2022, there were $2M of accrued liabilities for commitments and potential loss contingencies.

	Accrued Liabilities	Estimated Range of Loss-Lower End	Estimated Range of Loss-Upper End
FY 2023			
Legal Contingencies:			
Reasonably Possible	$ -	$ 7,522	$ 7,522
FY 2022			
Legal Contingencies:			
Reasonably Possible	$ -	$ 2,700	$ 2,700
Environmental Contingencies:			
Probable	$ 1,770	$ 1,770	$ 1,770
Reasonably Possible			

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, 2023, 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.

In addition, as of September 30, 2023, legal claims exist for a claim made by an Environmental Restoration contractor for settlement costs of approximately $3M for the amount resolved through settlement with the Navajo Nation, and an additional claim made by an Environmental Restoration contractor for settlement costs in the amount of approximately $2M for the amount resolved through settlement with the state of New Mexico.

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, 2023, there is one case related to Superfund. This case is *August Mack Environmental, Inc. v. EPA* for $3 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, 2023, there are no cases pending against the EPA that are reported under Environmental Liabilities that the outcome is listed as either Probable or Reasonably Possible.

E. Other Pending Cases

As of September 30, 2023, legal claims exist for which the potential loss could not be determined. The case is for *United Affiliates Corp., et al. v. United States,* involving alleged taking of property for which plaintiff is seeking just compensation under the 5th Amendment. An additional case exists for *Alaska v. US (S. Ct.)*, involving a bill of complaint for EPA's action under the Clean Water Act regarding the Pebble Mine, alleging breach of contract and takings.

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, 2023, 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 million in FY 2023, and $4 million in FY 2022 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 million in FY 2023, and $8 million in the FY 2022.

United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2023 and 2022
(Dollars in Thousands)

Note 17. Funds from Dedicated Collections (Restated)

Balance Sheet as of September 30, 2023	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	$ 604,057	$ 20,603	$ 182,369	$ 118,170	$ 925,199	$ (239,068)	$ 686,131
Investments, Net	-	1,385,748	10,773,535	-	12,159,283	-	12,159,283
Accounts Receivable, Net	-	91,438	8,732,394	240	8,824,072	(8,822,713)	1,359
Advances and Prepayments	-	81	11,922	885	12,888	-	12,888
Total Intragovernmental Assets	**604,057**	**1,497,870**	**19,700,220**	**119,295**	**21,921,442**	**(9,061,781)**	**12,859,661**
Other Than Intragovernmental							
Accounts Receivable, Net	-	1	422,288	2,695	424,984	-	424,984
Loans Receivable, Net	-	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	-	46	40,360	20,721	61,127	-	61,127
Advances and Prepayments	-	-	722	-	722	-	722
Total Other Than Intragovernmental	**-**	**47**	**463,370**	**23,416**	**486,833**	**-**	**486,833**
Total Assets	**$ 604,057**	**$ 1,497,917**	**$ 20,163,590**	**$ 142,711**	**$ 22,408,275**	**$ (9,061,781)**	**$ 13,346,494**
Intragovernmental							
Accounts Payable	$ -	$ 91,439	$ 8,761,203	$ -	$ 8,852,642	$ (8,822,692)	$ 29,950
Debt	-	-	-	-	-	-	-
Advances from Others and Deferred Revenue	-	-	155,870	4,473	160,343	-	160,343
Liability to the General Fund for Custodial Assets	-	-	22,362	-	22,362	-	22,362
Other Liabilities	-	124	49,812	1,642	51,578	-	51,578
Total Intragovernmental Liabilities	**-**	**91,563**	**8,989,247**	**6,115**	**9,086,925**	**(8,822,692)**	**264,233**
Other Than Intragovernmental							
Accounts Payable	-	66	31,758	1,491	33,315	-	33,315
Federal Employee Benefits Payable	-	12	8,766	91	8,869	-	8,869
Advances from Others and Deferred Revenue	-	-	52,393	44,276	96,669	-	96,669
Deferred Revenue	-	-	3,544,465	-	3,544,465	-	3,544,465
Other Liabilities	-	6,715	78,221	3,833	88,769	-	88,769
Total Other Than Intragovernmental Liabilities	**-**	**6,793**	**3,715,603**	**49,691**	**3,772,087**	**-**	**3,772,087**
Total Liabilities	**$ -**	**$ 98,356**	**$ 12,704,850**	**$ 55,806**	**$ 12,859,012**	**$ (8,822,692)**	**$ 4,036,320**
Unexpended Appropriations	$ -	$ -	$ -	$ 281	$ 281	$ -	$ 281
Cumulative Results of Operations	604,057	1,399,561	7,458,740	86,624	9,548,982	(239,089)	9,309,893
Total Liabilities and Net Position	**$ 604,057**	**$ 1,497,917**	**$ 20,163,590**	**$ 142,711**	**$ 22,408,275**	**$ (9,061,781)**	**$ 13,346,494**

United States Environmental Protection Agency
Notes to the Financial Statements
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(Dollars in Thousands)

Statement of Net Cost as of September 30, 2023	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	$ -	$ 91,478	$ 1,690,189	$ 104,605	$ 1,886,272	$ -	$ 1,886,272
Less: Earned Revenues	(247)	-	477,469	98,533	575,755	(238,365)	337,390
Net Costs of Operations	**$ 247**	**$ 91,478**	**$ 1,212,720**	**$ 6,072**	**$ 1,310,517**	**$ 238,365**	**$ 1,548,882**
Statement of Changes in Net Position as of September 30, 2023							
Unexpended Appropriations							
Beginning Balance	$ -	$ -	$ (113)	$ 291	$ 178	$ -	$ 178
Appropriations Used	-	-	113	(10)	103	-	103
Total Unexpended Appropriations	**$ -**	**$ -**	**$ -**	**$ 281**	**$ 281**	**$ -**	**$ 281**
Cumulative Results of Operations							
Beginning Balance	$ 572,474	$ 1,235,638	$ 5,865,045	$ 70,987	$ 7,744,144	$ (21)	$ 7,744,123
Appropriations Used	-	-	(112)	10	(102)	-	(102)
Excise tax & customs	-	205,374	1,204,868	-	1,410,242	-	1,410,242
Misc. taxes & receipts	31,830	48,791	389,277	1,357	471,255	(703)	470,552
Total Other Than Intragovernmental Non-Exchange Revenue	31,830	254,165	1,594,145	1,357	1,881,497	(703)	1,880,794
Transfers-In/(Out) Without Reimbursement	-	1,000	1,175,029	19,929	1,195,958	-	1,195,958
Imputed Financing	-	236	37,353	413	38,002	-	38,002
Net Cost of Operations	(247)	(91,478)	(1,212,720)	(6,072)	(1,310,517)	(238,365)	(1,548,882)
Net Change in Cumulative Results of Operations	31,583	163,923	1,593,695	15,637	1,804,838	(239,068)	1,565,770
Cumulative Results of Operations: Ending	**604,057**	**1,399,561**	**7,458,740**	**86,624**	**9,548,982**	**(239,089)**	**9,309,893**
Net Position, End of Period	**$ 604,057**	**$ 1,399,561**	**$ 7,458,740**	**$ 86,905**	**$ 9,549,263**	**$ (239,089)**	**$ 9,310,174**

United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2023 and 2022
(Dollars in Thousands)

Balance Sheet as of September 30, 2022	Environmental Services	LUST	Superfund	(Restated) Other Funds from Dedicated Collections	(Restated) 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	$ 104,870	$ 1,253,436	$ (306,954)	$ 946,482
Investments, Net	-	1,218,255	9,079,524	-	10,297,779	-	10,297,779
Accounts Receivable, Net	-	92,713	8,657,245	261	8,750,219	(8,748,509)	1,710
Advances and Prepayments	-	88	20,272	1,007	21,367	-	21,367
Total Intragovernmental Assets	**572,474**	**1,335,222**	**18,308,967**	**106,138**	**20,322,801**	**(9,055,463)**	**11,267,338**
Other Than Intragovernmental							
Accounts Receivable, Net	-	-	460,932	4,540	465,472	-	465,472
Loans Receivable, Net	-	-	-	-	-	-	-
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**	**25,133**	**519,253**	**-**	**519,253**
Total Assets	**$ 572,474**	**$ 1,335,281**	**$ 18,803,028**	**$ 131,271**	**$ 20,842,054**	**$ (9,055,463)**	**$ 11,786,591**
Intragovernmental							
Accounts Payable	$ -	$ 92,715	$ 8,688,339	$ -	$ 8,781,054	$ (8,748,489)	$ 8,781,054
Debt	-	-	-	-	-	-	-
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	2,583	44,405	-	44,405
Total Intragovernmental Liabilities	**-**	**93,200**	**8,916,524**	**7,372**	**9,017,096**	**(8,748,489)**	**9,017,096**
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	5,388	96,482	-	96,482
Total Other Than Intragovernmental Liabilities	**-**	**6,443**	**3,714,619**	**52,621**	**3,773,683**	**-**	**3,773,683**
Total Liabilities	**$ -**	**$ 99,643**	**$ 12,631,143**	**$ 59,993**	**$ 12,790,779**	**$ (8,748,489)**	**$ 4,042,290**
Unexpended Appropriations	$ -	$ -	$ (113)	$ 291	$ 178	$ -	$ 178
Cumulative Results of Operations	572,474	1,235,638	6,171,998	70,987	8,051,097	(306,974)	7,744,123
Total Liabilities and Net Position	**$ 572,474**	**$ 1,335,281**	**$ 18,803,028**	**$ 131,271**	**$ 20,842,054**	**$ (9,055,463)**	**$ 11,786,591**

United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2023 and 2022
(Dollars in Thousands)

Statement of Net Cost as of September 30, 2022	Environmental Services	LUST	Superfund	(Restated) Other Funds from Dedicated Collections	(Restated) 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	$ 84,622	$ 1,527,580	$ -	$ 1,527,580
Less: Earned Revenues	(513)	-	506,923	97,013	603,423	(303,954)	299,469
Net Costs of Operations	**$ 513**	**$ 92,373**	**$ 843,662**	**$ (12,391)**	**$ 924,157**	**$ 303,954**	**$ 1,228,111**
Statement of Changes in Net Position as of September 30, 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	$ 41,539	$ 3,559,866	$ (20)	$ 3,559,846
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	16,575	4,633,057	-	4,633,057
Imputed Financing	-	301	26,135	251	26,687	-	26,687
Other Financing Sources	-	-	-	1	1	-	1
Net Cost of Operations	(513)	(92,373)	(843,662)	12,391	(924,157)	(303,954)	(1,228,111)
Net Change in Cumulative Results of Operations	26,473	162,692	4,272,618	29,448	4,491,231	(306,954)	4,184,277
Cumulative Results of Operations: Ending	**572,474**	**1,235,638**	**6,171,998**	**70,987**	**8,051,097**	**(306,974)**	**7,744,123**
Net Position, End of Period	**$ 572,474**	**$ 1,235,638**	**$ 6,171,885**	**$ 71,278**	**$ 8,051,275**	**$ (306,974)**	**$ 7,744,301**

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, 2027, 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 (e-Manifest) was established as a result of the Hazardous Waste Manifest Establishment Act (Public Law 112-195, October 5, 2012). The "e-Manifest Act" authorized the EPA to implement a national electronic manifest system and required that the costs of developing and operating the new e-Manifest system be recovered from user fees charged to those who use hazardous waste manifests to track off-site shipments of their wastes. To that end, the EPA charges and collects fees from facilities for each manifest they submit.

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 24 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, 2023, the EPA has no sites that require clean up stemming from its activities.

The EPA has 82 sites for which it is required to fund the environmental cleanup. As of September 30, 2023, the estimated costs for site clean-up were $37 million unfunded, and $100 thousand funded. For September 30, 2022 the estimated cost for site clean-up was $32 million unfunded, with nothing funded. 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 2023, the estimate for unfunded clean-up cost increased by $5 million from the FY 2022 estimate. This is primarily due to increased 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, 2023 and 2022, the total remaining state credits have been estimated at $18 million, and $18 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, 2023, the EPA had three outstanding preauthorized mixed funding agreements with obligations totaling $7 million. As of September 30, 2022, the EPA had three outstanding preauthorized mixed funding agreements with obligations totaling $7 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, 2023 and 2022 Custodial Revenues and Accounts Receivable are:

	2023	2022
Fines, Penalties and Other Miscellaneous Receipts	**$ 89,665**	**$ 58,515**
Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts:		
Accounts Receivable	$ 200,312	$ 236,617
Less: Allowance for Uncollectible Accounts	(134,259)	(152,300)
Total	**$ 66,053**	**$ 84,317**

Note 22. Statement of Budgetary Resources

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies bylaw and help ensure compliance with law.

The following budget terms from OMB Circular A-11, Section 20.3 are commonly used:

• **Appropriation:** A provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

• **Budgetary resources:** Amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

• **Distributed offsetting receipts**: Amounts that an agency collects from the public or from other U.S. 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).

• **Offsetting collections**: Payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

• **Offsetting receipts**: Payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

• **Obligation:** A binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

• **Outlay**: A payment to liquidate an obligation. Outlays generally are equal to cash disbursements and are the measure of Government spending.

Budgetary resources, obligations incurred and outlays, as presented in the audited FY 2022 Statement of Budgetary Resources, will be reconciled to the amounts included in the FY 2022 Budget of the United States Government when they become available. The Budget of the United States Government with actual numbers for FY 2023 has not yet been published. We expect it will be published by early 2024, 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, 2022 are listed immediately below (dollars in millions):

FY 2022	**Budgetary Resources**	**Obligations**	**Offsetting Receipts**	**Net Outlays**
Statement of Budgetary Resources	$ 80,365	$ 23,389	$ 5,039	$ 15,159
Reported in the Budget of the U.S. Government	$ 80,257	$ 23,357	$ 5,039	$ 15,160

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, 2023 and 2022:

	2023	**2022**
Unobligated Balance Brought Forward, Oct 1.	**$ 56,975,250**	**$ 5,372,585**
Adjustments to Budgetary Resources Made During the Current Year		
Downward Adjustments of Prior Year Undelivered Orders	331,528	310,599
Downward Adjustments of Prior Year Delivered Orders	13,047	11,898
Permanent Reduction Prior Year Balances	(13,300)	-
Other Adjustments	(24,159)	(20,975)
Total	**307,116**	**301,522**
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	**$ 57,282,366**	**$ 5,674,107**
Temporarily Not Available - Rescinded Authority	**$ (8,942)**	**$ (6,563)**
Permanently Not Available:		
Rescinded Authority	$ -	$ -
Cancelled Authority	(21,196)	21,065
Total Permanently Not Available	**$ (21,196)**	**$ 21,065**

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, 2023 and 2022:

	2023	**2022**
Unexpired Unobligated Balance	$ 59,167,562	$ 56,868,632
Expired Unobligated Balance	104,783	106,618
Total	**$ 59,272,345**	**$ 56,975,250**

(Dollars in Thousands)

Budgetary resources obligated for undelivered orders as of September 30, 2023 and 2022:

	2023	2022
Intragovernmental:		
Unpaid Undelivered Orders	$ 1,982,774	$ 1,309,147
Paid Undelivered Orders	1,643,300	330,617
Other Than Intragovernmental:		
Unpaid Undelivered Orders	36,792,410	27,441,476
Paid Undelivered Orders	8,275	3,736
Total	**$ 40,426,759**	**$ 29,084,976**

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, 2023 and 2022, the following receipts were generated from these activities:

	2023	2022
Trust Fund Recoveries	$ 238,365	$ 303,954
Special Fund Services	55,443	29,368
Trust Fund Appropriation	1,218,809	4,675,799
Miscellaneous Receipt and Clearing Accounts	56,319	29,699
Total	**$ 1,568,936**	**$ 5,038,820**

Note 23. 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. In FY 2023, the Agency began recording OPM amounts quarterly; previously it was recorded annually. The estimates for FY 2023 are $196 million. For FY 2022, the estimates were $132 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 2023 total imputed costs were $37 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 2023, entries for Judgment Fund payments totaled $9 million. For FY 2022, entries for

(Dollars in Thousands)

Judgment Fund payments totaled $98 million.

Note 24. Federal Employee and Veteran Benefits Payable

Payroll and benefits payable to the EPA employees for the fiscal years ending September 30, 2023 and 2022, consist of the following:

FY 2023 Payroll and Benefits Payable	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Employer Contributions Payable - Thrift Savings Plan	$ 1,003	$ -	$ 1,003
Actuarial FECA Liability	-	44,349	44,349
Accrued Unfunded Annual Leave	-	184,396	184,396
Total - Current	**$ 1,003**	**$ 228,745**	**$ 229,748**

FY 2022 Payroll and Benefits Payable	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
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**

FECA (Federal Employees' Compensation Act) 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 2023 present value of these estimated outflows is calculated using a discount rate of 2.326 percent in the first year for wage benefits and 2.112 percent in the first year for medical benefits, and 2.326 percent in the years thereafter for wage benefits and 2.112 percent in the years thereafter for medical benefits. The estimated future costs are recorded as an unfunded liability.

See Note 1 paragraph P for additional information.

(Dollars in Thousands)

Note 25. 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, 2023 and 2022:

	2023		2022	
	Funds from Dedicated Collections	**All Other Funds**	**Funds from Dedicated Collections**	**All Other Funds**
Interest on Trust Fund	$ 437,679	$ -	$ 66,012	$ -
Tax Revenue, Net of Refunds	1,410,243	-	658,050	-
Fines and Penalties Revenue	1,043	-	1,587	-
Special Receipt Fund Revenue	31,830	-	26,986	-
Total Nonexchange Revenue	**$ 1,880,795**	**$ -**	**$ 752,635**	**$ -**

(Dollars in Thousands)

Note 26. Reconciliation of Net Cost of Operations to Net Outlays

For the Fiscal Year Ended September 30, 2023:

	Intra-governmental	Other Than Intra-governmental	Total 2023
NET COST	$ 2,194,312	$ 9,772,579	$ 11,966,891
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	(44,010)	(44,010)
Inventory Depletion Expense	-	(260)	(260)
Property, Plant and Equipment Disposal & Revaluation	-	(1,244)	(1,244)
Applied Overhead/Cost Capitalization Offset	-	(57,677)	(57,677)
Increase/(Decrease) in Assets:			
Accounts Receivable	1,939	(27,803)	(25,864)
Loans Receivable	(600)	1,579,973	1,579,373
Investments	95,214	-	95,214
Other Assets	1,307,749	1,066	1,308,815
(Increase)/Decrease in Liabilities:			
Accounts Payable and Accrued Liabilities	(100,205)	(53,320)	(153,525)
Loans Guarantee Liability (Non-FCRA)/Loans Payable	(1,396,046)	-	(1,396,046)
Environmental and Disposal Liabilities	-	(5,201)	(5,201)
Payroll and Benefits Payable	-	(5,962)	(5,962)
Other Liabilities	16,974	(35,834)	(18,860)
Other Financing Sources:			
Other Imputed Financing	(241,657)	-	(241,657)
Total Components of Net Cost That Are Not Part of Net Outlays	1,877,680	11,122,307	12,999,987
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Inventory	122	220	342
Acquisition of Investments	-	1,766,289	1,766,289
Other	-	(452,123)	(452,123)
Other Financing Sources:			
Transfer Out (In) Without Reimbursement	(20,033)	-	(20,033)
Total Components of Budget Outlays That Are Not Part of Net Operating Cost	(19,911)	1,314,386	1,294,475
Miscellaneous Items			
Distributed Offsetting Receipts	(1,568,936)	-	(1,568,936)
Custodial/Non-Exchange Revenue	(181,970)	46,522	(135,448)
Appropriated Receipts for Trust Fund/Special Funds	-	-	-
Other Temporary Timing Differences	-	(3,830)	(3,830)
NET OUTLAYS	$ 106,863	$ 12,479,385	$ 12,586,248

(Dollars in Thousands)

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
Other	-	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 Other Assets	-	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**

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 27. 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, 2023 and 2022. The amounts contained in these notes have been provided by Treasury. As indicated, a portion of the outlays represent amounts received by the EPA's Superfund Trust Fund; such funds are eliminated on consolidation with the Superfund Trust Fund maintained by Treasury.

In FY 2023, the EPA received an appropriation of $1 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, 2023 and 2022, the Treasury Trust Fund has a liability to the EPA for previously appropriated funds and special accounts of $9 billion and $9 billion, respectively.

SUPERFUND FY 2023	**EPA**	**Treasury**	**Combined**
Undistributed Balances			
Uninvested Fund Balance	$ -	$ (188,663)	$ (188,663)
Total Undistributed Balance	-	(188,663)	(188,663)
Interest Receivable	-	9,182	9,182
Investments, Net	8,731,253	2,033,101	10,764,354
Total - Assets	**$ 8,731,253**	**$ 1,853,620**	**$ 10,584,873**
Liabilities and Equity			
Equity	$ 8,731,253	$ 1,853,620	$ 10,584,873
Total Liabilities and Equity	**$ 8,731,253**	**$ 1,853,620**	**$ 10,584,873**
Receipts			
Corporate Environmental	$ -	$ 1,204,868	$ 1,204,868
Cost Recoveries	-	238,365	238,365
Fines and Penalties	-	703	703
Total Revenue	-	1,443,936	1,443,936
Appropriations Received	-	1,217,809	1,217,809
Interest Income	-	387,576	387,576
Total Receipts	**$ -**	**$ 3,049,321**	**$ 3,049,321**
Outlays			
Transfers to/from EPA, Net	$ 1,723,271	$ (1,723,271)	$ -
Total Outlays	**$ 1,723,271**	**$ (1,723,271)**	**$ -**
Net Income	**$ 1,723,271**	**$ 1,326,050**	**$ 3,049,321**

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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)

B. LUST

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FY 2023 and 2022, 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 2023	**EPA**	**Treasury**	**Combined**
Undistributed Balances			
Uninvested Fund Balance	$ -	$ 6,010	$ 6,010
Total Undistributed Balance	-	6,010	6,010
Interest Receivable	-	1,364	1,364
Investments, Net	91,439	1,292,945	1,384,384
Total - Assets	**$ 91,439**	**$ 1,300,319**	**$ 1,391,758**
Liabilities and Equity			
Equity	$ 91,439	$ 1,300,319	$ 1,391,758
Total Liabilities and Equity	**$ 91,439**	**$ 1,300,319**	**$ 1,391,758**
Receipts			
Highway TF Tax	$ -	$ 192,656	$ 192,656
Airport TF Tax	-	11,800	11,800
Inland TF Tax	-	919	919
Total Revenue	-	205,375	205,375
Interest Income	-	48,792	48,792
Total Receipts	**$ -**	**$ 254,167**	**$ 254,167**
Outlays			
Transfers to/from EPA, Net	$ 94,205	$ (94,205)	$ -
Total Outlays	**$ 94,205**	**$ (94,205)**	**$ -**
Net Income	**$ 94,205**	**$ 159,962**	**$ 254,167**

(Dollars in Thousands)

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)

Note 28. 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 million to support Environmental Program Management, Science and Technology, Building and Facilities, and Superfund program efforts related to the virus. As of September 30, 2023, there have been no new obligations.

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.

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

COVID-19 Activity	**2023**	**2022**
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	$ **33,129**	$ **86,206**
Budgetary Resources Obligated (-)	(26,653)	(67,019)
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	6,476	19,187
Outlays, Net (Total)	$ **(85,199)**	$ **(69,706)**

Note 29. 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 2022 *Financial Report* can be found here: Bureau of the Fiscal Service - Reports, Statements & Publications (treasury.gov) and a copy of the 2023 *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 "other than tntragovernmental" 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.

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Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost For the Year Ended September 30, 2023							
FY 2023 EPA SNC		**Line Items Used to Prepare the FY 2023 Government-wide SNC**					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other than Dedicated Collections (with Eliminations)**	**Eliminations Between Dedicated & Other than Dedicated**	**Total**	**Reclassified Statement Line**
Gross Costs	$ 12,487,285						***Other Than Intragovernmental Costs***
	-	1,404,475	-	9,091,122	-	10,495,597	Other Than Intragovernmental Gross Costs
	-	1,404,475	-	9,091,122	-	10,495,597	***Total Other Than Intragovernmental Costs***
							Intragovernmental Costs
	-	99,612	-	395,410	-	495,022	Benefits Program Costs
	-	2,835	-	202,164	-	204,999	Imputed Costs
	-	379,347	-	759,585	-	1,138,932	Buy/Sell Costs
	-	-	-	122	-	122	Purchase of Assets
	-	-	-	92,344	-	92,344	Borrowing and Other Interest Expense
	-	-	-	9,181	-	9,181	Other Expenses (w/o Reciprocals)
	-	481,794	-	1,458,806	-	1,940,600	***Total Intragovernmental Costs***
Total Gross Costs	$ 12,487,285	$ 1,886,269	$ -	$ 10,549,928	$ -	$ 12,436,197	***Total Reclassified Gross Costs***
Earned Revenue	$ 520,394	$ (317,119)	$ 238,365	$ 458,170	$ -	$ 379,416	Other Than Intragovernmental Earned Revenue
							Intragovernmental Revenue
	-	(20,270)	-	114,948	-	94,678	Buy/Sell Revenue
	-	-	-	122	-	122	Purchase of Assets Offset
	-	(20,270)	-	115,070	-	94,800	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	$ 520,394	$ (337,389)	$ 238,365	$ 573,240	$ -	$ 474,216	***Total Reclassified Earned Revenue***
NET COST	**$ 11,966,891**	**$ 2,223,658**	**$ (238,365)**	**$ 9,976,688**	**$ -**	**$ 11,961,981**	**NET COST**

(Dollars in Thousands)

Note 30. Restatements

FY 2022 has been restated. The WIFIA Loan Financing Account was previously reported as a dedicated collections fund but is specifically excluded from such per Statement of Federal Financial Accounting Standards (SFFAS) 27, *Identifying and Reporting Funds from Dedicated Collections*, and SFFAS 43, *Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds*.

The restatement resulted in a $8,206 increase to the Funds from Dedicated Collections net position and a $8,206 decrease to the Funds Other than those from Dedicated Collections net position. There was no impact to total net position.

The change impacts the FY 2022 Balance Sheet and Statements of Changes in Net Position - Cumulative Results of Operations between Funds from Dedicated Collections and Funds from Other Than Dedicated Collections. The Consolidated Totals on the Statement of Changes in Net Position remains unchanged. Footnote 17 Funds from Dedicated Collections was updated for this change.

For the Year Ended September 30, 2022	**Previously Reported**	**Restatement**	**Restated Amount**
Balance Sheet:			
Cumulative Results of Operations - Funds from Dedicated Collections	$ 7,717,484	$ 26,639	$ 7,744,123
Cumulative Results of Operations - Funds from Other than Dedicated Collections	281,672	(26,639)	255,033
Total Cumulative Results of Operations (Consolidated)	7,999,156	-	7,999,156
Total Net Position	$ 70,617,863	$ -	$ 70,617,863
Statement of Changes in Net Position:			
Funds from Dedicated Collections:			
Cumulative Results of Operations Beginning Balance	$ 3,551,640	$ 8,206	$ 3,559,846
Transfers-In/(Out)	4,584,789	48,268	4,633,057
Other	48,268	(47,268)	1,000
Net Cost of Operations	(1,246,544)	18,433	(1,228,111)
Total Cumulative Results of Operations	$ 7,717,484	$ 26,639	$ 7,744,123
Funds from Other Than Dedicated Collections:			
Cumulative Results of Operations Beginning Balance	$ 381,028	$ (8,206)	$ 372,822
Other Adjustments	-	(769)	(769)
Other	(48,268)	769	(47,499)
Net Cost of Operations	(8,496,036)	(18,433)	(8,514,469)
Total Cumulative Results of Operations	$ 281,672	$ (26,639)	$ 255,033
Consolidated Totals:			
Cumulative Results of Operations Beginning Balance	$ 3,932,668	$ -	$ 3,932,668
Other Adjustments	-	(769)	(769)
Transfers-In/(Out)	(25,921)	48,268	22,347
Other	-	(47,499)	(47,499)
Net Cost of Operations	(9,742,580)	-	(9,742,580)
Total Cumulative Results of Operations	**$ 7,999,156**	**$ -**	**$ 7,999,156**

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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, 2023 and 2022:

Asset Category	**2023**	**2022**
Buildings	$ 128,180	$ 142,324
EPA Held Equipment	1,700	-
Total Deferred Maintenance	$ 129,880	$ 142,324

Required Supplementary Information (Unaudited) Cont.

In Fiscal Year 2023, 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 2022/Start of FY 2023	-	-	576	576
End of FY 2023	-	-	576	576

All of EPA's land is for the Agency's operational facilities. The rights to this land are permanent and fully devoted to support the operational facilities contained therein.

Supplemental Combining Statement of Budgetary Resources (Unaudited)

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	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	$ 3,867,261	$ 20,819	$ 177,825	$ 6,372,484	$ 8,088,109	$ 38,755,868	$ 57,282,366
Appropriations (discretionary and mandatory)	413,866	95,480	-	1,678,568	16,933,949	5,881,408	25,003,271
Borrowing Authority (discretionary and mandatory)	-	-	-	-	-	2,884,452	2,884,452
Spending Authority From Offsetting Collection	53,042	(1,275)	(562)	14,948	-	947,183	1,013,336
Total Budgetary Resources	$ 4,334,169	$ 115,024	$ 177,263	$ 8,066,000	$25,022,058	$48,468,911	$ 86,183,425
STATUS OF BUDGETARY RESOURCES							
New Obligations and Upward Adjustments (total)	$ 704,843	$ 96,290	$ 160,444	$ 2,799,778	$12,563,307	$ 10,586,418	$ 26,911,080
Unobligated Balance, End of Year:							
Apportioned, Unexpired Accounts	3,542,300	18,734	2,346	5,264,962	12,458,751	37,879,869	59,166,962
Unapportioned, Unexpired Accounts	-	-	-	600	-	-	600
Expired Unobligated Balance, End of Year	87,026	-	14,473	660	-	2,624	104,783
Unobligated Balance, End of Year (total):	3,629,326	18,734	16,819	5,266,222	12,458,751	37,882,493	59,272,345
Total Status of Budgetary Resources	$ 4,334,169	$ 115,024	$ 177,263	$ 8,066,000	$25,022,058	$48,468,911	$ 86,183,425
OUTLAYS, NET							
Outlays, Net (total) (discretionary and mandatory)	$ 952,590	$ 91,236	$ 249,827	$ 1,632,740	$ 5,755,567	$ 5,473,224	$ 14,155,184
Distributed Offsetting Receipts (-)	-	(1,000)	-	(1,456,174)	-	(111,762)	(1,568,936)
Agency Outlays, Net (discretionary and mandatory)	$ 952,590	$ 90,236	$ 249,827	$ 176,566	$ 5,755,567	$ 5,361,462	$ 12,586,248
Disbursements, Net (total) (mandatory)						$ 1,379,374	$ 1,379,374

Appendix 2

Agency Response to Draft Report

THE CHIEF FINANCIAL OFFICER
WASHINGTON, D.C. 20460

November 14, 2023

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA-FY23-0078, *"Audit of the EPA's Fiscal Years 2023 and 2022 (Restated) Consolidated Financial Statements,"* dated November 13, 2023

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

Amin, Faisal Digitally signed by Amin, Faisal Date: 2023.11.14 16:55:13 -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 Region 5.

AGENCY'S OVERALL POSITION

The draft report contains six recommendations for the Office of the Chief Financial Officer and one recommendation for the Director of the Great Lakes National Program Office, located in Region 5. The EPA agrees with the Office of Inspector General's recommendations.

AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATIONS

Recommendation	Office	High-Level Intended Corrective Action(s)	Planned Date
1. Instruct the regions to perform an analysis of financially closed Superfund State Contracts to reclassify appropriated and reimbursable disbursements and financially close lines on the accrual.	OCFO	Concur. In addition to the Corrective Action listed for Recommendation 2, the OCFO's Cincinnati Finance Center will instruct the Regions to perform a thorough review of their respective financially closed sites for accuracy. We will request a written response once completed.	06/30/24
2. Instruct the regions to provide current Superfund State Contract information quarterly to the Cincinnati Finance Center.	OCFO	Concur. Starting with the first fiscal quarter of 2024, the OCFO's Cincinnati Finance Center will begin including not only the Program Contacts but also their management, Regional Comptrollers, and Mission Support Division Directors in guidance communications. OCFO's CFC will reinforce the importance of fully reviewing and updating regional data provided for the accuracy of the accrual and impact on the financial statements.	01/15/24
3. Review the Great Lakes Legacy Act accrual project information prior to its submission to the Cincinnati Finance Center to ensure its accuracy.	R5/ GLNPO	Concur. The Great Lakes National Program Office has already reviewed the Great Lakes Legacy Act accrual project information and fixed the errors identified in the OIG Point Sheet No. 6.	Completed 10/18/23
4. Develop a plan to improve the Office of the Chief Financial Officer processes for headquarters program offices and regional offices to deobligate unneeded funds in a timely manner by the end of the fiscal year, as required.	OCFO	Concur. The Office of the Controller's Policy, Training and Accountability Division will develop a plan to strengthen the unliquidated obligation reviews for the deobligations processes. This plan will enhance the current policies associated with the unliquidated obligation review and the subsequent deobligations of any unneeded funding.	7/1/24

Recommendation	Office	High-Level Intended Corrective Action(s)	Planned Date
5. Develop and implement a plan with milestones to ensure that future Interconnection Security Agreement and Memorandum of Agreement documents for each external connection with Office of the Chief Financial Officer systems are reauthorized before the current agreements expire.	OCFO	Concur. The OCFO's Office of Technology Solutions will develop and implement a strategy with milestones to ensure that future Interconnection Security Agreement and Memorandum of Agreement documents for each external connection with OCFO systems are reauthorized before the current agreements expire.	6/30/24
6. In consultation with the Office of Mission Support's chief information officer, determine how the Office of the Chief Financial Officer will conduct reviews of active Invoice Processing Platform user accounts to comply with Chief Information Officer Directive No. CIO 2150-P-01.3, *Information Security – Access Control Procedure*.	OCFO	Concur. The OCFO's Office of Technology Solutions will, in consultation with the Office of Mission Support's Chief Information Officer, determine how it will conduct reviews of active Invoice Processing Platform user accounts to comply with the Chief Information Officer Directive No: CIO 2150-P-01.3, *Information Security – Access Control Procedure*.	6/30/24
7. Develop and implement a strategy to ensure that future reviews of active Invoice Processing Platform user accounts comply with Chief Information Officer Directive No. CIO 2150-P-01.3, Information Security – Access Control Procedure.	OCFO	Concur. The OCFO's Office of Technology Solutions will develop and implement a strategy to ensure that future reviews of active Invoice Processing Platform user accounts comply with the Chief Information Officer Directive No: CIO 2150-P-01.3, Information Security – Access Control Procedure.	6/30/24

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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Appendix 3

Distribution

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Audit Follow-Up Coordinator, Region 5

Whistleblower Protection

U.S. Environmental Protection Agency

The whistleblower protection coordinator's role is to educate Agency employees about prohibitions against retaliation for protected disclosures and the rights and remedies against retaliation. For more information, please visit the OIG's whistleblower protection webpage.

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