OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

CUSTOMER SERVICE ★ INTEGRITY ★ ACCOUNTABILITY

Operating efficiently and effectively

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

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

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

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Office of Inspector General
U.S. Environmental Protection Agency

At a Glance

23-F-0002
November 15, 2022

Why We Did This Audit

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

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

This requirement for audited

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

This report addresses the following:

- *Operating efficiently and effectively.*

This audit addresses a top EPA management challenge:

- *Managing infrastructure funding and business operations.*

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

List of OIG reports.

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

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

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

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

Significant Deficiencies Noted

We noted the following significant deficiencies:

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

Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Recommendations and Planned Agency Corrective Actions

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

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

OFFICE OF
INSPECTOR GENERAL

November 15, 2022

MEMORANDUM

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

FROM: Damon Jackson, Director
Financial Directorate
Office of Audit

Damon M. Jackson

TO: Faisal Amin, Chief Financial Officer

Daniel Blackman, Regional Administrator
Region 4

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

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

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

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

Attachments:

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

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

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

The Administrator
U.S. Environmental Protection Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the U.S. Environmental Protection Agency, which comprise the consolidated balance sheets, as of September 30, 2022 and 2021, and the related consolidated statement of net cost, net cost by major program, changes in net position, and custodial activity; the combined statement of budgetary resources for the years then ended; and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

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

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

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

Report on Internal Control over Financial Reporting

Results of Our Consideration of Internal Control over Financial Reporting

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

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

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

Responsibilities of Management for Internal Control over Financial Reporting

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

Auditor's Responsibilities for Internal Control over Financial Reporting

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

Intended Purpose of Report on Internal Control over Financial Reporting

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

Significant Deficiencies

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

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

Unearned Advances Account Had an Abnormal Balance

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

Unneeded Funds Not Deobligated Timely

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

Capitalized Software-In-Development Costs Inaccurately Recorded

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

The EPA Processed Standard Vouchers Without Adequate Procedures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FFMIA Noncompliance

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

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

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

Other Governmental Reporting Requirements

Audit Work Required Under the Hazardous Substance Superfund Trust Fund

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

Prior Audit Coverage

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

- Originating offices did not forward accounts receivable source documents in a timely manner to the finance center.

- The EPA needs to improve its financial statement preparation process.

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

Damon M. Jackson

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

Attachment 1

Significant Deficiencies

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1 – The EPA Improperly Recorded WIFIA Fee Fund Revenue

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

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

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

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

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

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

Recommendations

We recommend that the chief financial officer:

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

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

Agency Response and OIG Assessment

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

2 – Unearned Advances Account Had an Abnormal Balance

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

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

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

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

Recommendations

We recommend that the chief financial officer:

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

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

Agency Response and OIG Assessment

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

3 – Unneeded Funds Not Deobligated Timely

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

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

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

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

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

Table 1-1: Funds for deobligation

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

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

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

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

Recommendation

We recommend that the chief financial officer:

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

Agency Response and OIG Assessment

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

4 – Capitalized Software-In-Development Costs Inaccurately Recorded

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

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

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

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

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

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

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

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

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

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

Recommendation

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

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

Agency Response and OIG Assessment

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

5 – The EPA Processed Standard Vouchers Without Adequate Procedures

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

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

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

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

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

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

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

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

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

Recommendations

We recommend that the chief financial officer:

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

We recommend that the regional administrator for Region 4:

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

Agency Response and OIG Assessment

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

Status of Prior Audit Report Recommendations

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

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

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

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

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

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

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

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

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

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

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

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

Table 2-1: Significant deficiency issues not fully resolved

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

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

Attachment 3

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

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

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

EPA's Fiscal Year 2022 and 2021 Consolidated Financial Statements

Table of Contents

Principal Financial Statements

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

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

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

1.

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

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

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

2.

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

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

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

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

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

3.

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

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

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

4.

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

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

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, 2022 and 2021
(Dollars in Thousands)

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

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

6.

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

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

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

7.

United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2022 and 2021
(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 2022 financial statements are presented on a consolidated basis for the Balance Sheet, Statement of Net Cost, Statement of Net Costs by Major Program, and Statement of Changes in Net Position. The Statement of Custodial Activity and the Statement of Budgetary Resources are presented on a combined basis. The financial statements include the accounts of all funds described in this note by their respective Treasury fund group.

B. Basis of Presentation

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

C. Budgets and Budgetary Accounting

I. General Funds

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

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

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

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

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

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

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

II. Revolving Funds

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

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

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

III. Special Funds

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

IV. Deposit Funds

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

V. Trust Funds

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

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

VI. Classified Activities

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

VII. Allocation Transfers

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

D. Basis of Accounting

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

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

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

E. Revenues and Other Financing Sources

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

I. Superfund

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

II. Other Funds

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

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

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

F. Funds with the Treasury (See Note 2)

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

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

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

H. Marketable Securities (See Note 4)

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

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

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

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

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

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

J. Advances and Prepayments

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

K. Loans Receivable (See Note 7)

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

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

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

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

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

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

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

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

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

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

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

N. Liabilities (See Notes 8 & 13)

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

O. Debt (See Note 10)

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

P. Accrued Unfunded Annual Leave (See Note 29)

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

Q. Retirement Plan (See Note 29)

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

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

R. Prior Period Adjustments and Restatements

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

S. Deepwater Horizon Oil Spill

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

T. Use of Estimates

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

(Dollars in Thousands)

U. Reclassifications and Comparative Figures

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

Note 2. Fund Balance With Treasury (FBWT)

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

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

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

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

(Dollars in Thousands)

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

Note 3. Cash and Other Monetary Assets

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

Note 4. Investments, Net

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

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

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

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

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

(Dollars in Thousands)

Note 5. Accounts Receivable, Net

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

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

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

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

Note 6. Inventory and Related Property

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

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

Note 7. Loans Receivable, Net

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

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

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

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Obligated after FY 1991

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

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

Total Amount of Direct Loans Disbursed (Post-1991)

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

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

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

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

Modifications and Reestimates

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

Direct Loan Program	2021 Total Modifications	Interest Rate Reestimates	Technical Reestimates	FAI Reestimates	Total Reestimates
WIFIA	$ -	7,226	114,482	-	$ 121,708

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Total Direct Loans Subsidy Expense

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

Budget Subsidy Rates for Direct Loans for the Current Year Cohort

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

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

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

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

19.

(Dollars in Thousands)

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

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

Note 8. Accounts Payable

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

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

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

Note 9. General Property, Plant and Equipment, Net

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

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

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

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

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

Note 10. Debt

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

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

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

See Note 1 paragraph O for additional information.

Note 11. Stewardship Property, Plant and Equipment

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

(Dollars in Thousands)

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

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

Note 12. Liability to the General Fund for Custodial Assets

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

(Dollars in Thousands)

Note 13. Other Liabilities

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

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

(Dollars in Thousands)

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

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

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

Other Accrued Liabilities are mostly comprised of contractor accruals.

See Note 1 paragraph N for additional information.

Note 14. Leases

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

Capital Leases:

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

(Dollars in Thousands)

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

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

Note 15. Deferred Revenue

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

Note 16. Commitments and Contingencies

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

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

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

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

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

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

A. Gold King Mine

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

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

B. Flint, Michigan

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

C. Superfund

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

D. Environmental Liabilities

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

E. Other Pending Cases

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

F. Judgement Fund

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

G. Other Commitments

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

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

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Note 17. Funds from Dedicated Collections

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

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

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

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

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United States Environmental Protection Agency
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A. Funds from Dedicated Collections

i. Environmental Services Receipt Account:

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

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

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

iii. Superfund Trust Fund:

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

B. Other Funds from Dedicated Collections

i. Inland Oil Spill Programs Account:

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

ii. Pesticide Registration Fund:

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

iii. Reregistration and Expedited Processing Fund:

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

iv. Tolerance Revolving Fund:

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

v. Hazardous Waste Electronic Manifest System

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

Note 18. Environmental and Disposal Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

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

Note 19. State Credits

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

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

Note 20. Preauthorized Mixed Funding Agreements

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

Note 21. Custodial Revenues and Accounts Receivable

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

Note 24. Unobligated Balances Available

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

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

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

Note 25. Undelivered Orders at the End of the Period

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

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

Note 26. Offsetting Receipts

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

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

(Dollars in Thousands)

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

A. Appropriations Transfers, In/Out:

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

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

B. Transfers In/Out Without Reimbursement, Budgetary:

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

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

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(Dollars in Thousands)

Note 28. Imputed Financing

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

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

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

Note 29. Federal Employee and Veteran Benefits Payable

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

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

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

(Dollars in Thousands)

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

See Note 1 paragraph P for additional information.

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

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

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

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

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

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

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(Dollars in Thousands)

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

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

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

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

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

(Dollars in Thousands)

Note 33. Amounts Held by Treasury

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

A. Superfund

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

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

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

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

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

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

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

B. LUST

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

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

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

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

Note 34. COVID-19 Activity

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

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

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

(Dollars in Thousands)

Note 35. Reclassified Financial Statement for Government-wide Reporting

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

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

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

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

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

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Required Supplementary Information (Unaudited)

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

Deferred Maintenance

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

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

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

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

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

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Required Supplementary Information (Unaudited) Cont.

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

Buildings:

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

Required Supplementary Information (Unaudited) Cont.

EPA Held Equipment:

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

Vehicles:

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

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

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

Required Supplementary Information (Unaudited) Cont.

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

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

Land:

Estimated Acreage by Predominant Use

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

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

Supplemental Combining Statement of Budgetary Resources (Unaudited)

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

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

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Appendix II

Agency Response to Draft Report

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

November 11, 2022

OFFICE OF THE
CHIEF FINANCIAL OFFICER

MEMORANDUM

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

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

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

TO: Damon Jackson, Director
Financial Directorate
Office of Audit

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

AGENCY'S OVERALL POSITION

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

AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATIONS

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

No.	Recommendation	Office	High-Level Corrective Action(s)	Estimated Completion Date
2	Update the Water Infrastructure Finance and Innovation Act expense accounting models to properly impact exchange revenue.	OCFO/ OC/ ACAD	Concur. The WIFIA accounting models have been updated to properly record exchange revenue.	Completed 10/25/2022
3	Research and correct the $9 million activity in the Unearned Advances, Non-Federal general ledger account to ensure unearned advances are properly reflected in the financial statements.	OCFO/ OC/ ACAD	Concur. The Office of the Controller's Accounting and Cost Analysis Division will research and correct the $9 million abnormal balance in the Unearned Advances account.	7/31/2023
4	Identify any abnormal balances in advance general ledger accounts and make necessary corrections to ensure debit and credit balances are properly reflected.	OCFO/ OC/ ACAD	Concur. The OC's ACAD will review the advance general ledger accounts to identify and correct any abnormal balances.	7/31/2023
5	Reiterate to headquarters program offices and regional offices the importance of deobligating unneeded funds identified during the annual unliquidated obligations review by the end of the fiscal year.	OCFO/ OC/ PTAD	Concur. The OC's Policy, Training and Analysis Division will send communications to Senior Resource Officials after the agency has completed its Unliquidated Obligation Reviews, but before the final certifications are provided in October, to emphasize the importance of timely deobligations of funds in the current fiscal year.	9/1/2023
6	Implement a plan to ensure that Pesticide Registration Information System software-in-development costs are recorded accurately and timely.	OCFO/ OC/ RTPFC	Concur. In FY 2023, the OC's Research Triangle Park Finance Center will develop a plan that outlines guidance, training, and a certification process for the recording of software-in-development to the financial system. In advance of the plan, the OC's RTPFC will emphasize the importance of timely notification during the Annual Software Kickoff meeting.	9/15/2023

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

CONTACT INFORMATION

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

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Appendix III

Distribution

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Chief of Staff, Office of the Administrator
Deputy Chief of Staff, Office of the Administrator
Chief Financial Officer
Assistant Administrator for Chemical Safety and Pollution Prevention
Region 4 Administrator
Agency Follow-Up Coordinator
General Counsel
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for Public Affairs
Deputy Chief Financial Officer
Associate Chief Financial Officer
Associate Chief Financial Officer for Policy
Deputy Assistant Administrator for Pesticide Programs, Office of Chemical Safety and Pollution Prevention
Deputy Assistant Administrator for Chemical Safety and Pollution Prevention
Deputy Assistant Administrator for Management, Office of Chemical Safety and Pollution Prevention
Director, Information Technology and Resource Management, Office of Chemical Safety and Pollution Prevention
Region 4 Deputy Regional Administrator
Controller
Deputy Controller
Associate Deputy Controller
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Director, Office of Regional Operations
Director, Office of Budget, Office of the Chief Financial Officer
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Chief, Management, Integrity, and Accountability Branch; Policy, Training, and Accountability Division, Office of the Controller
Director, Research Triangle Park Finance Center, Office of the Chief Financial Officer
Director, Cincinnati Finance Center, Office of the Chief Financial Officer
Chief, Budget and Finance Section, Budget Operations and Financial Management Branch, Mission Support Division, Region 4
Audit Follow-Up Coordinator, Office of the Administrator
Audit Follow-Up Coordinator, Office of the Chief Financial Officer
Audit Liaison, Office of Budget, Office of the Chief Financial Officer
Audit Liaison, Office of Technology Solutions, Office of the Chief Financial Officer
Audit Follow-Up Coordinator, Region 4

Senior Audit Advisor, Office of Chemical Safety and Pollution Prevention
Backup Audit Follow-Up Coordinator, Office of the Chief Financial Officer