



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

JUN 28 2012

THE INSPECTOR GENERAL

MEMORANDUM

SUBJECT: Agency Response to Final Report No. 12-P-0311, *EPA Can Improve Its Improper Payments Reporting*, issued March 1, 2012

TO: Barbara J. Bennett
Chief Financial Officer

Craig E. Hooks, Assistant Administrator
Office of Administration and Resources Management

Thank you for your response to the subject final report. The response reiterated your agreement with many of the report recommendations and provided corrective action milestone dates. However, you state that you disagree with the Office of Inspector General's (OIG's) recommendation to report discounts not taken as improper payments because you believe the OIG's interpretation is overly broad given existing laws and other Office of Management and Budget guidance. You did agree to report discounts not taken as improper payments when it was both advantageous and within the Agency's control to take the discount, yet the Agency did not take the discount. As stated in the final report, we respectfully disagree because the Improper Payments Elimination and Recovery Act specifically includes as part of the definition of improper payments any payment that does not account for credit for applicable discounts.

While we disagree with the Agency's position on reporting as improper payments discounts not taken, we do not believe the report warrants elevation to the Audit Resolution Board due to the low dollar value of items not reported. For fiscal year 2011, the unreported discounts not taken was \$45,940.

For fiscal year 2012, the Agency agreed to include a narrative on its process for reporting discounts. The narrative should also disclose that information on discounts lost is not available due to information system conversion.

For corrective actions not completed, please track the implementation in the Management Audit Tracking System. The recommendation where we disagree will be coded in the OIG's tracking system as "Impasse with action official – not worth referring."

We appreciate the willingness of your staff to continue to engage in discussions on this issue throughout the audit resolution process. If you have questions, please contact Melissa Heist at (202) 566-0899 or Janet Kasper at (312) 886-3059.



Arthur A. Elkins, Jr.

- cc: Nanci Gelb
Maryann Froehlich
Joshua Baylson
Stefan Silzer
Jeanne Conklin
Raffael Stein
Melvin Visnick
Janice Kern
Douglas Barrett
Howard Corcoran
Melissa Heist
Janet Kasper