



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Special Report

Recommendation to Strengthen Management Integrity Processes Affecting Recovery Act Activities

Report No. 09-X-0145

April 27, 2009



Report Contributor:

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Abbreviations

EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
OIG	Office of Inspector General



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

OFFICE OF
INSPECTOR GENERAL

April 27, 2009

MEMORANDUM

SUBJECT: Recommendation to Strengthen Management Integrity Processes
Affecting Recovery Act Activities
Report No. 09-X-0145

FROM: Patricia H. Hill
Assistant Inspector General for Mission Systems

A handwritten signature in cursive script that reads "Patricia H. Hill".

TO: Craig Hooks
Acting Assistant Administrator for Administration and
Resources Management and
Senior Accountable Official for Recovery Act

Maryann Froehlich
Acting Chief Financial Officer

The Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) has completed a review of the Agency's Fiscal Year (FY) 2009 Management Integrity guidance for reporting on internal control reviews and preparing the annual assurance letters sent to the Administrator. This review was not an audit conducted in accordance with the *Government Auditing Standards*. In accordance with the Office of Management and Budget's Recovery Act Implementation Guidance, dated April 3, 2009, EPA should review reporting and performance under the American Recovery and Reinvestment Act of 2009 (Recovery Act) across the Agency; establish and oversee development and implementation of Agency guidance to identify and mitigate risk; and ensure the correction of weaknesses relating to the Recovery Act.

This memorandum provides the OIG's recommendation for issuing additional FY 2009 Management Integrity guidance to EPA offices receiving additional funding under the Recovery Act. Conducting oversight of spending to prevent fraud, waste, and abuse is an integral component for EPA to achieve the governance, risk management, and program integrity objectives outlined in the Recovery Act.

In December 2009, the Agency issued its FY 2009 Management Integrity guidance that outlined requirements for conducting internal control reviews and preparing annual assurance statements

forwarded to the EPA Administrator. EPA guidance specifically asks Senior Agency Officials to address the Information Security, Hiring Practices, Interagency Agreements, and Audit Follow-up areas of focus in their FY 2009 assurance letters.

With the recent issuance of the updated implementation guidance for the Recovery Act, we believe it is imperative that EPA update its Management Integrity guidance to address Recovery Act activities. Specifically, the guidance should ensure EPA offices:

- Emphasize effective design and operation of key business processes that support Recovery Act activities and generate data for reporting purposes;
- Integrate Recovery Act internal control reviews into their multi-year strategies; and
- Certify how well internal controls are working in FY 2009 assurance statements to the EPA Administrator.

The Recovery Act emphasizes that agencies should leverage existing organizations and entities to review, assess, and manage Recovery Act risk. We believe that updated guidance is essential for ensuring that programmatic operations of offices that receive Recovery Act funds have internal controls that are properly designed and operating as intended.

Action Required

We recommend that the Agency expedite action to update its Management Integrity guidance for EPA offices receiving Recovery Act funds.

Please provide a response within 30 days describing the actions EPA is taking, or has taken, to address our recommendation. If you or your staff has any questions regarding this review, please contact me at (202) 566-0894 or hill.patricia@epa.gov; or Rudolph M. Brevard, Director for Information Resources Management Assessments, at (202) 566-0893 or brevard.rudy@epa.gov.

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