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# Improving DWSRF Audits

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# 51 program review – 2 year effort

- DWSRF has moved to an effort to review the programs, progress, and materials of all 51 DWSRF programs in a given year.
    - Develop a national picture
    - Draw best practices
    - Compare apples to apples
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# What does this have to do with the DWSRF and Auditing?

- Opportunity to see things that really work well, and what has not.
  - Opportunity to have a national picture of state auditing in the DWSRF program.
  - Opportunity to take a fresh new look at what we are getting in state program audits and how we are using them.
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# What have we learned?

- The EPA DWSRF needs to change focus.
    - From: Single Audit vs. Independent audit
    - To: Audit Quality and Audit Use
  - When the DWSRF program talks about state audits, we need to consider that we are actually talking about greatly varying levels of auditing and detail
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# What we have seen?

- Many excellent audits
    - Excellent Details
    - Excellent Notes
    - Excellent information about methodology
  - Evidence that audits are being well used by the States for feedback, program improvement, and are valued parts of the program.
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# What else we've seen?

- Frequent lack of auditing of set-asides accounts and fees.
    - DWSRF feels the complexity of set-asides increases the risk for error.
  - Independent Program audits still serving as combined audits, with the DWSRF receiving little detail
  - Greatly differing level detail of audit requested
  - View of audits as a hurdle or necessary evil
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# The risks, as we see them

- Auditing is the primary means that we communicate the financial integrity of the DWSRF to our stakeholders.
    - While the DWSRF is 51 programs given broad flexibility, to national stakeholders, we are only as good as the least of our audits.
  - An invaluable tool is available for the management of state DWSRF programs. Is it being used?
    - More than just verification of accurate financial statement, although that is very important.
    - Feedback, peer review, recommendations
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# What EPA - DWSRF wants

- State programs can pursue the best audit they can get and make the most extensive use of that audit.
  - We want to make better use of State audits ourselves.
    - The focus of oversight can be lead by what is and is not covered by an audit.
    - We want to restart discussing quality, level of auditing, and use of the audit.
  - We want to be able to talk about auditing in the “national” program in as consistent a way as possible.
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# Single Audits – Food for thought

- We have seen some very good ones.
  - We need to think about them in terms of where they fall in scope of quality for the DWSRF.
  - Recent “Report on the Nation Single Audit Sampling Project” – June, 2007
    - Quality review of 208 Single Audits
    - <http://www.ignet.gov/pande/audit/NatSamProjRptFINAL2.pdf>
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# “Report on the Nation Single Audit Sampling Project”

- Across all Federal Programs, Single Audits do very well for large programs (Disbursing over \$50 million annually).
    - 93% of Federal Dollars in audits with no or only very minor deficiencies.
  - For Programs under \$50 million, over 1/3 were considered unacceptable
    - Scale of Reliable, Limited Reliability, Unacceptable.
    - Unacceptable means the auditor opinion cannot be relied on.
  - 3 EPA Programs fell under this review
    - 2 in > \$50 million category (1 was unacceptable)
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# What Next?

- National Picture (Matrix) of DWSRF auditing.
    - Where are we covered as a national program and where are we not.
  - Continued dialogue on auditing in terms of quality and use of the audit.
  - Continued education on auditing.
    - Printed materials
    - Possible web-cast topic
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