



**U.S. Environmental Protection Agency  
Office of Inspector General**

11-P-0362  
July 19, 2011

# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

In November 2010, the Office of Management and Budget (OMB) required all agencies to submit a payment recapture audit plan describing current payment recapture efforts. The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), was required to review the action plan and provide feedback to EPA.

## Background

Each year the federal government loses billions of dollars on improper payments to individuals, organizations, and contractors. Therefore, agencies are required to have a cost-effective program of internal controls to prevent, detect, and recover overpayments.

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

The full report is at:  
[www.epa.gov/oig/reports/2011/20110719-11-P-0362.pdf](http://www.epa.gov/oig/reports/2011/20110719-11-P-0362.pdf)

## **EPA Needs to Reexamine How It Defines Its Payment Recapture Audit Program**

### **What We Found**

EPA makes numerous efforts to recapture improper payments, but does not consider its activities to be a formal payment recapture audit program, as defined by OMB guidance. A payment recapture audit program is an agency's overall plan for risk analysis and the performance of payment recapture audits and recovery activities. In its January 2011 submission to OMB, EPA stated that it did not have a formal payment recapture audit program. However, based on the OMB guidance issued in April 2011 and information EPA had previously submitted to OMB, we determined that many of the activities EPA already conducts meet the definition of a payment recapture audit program.

We reviewed EPA's improper payments methodology and found three areas where all improper payment efforts were not quantified for the Improper Payments Elimination and Recovery Act submission to OMB and the fiscal year 2010 Agency Financial Report. These areas involved contract cost issues identified by the Defense Contract Audit Agency, costs questioned identified during Agency post-award grant reviews, and costs questioned in OIG and Single Audit reports. EPA can use funds collected under a payment recapture audit program to reimburse itself for payment recapture work and fund future financial improvement programs.

### **What We Recommend**

We recommend that EPA report the results of all activities, including audits the OIG and other audit organizations conduct, when reporting on its payment recapture audit program in 2011. During a March 29, 2011, meeting with EPA, Agency staff agreed and stated that all sources of improper payment information would be reported in compliance with OMB guidance. In response to the draft report, EPA concurred with our recommendation and identified corrective actions that will be completed by November 15, 2011. EPA's response adequately addresses the report findings and recommendations.