



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We conducted this review to determine how the U.S. Environmental Protection Agency (EPA) develops annual guidance under the Federal Managers' Financial Integrity Act (FMFIA). We asked whether EPA offices integrate FMFIA internal control standards into programmatic operations. We also asked whether offices use Government Accountability Office (GAO) guidance to develop and monitor internal controls.

## Background

FMFIA requires federal agency managers to annually evaluate and indicate whether their agencies' internal controls comply with standards prescribed by GAO. FMFIA requirements purport to provide reasonable assurance that agencies maintain adequate internal control systems to prevent against fraud, waste, abuse, and mismanagement.

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

To view the full report, click on the following link:  
[www.epa.gov/oig/reports/2009/20090806-09-P-0203.pdf](http://www.epa.gov/oig/reports/2009/20090806-09-P-0203.pdf)

## ***EPA Should Use FMFIA to Improve Programmatic Operations***

### **What We Found**

EPA has not implemented and used FMFIA to improve program operations, as intended by federal and Agency guidance. Although EPA offices rely on annual guidance that the Office of the Chief Financial Officer (OCFO) issues,

- EPA offices have not developed internal control review strategies that include elements such as the Government Performance and Results Act (GPRA);
- OCFO's guidance and training have not provided staff and managers with adequate awareness of GAO's internal control standards;
- OCFO's guidance, until recently, has not required offices to report on compliance with all GAO standards; and
- OCFO did not devote needed resources to validate assurance letters.

Per Agency guidance, OCFO is responsible for ensuring and implementing a strategy for validating EPA's compliance with FMFIA. However, OCFO relies on Assistant and Regional Administrators to verify letters' program elements before certifying them. EPA offices view FMFIA reporting as an administrative task, rather than an opportunity to assess program results and identify risks toward achieving goals. As a result, the Administrator has little assurance when signing EPA's letter that offices reviewed program operations. Additional emphasis on FMFIA's importance could result in more certain, documented assurance in the Agency's Performance and Accountability Report that EPA programs annually evaluate internal controls to comply with GAO's standards and deter fraud, waste, and mismanagement.

### **What We Recommend**

We recommended that EPA's Administrator support internal controls by announcing the Fiscal Year (FY) 2010 FMFIA process and requiring that senior managers attend training. We also recommended that the Chief Financial Officer develop comprehensive, tiered FMFIA training for managers and staff; revise the internal checklist used as part of the strategy for validating Agency-wide FMFIA compliance; codify its validation strategy; and develop FY 2010 FMFIA guidance that contains OCFO FY 2009 supplemental guidance. EPA initially agreed with all but one of our recommendations. The Agency agreed when we revised that recommendation's language to focus on OCFO's internal tool to validate letters.