Independent Audit of the EPA's Fiscal Years 2024 and 2023 (Restated) Consolidated Financial Statements

November 15, 2024 | Report No. 25-F-0010

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Abbreviations

EPA	U.S. Environmental Protection Agency
FFMIA	Federal Financial Management Improvement Act of 1996
FY	FiSscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
SSC	Superfund State Contract
U.S.C.	United States Code

Cover Image

EPA headquarters building. (EPA image)

25-F-xxxx
November 15, 2024

At a Glance

Independent Audit of the EPA's Fiscal Years 2024 and 2023 (Restated) Consolidated Financial Statements

Why We Did This Audit

To accomplish this objective:

We performed this audit in accordance with the Chief Financial Officers Act of 1990, as codified at 31 U.S.C. § 3521(e), which requires the U.S. Environmental Protection Agency Office of Inspector General to audit the financial statements prepared by the Agency each year. Our primary objectives were to determine whether the EPA's:

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

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

To support this EPA mission-related effort:

- *Operating efficiently and effectively.*

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

[List of OIG reports](#).

The EPA Receives an Unmodified Opinion for Fiscal Years 2024 and 2023 (Restated)

We rendered an unmodified opinion on the EPA's consolidated financial statements for fiscal years 2024 and 2023 (restated), meaning that they were fairly presented and free of material misstatement.

Material Weaknesses and Significant Deficiency Noted

We noted the following material weaknesses:

- The EPA did not have adequate internal controls in place to record the 2022 Clean School Bus Rebates Program funds for fiscal years 2024 and 2023.
- The EPA did not develop an adequate process for the Clean School Bus Rebates Program accrual calculation.
- The EPA significantly understated Superfund State Contract accrual revenue.

We noted the following significant deficiency: EPA property balances are not reliable.

The EPA used an existing rebate transaction type that was established to record the Clean School Bus rebate payments. This resulted in $828 million of rebate payments being recorded as expenses instead of advances. The EPA will be developing guidance for new programs on financial management considerations that need to be implemented.

Noncompliance with Applicable Laws, Regulations, Contracts, and Grant Agreements Noted

We noted the following instances of noncompliance with laws and regulations:

- The EPA failed to comply with and implement provisions of Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.
- The EPA improperly recorded advances as expenses for the Clean School Bus Rebates Program.

Recommendations and Planned Agency Corrective Actions

The EPA agreed with all 13 recommendations and have either completed corrective actions or provided an estimated time frame for completion.

OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

November 15, 2024

MEMORANDUM

SUBJECT: Independent Audit of the EPA's Fiscal Years 2024 and 2023 (Restated) Consolidated Financial Statements
Report No. 25-F-0010

FROM: Damon Jackson, Director
Financial Directorate
Office of Audit

Damon Jackson

TO: Faisal Amin, Chief Financial Officer

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-FY24-0086. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations 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 is responsible for the issues discussed in the report.

In accordance with EPA Manual 2750, your office completed corrective actions for Recommendations 3, 7, and 11. Your office also provided acceptable planned corrective actions and estimated milestone dates in response to Recommendations 1, 2, 4, 5, 6, 8, 9, 10, 12, and 13. These recommendations are resolved, and no final response to this final is required. If you submit a response, however, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with accessibility requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epaoig.gov.

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The Administrator

U.S Environmental Protection Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the U.S. Environmental Protection Agency, which comprise the consolidated balance sheets as of September 30, 2024 and 2023 (restated); 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, 2024 and 2023 (restated), in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller general of the United States, commonly referred to as generally accepted government auditing standards; and Office of Management and Budget, or OMB, Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the EPA and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in note 29 to the financial statements, "Restatements," the EPA identified $370 million in expenses that should have been reported on its financial statements as advances in FY 2023. The EPA restated its fiscal year 2023 consolidated financial statements to reclassify these prior year prepaid assets. The change impacted the FY 2023 balance sheet, statement of net cost, statement of net cost by major program, and statement of changes in net position. However, we found that the EPA used insufficient documentation to develop its process to calculate the Clean School Bus rebate accrual for FYs 2024 and 2023.

The EPA used an existing rebate transaction type that was established in its financial system known as Compass to record the Clean School Bus rebate payments. This resulted in a total of $828 million of the Clean School Bus rebate payments as being recorded as expenses instead of advances in FYs 2023 and 2024. The EPA will be developing guidance for new programs on financial management considerations that need to be implemented and discussed. This guidance should also be used during the design phase of the program development.

The Infrastructure Investment and Jobs Act invested $3.5 billion in environmental remediation at Superfund sites and reinstated the Superfund chemical taxes, making it one of the largest investments in American history to address legacy pollution that harms public health in communities and neighborhoods. This funding will allow the EPA to initiate work on all backlogged remedial construction projects and accelerate cleanups at National Priority List sites across the country. The EPA estimated the FY 2024 tax collections to be about $1.6 billion. In FY 2024, the EPA received an annual Superfund appropriation of $538 million.

Our opinion is not modified with respect to these corrections.

Responsibilities of Management for the Financial Statements

The EPA's management is responsible for the preparation (1) the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing measuring and presenting the Required Supplementary Information in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in the Agency's Financial Report, and ensuring the consistency of that information with the audited financial statements and the Required Supplemental Information; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. ***Reasonable assurance*** is a high level of assurance but is not absolute assurance; therefore, it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards, and OMB Bulletin No. 24-02 will always detect a material misstatement or material matters 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, including omissions, 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, generally accepted government auditing standards, and OMB Bulletin No. 24-02, 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the EPA's internal control. Accordingly, we express no such opinion.

- Evaluate the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by management, and the overall presentation of the financial statements.

- Perform other procedures we consider necessary in the circumstances.

We are also 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 identify 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 OMB and the Federal Accounting Standards Advisory Board, which consider it to be an essential part of the financial reporting that places the basic consolidated financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the Required Supplementary Information, Supplemental Information, and Management's Discussion and Analysis, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiring management about the methods of preparing and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during the audit of the basic consolidated financial statements, in order to report omissions or material departures from Federal Accounting Standards Advisory Board guidelines, if any, identified by these limited procedures. 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.

Other Information

EPA's Other Information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the Required Supplementary Information. Management is responsible for the Other Information included in EPA's Agency Financial Report. The Other Information compromises the following sections: *Message from the Chairperson, Message from the Chief Financial Officer, Management Discussion and Analysis and Performance*. Other Information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the Other Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exist between the Other Information and the financial statements, or Other Information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

Results of Our Consideration of Internal Control over Financial Reporting

In connection with our audits of EPA's financial statements, we considered EPA's internal control over financial reporting, consistent with the auditor's responsibilities discussed below.

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

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

Material Weaknesses

The EPA Did Not Have Adequate Internal Controls in Place to Record the 2022 Clean School Bus Rebates Program Funds for FYs 2024 and 2023

We found that the EPA failed to implement internal controls to make sure funding was properly allocated for the 2022 Clean School Bus Rebates Program. The Agency recorded the full amount paid to the Clean School Bus rebate recipients as an expense, instead of an advance, prior to the recipient expending the funds. The EPA informed us that it paid $567.6 million in FY 2023 and $260.4 million in FY 2024 to the Clean School Bus Rebates Program recipients, totaling $828 million.

The EPA Did Not Develop an Adequate Process for the Clean School Bus Rebates Accrual Calculation

We found that the EPA used insufficient documentation to develop its process to calculate the Clean School Bus Rebates Program accrual for FYs 2024 and 2023. In order to support its determination on the calculation of rebate accruals, the EPA sent the Clean School Bus rebate recipients survey questions relating to the recipients' funding. Since the information the recipients provided to the EPA lacked sufficient supporting documentation, the EPA's FYs 2024 and 2023 Clean School Bus Rebates Program accrual could be misstated.

The EPA Significantly Understated Superfund State Contract Accrual Revenue

We found that the EPA's updated Superfund State Contract, or SSC, accrual methodology did not recognize SSC state cost share revenue totaling $115,272,077.64 for the third quarter of FY 2024, or April, May, and June 2024. Federal financial accounting standards require revenue to be recognized in proportion to the estimated total cost when goods and services are acquired to fulfill a contract. The error occurred when the Agency did not consider accounting principles and standards when updating its SSC accrual methodology. Significant errors misstate the financial statements and reduce reliance on them as a fair representation of the Agency's financial condition and activities.

Significant Deficiency

EPA Property Balances Are Not Reliable

We found that the EPA's inventory management process did not adhere to procedures specified in EPA Manual 4832, *Personal Property Manual*, dated June 2017. Based on the information that was provided to us from the Agency, we identified the following: property was not received at a designated centralized receiving point and property decals were not affixed to EPA property; property held by contractors was not reconciled with EPA records; and $5,454,962.57 worth of personal property was held as rejected in the EPA's accounting system. Due to a lag in invoicing, a discrepancy of $40,610,646.43 was recorded in the construction in-progress general ledger account instead of property recorded in the building account.

Attachment D contains the status of issues reported in prior years' reports on the EPA's consolidated financial statements. The issues included in Attachment D should be considered among the EPA's significant deficiencies for FY 2024. We reported more significant internal control matters to the Agency during the course of the audit. We will not issue a separate management letter.

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

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

Responsibilities of Management for Internal Control over Financial Reporting

The EPA's management is responsible for (1) 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; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under the Federal Managers' Financial Integrity Act; and (3) providing an assurance statement on the overall effectiveness of internal control over financial reporting included in management's discussion and analysis.

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, 2024, in accordance with generally accepted government auditing standards, we considered the EPA's internal control over financial reporting as a basis for designing 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. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Intended Purpose of Report on Internal Control over Financial Reporting

Because of inherent limitations, internal controls over financial reporting may not prevent or detect and correct misstatements and projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

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

OMB Bulletin No. 24-02 requires us to compare material weaknesses disclosed during the audit with those material weaknesses identified in the Agency's Federal Managers' Financial Integrity Act report that relate to the financial statements. We are also required to identify material weaknesses disclosed by the audit that were not communicated in the Agency's report.

For financial statement audit and financial reporting purposes, OMB Bulletin No. 24-02 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 in a timely basis.

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed two instances of noncompliance for FY 2024 that would be reportable under U.S. generally accepted government auditing standards. 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 identified instances of noncompliance that could result in a material misstatement to the audited financial statements.

We identified two significant matters involving compliance with laws and regulations that came to our attention during the course of the audit. We found that the EPA failed to comply with and implement provisions of OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and that the EPA improperly recorded advances as expenses for the Clean School Bus Rebates Program. Attachment C provides additional details, as well as our recommendations on actions that should be taken on this matter. We will not issue a separate management letter.

The EPA Failed to Comply with and Implement OMB Circular No. A-123 Provisions

Based on the information the Agency provided to us, we found the EPA failed to implement and integrate key elements of OMB Circular No. A-123 such as:

- Assessment process for internal controls.
- Governance structure for risk management and defining risk appetite.
- Completion of annual risk profiles.

These key inputs determine the level and effectiveness of internal controls testing and evaluation. Internal controls are tools to help an agency and financial managers achieve results and protect the integrity of its operations.

The EPA Improperly Recorded Advances as Expenses for the Clean School Bus Rebates Program

During FYs 2024 and 2023, the EPA did not comply with federal financial accounting standards and financial requirements by improperly recording advances as expenses for the Clean School Bus Rebates Program disbursements. The federal financial accounting standards and financial reporting requirements recognize that advances are cash outlays made by a federal entity to others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services acquired. As a result, the EPA did not comply with federal financial reporting requirements.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

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

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

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

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the EPA that have a direct effect on the determination of material amounts and disclosures in EPA's financial statements, including whether EPA's financial management system comply substantially with the Federal Financial Management Improvement Act of 1996, or FFMIA, Section 803(a), requirements, and to perform certain limited procedures. Accordingly, we did not test compliance with all provisions of laws and regulations, contracts, and grant agreements applicable to the EPA. We caution that noncompliance may occur and not be detected by these tests.

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

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

FFMIA Compliance

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 U.S. 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.

Other Governmental Reporting Requirements

Audit Work Required Under the Hazardous Substance Superfund Trust Fund

We also performed audit work to comply with 42 U.S.C. § 9611(k), including the requirement to conduct an annual audit of payments, obligations, reimbursements, or other uses of the Hazardous Substance Superfund Trust Fund. The material weakness reported above also relates to Superfund.

Prior Audit Coverage

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

- Originating offices did not forward accounts receivable source documents to the finance division in a timely manner.
- The EPA did not provide accurate information for its revenue accrual.

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

Damon Jackson

Damon Jackson
Certified Public Accountant
Director, Financial Directorate
Office of Audit
Office of Inspector General
U.S. Environmental Protection Agency
November 6, 2024

Attachment A

Material Weaknesses

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1 – The EPA Did Not Have Adequate Internal Controls in Place to Record the 2022 Clean School Bus Rebates Program Funds for FYs 2024 and 2023

We found that the EPA failed to implement internal controls to make sure funding was properly allocated in the 2022 Clean School Bus Rebates Program. The Agency recorded the full amount paid to the rebate recipients as an expense, instead of an advance, prior to the recipient expending the funds. The EPA informed us that it paid $567.6 million in FY 2023 and $260.4 million in FY 2024 to the Clean School Bus Rebates Program recipients for a total of $828 million.

According to the monitoring component of the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*, management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

According to OMB Circular No. A-123, federal leaders and managers are responsible for establishing and achieving goals and objectives, seizing opportunities to improve effectiveness and efficiency of operations, providing reliable reporting, and maintaining compliance with relevant laws and regulations. They are also responsible for implementing management practices that effectively identify; assess; respond; and report on risks, which can arise from a variety of external and internal environments.

Agency managers must continuously monitor, assess, and improve the effectiveness of internal control associated with those internal control objectives identified as part of their risk profile. This continuous monitoring and other periodic evaluations provide the basis for the Agency's annual assessment and reports.

The Agency assumed that the 2022 Clean School Bus Rebates Program would function similarly as its previous rebate programs and recorded the full amount paid to the recipients as an expense instead of an advance. The Agency failed to have multiple controls in place, such as a program checklist and updated guidance on how new programs will be handled once funds are ready to be disbursed.

We acknowledge that the chief financial officer informed us of the incorrect way that OCFO allocated funding for the Clean School Bus Rebates Program, which allowed us to identify the lack of controls for new programs. However, failure to properly exercise due diligence in the preparation of the Agency's financial statements compromises the accuracy of the financial statements and the reliance on them to be free of material misstatement.

Recommendation

We recommend that the chief financial officer:

1. Develop guidance, including an Office of the Chief Financial Officer checklist, to review, evaluate, and determine the accounting treatment and financial management considerations for new and modified programs.

Agency Response and OIG Assessment

The EPA agreed with our recommendation. The Agency provided an estimated milestone date of April 1, 2025. We consider this recommendation resolved with corrective action pending.

2 – The EPA Did Not Develop an Adequate Process for the Clean School Bus Rebates Program Accrual Calculation

We found that the EPA used insufficient documentation to develop its process to calculate the Clean School Bus Rebates Program accrual for FYs 2024 and 2023. In order to support its determination on the calculation of rebate accruals, the EPA sent the Clean School Bus rebate recipients survey questions relating to their funding. Since the information the recipients provided to the EPA lacked sufficient supporting documentation, the EPA's FYs 2024 and 2023 Clean School Bus Rebates Program accrual could be misstated.

During our review, we found that the EPA did not have sufficient documents or close-out forms to calculate the rebate accrual accurately. According to the EPA's *2022 Clean School Bus (CSB) Rebates Program Guide*, close-out packages for the 2022 Clean School Bus Rebates Program were not due to the Office of Air and Radiation for review and validation until October 31, 2024. A close-out package from the recipient is required per the program's terms. According to the *Program Guide*, the package must include the following:

- For existing buses being scrapped, scrappage photos and letter for buses being replaced.
- For existing buses eligible to be sold or donated, documentation of the vehicle sale or donation.
- A scan of the invoices for the replacement buses and eligible infrastructure.
- A scan of proof of delivery for the replacement buses and eligible infrastructure.
- One photo of the exterior of each replacement bus, labeled with the last four digits of the bus vehicle identification number.
- One photo of each electric vehicle charger after installation is completed if the EPA funds were used for charging infrastructure.

The Office of the Controller did not receive the close-out packages and the EPA determined that, since the office did not have a process or procedure to calculate the accrual of the rebates, further analysis and information was needed. As such, the Office of the Controller contacted the 2022 Clean School Bus rebate recipients asking them to provide the following information:

- Date and amount of funding received from the EPA for the Clean School Bus Rebates Program in 2023 or 2024.
- Dates when funding was moved to a third party to purchase the buses and the associated charging equipment.
- Amount of the rebate funding remaining with the recipient as of September 30, 2023.

- Amount of the rebate funding remaining in the recipient account as of August 30, 2024.
- Amount of the funding that has not yet been spent on eligible program expenses or transferred to a third party but is planned to be transferred or spent by September 30, 2024.

Eighty-five percent of the rebate recipients responded to the information request, representing $705 million out of the $828 million rebate amount that the EPA paid. Out of the $705 million, $624 million classified as expenses and $81 million classified as advances. For the 15 percent of rebate recipients that did not respond, representing $123 million out of $828 million, the EPA did not obtain clear information and leveraged its statistical office to find noted trends in the survey responses to allocate a portion of the remaining rebates as either expenses or advances.

When we reviewed the documents that the EPA received from the rebate recipients, we noticed that the recipients provided varying levels of documentation. Recipients either provided emails, purchase orders, invoices, or emails with the invoices. Also, when we originally received the files from the intranet site that the EPA created for us, some of the files were empty. When we inquired as to why, it was discovered that a technical issue occurred. The EPA resolved the issue and uploaded the information in the files. Based upon the inadequate documentation in some of the rebate files, we believe the rebate accrual calculations may not be fully supported. We further note that the lack of information resulted in the EPA using statistical trends and not factual data to calculate the rebate accrual for certain rebates. Therefore, the EPA's FYs 2024 and 2023 Clean School Bus Rebates Program accrual could be misstated.

Recommendation

We recommend that the chief financial officer:

2. Develop and implement a methodology for calculating Clean School Bus Rebates Program accrual calculations.

Agency Response and OIG Assessment

The EPA agreed with our recommendation. The Agency provided an estimated milestone date of August 1, 2025. We consider this recommendation resolved with corrective action pending.

3 – The EPA Significantly Understated SSC Accrual Revenue

We found that the EPA's updated SSC accrual methodology did not recognize SSC state cost share revenue totaling $115,272,077.64 for the third quarter of FY 2024, or April, May, and June 2024. Federal financial accounting standards require revenue to be recognized in proportion to the estimated total cost when goods and services are acquired to fulfill a contract. The error occurred when the Agency did not consider accounting principles and standards when updating its SSC accrual methodology. Significant errors caused misstatements in the EPA's financial statements, reducing reliance on them as a fair representation of the Agency's financial condition and activities.

Statement of Federal Financial Accounting Standards 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, is the standard for revenue recognition in the federal government. The standard states that revenue should be recognized for goods or services under contracts in proportion to the estimated total cost when goods and services are acquired to fulfill the contract.

The EPA's Resource Management Directive System 2550D-09-P1, *Financial Management of Superfund Program State Cost Share Provisions for Superfund State Contracts and Remedial Cooperative Agreements*, describes the EPA's process for managing the financial aspects of the Superfund program remedial state cost share provisions in SSCs. The directive states that "CFC [Cincinnati Finance Center] prepares an accrual each fiscal quarter to properly recognize remedial cost share revenue, liabilities, and accounts receivables based on the cost share requirements, cumulative billings and remedial action expenditures at each site."[1]

Pursuant to section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, before the EPA can provide remedial action in a state, the state must agree to provide 10 percent of the cost of remedial actions in that state. In addition, in the case of facilities operated by or on behalf of a state at the time hazardous waste was disposed of, the state must have agreed to provide 50 percent or more, as determined by the Agency, of the cost of remedial action. These commitments are stated in the SSCs.

During the third quarter of FY 2024, the Agency updated its SSC accrual methodology to reduce accrued revenue. Under the updated methodology, the SSC accrued revenue decreased by $115,272,077.64. The EPA's previous SSC accrual methodology recognized earned revenue as costs were incurred based on the SSC cost-share requirements, cumulative billings, credits, and remedial action expenses at each site. The new methodology calculated a revenue accrual only when the Superfund appropriated fund

[1] On August 11, 2024, the Office of the Chief Financial Officer reorganized and changed the name of Cincinnati Finance Center to Cincinnati Finance Division. Resource Management Directive System 2550D-09-P1 is dated March 31, 2017.

expenses exceeded the EPA's share of the contract, which is typically 90 percent. As a result, some sites may not recognize revenue on state cost share for many years.

Table 3-1 shows the SSC accrual differences between the two methodologies for the third quarter of FY 2024.

Table 3-1: SSC accrual differences between the two methodologies

SSC accrual type	New ($)	Old ($)	Difference ($)
Work in progress accrual	35,804,396.63	96,491,121.11	(60,686,724.49)
Unbilled receivables	15,935,509.82	70,520,0862.97	(54,585,353.15)
Total revenue understatement	**–**	**–**	**(115,272,077.64)**

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

The understatement occurred because the EPA did not consider accounting principles and standards when updating the SSC accrual methodology. The Agency believes aligning total expenditures for a site with the SSC percentage results in a much higher accrual than needed. However, generally accepted accounting principles and federal financial accounting standards require revenue to be recognized when earned, as expenses are incurred, and in proportion to the estimated total cost. As a result, the SSC accrued revenue was significantly understated. Significant errors impact the credibility of the EPA's financial statements, reducing reliance on them as a fair representation of the Agency's financial condition and activity.

Recommendation

We recommend that the chief financial officer:

3. Return to the original methodology involving the calculation of the Superfund State Contract accrual to recognize the revenue amount of $115,272,077.64.

Agency Response and OIG Assessment

After we refuted the EPA's new methodology per generally accepted accounting principles, the Agency reevaluated the SSC accrual process. We verified that the Agency returned to the original methodology, which recognizes earned revenue based on the cost-share requirements, cumulative billings, and remedial action expenditures at each site in their year-end financial statements. The EPA agreed with our recommendation. The Agency completed the recommendation on September 30, 2024.

Attachment B

Significant Deficiency

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4 – EPA Property Balances Are Not Reliable

We found that the EPA's inventory management process did not adhere to procedures specified in EPA Manual 4832, *Personal Property Manual*. Based on the information that was provided to us from the Agency, we found that property was not received at a designated centralized receiving point and property decals were not affixed to EPA property. We also found that property held by contractors was not reconciled with EPA records and $5,454,962.57 worth of personal property was held as rejected in the EPA's accounting system. Due to a lag in invoicing, a discrepancy of $40,610,646.43 was recorded in the construction in-progress general ledger account instead of properly recorded in the building account.

Section 5.3 of the *Personal Property Manual* provides that:

> "As a standard practice, all personal property assets acquired by the EPA shall be received by a designated PAO [Property Accountable Officer] at a designated centralized receiving point. This will ensure that assets are properly inspected, labeled, recorded and secured. Only under unique circumstances will property be delivered directly (e.g., large outsized and heavy assets requiring special handling, or large volume [over 100] of assets) to a using location and only when coordinated through the Property Management Officer (PMO). All direct deliveries must be coordinated through the PAO so the property can be received properly."

We were informed that occasionally, the acquired equipment is shipped directly to the requesting offices instead of the Office of Mission Support centralized receiving warehouse for property. Not receiving property properly as set forth in the *Personal Property Manual* can lead to improperly documenting receipt of property.

The *Personal Property Manual* also provides protocol as to how materials are to be processed upon receipt. Section 5.5 of the *Personal Property Manual* provides that standard receiving procedures shall address, at a minimum, the following elements:

- Verifying. The correct items and quantities were delivered based on the associated purchase order and shipping documents.
- Inspecting. The determination that items were received undamaged.
- Accepting. The acknowledgement and verification of inspected items are correct and if an incorrect item or quantity was shipped or an item arrived damaged, it is returned.
- Decaling. The labeling and placement of an appropriate EPA property decal on accountable personal property received.
- Recording. The accurate recording of decaled personal property in the Agency Asset Management System
- Documenting. Maintaining documentation that evidences receipt, title, stewardship, delivery, and other activities.

In addition, section 3.9.5 and section 3.7.3 of the *Personal Property Manual* respectively provide:

> "Conducting the Physical Inventory
>
> PCOs [Property Custodial Officers] are responsible for conducting the physical inventory of the property assigned to their Custodial Area (CA) by the date scheduled by their PMO. PAOs should also develop procedures to guide their PCOs in conducting the inventories and ensure such activities meet the [appropriate] criteria."
>
> "Reconciliation of Property and Financial Records
>
> EPA Financial Management relies on the agency's property management team to maintain complete and accurate property records to report the investment and depreciation of capitalized personal property owned by the agency. Capitalized personal property accountability records must be reconciled quarterly with the financial control accounts in accordance with procedures established by the EPA CFO."

During our audit, we were informed by Agency personnel that property was being received directly at the requesting offices, property was recorded incorrectly, property decals were not applied, and property was not recorded as received. Moreover, Agency personnel stated that property held by contractors was not reconciled with EPA records and capitalization of the property was not reconciled on a quarterly basis. This resulted in $5,454,962.57 worth of personal property held as rejected in Compass and a $40,610,646.43 discrepancy recorded in the EPA's accounting system.

As a result of failing to follow the *Personal Property Manual*, inventory controls were not in place, personal property assets did not go through standard receiving procedures and personal property was not accurately recorded in the Agency Asset Management System. In addition, not properly reconciling capitalization accounts resulted in a misstatement of assets and expenses on the Agency's financial statements.

Recommendations

We recommend that the assistant administrator for Mission Support, in conjunction with the chief financial officer:

4. Develop and implement a standardized intake process for receipt of personal property, including application of property decals, as provided in EPA Manual 4832, *Personal Property Manual*.

5. Develop and implement a process for capitalized personal property accountability records to include control logs or other similar accounting mechanisms, to be properly reconciled quarterly with the financial control accounts.

6. Reconcile the $5,454,962.57 worth of personal property held as rejected in the EPA's accounting system.

7. Reconcile the $40,610,646.43 that was recorded in the construction in-progress in the proper account.

Agency Response and OIG Assessment

The EPA agreed with our recommendations. For Recommendation 4, the Agency provided an estimated milestone date of October 15, 2025. For Recommendation 5, the Agency provided estimated milestone dates of February 1, 2025; October 15, 2025; and June 1, 2025. The Agency partially completed Recommendation 6 on October 18, 2024, and provided an estimated milestone date of July 1, 2025. The Agency completed Recommendation 7 on November 6, 2024. We consider these recommendations resolved with corrective actions pending.

Attachment C

Compliance with Laws and Regulations

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5 – The EPA Failed to Comply with and Implement OMB Circular No. A-123 Provisions

Based on the information that was provided to us, we found that the EPA failed to implement and integrate key elements of OMB Circular No. A-123, including:

- Assessment process for internal controls.
- Governance structure for risk management and defining risk appetite.
- Completion of annual risk profiles.

These key inputs determine the level and effectiveness of internal control testing and evaluation. Internal controls are tools to help an agency and financial managers achieve results and protect the integrity of operations.

According to OMB Circular No. A-123, federal leaders and managers are responsible for establishing and achieving goals and objectives, seizing opportunities to improve effectiveness and efficiency of operations, providing reliable reporting, and maintaining compliance with relevant laws and regulations. They are also responsible for implementing management practices that effectively identify; assess; respond; and report on risks, which can arise from a variety of external and internal environments.

OMB Circular No. A-123 directs that management must implement an assessment process "to properly assess and improve internal controls over operations, reporting, and compliance." Similarly, management is responsible for a governance structure in order to have a robust process of risk management and internal control, including developing a process to define risk appetite. OMB Circular No. A-123 also provides that agencies must annually complete risk profiles to "identify risks arising from mission and mission-support operations and consider those risks as part of the annual strategic review process." As further explained in the circular, "[t]he primary purpose of a risk profile is to provide a thoughtful analysis of the risks an Agency faces toward achieving its strategic objectives arising from its activities and operations, and to identify appropriate options for addressing significant risks."

Based on information provided to us by the Agency, we found that the EPA failed to implement and integrate these key elements of OMB Circular No. A-123. More specifically, we identified that it does not have an appropriate governance structure to guide its risk management or have an assessment process to review and improve its internal controls. The Agency also does not implement the required annual risk profile. All these key inputs determine the level and effectiveness of internal controls testing and evaluation. According to the OMB circular, internal controls are tools to help an agency and financial managers achieve results and protect the integrity of their programs and operations.

Additionally, OMB Circular No. A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*, applies a risk-based approach to determine whether an agency's financial management systems comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. Agencies have the latitude to apply risk management concepts defined in Appendix D to determine the scope necessary to meet management assurance requirements. The goal of Appendix D is to define agency requirements for determining compliance with the FFMIA.

Without the proper internal controls in place, an internal control assessment process, a governance structure to implement risk management, and complete annual risk profiles, the Agency does not have the ability to properly monitor, identify, and mitigate risk and correct internal control deficiencies. This can cause inaccuracy on the annual assurance statement for the Agency, in addition to potential misstatements in the financial statements and notes.

Recommendations

We recommend that the chief financial officer:

8. Develop and implement an assessment process to assess and improve internal controls over operations, reporting, and compliance.

9. Develop a governance structure to implement risk management and internal processes, including a process to define risk appetite.

10. Develop and implement a plan to complete annual risk profiles to identify risks arising from Agency programs and operations.

Agency Response and OIG Assessment

The EPA agreed with our recommendations. The Agency provided an estimated milestone date of October 1, 2025. We consider these recommendations resolved with corrective actions pending.

6 – The EPA Improperly Recorded Advances as Expenses for the Clean School Bus Rebates Program

During FYs 2024 and 2023, the EPA did not comply with federal financial accounting standards and financial requirements by improperly recording advances as expenses for the Clean School Bus Rebates Program disbursements. The federal financial accounting standards and financial reporting requirements state that advances are cash outlays made by a federal entity to others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services acquired. By not recording the disbursements from the Clean School Bus Rebates Program as advances, the EPA did not comply with federal financial reporting requirements.

OMB Circular No. A-136 Section II.3, *Financial Reporting Requirements*, requires that information in financial statements be presented in accordance with generally accepted accounting principles, which include the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards. As stated in the OMB Circular:

> "Advances are cash outlays made by a Federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the costs of goods and services the entity receives."
>
> "Gross program costs should be reported and consist of: (a) direct and indirect costs and (b) the costs of identifiable supporting services provided by other programs within the entity and by other entities."

Statement of Federal Financial Accounting Standards 1, *Accounting for Selected Assets and Liabilities*, states:

> "Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires."
>
> "Advances and prepayments should be recorded as assets. Advances and prepayments are reduced when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire."
>
> "In financial reports of an entity, advances and prepayments the entity paid out (assets) should not be netted against advances and prepayments that the entity received (liabilities)."

Resource Management Directive System Number 2540-04-P3, *Accounts Payable Policies and Procedures for Recognizing Year-End Accrued Liabilities for Grants*, states the following:

> "1. Accruals must be established for that portion of obligations where the grantee incurred expense but has not yet billed. While the amounts recorded as grant accruals are estimates, every effort should be made to develop a methodology that will closely reflect the actual amount outstanding at the end of … each quarterly and year end reporting period."
>
> "2. To the extent possible, estimates should be projected based on historical analysis of unbilled costs incurred prior to year-end."

During our FY 2024 testing, we found that the EPA improperly recorded four Clean School Bus Rebates Program payments totaling $19,838,292.17 as expenses instead of advances prior to the funds being expended, as shown in Table 6-1.

Table 6-1: FY 2024 payments recorded as expenses

Date	Document Number	Dollar Amount ($)
12/13/23	24DRFZ2081	7,505,000.00
1/18/24	24DRFZ2007	7,615,164.17
1/18/24	24DRFS2101	1,580,000.00
1/24/24	24DRFS2112	3,138,128.00
Total payments	–	**19,838,292.17**

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

We were also able to identify that in FY 2023, the EPA improperly recorded seven Clean School Bus Rebates Program payments totaling $36,273,056.97 as expenses instead of advances prior to the funds being expended, as shown in Table 6-2.

Table 6-2: FY 2023 Payments Recorded as Expenses

Date	Document Number	Dollar Amount ($)
5/23/23	23DRFZ2109	1,104,000.00
5/25/23	23DRFZ2091	9,875,000.00
5/25/23	23DRFS2108	9,874,500.00
5/25/23	23DRFZ2027	1,177,181.97
6/23/23	23DRFS2133	3,972,375.00
6/23/23	23DRFZ2004	395,000.00
6/29/23	23DRFS2002	9,875,000.00
Total payments	–	**36,273,056.97**

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

The EPA used an existing rebate accounting model that was established for the Diesel Emissions Reduction Act to record the Clean School Bus Rebates Program payments in Compass. This resulted in the payments being recorded as expenses instead of advances. In September 2024, the EPA identified and corrected the posting model for the Clean School Bus Rebates Program and reclassified all payments as advances. Also, all future payments involving the program should be recorded as advances instead of expenses. By not complying with the reporting requirements, the EPA could undermine the trust and reliability of its financial statements.

Recommendations

We recommend that the chief financial officer:

11. Update the accounting model for the Clean School Bus Rebates Program to comply with federal reporting requirements.

12. Develop guidance on recording the payments for the Clean School Bus Rebates Program in the EPA's accounting system.

13. Reconcile the advances and expenses quarterly for the Clean School Bus Rebates Program.

Agency Response and OIG Assessment

The EPA agreed with our recommendations. The Agency completed Recommendation 11 on September 2, 2024. The Agency provided an estimated milestone date of February 1, 2025, for Recommendations 12 and 13. We consider these recommendations resolved with corrective actions pending.

Attachment D

Status of Prior Audit Report Recommendations

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

Table D-1: Significant deficiency issues not fully resolved

Originating Offices Did Not Forward Accounts Receivable Source Documents to the Finance Division in a Timely Manner During our FY 2021 audit, we found that EPA regions did not submit supporting source documents to the EPA's Cincinnati Finance Division for accounts receivable in a timely manner, which then delayed recording and processing of those receivables. The EPA's Resource Management Directives state that the responsible offices must forward to the Cincinnati Finance Division 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 Division. When the Cincinnati Finance Division is unable to create receivables timely, the debtor may not be billed appropriately, interest may not accrue, and the EPA may not collect all that it is owed. Furthermore, the EPA's delayed recording of accounts receivable could result in a material misstatement of the financial statements. While we have noted some improvements in the timely receipt of legal documents, we still identified instances of untimely receipt from FY 2015 through FY 2024. Therefore, the Agency's corrective actions are not completely effective, and we will continue to evaluate whether the Agency receives legal source documents in a timely manner going forward.
The EPA Did Not Provide Accurate Information for Its Revenue Accruals During FY 2023, we found multiple instances in which the Agency did not provide accurate information for revenue accruals resulting from cost-share agreements for SSCs and Great Lakes Legacy Act project agreements. Based on our findings, we recommended that the chief financial officer (1) instruct the regions to perform an analysis of financially closed SSCs to reclassify appropriated and reimbursable disbursements and financially close lines on the accrual and (2) instruct the regions to provide current SSC information quarterly to the Cincinnati Finance Division. We recommended that the director for the Great Lakes Legacy National Program Office review the Great Lakes Legacy Act accrual project information to the Cincinnati Finance Division to ensure its accuracy. During FY 2024, we found that the Agency reported the actions as complete; however, based on the results of SSCs and Great Lakes Legacy Act accrual analyses and sample testing, we found instances of inaccurate information reported on the revenue accruals. Therefore, the EPA's corrective actions are not yet effective.

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

Status of Recommendations and Potential Monetary Benefits

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date	Potential Monetary Benefits (in $000s)
1	12	Develop guidance, including an Office of the Chief Financial Officer checklist, to review, evaluate, and determine the accounting treatment and financial management considerations for new and modified programs.	R	Chief Financial Officer	4/1/25	—
2	15	Develop and implement a methodology for calculating Clean School Bus Rebates Program accrual calculations.	R	Chief Financial Officer	8/1/25	$827,991
3	17	Return to the original methodology involving the calculation of the Superfund State Contract accrual to recognize the revenue amount of $115,272,077.64.	C	Chief Financial Officer	9/30/24	$115,272
4	20	In conjunction with the chief financial officer, develop and implement a standardized intake process for receipt of personal property, including application of property decals, as provided in EPA Manual 4832, *Personal Property Manual*.	R	Assistant Administrator for Mission Support	10/15/25	—
5	20	In conjunction with the chief financial officer, develop and implement a process for capitalized personal property accountability records to include control logs or other similar accounting mechanisms, to be properly reconciled quarterly with the financial control accounts.	R	Assistant Administrator for Mission Support	6/1/25	—
6	21	In conjunction with the chief financial officer, reconcile the $5,454,962.57 worth of personal property held as rejected in EPA's accounting system.	R	Assistant Administrator for Mission Support	7/1/25	$5,455
7	21	In conjunction with the chief financial officer, reconcile the $40,610,646.43 that was recorded in construction in-progress in the proper account.	C	Assistant Administrator for Mission Support	11/6/24	$40,611
8	24	Develop and implement an assessment process to assess and improve internal controls over operations, reporting, and compliance.	R	Chief Financial Officer	10/1/24	—
9	24	Develop a governance structure to implement risk management and internal processes, including a process to define risk appetite.	R	Chief Financial Officer	10/1/25	—
10	24	Develop and implement a plan to complete annual risk profiles to identify risks arising from Agency programs and operations.	R	Chief Financial Officer	10/1/25	—
11	27	Update the accounting model for the Clean School Bus Rebates Program to comply with federal reporting requirements.	C	Chief Financial Officer	9/1/24	—
12	27	Develop guidance on recording the payments for the Clean School Bus Rebates Program in the EPA's accounting system.	R	Chief Financial Officer	2/1/25	—
13	27	Reconcile the advances and expenses quarterly for the Clean School Bus Rebates Program.	R	Chief Financial Officer	2/1/25	—

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

Appendix 1

The EPA’s Fiscal Year 2024 and 2023 Consolidated Financial Statements (with Restatement)

EPA's Fiscal Year 2024 and 2023
Consolidated Financial Statements (With Restatement)

Financial Section

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Principal Financial Statements

United States Environmental Protection Agency
Consolidated Balance Sheet (Restated)
As of September 30, 2024 and 2023
(Dollars in Thousands)

	2024	(Restated) 2023
ASSETS:		
Intragovernmental Assets:		
Fund Balance With Treasury (Note 2)	$ 83,384,431	$ 74,589,768
Investments, Net (Note 4)	12,737,366	12,159,283
Accounts Receivable, Net (Note 5)	8,104	7,686
Advances and Prepayments	2,019,234	1,569,525
Total Intragovernmental Assets	98,149,135	88,326,262
Other Than Intragovernmental Assets:		
Cash and Other Monetary Assets (Note 3)	10	10
Accounts Receivable, Net (Note 5)	436,106	520,692
Loans Receivable, Net (Note 7)	6,025,415	2,401,922
Inventory and Related Property, Net (Note 6)	540	626
Property, Plant and Equipment, Net (Note 9)	757,995	743,207
Advances and Prepayments (Note 29)	109,927	381,324
Total Other Than Intragovernmental Assets (Note 29)	7,329,993	4,047,781
Total Assets (Note 29)	**$ 105,479,128**	**$ 92,374,043**
Stewardship Property Plant and Equipment (Note 11)		
LIABILITIES:		
Intragovernmental Liabilities:		
Accounts Payable (Note 8)	$ 302	$ 2,921
Debt (Note 10)	6,881,726	2,953,225
Advances from Others and Deferred Revenue	141,995	173,381
Other Liabilities		
Liability to the General Fund for Custodial Assets (Note 12)	379,168	105,995
Other (Note 13)	224,535	208,187
Total Intragovernmental Liabilities	7,627,726	3,443,709
Other Than Intragovernmental Liabilities:		
Accounts Payable (Note 8)	59,574	116,234
Federal Employee Salary, Leave and Benefits Payable (Note 24)	186,754	185,399
Pension and Post-Employment Benefits Payable (Note 24)	40,359	44,349
Environmental and Disposal Liabilities (Note 18)	42,809	37,357
Advances from Others and Deferred Revenue (Note 15)	3,556,940	3,676,206
Other Liabilities (Note 13)	774,656	623,349
Total Other Than Intragovernmental Liabilities	4,661,092	4,682,894
Total Liabilities	**$ 12,288,818**	**$ 8,126,603**
Commitments and Contingencies (Note 16)		
NET POSITION:		
Unexpended Appropriations		
Funds from Dedicated Collections (Note 17)	$ 61	$ 281
Funds from Other than Dedicated Collections (Note 29)	83,687,121	74,972,206
Total Unexpended Appropriations (Consolidated) (Note 29)	83,687,182	74,972,487
Cumulative Results of Operations		
Funds from Dedicated Collections (Note 17)	10,079,989	9,309,893
Funds from Other than Dedicated Collections	(576,861)	(34,940)
Total Cumulative Results of Operations (Consolidated)	9,503,128	9,274,953
Total Net Position (Note 29)	93,190,310	84,247,440
Total Liabilities and Net Position (Note 29)	**$ 105,479,128**	**$ 92,374,043**

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

1.

United States Environmental Protection Agency
Consolidated Statement of Net Cost (Restated)
For the Fiscal Years Ending September 30, 2024 and 2023
(Dollars in Thousands)

	2024	(Restated) 2023
COSTS		
Gross Costs (Note 29)	$ 15,099,758	$ 12,117,563
Less: Earned Revenue	797,871	520,394
NET COST OF OPERATIONS (Notes 26 and 29)	**$ 14,301,887**	**$ 11,597,169**

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 Year Ending September 30, 2024
(Dollars in Thousands)

	Environmental Programs & Management	Leaking Underground Storage Tanks	Science & Technology	Superfund	State & Tribal Assistance Agreements	Other	Totals
Costs:							
Gross Costs	$ 3,564,990	$ 90,953	$ 829,175	$ 2,020,970	$ 7,220,806	$ 1,814,001	$ 15,540,895
WCF Elimination	-	-	-	-	-	(441,137)	(441,137)
Total Costs	3,564,990	90,953	829,175	2,020,970	7,220,806	1,372,864	15,099,758
Less:							
Earned Revenue	99,592	-	5,902	330,373	-	803,141	1,239,008
WCF Elimination	-	-	-	-	-	(441,137)	(441,137)
Total Earned Revenue	99,592	-	5,902	330,373	-	362,004	797,871
NET COST OF OPERATIONS	**$ 3,465,398**	**$ 90,953**	**$ 823,273**	**$ 1,690,597**	**$ 7,220,806**	**$ 1,010,860**	**$ 14,301,887**

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

	Environmental Programs & Management	Leaking Underground Storage Tanks	Science & Technology	Superfund	(Restated) State & Tribal Assistance Agreements	Other	(Restated) Totals
Costs:							
Gross Costs (Note 29)	$ 3,152,262	$ 91,478	$ 799,818	$ 1,690,188	$ 5,501,463	$ 1,238,522	$ 12,473,731
WCF Elimination	-	-	-	-	-	(356,168)	(356,168)
Total Costs	3,152,262	91,478	799,818	1,690,188	5,501,463	882,354	12,117,563
Less:							
Earned Revenue	37,771	-	4,711	239,104	-	594,976	876,562
WCF Elimination	-	-	-	-	-	(356,168)	(356,168)
Total Earned Revenue	37,771	-	4,711	239,104	-	238,808	520,394
NET COST OF OPERATIONS (Note 29)	**$ 3,114,491**	**$ 91,478**	**$ 795,107**	**$ 1,451,084**	**$ 5,501,463**	**$ 643,546**	**$ 11,597,169**

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 Year Ending September 30, 2024
(Dollars in Thousands)

	Funds from Dedicated Collections	Funds from Other Than Dedicated Collections	Consolidated Totals
UNEXPENDED APPROPRIATIONS:	(Note 17)		
Beginning Balance	$ 281	$ 74,602,484	$ 74,602,765
Adjustments			
Corrections of Errors	-	369,722	369,722
Beginning Balance, as Adjusted	$ 281	$ 74,972,206	$ 74,972,487
Appropriations Received	-	20,963,713	20,963,713
Appropriations Transferred In/(Out)	-	(9,433)	(9,433)
Other Adjustments	(144)	(21,789)	(21,933)
Appropriations Used	(76)	(12,217,576)	(12,217,652)
Net Change in Unexpended Appropriations	(220)	8,714,915	8,714,695
Total Unexpended Appropriations	**$ 61**	**$ 83,687,121**	**$ 83,687,182**
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balance	$ 9,309,893	$ (34,940)	$ 9,274,953
Other Adjustments	-	(24,931)	(24,931)
Appropriations Used	76	12,217,576	12,217,652
Non-Exchange Revenue (Note 25)	2,252,044	-	2,252,044
Transfers-In/(Out) Without Reimbursements	259,174	(238,732)	20,442
Imputed Financing (Note 23)	48,681	244,985	293,666
Other	-	(228,811)	(228,811)
Net Cost of Operations	(1,789,879)	(12,512,008)	(14,301,887)
Net Change in Cumulative Results of Operations	770,096	(541,921)	228,175
Total Cumulative Results of Operations	**10,079,989**	**(576,861)**	**9,503,128**
Net Position	**$ 10,080,050**	**$ 83,110,260**	**$ 93,190,310**

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

4.

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

	Funds from Dedicated Collections (Note 17)	Funds from Other Than Dedicated Collections	(Restated) Consolidated Totals
UNEXPENDED APPROPRIATIONS:			
Beginning Balance	$ 178	$ 62,618,529	$ 62,618,707
Corrections of Errors	-	-	-
Beginning Balance, as Adjusted	$ 178	$ 62,618,529	$ 62,618,707
Appropriations Received	-	23,138,776	23,138,776
Appropriations Transferred In/(Out)	-	(1,500)	(1,500)
Other Adjustments	-	(34,496)	(34,496)
Appropriations Used (Note 29)	103	(10,749,103)	(10,749,000)
Net Change in Unexpended Appropriations	103	12,353,677	12,353,780
Total Unexpended Appropriations (Note 29)	$ 281	$ 74,972,206	$ 74,972,487
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balance	$ 7,744,123	$ 255,033	$ 7,999,156
Other Adjustments	-	(52,084)	(52,084)
Appropriations Used (Note 29)	(103)	10,749,103	10,749,000
Non-Exchange Revenue (Note 25)	1,880,795	-	1,880,795
Transfers-In/(Out) Without Reimbursements	1,195,958	(1,172,693)	23,265
Imputed Financing (Note 23)	38,002	203,655	241,657
Other	-	30,333	30,333
Net Cost of Operations (Note 29)	(1,548,882)	(10,048,287)	(11,597,169)
Net Change in Cumulative Results of Operations	1,565,770	(289,973)	1,275,797
Total Cumulative Results of Operations	**9,309,893**	**(34,940)**	**9,274,953**
Net Position (Note 29)	$ 9,310,174	$ 74,937,266	$ 84,247,440

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

5.

United States Environmental Protection Agency
Combined Statement of Budgetary Resources
For the Fiscal Years Ending September 30, 2024 and 2023
(Dollars in Thousands)

	2024		2023	
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 22)	$ 59,925,869	$ -	$ 57,282,366	$ -
Appropriations (Discretionary and Mandatory)	23,494,902	-	25,003,271	-
Borrowing Authority (Discretionary and Mandatory)	-	1,328,973	-	2,884,452
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	781,379	688,467	639,195	374,140
Total Budgetary Resources	**$ 84,202,150**	**$ 2,017,440**	**$ 82,924,832**	**$ 3,258,592**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments (Total)	$ 53,856,080	$ 2,017,440	$ 23,652,487	$ 3,258,592
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	30,229,126	-	59,166,962	-
Unapportioned, Unexpired Accounts	601	-	600	-
Expired Unobligated Balance, End of Year	116,343	-	104,783	-
Unobligated Balance, End of Year (Total): (Note 22)	30,346,070	-	59,272,345	-
Total Budgetary Resources	**$ 84,202,150**	**$ 2,017,440**	**$ 82,924,832**	**$ 3,258,592**
OUTLAYS, NET AND DISBURSEMENTS, NET				
Outlays, Net (Total) (Discretionary and Mandatory)	$ 14,202,599		$ 14,155,184	
Distributed Offsetting Receipts (-) (Note 22)	(701,232)		(1,568,936)	
Agency Outlays, Net (Discretionary and Mandatory)	$ 13,501,367		$ 12,586,248	
Disbursements, Net (Total) (Mandatory)		$ 3,925,793		$ 1,379,374

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, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Total Custodial Revenue:		
Sources of Cash Collections:		
Fines and Penalties	$ 102,961	$ 85,601
Other	(2,721)	(25,935)
Total Cash Collections	100,240	59,666
Accrual Adjustments	43,716	29,999
Total Custodial Revenue (Note 21)	$ 143,956	$ 89,665
Disposition of Collections:		
Transferred to Others (General Fund)	$ 100,240	$ 106,802
Increases/Decreases in Amounts to be Transferred	43,716	(17,137)
Total Disposition of Collections	$ 143,956	$ 89,665
Custodial Revenue Less Disposition of Collections	$ -	$ -

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, 2024 and 2023
(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 2024 financial statements are presented on a consolidated basis for the Balance Sheet, Statement of Net Cost, Statement of Net Costs by Major Program, and Statement of Changes in Net Position. The Statement of Custodial Activity and the Statement of Budgetary Resources are presented on a combined basis. The financial statements include the accounts of all funds described in this note by their respective Treasury fund group.

B. Basis of Presentation

The accompanying financial statements have been prepared to report the financial position and results of operations of the U.S. Environmental Protection Agency (the EPA or Agency) as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The reports have been prepared from the financial system and records of the Agency in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised May 30, 2024, and the EPA accounting policies, which are summarized in this note.

C. Budgets and Budgetary Accounting

I. General Funds

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

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

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

The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) established a federal credit program administered by the EPA for eligible water and wastewater infrastructure projects. The program is financed from appropriations to cover the estimated long-term cost of the loans. The long-term cost of the loans is defined as the net present value of the estimated cash flows associated with the loans. A permanent indefinite appropriation is available to finance the costs of reestimated loans that occur in subsequent years after the loans are disbursed. The Agency received two-year appropriations in fiscal years 2024 and 2023 to finance the administrative portion of the program.

EPA reestimates the risk on each individual loan annually. Proceeds issued by EPA generally cannot exceed 49% of eligible project costs, but under certain circumstances small communities can receive up to 80%. Project costs must exceed a minimum of $20 million for large communities and $5 million for communities with populations of 25,000 or less. After substantial completion of a project, the borrower may defer up to five years to start loan repayment and cannot exceed thirty-five years for the final loan maturity date.

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

On November 15, 2021, the Infrastructure Investment and Jobs Act (Public Law 117-58) was signed into law, appropriating approximately $60 billion to the Agency over fiscal years 2022 through 2026; some funds have five-year availability but most are available until expended. The Inflation Reduction Act (IRA), signed in August 2022, appropriated the Agency an additional $42 billion, available for a minimum of two and a maximum of ten fiscal years.

II. Revolving Funds

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

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

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

III. Special Funds

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

IV. Deposit Funds

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

V. Trust Funds

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

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

VI. Classified Activities

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

VII. Allocation Transfers

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

D. Basis of Accounting

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

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

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

E. Revenue and Other Financing Sources

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

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

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

I. Superfund

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

II. Other Funds

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

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

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

F. Fund Balance with Treasury (See Note 2)

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

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

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

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

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

H. Marketable Securities (See Note 4)

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

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

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

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

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

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

J. Advances and Prepayments

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

K. Loans Receivable (See Note 7)

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

L. Amounts Held by Treasury (See Note 27)

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

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

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

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

Personal property are tangible assets that have an estimated useful life of 2 or more years, are not intended for sale in the ordinary course of business and are intended to be used or available for use by the entity.

The EPA accounts for leases in accordance with SFFAS 54. Federal lessees recognize a lease liability and a leased asset at the commencement of the lease term, unless it meets any of the scope exclusions or the definition/criteria of short-term leases, or contracts or agreements that transfer ownership, or intragovernmental leases. The lease liability is measured at the present value of payments expected to be made during the lease term. The future lease payments are discounted using the estimated rate that would be charged for borrowing the lease payment amounts for the lease term. The amortization of the discount on the lease liability is calculated and recognized as interest expense for the period. Payments are allocated first to the accrued interest liability and then to the lease liability.

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, property owned by the reporting entity in the hands of or leased to others, land rights that do not meet the definition of a lease and contracts or agreements that transfer ownership. 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, modifications, and enhancements placed into service after September 30, 2016. Software assets placed into service prior to October 1, 2016 were capitalized at the $250 thousand threshold. Internal use software is capitalized at full cost (direct and indirect) and amortized using the straight-line method over its useful life, not exceeding five years.

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

N. Liabilities (See Notes 8 & 13)

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

O. Debt (See Note 10)

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

P. Accrued Unfunded Annual Leave (See Note 24)

Annual, sick and other leave is expensed as taken during the fiscal year. Annual leave earned but not taken at the end of the fiscal year is accrued as an unfunded liability. Accrued unfunded annual leave is included in the Balance Sheet as a component of "Federal Employee Salary, Leave and 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 23)

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 advances from BP and 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 May 30, 2024. As a result, the form and content of the Balance Sheet, Statement of Changes in Net Position and footnotes have been changed to conform with OMB Circular No. A-136.

Note 2. Fund Balance With Treasury (FBWT)

Fund Balance with Treasury as of September 30, 2024 and 2023 consists of the following:

	2024			2023		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Trust Funds:						
Superfund	$ 26,546	$ -	$ 26,546	$ (56,699)	$ -	$ (56,699)
LUST	23,778	-	23,778	20,603	-	20,603
Oil Spill & Misc.	17,565	-	17,565	20,556	-	20,556
Revolving Funds:						
FIFRA/Tolerance	34,713	-	34,713	30,826	-	30,826
Working Capital	158,800	-	158,800	116,764	-	116,764
E-Manifest	54,986	-	54,986	45,425	-	45,425
NRDA	2,826	-	2,826	2,544	-	2,544
WIFIA	13,153	-	13,153	17,441	-	17,441
Appropriated	82,393,381	-	82,393,381	73,765,838	-	73,765,838
Other Fund Types	653,009	5,674	658,683	622,876	3,594	626,470
Total	$ 83,378,757	$ 5,674	$ 83,384,431	$ 74,586,174	$ 3,594	$ 74,589,768

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:	2024	2023
Unobligated Amounts in Fund Balance:		
Available for Obligation	$ 30,239,849	$ 59,166,962
Unavailable for Obligation	122,602	114,325
Net Receivables from Invested Balances	(9,226,625)	(8,822,692)
Balances in Treasury Trust Fund	(95,273)	(182,653)
Obligated Balance not yet Disbursed	61,700,498	23,705,591
Non-Budgetary FBWT	643,380	608,235
Total	$ 83,384,431	$ 74,589,768

(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, 2024 and 2023, 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, 2024 and 2023, the balance in the imprest fund was $10.

Note 4. Investments, Net

As of September 30, 2024 and 2023, investments consist of the following:

		Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
Intragovernmental Securities:							
Non-Marketable	FY 2024	$ 13,166,439	Straight Line	431,532	2,459	12,737,366	$ 12,737,366
Non-Marketable	FY 2023	$ 12,438,324	Straight Line	289,586	10,545	12,159,283	$ 12,159,283

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, 2024 and 2023, consist of the following:

	2024	2023
Intragovernmental:		
Accounts & Interest Receivable	$ 9,006	$ 8,938
Less: Allowance for Uncollectible Accounts	(902)	(1,252)
Total	**$ 8,104**	**$ 7,686**

	2024	2023
Other Than Intragovernmental:		
Unbilled Accounts Receivable	$ 100,293	$ 110,567
Accounts & Interest Receivable	2,536,158	2,647,893
Less: Allowance for Uncollectible Accounts	(2,200,345)	(2,237,768)
Total	**$ 436,106**	**$ 520,692**

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

Note 6. Inventory and Related Property

Inventory and related property as of September 30, 2024 and 2023, consist of the following:

	2024	2023
Inventory Purchased for Resale	$ 540	$ 626
Total	**$ 540**	**$ 626**

Note 7. Loans Receivable, Net

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

The EPA administers the WIFIA Direct Loans program. In fiscal years 2024 and 2023, the Agency received borrowing authority of $3 billion and $6 billion respectively for the non-subsidy portion of loan proceeds disbursed. For the fiscal years ended September 30, 2024 and 2023, the Agency closed $3 billion and $6 billion in WIFIA loans, respectively.

Interest on the loans is accrued based on the terms of the loan agreement. For the fiscal years ended September 30, 2024 and 2023, the WIFIA program has incurred $45 million and $16 million in administrative expenses, respectively.

(Dollars in Thousands)

Obligated after FY 1991

Direct Loan Program	2024 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	$ 7,639,399	5,028	-	(1,619,012)	$ 6,025,415

Direct Loan Program	2023 Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property/ Allowance for Loan Losses	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans, Net
WIFIA	$ 3,261,931	1,398	-	(861,407)	$ 2,401,922

Total Amount of Direct Loans Disbursed (Post-1991)

Direct Loan Program	2024	2023
WIFIA	$ 4,390,071	$ 1,594,232

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

Direct Loan Program	2024 Interest Differential	Defaults	Fees and Other Collections	Other Subsidy Costs	Total
WIFIA	$ -	-	-	(36,887)	$ (36,887)

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

Modifications and Reestimates

Direct Loan Program	2024 Total Modifications	Interest Rate Reestimates	Technical Reestimates	FAI Reestimates	Total Reestimates
WIFIA	$ -	115,543	730,933	-	$ 846,476

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

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United States Environmental Protection Agency
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Total Direct Loans Subsidy Expense

Direct Loan Program	2024	2023
WIFIA	$ 36,887	$ 8,687

Budget Subsidy Rates for Direct Loans for the Current Year Cohort

Direct Loan Program	2024 Interest Differential	Defaults	Fees and Other Collections	Other Subsidy Costs	Total
WIFIA	0%	0.7%	0%	0%	0.7%

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

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	**2024**	**2023**
Beginning Balance of the Subsidy Allowance	$ (861,407)	$ (392,448)
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Other Subsidy Costs	(36,887)	(8,688)
Reversal of PY subsidy costs	-	3,815
Total of the Above Subsidy Expense Components	**$ (36,887)**	**$ (4,873)**
Adjustments		
Loan Modifications	6,996	-
Subsidy Allowance Amortization	118,762	73,592
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**(772,536)**	**(323,729)**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimates	(115,543)	(76,295)
Technical/Default Reestimates	(730,933)	(461,383)
Total of the Above Reestimate Components	**$ (846,476)**	**$ (537,678)**
Ending Balance of the Subsidy Cost Allowance	**$ (1,619,012)**	**$ (861,407)**

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(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 2024 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.

	2024	2023
Beginning balance of loans receivable, net	**$ 2,401,922**	**$ 1,291,508**
Add loan disbursements	4,390,071	1,594,232
Less principal and interest payments received	(66,859)	(46,601)
Add interest accruals	57,861	32,125
Add fees accrued	25	(384)
Add upward reestimates	(1,397,500)	(687,880)
Less downward reestimates	1,224,876	514,526
Loan modifications	6,996	
Subsidy allowance	(591,977)	(295,604)
Ending balance of loans receivable, net	**$ 6,025,415**	**$ 2,401,922**

Note 8. Accounts Payable

Accounts Payable are current liabilities and consist of the following amounts as of September 30, 2024 and 2023:

	Covered by Budgetary Resources	
	2024	**2023**
Intragovernmental:		
Accounts Payable	$ 302	$ 16
Disbursements in Transit	-	2,905
Total	**$ 302**	**$ 2,921**

	2024	2023
Other Than Intragovernmental:		
Accounts Payable	$ 41,489	$ 53,978
Advances Payable	4	4
Interest Payable	15	24
Disbursements in Transit	18,066	62,228
Total	**$ 59,574**	**$ 116,234**

United States Environmental Protection Agency
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Note 9. Property, Plant and Equipment, Net

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

As of September 30, 2024, PP&E Cost consisted of the following:

	2024						
	EPA-Held Equipment	Software (Production)	Software (Development)	Contractor Held Equipment	Land and Buildings	Capital Leases	Total
Balance, Beginning of Year	**$ 332,249**	**$ 440,896**	**$ 120,546**	**$ 36,305**	**$ 882,114**	**$ 24,485**	**$ 1,836,595**
Additions	17,943	-	16,954	1,587	370	-	36,854
Dispositions	(16,291)	-	-	(1,587)	-	-	(17,878)
Revaluations	164	-	18,370	(19,759)	16,457	181	15,413
Balance, September 30, 2024	**$ 334,065**	**$ 440,896**	**$ 155,870**	**$ 16,546**	**$ 898,941**	**$ 24,666**	**$ 1,870,984**

As of September 30, 2024, PP&E Accumulated Depreciation consisted of the following:

	2024						
	EPA-Held Equipment	Software (Production)	Software (Development)	Contractor Held Equipment	Land and Buildings	Capital Leases	Total
Balance, Beginning of Year	**$ 240,636**	**$ 439,714**	**$ -**	**$ 14,759**	**$ 374,816**	**$ 23,463**	**$ 1,093,388**
Dispositions	(14,508)	-	-	20	-	-	(14,488)
Revaluations	4,088	-	-	(5,011)	(3,742)	(68)	(4,733)
Depreciation Expense	17,297	7	-	221	20,480	817	38,822
Balance, September 30, 2024	**$ 247,513**	**$ 439,721**	**$ -**	**$ 9,989**	**$ 391,554**	**$ 24,212**	**$ 1,112,989**

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As of September 30, 2024, PP&E, Net consisted of the following:

	2024						
	EPA-Held Equipment	Software (Production)	Software (Development)	Contractor Held Equipment	Land and Buildings	Capital Leases	Total
Balance, September 30, 2024	$ 86,552	$ 1,175	$ 155,870	$ 6,557	$ 507,387	$ 454	$ 757,995

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

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

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

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

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(Dollars in Thousands)

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

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

Note 10. Debt

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

The EPA borrows funds from the Bureau of Public Debt right before funds are disbursed to the borrower for the non-subsidy portion of WIFIA loans. As of September 30, 2024 and 2023, the EPA had debt due to Treasury consisting entirely of funds borrowed to finance the non-subsidy portion of the WIFIA Direct Loan Program:

	2023			2024	
	Beginning Balance	Net Borrowing	Ending Balance	Net Borrowing	Ending Balance
Debt to the Treasury	$ 1,557,180	$ 1,396,045	$ 2,953,225	$ 3,928,501	$ 6,881,726

See Note 1 paragraph O for additional information.

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(Dollars in Thousands)

Note 11. Stewardship Property, Plant and Equipment

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

As of September 30, 2024 and 2023, the Agency possessed the following land and land rights:

	2024	2023
Superfund Sites with Easements:		
Beginning Balance	48	47
Additions	2	1
Ending Balance	50	48
Superfund Sites with Land Acquired:		
Beginning Balance	32	33
Additions	2	-
Withdrawals	(1)	(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, 2024 and 2023, custodial liability is approximately $379,168 and $105,995 respectively.

(Dollars in Thousands)

Note 13. Other Liabilities

Other Liabilities consist of the following as of September 30, 2024:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Other Liabilities - Intragovernmental:			
Current			
Employer Contributions & Payroll Taxes	$ 15,592	$ -	$ 15,592
Other Accrued Liabilities	178,429	-	178,429
Non-Current			
Unfunded FECA Liability	-	8,442	8,442
Unfunded Unemployment Liability	-	72	72
Payable to Treasury Judgement Fund	-	22,000	22,000
Total Intragovernmental	**$ 194,021**	**$ 30,514**	**$ 224,535**
Other Liabilities - Other Than Intragovernmental:			
Current			
Liability for Deposit Funds, Other Than Intragovernmental	$ 907	$ 4,133	$ 5,040
Other Accrued Liabilities	144,687	-	144,687
Grant Liabilities	572,391	-	572,391
Accrued Funded Payroll and Benefits	49,821	-	49,821
Capital Lease Liabilities	-	310	310
Direct Loans Subsidy Liability	-	1,169	1,169
Liability for Clearing Accounts	-	1,238	1,238
Total Other Than Intragovernmental	**$ 767,806**	**$ 6,850**	**$ 774,656**

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(Dollars in Thousands)

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

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

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, 2024 and 2023, are as follows:

Capital Leases:

	2024	2023
Summary of Assets Under Capital Lease:		
Real Property	$ 24,666	$ 24,485
Total	**24,666**	**24,485**
Accumulated Amortization	$ 24,212	$ 23,464

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(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**
2025	$ 335
Total Future Minimum Lease Payments	**335**
Less: Imputed Interest	(25)
Net Capital Lease Liability	**310**
Liabilities not Covered by Budgetary Resources	$ **310**

Note 15. Advances from Others and Deferred Revenue

As of September 30, 2024 Advances from Others and Deferred Revenue consist of the following:

	2024	**2023**
Other Than Intragovernmental:		
Cashout Advances, Superfund	$ 3,394,211	$ 3,544,466
Unearned Advances	162,729	131,740
Total	$ **3,556,940**	$ **3,676,206**

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

(Dollars in Thousands)

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, 2024, there were no accrued liabilities for commitments and potential loss contingencies. As of September 30, 2023, there were no accrued liabilities for commitments and potential loss contingencies.

	Accrued Liabilities	Estimated Range of Loss-Lower End	Estimated Range of Loss-Upper End
FY 2024			
Legal Contingencies:			
Reasonably Possible	$ -	$ 8,065	$ 8,065
FY 2023			
Legal Contingencies:			
Reasonably Possible	$ -	$ 7,522	$ 7,522

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, 2024, legal claims exist for a claim made by an Environmental Restoration contractor for settlement costs of approximately $2.6 million for the amount resolved through settlement with the Navajo Nation, and an additional claim made by an Environmental Restoration contractor for settlement costs in the amount of approximately $2.7 million for the amount resolved through settlement with the state of New Mexico. The likelihood of an unfavorable outcome for EPA in these two matters is reasonably possible, but not probable.

B. Flint, Michigan

The EPA has received claims from over 9,400 individuals under the Federal Tort Claims Act for alleged personal injuries and property damage caused by the EPA's alleged negligence related to the water health crisis in Flint, Michigan. There is currently no estimated loss amount related to the water health crisis; the chance of an unfavorable outcome for EPA is only reasonably possible, 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, 2024, there are two cases related to Superfund; both are considered to have a reasonably possible likelihood of an unfavorable outcome for EPA. The first is **August Mack Environmental, Inc. v. EPA** for $2.7 million. 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 then 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.

The second case related to Superfund is **Prudent Technologies, Inc. v. The United States,** a Contracts Dispute Act case on a Superfund contract for remediation of residential yards. There is currently no estimated loss amount related to this case; the chance of an unfavorable outcome for EPA is only reasonably possible, not probable.

D. Environmental Liabilities

As of September 30, 2024, there are no cases pending against the EPA that are reported under Environmental Liabilities for which the likelihood of an unfavorable outcome for EPA has been determined to be either probable or reasonably possible.

E. Other Pending Cases

As of September 30, 2024, several legal claims exist for which the potential loss could not be determined; all have a reasonably possible likelihood of an unfavorable outcome for EPA.

- **United Affiliates Corp., et al. v. United States** – Claim involves an alleged taking of property for which plaintiff is seeking just compensation under the 5th Amendment. It arises from EPA's withdrawal of certification for certain disposal sites of mining waste.

- **Alaska v. United States -** Alaska is seeking damages regarding allegations that EPA's 2023 Final Determination issued under the Clean Water Act Section 404(c) regarding the Pebble Deposit in Alaska constitutes a breach of contract and breach of covenant of good faith.

- **Northern Dynasty Minerals, Ltd., Pebble Limited Partnership, Pebble West Claims Corp., and Pebble East Claims Corp. v. United States** - Plaintiffs (collectively, "PLP") allege that EPA's 2023 Final Determination issued under the Clean Water Act Section 404(c) regarding the Pebble Deposit constitutes a categorical taking, or in the alternative, an ad hoc permanent taking, because it blocks any economically viable use of PLP's mineral rights. The complaint also alleges that the action constitutes a temporary taking even if it were to be withdrawn or vacated. The government plans to file a motion to dismiss.

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. EPA has a $22 million liability to the Treasury Judgment Fund for a payment made by the fund to settle a contract dispute claim.

G. Other Commitments

EPA has a commitment to fund the U.S. Government's payment to the Commission of the North American Agreement on Environmental Cooperation between the Government of Canada, the Government of the United Mexican States, and the Government of the United States of America (commonly referred to as CEC). According to the terms of the agreement, each government pays an equal share to cover the operating costs of the CEC. EPA paid $3 million in FY 2024, and $3 million in FY 2023 to the CEC.

EPA has a legal commitment under a noncancelable agreement, subject to the availability of funds, with the United Nations Environmental Program (UNEP). This agreement enables EPA to provide funding to the Multilateral Fund for the Implementation of the Montreal Protocol. EPA made payments totaling $8 million in FY 2024, and $8 million in the FY 2023.

United States Environmental Protection Agency
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Note 17. Funds from Dedicated Collections

Balance Sheet as of September 30, 2024	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 Assets							
Fund Balance with Treasury	$ 637,122	$ 23,778	$ 293,386	$ 125,979	$ 1,080,265	$ (266,839)	$ 813,426
Investments, Net	-	1,577,996	11,159,370	-	12,737,366	-	12,737,366
Accounts Receivable, Net	-	82,561	9,384,997	203	9,467,761	(9,465,715)	2,046
Advances and Prepayments	-	97	14,779	941	15,817	-	15,817
Total Intragovernmental Assets	**637,122**	**1,684,432**	**20,852,532**	**127,123**	**23,301,209**	**(9,732,554)**	**13,568,655**
Other Than Intragovernmental Assets							
Accounts Receivable, Net	-	-	298,398	2,235	300,633	-	300,633
Loans Receivable, Net	-	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	-	33	50,292	22,368	72,693	-	72,693
Advances and Prepayments	-	-	727	-	727	-	727
Total Other Than Intragovernmental Assets	**-**	**33**	**349,417**	**24,603**	**374,053**	**-**	**374,053**
Total Assets	**$ 637,122**	**$ 1,684,465**	**$ 21,201,949**	**$ 151,726**	**$ 23,675,262**	**$ (9,732,554)**	**$ 13,942,708**
Intragovernmental Liabilities							
Accounts Payable	$ -	$ 82,563	$ 9,169,950	$ -	$ 9,252,513	$ (9,226,625)	$ 25,888
Debt	-	-	-	-	-	-	-
Advances from Others and Deferred Revenue	-	-	129,470	2,738	132,208	-	132,208
Liability to the General Fund for Custodial Assets	-	-	22,362	-	22,362	-	22,362
Other Liabilities	-	186	59,420	3,573	63,179	-	63,179
Total Intragovernmental Liabilities	**-**	**82,749**	**9,381,202**	**6,311**	**9,470,262**	**(9,226,625)**	**243,637**
Other Than Intragovernmental Liabilities							
Accounts Payable	-	-	22,290	1,421	23,711	-	23,711
Federal Employee Salary, Leave and Benefits Payable	-	17	1,077	107	1,201	-	1,201
Pension and Post-Employment Benefits Payable	-	-	7,257	-	7,257	-	7,257
Advances from Others and Deferred Revenue	-	-	53,555	42,170	95,725	-	95,725
Deferred Revenue	-	-	3,394,211	-	3,394,211	-	3,394,211
Other Liabilities	-	6,414	86,783	3,719	96,916	-	96,916
Total Other Than Intragovernmental Liabilities	**-**	**6,431**	**3,565,173**	**47,417**	**3,619,021**	**-**	**3,619,021**
Total Liabilities	**$ -**	**$ 89,180**	**$ 12,946,375**	**$ 53,728**	**$ 13,089,283**	**$ (9,226,625)**	**$ 3,862,658**
Unexpended Appropriations	$ -	$ -	$ -	$ 61	$ 61	$ -	$ 61
Cumulative Results of Operations	637,122	1,595,285	8,255,574	97,937	10,585,918	(505,929)	10,079,989
Total Liabilities and Net Position	**$ 637,122**	**$ 1,684,465**	**$ 21,201,949**	**$ 151,726**	**$ 23,675,262**	**$ (9,732,554)**	**$ 13,942,708**

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United States Environmental Protection Agency
Notes to the Financial Statements
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Statement of Net Cost as of September 30, 2024	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	$ -	$ 90,953	$ 2,020,971	$ 109,168	$ 2,221,092	$ -	$ 2,221,092
Less: Earned Revenues	(232)	-	596,641	101,072	697,481	(266,268)	431,213
Net Costs of Operations	**$ 232**	**$ 90,953**	**$ 1,424,330**	**$ 8,096**	**$ 1,523,611**	**$ 266,268**	**$ 1,789,879**
Statement of Changes in Net Position as of September 30, 2024							
Unexpended Appropriations							
Beginning Balance	$ -	$ -	$ -	$ 281	$ 281	$ -	$ 281
Other Adjustments	-	-	-	(144)	(144)	-	(144)
Appropriations Used	-	-	-	(76)	(76)	-	(76)
Total Unexpended Appropriations	**$ -**	**$ -**	**$ -**	**$ 61**	**$ 61**	**$ -**	**$ 61**
Cumulative Results of Operations							
Beginning Balance	$ 604,057	$ 1,399,561	$ 7,458,740	$ 86,624	$ 9,548,982	$ (239,089)	$ 9,309,893
Appropriations Used	-	-	-	76	76	-	76
Excise tax & customs	-	208,371	1,405,389	-	1,613,760	-	1,613,760
Misc. taxes & receipts	33,297	78,008	526,059	1,492	638,856	(572)	638,284
Total Other Than Intragovernmental Non-Exchange Revenue	33,297	286,379	1,931,448	1,492	2,252,616	(572)	2,252,044
Transfers-In/(Out) Without Reimbursement	-	-	241,387	17,787	259,174	-	259,174
Imputed Financing	-	298	48,329	54	48,681	-	48,681
Net Cost of Operations	(232)	(90,953)	(1,424,330)	(8,096)	(1,523,611)	(266,268)	(1,789,879)
Net Change in Cumulative Results of Operations	33,065	195,724	796,834	11,313	1,036,936	(266,840)	770,096
Cumulative Results of Operations: Ending	**637,122**	**1,595,285**	**8,255,574**	**97,937**	**10,585,918**	**(505,929)**	**10,079,989**
Net Position, End of Period	**$ 637,122**	**$ 1,595,285**	**$ 8,255,574**	**$ 97,998**	**$ 10,585,979**	**$ (505,929)**	**$ 10,080,050**

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United States Environmental Protection Agency
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Balance Sheet as of September 30, 2023	Environmental Services	LUST	Superfund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections Combined	Eliminations between Dedicated Collections Funds	Total Funds from Dedicated Collections Consolidated
Intragovernmental Assets							
Fund Balance with Treasury	$ 604,057	$ 20,603	$ 182,369	$ 118,170	$ 925,199	$ (239,068)	$ 686,131
Investments, Net	-	1,385,748	10,773,535	-	12,159,283	-	12,159,283
Accounts Receivable, Net	-	91,438	8,732,394	240	8,824,072	(8,822,713)	1,359
Advances and Prepayments	-	81	11,922	885	12,888	-	12,888
Total Intragovernmental Assets	**604,057**	**1,497,870**	**19,700,220**	**119,295**	**21,921,442**	**(9,061,781)**	**12,859,661**
Other Than Intragovernmental Assets							
Accounts Receivable, Net	-	1	422,288	2,695	424,984	-	424,984
Loans Receivable, Net	-	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	-	46	40,360	20,721	61,127	-	61,127
Advances and Prepayments	-	-	722	-	722	-	722
Total Other Than Intragovernmental Assets	**-**	**47**	**463,370**	**23,416**	**486,833**	**-**	**486,833**
Total Assets	**$ 604,057**	**$ 1,497,917**	**$ 20,163,590**	**$ 142,711**	**$ 22,408,275**	**$ (9,061,781)**	**$ 13,346,494**
Intragovernmental Liabilities							
Accounts Payable	$ -	$ 91,439	$ 8,761,203	$ -	$ 8,852,642	$ (8,822,692)	$ 29,950
Debt	-	-	-	-	-	-	-
Advances from Others and Deferred Revenue	-	-	155,870	4,473	160,343	-	160,343
Liability to the General Fund for Custodial Assets	-	-	22,362	-	22,362	-	22,362
Other Liabilities	-	124	49,812	1,642	51,578	-	51,578
Total Intragovernmental Liabilities	**-**	**91,563**	**8,989,247**	**6,115**	**9,086,925**	**(8,822,692)**	**264,233**
Other Than Intragovernmental Liabilities							
Accounts Payable	-	66	31,758	1,491	33,315	-	33,315
Federal Employee Salary, Leave and Benefits Payable	-	12	792	91	895	-	895
Pension and Post-Employment Benefits Payable	-	-	7,974	-	7,974	-	7,974
Advances from Others and Deferred Revenue	-	-	52,393	44,276	96,669	-	96,669
Deferred Revenue	-	-	3,544,465	-	3,544,465	-	3,544,465
Other Liabilities	-	6,715	78,221	3,833	88,769	-	88,769
Total Other Than Intragovernmental Liabilities	**-**	**6,793**	**3,715,603**	**49,691**	**3,772,087**	**-**	**3,772,087**
Total Liabilities	**$ -**	**$ 98,356**	**$ 12,704,850**	**$ 55,806**	**$ 12,859,012**	**$ (8,822,692)**	**$ 4,036,320**
Unexpended Appropriations	$ -	$ -	$ -	$ 281	$ 281	$ -	$ 281
Cumulative Results of Operations	604,057	1,399,561	7,458,740	86,624	9,548,982	(239,089)	9,309,893
Total Liabilities and Net Position	**$ 604,057**	**$ 1,497,917**	**$ 20,163,590**	**$ 142,711**	**$ 22,408,275**	**$ (9,061,781)**	**$ 13,346,494**

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United States Environmental Protection Agency
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(Dollars in Thousands)

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

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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, 2027, for the expedited processing of certain registration petitions and the associated establishment of tolerances for pesticides to be used in or on food and animal feed. Fees covering these activities, as authorized under the FIFRA Amendments of 1988, are to be paid by industry and deposited into this fund group.

iii. Reregistration and Expedited Processing Fund:

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

iv. Tolerance Revolving Fund:

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

v. Hazardous Waste Electronic Manifest System:

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

Note 18. Environmental and Disposal Liabilities

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

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

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

The EPA has 27 sites for which it is responsible for cleanup 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) Cleanup 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 cleanup 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 cleanup cost as a liability and record changes to the estimate in subsequent years.

As of September 30, 2024, the EPA has no sites that require cleanup stemming from its activities.

The EPA has 27 sites for which it is required to fund the environmental cleanup. As of September 30, 2024, the estimated costs for site cleanup were $43 million unfunded, and $292 thousand funded. For September 30, 2023 the estimated cost for site cleanup was $37 million unfunded, with $100 thousand funded. Since the cleanup costs associated with permanent closure were not primarily recovered through user fees, the EPA has elected to recognize the estimated total cleanup cost as a liability and record changes to the estimate in subsequent years.

In FY 2024, the estimate for unfunded cleanup cost increased by $6 million from the FY 2023 estimate. This is primarily due to increased estimates of future lab cleanup actions.

Note 19. State Credits

Authorizing statutory language for Superfund and related Federal regulations requires states to enter into Superfund State Contracts (SSC) when the EPA assumes the lead for remedial actions in their states. The SSC defines the states' role in the remedial action and obtains the states' assurance that they will share in the cost of the remedial actions. 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, 2024 and 2023, the total remaining state credits have been estimated at $22 million and $18 million, respectively.

Note 20. Preauthorized Mixed Funding Agreements

Under Superfund preauthorized mixed funding agreements, PRPs agree to perform response actions at their sites with the understanding that the EPA will reimburse them a certain percentage of their total response action costs. The EPA's authority to enter into mixed funding agreements is provided under CERCLA Section 111(a) (2). Under CERCLA Section 122(b)(1), as amended by SARA, PRPs may assert claims against the Superfund Trust Fund for portions of the costs they incurred while conducting a preauthorized response action agreed to under a mixed funding agreement. As of September 30, 2024, the EPA had three outstanding preauthorized mixed funding agreements with obligations totaling $12 million. As of September 30, 2023, the EPA had three outstanding preauthorized mixed funding agreements with obligations totaling $13 million. A liability is not recognized for these amounts until all work has been performed by the PRPs and has been approved by the EPA for payment. Further, the EPA will not disburse any funds under these agreements until the PRPs' application, claim and claims adjustment processes have been reviewed and approved by the EPA.

(Dollars in Thousands)

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. EPA's mission requires it to collect nonexchange revenue for Cellulose Biofuel Waiver Credits from the public. The custodial collections do not affect EPA's net cost or net position. Instead, the collections are transferred to Treasury where the impact on financial statements is shown.

	2024	2023
For the Fiscal Years Ended September 30, 2024 and 2023		
Fines, Penalties and Other Miscellaneous Receipts	$ 143,956	$ 89,665

As of September 30, 2024 and 2023	2024	2023
Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts:		
Accounts Receivable	$ 241,015	$ 200,312
Less: Allowance for Uncollectible Accounts	(131,237)	(134,259)
Total	$ 109,778	$ 66,053

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Note 22. Statement of Budgetary Resources

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

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

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

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

• **Distributed offsetting receipts**: Amounts that an agency collects from the public or from other U.S. Government agencies that are used to offset or reduce an agency's budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts).

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

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

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

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

Budgetary resources, obligations incurred and outlays, as presented in the audited FY 2023 Statement of Budgetary Resources, are reconciled to the amounts included in the FY 2023 Budget of the United States Government. Differences between the FY 2023 Statement of Budgetary Resources and the FY 2023 Budget of the United States Government are due to the reporting of expired funds in the Statement of Budgetary Resources. The Budget of the United States Government with actual numbers for FY 2024 has not yet been published. We expect it will be published by early 2025, and it will be available on the Office of Management and Budget website at https://www.whitehouse.gov/.

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The actual amounts published for the year ended September 30, 2023 are listed immediately below (dollars in millions):

FY 2023	Budgetary Resources	Obligations	Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 86,183	$ 26,911	$ 1,569	$ 15,535
Reported in the Budget of the U.S. Government	$ 86,068	$ 26,878	$ 1,569	$ 15,533

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, 2024 and 2023:

	2024	2023
Unobligated Balance Brought Forward, Oct 1.	$ 59,272,345	$ 56,975,250
Adjustments to Budgetary Resources Made During the Current Year		
Downward Adjustments of Prior Year Undelivered Orders	858,827	331,528
Downward Adjustments of Prior Year Delivered Orders	14,081	13,047
Permanent Reduction Prior Year Balances	(1,500)	(13,300)
Upward Adjustments of Prior Year Delivered Orders	(197,861)	-
Other Adjustments	(20,023)	(24,159)
Total	**653,524**	**307,116**
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	$ 59,925,869	$ 57,282,366
Temporarily Not Available - Rescinded Authority	$ (16,382)	$ (8,942)
Permanently Not Available:		
Rescinded Authority	$ -	$ -
Cancelled Authority	(20,369)	(21,196)
Total Permanently Not Available	$ (20,369)	$ (21,196)

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, 2024 and 2023:

	2024	2023
Unexpired Unobligated Balance	$ 30,229,727	$ 59,167,562
Expired Unobligated Balance	116,343	104,783
Total	$ 30,346,070	$ 59,272,345

(Dollars in Thousands)

Budgetary resources obligated for undelivered orders as of September 30, 2024 and 2023:

	2024	2023
Intragovernmental:		
Unpaid Undelivered Orders	$ 2,323,555	$ 1,982,774
Paid Undelivered Orders	2,133,603	1,643,300
Other Than Intragovernmental:		
Unpaid Undelivered Orders	71,719,199	36,792,410
Paid Undelivered Orders	99,155	8,275
Total	$ 76,275,512	$ 40,426,759

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, 2024 and 2023, the following receipts were generated from these activities:

	2024	2023
Trust Fund Recoveries	$ 266,268	$ 238,365
Special Fund Services	56,023	55,443
Trust Fund Appropriation	282,699	1,218,809
Miscellaneous Receipt and Clearing Accounts	96,242	56,319
Total	$ 701,232	$ 1,568,936

Note 23. Imputed Financing

In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, Federal agencies must recognize the portion of employees' pensions and other retirement benefits to be paid by the OPM trust funds. These amounts are recorded as imputed costs and imputed financing for each Agency. Each year the OPM provides Federal agencies with cost factors to calculate these imputed costs and financing that apply to the current year. These cost factors are multiplied by the current year's salaries or number of employees, as applicable, to provide an estimate of the imputed financing that the OPM trust funds will provide for each Agency. In FY 2023, the Agency began recording OPM amounts quarterly; previously it was recorded annually. The estimates for FY 2024 are $252 million. For FY 2023, the estimates were $196 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 2024 total imputed costs were $37 million.

(Dollars in Thousands)

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 2024, entries for Judgment Fund payments totaled $4 million. For FY 2023, entries for Judgment Fund payments totaled $9 million.

Note 24. Federal Employee Benefits Payable

Payroll and benefits payable to the EPA employees for the fiscal years ending September 30, 2024 and 2023, consist of the following:

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
FY 2024 Federal Employee Salary, Leave and Benefits Payable			
Employer Contributions Payable - Thrift Savings Plan	$ 1,373	$ -	$ 1,373
Accrued Unfunded Annual Leave	-	185,381	185,381
Total Benefits Payable	**1,373**	**185,381**	**186,754**
FY 2024 Pension and Post-Employment Benefits Payable			
Actuarial FECA Liability	-	40,359	40,359
Total Benefits Payable	**$ -**	**$ 40,359**	**$ 40,359**

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
FY 2023 Federal Employee Salary, Leave and Benefits Payable			
Employer Contributions Payable - Thrift Savings Plan	$ 1,003	$ -	$ 1,003
Accrued Unfunded Annual Leave	-	184,396	184,396
Total Benefits Payable	**1,003**	**184,396**	**185,399**
FY 2023 Pension and Post-Employment Benefits Payable			
Actuarial FECA Liability	-	44,349	44,349
Total Benefits Payable	**$ -**	**$ 44,349**	**$ 44,349**

(Dollars in Thousands)

FECA (Federal Employees' Compensation Act) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Annually, the EPA allocates the portion of the long-term FECA actuarial liability attributable to the entity. The liability is calculated to estimate the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability amounts and the calculation methodologies are provided by the Department of Labor. The FY 2024 present value of these estimated outflows is calculated using a discount rate of 2.648 percent in the first year for wage benefits and 2.399 percent in the first year for medical benefits, and 2.648 percent in the years thereafter for wage benefits and 2.399 percent in the years thereafter for medical benefits. The estimated future costs are recorded as an unfunded liability.

See Note 1 paragraph P for additional information.

Note 25. Non-Exchange Revenue, Statement of Changes in Net Position

Non-Exchange Revenue on the Statement of Changes in Net Position for the fiscal years ended September 30, 2024 and 2023:

	2024		2023	
	Funds from Dedicated Collections	All Other Funds	Funds from Dedicated Collections	All Other Funds
Interest on Trust Fund	$ 600,102	$ -	$ 437,679	$ -
Tax Revenue, Net of Refunds	1,613,759	-	1,410,243	-
Fines and Penalties Revenue	4,886	-	1,043	-
Special Receipt Fund Revenue	33,297	-	31,830	-
Total Nonexchange Revenue	**$ 2,252,044**	**$ -**	**$ 1,880,795**	**$ -**

(Dollars in Thousands)

Note 26. Reconciliation of Net Cost of Operations to Net Outlays (Restated)

For the Fiscal Year Ended September 30, 2024:	Intra-governmental	Other Than Intra-governmental	Total FY24
NET COST	$ 2,785,977	$ 11,515,910	$ 14,301,887
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	(36,153)	(36,153)
Inventory Depletion Expense	-	(480)	(480)
Property, Plant and Equipment Disposal & Revaluation	-	(3,826)	(3,826)
Applied Overhead/Cost Capitalization Offset	-	63,796	63,796
Gains/Losses on All Other Investments	-	(6,995)	(6,995)
Increase/(Decrease) in Assets:			
Accounts Receivable	418	(84,587)	(84,169)
Loans Receivable	3,629	3,619,863	3,623,492
Investments	(83,045)	-	(83,045)
Other Assets	449,708	(271,397)	178,311
(Increase)/Decrease in Liabilities:			
Accounts Payable and Accrued Liabilities	(10,610)	59,567	48,957
Loans Guarantee Liability (Non-FCRA)/Loans Payable	(3,928,500)	-	(3,928,500)
Environmental and Disposal Liabilities	-	(5,452)	(5,452)
Federal Employee Salary, Leave and Benefits Payable	-	(1,355)	(1,355)
Post Employment Benefits Payable	-	3,990	3,990
Other Liabilities	23,833	(32,738)	(8,905)
Other Financing Sources:			
Other Imputed Financing	(293,666)	-	(293,666)
Total Components of Net Cost That Are Not Part of Net Outlays	(1,052,256)	14,820,143	13,767,887
Components of Net Outlays That Are Not Part of Net Cost:			
Effect of Prior Year Agencies Credit Reform Subsidy Reestimates	-	(238,648)	(238,648)
Acquisition of Inventory	115	27	142
Acquisition of Investments	-	661,128	661,128
Other Financing Sources:			
Transfer Out (In) Without Reimbursement	(20,539)	-	(20,539)
Total Components of Budget Outlays That Are Not Part of Net Operating Cost	(20,424)	422,507	402,083
Miscellaneous Items			
Distributed Offsetting Receipts	(701,232)	-	(701,232)
Non-Entity Activity	24,931	-	24,931
Appropriated Receipts for Trust Fund/Special Funds	18,789	-	18,789
Other Temporary Timing Differences	-	**(11,091)**	**(11,091)**
NET OUTLAYS	$ (1,730,192)	$ 15,231,559	$ 13,501,367

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For the Fiscal Year Ended September 30, 2023:	**Intra-governmental**	**Other Than Intra-governmental**	**Total FY23**
NET COST (Restated)	**$ 2,194,312**	**$ 9,402,857**	**$ 11,597,169**
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant and Equipment Depreciation	-	(44,010)	(44,010)
Inventory Depreciation Expense	-	(260)	(260)
Property, Plant and Equipment Disposal & Revaluation	-	(1,244)	(1,244)
Applied Overhead/Cost Capitalization Offset	-	(57,677)	(57,677)
Increase/(Decrease) in Assets:			
Accounts Receivable	1,939	(27,803)	(25,864)
Loans Receivable	(600)	1,579,973	1,579,373
Investments	95,214	-	95,214
Other Assets (Restated)	1,307,749	370,788	1,678,537
(Increase)/Decrease in Liabilities:			
Accounts Payable and Accrued Liabilities	(100,205)	(53,320)	(153,525)
Loans Guarantee Liability (Non-FCRA)/Loans Payable	(1,396,046)	-	(1,396,046)
Environmental and Disposal Liabilities	-	(5,201)	(5,201)
Federal Employee Salary, Leave and Benefits Payable	-	(5,962)	(5,962)
Other Liabilities	16,974	(35,834)	(18,860)
Other Financing Sources:			
Other Imputed Financing	(241,657)	-	(241,657)
Total Components of Net Cost That Are Not Part of Net Outlays	1,877,680	11,122,307	12,999,987
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Inventory	122	220	342
Acquisition of Other Assets	-	1,766,289	1,766,289
Other	-	(452,123)	(452,123)
Other Financing Sources:			
Transfer Out (In) Without Reimbursement	(20,033)	-	(20,033)
Total Components of Budget Outlays That Are Not Part of Net Operating Cost	(19,911)	1,314,386	1,294,475
Miscellaneous Items			
Distributed Offsetting Receipts	(1,568,936)	-	(1,568,936)
Custodial/Non-Exchange Revenue	(181,970)	46,522	(135,448)
Other Temporary Timing Differences	-	**(3,830)**	**(3,830)**
NET OUTLAYS	$ 106,863	$ 12,479,385	$ 12,586,248

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(Dollars in Thousands)

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.

Note 27. Amounts Held by Treasury

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

A. Superfund

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

The following reflects the Superfund Trust Fund maintained by Treasury as of September 30, 2024 and 2023. The amounts contained in these notes have been provided by Treasury. As indicated, a portion of the outlays represent amounts received by the EPA's Superfund Trust Fund; such funds are eliminated on consolidation with the Superfund Trust Fund maintained by Treasury.

In FY 2024, the EPA received an appropriation of $283 million 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, 2024 and 2023, the Treasury Trust Fund has a liability to the EPA for previously appropriated funds and special accounts of $9 billion and $9 billion, respectively.

SUPERFUND FY 2024	**EPA**	**Treasury**	**Combined**
Undistributed Balances			
Uninvested Fund Balance	$ -	$ (97,325)	$ (97,325)
Total Undistributed Balance	-	(97,325)	(97,325)
Interest Receivable	-	2,145	2,145
Investments, Net	9,144,062	2,013,163	11,157,225
Total - Assets	**$ 9,144,062**	**$ 1,917,983**	**$ 11,062,045**
Liabilities and Equity			
Equity	$ 9,144,062	$ 1,917,983	$ 11,062,045
Total Liabilities and Equity	**$ 9,144,062**	**$ 1,917,983**	**$ 11,062,045**

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Receipts			
Chemicals	-	550,555	550,555
Imported Petroleum Product- Superfund Tax	-	224,341	224,341
Petroleum- Domestic Superfund Tax	-	554,042	554,042
Imported Chemical Substances	-	76,450	76,450
Cost Recoveries	$ -	$ 266,268	$ 266,268
Fines and Penalties	-	572	572
Total Revenue	-	1,672,228	1,672,228
Appropriations Received	-	282,699	282,699
Interest Income	-	520,602	520,602
Total Receipts	$ -	$ 2,475,529	$ 2,475,529
Outlays			
Transfers to/from EPA, Net	$ 2,411,164	$ (2,411,164)	$ -
Total Outlays	$ 2,411,164	$ (2,411,164)	$ -
Net Income	$ 2,411,164	$ 64,365	$ 2,475,529

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

(Dollars in Thousands)

B. LUST

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FY 2024 and 2023, 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 2024	EPA	Treasury	Combined
Undistributed Balances			
Uninvested Fund Balance	$ -	$ 2,052	$ 2,052
Total Undistributed Balance	-	2,052	2,052
Interest Receivable	-	314	314
Investments, Net	82,563	1,495,119	1,577,682
Total - Assets	**$ 82,563**	**$ 1,497,485**	**$ 1,580,048**
Liabilities and Equity			
Equity	$ 82,563	$ 1,497,485	$ 1,580,048
Total Liabilities and Equity	**$ 82,563**	**$ 1,497,485**	**$ 1,580,048**
Receipts			
Highway TF Tax	$ -	$ 199,701	$ 199,701
Airport TF Tax	-	8,640	8,640
Inland TF Tax	-	30	30
Total Revenue	-	208,371	208,371
Interest Income	-	78,008	78,008
Total Receipts	**$ -**	**$ 286,379**	**$ 286,379**
Outlays			
Transfers to/from EPA, Net	$ 89,214	$ (89,214)	$ -
Total Outlays	**$ 89,214**	**$ (89,214)**	**$ -**
Net Income	**$ 89,214**	**$ 197,165**	**$ 286,379**

(Dollars in Thousands)

LUST FY 2023	EPA	Treasury	Combined
Undistributed Balances			
Uninvested Fund Balance	$ -	$ 6,010	$ 6,010
Total Undistributed Balance	-	6,010	6,010
Interest Receivable	-	1,364	1,364
Investments, Net	91,439	1,292,945	1,384,384
Total - Assets	**$ 91,439**	**$ 1,300,319**	**$ 1,391,758**
Liabilities and Equity			
Equity	$ 91,439	$ 1,300,319	$ 1,391,758
Total Liabilities and Equity	**$ 91,439**	**$ 1,300,319**	**$ 1,391,758**
Receipts			
Highway TF Tax	$ -	$ 192,656	$ 192,656
Airport TF Tax	-	11,800	11,800
Inland TF Tax	-	919	919
Total Revenue	-	205,375	205,375
Interest Income	-	48,792	48,792
Total Receipts	$ -	$ 254,167	$ 254,167
Outlays			
Transfers to/from EPA, Net	$ 94,205	$ (94,205)	$ -
Total Outlays	**$ 94,205**	**$ (94,205)**	**$ -**
Net Income	**$ 94,205**	**$ 159,962**	**$ 254,167**

Note 28. 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 2023 *Financial Report* can be found here: Bureau of the Fiscal Service - Reports, Statements & Publications (treasury.gov) and a copy of the 2024 *Financial Report* will be posted to this site as soon as it is released.

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

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

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Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost For the Year Ended September 30, 2024							
FY 2024 EPA SNC		Line Items Used to Prepare the FY 2024 Government-wide SNC					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other than Dedicated Collections (with Eliminations)**	**Eliminations Between Dedicated & Other than Dedicated**	**Total**	**Reclassified Statement Line**
Gross Costs	$ 15,099,758						***Other Than Intragovernmental Costs***
	-	1,541,282	-	11,129,007	-	12,670,289	Other Than Intragovernmental Gross Costs
	-	1,541,282	-	11,129,007	-	12,670,289	***Total Other Than Intragovernmental Costs***
							Intragovernmental Costs
	-	108,744	-	431,210	-	539,954	Benefits Program Costs
	-	3,529	-	252,950	-	256,479	Imputed Costs
	-	567,537	-	791,354	-	1,358,891	Buy/Sell Costs
	-	-	-	115	-	115	Purchase of Assets
	-	-	-	235,692	-	235,692	Borrowing and Other Interest Expense
	-	-	-	986	-	986	Other Expenses (w/o Reciprocals)
	-	679,810	-	1,712,307	-	2,392,117	***Total Intragovernmental Costs***
Total Gross Costs	$ 15,099,758	$ 2,221,092	$ -	$ 12,841,314	$ -	$ 15,062,406	***Total Reclassified Gross Costs***
Earned Revenue	$ 797,871	$ (390,242)	$ 266,268	$ (396,895)	$ -	$ (520,869)	Other Than Intragovernmental Earned Revenue
							Intragovernmental Revenue
	-	(40,971)	-	(119,340)	-	(160,311)	Buy/Sell Revenue
	-	-	-	(115)	-	(115)	Purchase of Assets Offset
	-	(40,971)	-	(119,455)	-	(160,426)	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	$ 797,871	$ (431,213)	$ 266,268	$ (516,350)	$ -	$ (681,295)	***Total Reclassified Earned Revenue***
NET COST	**$ 14,301,887**	**$ 1,789,879**	**$ 266,268**	**$ 12,324,964**	**$ -**	**$ 14,381,111**	**NET COST**

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Reclassification of Statement on Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ended September 30, 2024							
FY 2024 EPA SCNP		Line Items Used to Prepare the FY 2024 Government-wide SCNP					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated and Other**	**Total**	**Reclassified Statement Line**
UNEXPENDED APPROPRIATIONS							**UNEXPENDED APPROPRIATIONS**
Unexpended appropriations, Beginning Balance	281	9,310,040	-	74,578,772	-	83,888,812	Net Position, Beginning of Period
Corrections of Errors	-	-	-	369,722	-	369,722	Corrections of Errors
Total Correction of Errors	-	-	-	369,722	-	369,722	***Total Correction of Errors***
Other Adjustments	(144)	144	-	20,941,634	-	20,941,778	Appropriations Received as Adjusted (Rescissions and Other Adjustments)
Appropriations Used	(76)	(76)	-	(12,217,576)	-	(12,217,652)	Appropriations Used
Total Unexpended Appropriations	**61**						
CUMUL. RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	9,309,893	-	-	-	-	-	
Appropriations Used	76	(76)	-	12,217,728	-	12,217,652	Appropriations Expended
Nonexchange Revenue - Securities Investment	-	-	-	-	-	-	Nonexchange Revenue - Securities Investment
Nonexchange Revenue							**Federal Non-Exchange Revenues**
	-	1,613,759	-	(1,613,759)	-	-	Excise Taxes
	-	638,285	(572)	(590,630)	-	47,083	Other Taxes and Receipts
	-	2,252,044	(572)	(2,204,389)	-	47,083	**Total Federal Non-Exchange Revenues**
							Non-Federal Non-Exchange Revenues
	-	-	-	600,102	-	600,102	Federal Securities Interest Revenue Including Associated Gains and Losses
	-	-	-	76,020	-	76,020	Borrowings and Other Interest Revenue
	-	-	-	1,613,759	-	1,613,759	Other Taxes and Receipts
	-	-	-	1,737,722	-	1,737,722	Collection Transfers to TAS Other Than General Fund
	2,252,044	-	-	4,027,603	-	4,027,603	**Total Non-Federal Non-Exchange Revenues**
Transfers In/Out w/o Reimbursement-Budgetary	-	22,652	-	(22,652)	-	-	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-in
	-	(22,652)	-	22,652	-	-	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-out
	-	22,334	(2,500,378)	2,500,001	-	21,957	Non-Expenditure Transfers-in of Unexpended Appropriations and Financing Sources
	-	(4,169)	2,500,378	(2,502,925)	-	(6,716)	Non-Expenditure Transfers-out of Unexpended Appropriations and Financing Sources
	-	282,699	-	(282,699)	-	-	Expenditure Transfers-in of Financing Sources

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(Dollars in Thousands)

	-	55,671	-	(56,159)	-	(488)	Expenditure Transfers-out of Financing Sources
Total Transfers In/Out w/o Reimbursement-Budgetary	259,174	356,535	-	(341,782)	-	14,753	*Total Reclassified Transfers In/Out w/o Reimbursement-Budgetary*
Imputed Financing Sources	48,681	(48,681)	-	305,159	-	256,478	Imputed Financing Sources (Federal)
Trust Fund Appropriations	-	-	-	(1,679,944)	-	(1,679,944)	Non-Entity Collections Transferred to the General Fund of the U.S. Gov.
	-	-	-	(272,557)	-	(272,557)	Accrual of Collections Yet to be Trans. to the Gen. Fund
	-	-	-	7	-	7	Other Non-Budgetary Financing Sources
Total Financing Sources	**307,855**	**307,846**	-	**18,952,669**	-	**19,260,515**	
Net Cost of Operations	**(1,789,879)**	**1,789,879**	**266,268**	**12,324,964**	-	**14,381,111**	Net Cost of Operations
Ending Balance - Cumulative Results of Operations	**10,079,989**	-	-	-	-	-	
Total Net Position	**10,080,050**	**10,080,051**	**(266,840)**	**83,399,413**	-	**93,212,624**	**Total Net Position**

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United States Environmental Protection Agency
Notes to the Financial Statements
For the Fiscal Years Ending September 30, 2024 and 2023
(Dollars in Thousands)

Reclassification of Statement on Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ended September 30, 2023 (Restated)							
FY 2023 EPA SCNP		Line Items Used to Prepare the FY 2023 Government-wide SCNP					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated and Other**	**Total**	**Reclassified Statement Line**
UNEXPENDED APPROPRIATIONS							**UNEXPENDED APPROPRIATIONS**
Unexpended Appropriations, Beginning Balance	178	7,744,231	65	62,854,497	-	70,598,793	Net Position, Beginning of Period
Other Adjustments	-	-	-	23,125,476	-	23,125,476	Appropriations Received as Adjusted (Rescissions and Other Adjustments)
Appropriations Used	103	-	-	(11,118,620)	-	(11,118,620)	Appropriations Used
Total Unexpended Appropriations	281						
CUMUL. RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	7,744,123	-	-	-	-	-	
Other Adjustments	-	-	-	-	-	-	Other Budgetary Financing Sources
Appropriations Used	(103)	-	-	11,118,620	-	11,118,620	Appropriations Expended
Nonexchange Revenue - Securities Investment	-	-	-	-	-	-	Nonexchange Revenue - Securities Investment
Nonexchange Revenue							**Federal Non-Exchange Revenues**
	-	1,410,243	-	(1,410,243)	-	-	Excise Taxes
	-	470,552	(703)	(481,880)	-	(12,031)	Other Taxes and Receipts
	-	1,880,795	(703)	(1,892,123)	-	(12,031)	**Total Federal Non-Exchange Revenues**
							Non-Federal Non-Exchange Revenues
	-	-	-	437,680	-	437,680	Federal Securities Interest Revenue Including Associated Gains and Losses
	-	-	-	31,241	-	31,241	Borrowings and Other Interest Revenue
	-	-	-	1,410,243	-	1,410,243	Other Taxes and Receipts
	-	-	-	182,165	-	182,165	Collection Transfers to TAS other Than General Fund
	1,880,795	-	-	2,061,329	-	2,061,329	**Total Non-Federal Non-Exchange Revenues**
Transfers In/Out w/o Reimbursement-Budgetary	-	(23,413)	-	23,413	-	-	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-in
	-	23,413	-	(23,413)	-	-	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-out
	-	23,480	(1,817,476)	1,817,476	-	23,480	Non-Expenditure Transfers-in of Unexpended Appropriations and Financing Sources
	-	(3,551)	1,817,476	(1,815,444)	-	(1,519)	Non-Expenditure Transfers-out of Unexpended Appropriations and Financing Sources

(Dollars in Thousands)

	-	1,218,809	-	(1,218,809)	-	-	Expenditure Transfers-in of Financing Sources
	-	33,225	-	(33,225)	-	-	Expenditure Transfers-out of Financing Sources
	-	-	-	(256)	-	(256)	Transfers-in Without Reimbursement
Total Transfers In/Out w/o Reimbursement-Budgetary	1,195,958	1,271,963	-	(1,250,258)	-	21,705	*Total Reclassified Transfers In/Out w/o Reimbursement-Budgetary*
Imputed Financing Sources	38,002	(38,002)	-	243,002	-	205,000	Imputed Financing Sources (Federal)
Trust Fund Appropriations	-	-	-	(154,427)	-	(154,427)	Non-Entity Collections Transferred to the General Fund of the U.S. Gov.
	-	-	-	390	-	390	Accrual of Collections Yet to be Trans. to the Gen. Fund
	-	-	-	10,233	-	10,233	Other Non-Budgetary Financing Sources
Total Financing Sources	**1,233,960**	**1,233,961**	-	**21,974,416**	-	**23,208,377**	
Net Cost of Operations	**(1,548,882)**	**1,548,882**	**238,365**	**10,181,097**	-	**11,968,344**	Net Cost of Operations
Ending Balance - Cumulative Results of Operations	**9,309,893**	-	-	-	-	-	
Total Net Position	**9,310,174**	**9,310,105**	**(239,003)**	**74,817,022**	-	**83,888,124**	**Total Net Position**

Note 29. Restatements

During an internal review, EPA identified $370 million in expenses that should have been reported on its financial statements as advances. EPA is restating its FY 2023 consolidated financial statements to reclassify these prior year prepaid assets. This change impacted the FY 2023 Balance Sheet, Statement of Net Cost, Statement of Net Cost by Major Program, and Statement of Changes in Net Position.

For the Year Ended September 30, 2023	Previously Reported	Restatement	Restated Amount
Balance Sheet:			
Other than Intragovernmental Assets: Advances and Prepayments	$ 11,602	$ 369,722	$ 381,324
Total Other than Intragovernmental Assets	$ 3,678,059	$ 369,722	$ 4,047,781
Total Assets	$ 92,004,321	$ 369,722	$ 92,374,043
Unexpended Appropriations- Funds from Other than Dedicated Collections	$ 74,602,484	$ 369,722	$ 74,972,206
Total Unexpended Appropriations (Consolidated)	$ 74,602,765	$ 369,722	$ 74,972,487
Total Net Position	$ 83,877,718	$ 369,722	$ 84,247,440
Total Liabilities and Net Position	$ 92,004,321	$ 369,722	$ 92,374,043
Statement of Net Cost:			
Gross Costs	$ 12,487,285	$ (369,722)	$ 12,117,563
Net Cost of Operations	$ 11,966,891	$ (369,722)	$ 11,597,169
Statement of Net Cost by Major Program:			
Gross Costs - State and Tribal Assistance Agreements	$ 5,871,185	$ (369,722)	$ 5,501,463
Net Cost of Operations Totals	$ 11,966,891	$ (369,722)	$ 11,597,169

United States Environmental Protection Agency
Notes to the Financial Statements
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Statement of Changes in Net Position:			
Unexpended Appropriations - Appropriations Used (Consolidated Totals)	$ (11,118,722)	$ 369,722	$ (10,749,000)
Total Unexpended Appropriations (Consolidated Totals)	$ 74,602,765	$ 369,722	$ 74,972,487
Cumulative Results of Operations- Appropriations Used (Consolidated Totals)	$ 11,118,722	$ (369,722)	$ 10,749,000
Net Position (Consolidated Totals)	$ 83,877,718	$ 369,722	$ 84,247,440

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Required Supplementary Information (Unaudited)

United States Environmental Protection Agency
For the Fiscal Years Ending September 30, 2024 and 2023
(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, 2024 and 2023:

	2024	2023
Asset Category		
Buildings	$ 228,486	$ 128,180
EPA Held Equipment	2,556	1,700
Total Deferred Maintenance	$ 231,042	$ 129,880

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Required Supplementary Information (Unaudited) Cont.

In Fiscal Year 2024, 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
PP&E Land				
End of FY 2023/Start of FY 2024	-	-	576	576
End of FY 2024	-	-	601	601
Held for Disposal or Exchange (also included in the balances above)				
End of FY 2024	-	-	10	10

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

Supplemental Combining Statement of Budgetary Resources (Unaudited)

United States Environmental Protection Agency
For the Fiscal Years Ending September 30, 2024
(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	$ 3,670,762	$ 22,856	$ 19,710	$ 5,821,758	$48,656,676	$ 1,734,107	$ 59,925,869
Appropriations (discretionary and mandatory)	413,866	98,090	-	2,362,758	15,585,826	5,034,362	23,494,902
Borrowing Authority (discretionary and mandatory)	-	-	-	-	-	1,328,973	1,328,973
Spending Authority From Offsetting Collection	3,915	(8,875)	(1,220)	86,660	-	1,389,366	1,469,846
Total Budgetary Resources	$ 4,088,543	$ 112,071	$ 18,490	$ 8,271,176	$64,242,502	$ 9,486,808	$ 86,219,590
STATUS OF BUDGETARY RESOURCES							
New Obligations and Upward Adjustments (total)	$ 724,489	$ 97,152	$ 1,099	$ 3,354,334	$43,866,696	$ 7,829,750	$ 55,873,520
Unobligated Balance, End of Year:							
Apportioned, Unexpired Accounts	3,267,760	14,919	679	4,915,581	20,375,806	1,654,381	30,229,126
Unapportioned, Unexpired Accounts	-	-	-	601	-	-	601
Expired Unobligated Balance, End of Year	96,294	-	16,712	660	-	2,677	116,343
Unobligated Balance, End of Year (total):	3,364,054	14,919	17,391	4,916,842	20,375,806	1,657,058	30,346,070
Total Status of Budgetary Resources	$ 4,088,543	$ 112,071	$ 18,490	$ 8,271,176	$64,242,502	$ 9,486,808	$ 86,219,590
OUTLAYS, NET							
Outlays, Net (total) (discretionary and mandatory)	$ 616,106	$ 90,957	$ 67,718	$ 1,966,412	$ 7,117,545	$ 4,343,861	$ 14,202,599
Distributed Offsetting Receipts (-)	-	-	-	(548,967)	-	(152,265)	(701,232)
Agency Outlays, Net (discretionary and mandatory)	$ 616,106	$ 90,957	$ 67,718	$ 1,417,445	$ 7,117,545	$ 4,191,596	$ 13,501,367
Disbursements, Net (total) (mandatory)						$ 3,925,793	$ 3,925,793

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Appendix 2

Agency Response to Draft Report

THE CHIEF FINANCIAL OFFICER
WASHINGTON, D.C. 20460

November 15, 2024

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA-FY24-0086, *"Independent Audit of the EPA's Fiscal Years 2024 and 2023 (Restated) Consolidated Financial Statements,"* dated November 14, 2024

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

FAISAL AMIN

Digitally signed by FAISAL AMIN
Date: 2024.11.15 14:27:10 -05'00'

TO: Damon Jackson, Director
Financial Directorate
Office of Audit

Thank you for the opportunity to respond to the findings 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 the Office of Mission Support.

AGENCY'S OVERALL POSITION

The draft report contains nine recommendations for the Office of the Chief Financial Officer and four recommendations for the OMS. The EPA agrees with the Office of Inspector General's recommendations.

AGENCY RESPONSE TO OIG STATEMENTS

As a result of the agency's internal control reviews over its financial transactions, the EPA discovered the accounting issue with the 2022 Clean School Bus Rebate payments and brought it to the attention of the OIG. The agency initiated corrective actions to address and mitigate the issue upon identification. The EPA disagrees that the accrual process for the CSB Rebate Program was inadequate and that the documentation was insufficient. Accruals, by definition, are estimates that are recorded to properly match expenses and revenues for financial statement reporting. The agency used the best available information to calculate the CSB Expense accrual, ensured compliance with published guidance, and applied due diligence to ensure the accuracy for basis of the accrual.

While the CSB rebate program is not a grant program, but a hybrid between a rebate and a grant program (advance), the EPA considered the guidance provided by the Federal Accounting Standards Advisory Board's Federal Financial Accounting Technical Release 12, Accrual Estimates for Grant Programs (August 4, 2010), when formulating the CSB rebate expense accrual. Technical Release 12 advises agencies with new grant programs in section 16 that "in the absence of sufficient relevant and reliable historical data on which to base accrual estimates, agencies should prepare estimates based upon the best available data at the time the estimates are made."

In the absence of historical data or closeout forms from the recipients (which were not due until the end of October 2024), the agency coordinated with the Office of Air and Radiation on the process for requesting information directly from the rebate recipients. To form a supportable expense accrual for the CSB rebate program, the EPA collected data from recipients of the 2022 rebate program requesting information on the status of the funds received by the recipients. The agency received an 85 percent response rate to its information request, which provided adequate information to form the basis of its expense accrual. For the remaining 15 percent ($123 million) of the recipients, the EPA leveraged the expertise of its statistical office to allocate a portion of the remaining rebates as expenses and to provide further support in the reliability and reasonable assurance of the assumptions for the accrual calculation.

The agency believes that the process it used to calculate the expense accrual for the CSB rebate program was reasonable, had sufficient support to justify reliability of the accrual for a program in its second year of operation, and was applied consistently for the preparation and fair presentation of the consolidated financial statements for fiscal years 2024 and 2023. However, the EPA will further develop and implement an enhanced methodology as additional data is received from the recipients.

AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATIONS

Recommendation	Office	High-Level Intended Corrective Action(s)	Planned Date
1. Develop guidance, including an Office of the Chief Financial Officer checklist to review, evaluate, and determine the accounting treatment and financial management considerations for new and modified programs.	OCFO	Concur. The OCFO-OC's Policy and Accountability Division will develop guidance for new or modified programs to utilize during program design, in order to ensure proper accounting treatments and financial management principles are implemented. The OCFO-OC's PAD will develop a checklist to assess risks and internal controls for new or modified programs to be included in the Enterprise Risk Management and Program Integrity Annual Guidance.	4/1/25 4/1/25

Recommendation	Office	High-Level Intended Corrective Action(s)	Planned Date
2. Develop and implement a methodology for calculating Clean School Bus Rebates Program accrual calculations.	OCFO	Concur. The OCFO-OC's Finance and Accounting Division will refine the methodology for calculating CSB Program rebate accruals.	8/1/25
3. Return to the original methodology involving the calculation of the SSC accrual to recognize the revenue amount of $115,272,077.64.	OCFO	Concur. The OCFO-OC's Cincinnati Finance Division returned to the original methodology.	Completed 9/30/24
4. In conjunction with the Chief Financial Officer, develop and implement a standardized intake process for receipt of personal property, including application of property decals, as provided in EPA Manual 4832, Personal Property Manual.	OMS	Concur. The OMS will implement a standard intake process for receipt of personal property governing a new, varying process of receiving and decaling assets when receipt outside of an OMS warehouse is necessary.	10/15/25
5. In conjunction with the Chief Financial Officer, develop and implement a process for capitalized personal property accountability records to be properly reconciled quarterly with the financial control accounts and develop a process that allows the Agency to review and monitor all contractor activities with control logs.	OMS	Concur. The OMS will develop and implement a process for capitalized personal property accountability records to be reconciled quarterly. Additionally, OMS will develop a process to review and monitor contractor control logs. The OCFO-OC's Research Triangle Park Finance Division will enhance collaboration between the RTPFD and OMS, increasing the frequency of collaboration meetings from annually to quarterly to discuss new acquisitions and dispositions. The OCFO-OC's PAD will create a test plan and conduct an A-123 Review of Contractor Held Property transactions for FY2025.	10/15/25 2/1/25 6/1/25

Recommendation	Office	High-Level Intended Corrective Action(s)	Planned Date
6. In conjunction with the Chief Financial Officer, reconcile the $5,454,962.57 worth of personal property held as rejected in EPA's accounting system.	OMS	Concur. As part of the normal OCFO-OC's RTPFD process, the two systems are reconciled quarterly, and variances are documented and investigated for resolution. The OCFO-OC's RTPFD and OMS will develop a business case to enhance Personal Property, Real Property, and Contractor Held Property through system integration between Compass and Sunflower.	Completed 10/18/24 7/1/25
7. In conjunction with the Chief Financial Officer, reconcile the $40,610,646.43 that was recorded in construction in-progress in the proper account.	OMS	Concur. Fixed Asset Transfers in the amount of $40,610,646.43 were properly reconciled and transferred in Period 15 of FY2024 by the OCFO-OC.	Completed 11/6/24
8. Develop and implement an assessment process to assess and improve internal controls over operations, reporting, and compliance.	OCFO	Concur. The OCFO-OC's PAD will further develop and implement strategies to improve internal controls, including strengthening guidance, enhancing training, and conducting an assessment to validate effectiveness.	10/1/25
9. Develop a governance structure to implement risk management and internal processes, including a process to define risk appetite.	OCFO	Concur. The OCFO is developing a process to strengthen its risk management oversight, including implementing an enhanced governance structure and establishing the agency's risk appetite process.	10/1/25
10. Develop and implement a plan to complete annual risk profiles to identify risks arising from Agency programs and operations.	OCFO	Concur. The OCFO will develop and implement the EPA's risk management plan to complete annual risk profiles for agency programs and operations.	10/1/25
11. Update the accounting model for the Clean School Bus Rebates Program to comply with federal reporting requirements.	OCFO	Concur. The OCFO-OC's FAD identified the accounting issue and updated the accounting models for the CSB rebate payments to properly record them as advances when disbursed.	Completed 9/2/24
12. Develop guidance on recording the payments for the Clean School Bus Rebates	OCFO	Concur. The OCFO-OC will develop guidance on the lifecycle of recording CSB payments to include the reconciliation of	2/1/25

Recommendation	Office	High-Level Intended Corrective Action(s)	Planned Date
Program in the EPA's accounting system.		the close-out packages for final expense transaction recording.	
13. Reconcile the advances and expenses quarterly for the Clean School Bus Rebates Program.	OCFO	Concur. The OCFO-OC's RTPFD will reconcile the advance payments and expenses for the CSB rebate program after the end of each quarter.	2/1/25

CONTACT INFORMATION

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

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Appendix 3

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Whistleblower Protection

U.S. Environmental Protection Agency

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

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