



# At a Glance

## Why We Did This Review

The Improper Payments Elimination and Recovery Act of 2010 (IPERA), as modified by the Improper Payments Elimination and Recovery Improvement Act of 2012, requires that each fiscal year the Inspector General of each agency determine whether the agency is in compliance with the law. In addition, Office of Management and Budget Memorandum M-15-02 states that the Office of Inspector General (OIG) may evaluate the accuracy and completeness of agency reporting and the agency's performance in reducing and recapturing improper payments. Our audit focused on the U.S. Environmental Protection Agency's (EPA's) compliance with these requirements.

**This report addresses the following EPA goal or cross-agency strategy:**

- *Embracing EPA as a high-performing organization.*

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Listing of [OIG reports](#).

## ***EPA Complied With Improper Payment Legislation, but Testing Can Be Improved***

### What We Found

The EPA complied with improper payments legislation when reporting improper payments in fiscal year 2016. However, we noted issues of concern.

EPA Region 2 tested only 46 percent of the selected Hurricane Sandy grant expenditures for improper payments, instead of the 100 percent required. The Disaster Relief Appropriations Act of 2013 designated Hurricane Sandy disaster relief funding as susceptible to significant improper payments, requiring the EPA to develop a statistical sampling plan for testing Hurricane Sandy expenditures. Region 2 staff misunderstood the requirement to test all dollars associated with the four federal payments to the New York State Department of Environmental Conservation. Incomplete testing impacted the certainty that there were no improper payments in the sampled items for Hurricane Sandy grants payments.

**Improved testing for improper payments will result in better use of funds for environmental and supporting programs.**

Additionally, insufficient internal controls for commercial payments resulted in inaccurate information being reported. The EPA understated total dollar outlays for contract payments by \$33,877. Further, the EPA could not confirm the accuracy of the monthly and year-end total "Amount Paid" values, nor the improper payment error rate for commodity payments. During the course of our audit, the EPA took sufficient action to address this issue.

### Recommendations and Planned Agency Corrective Actions

We recommend that the Chief Financial Officer revise its annual review guidance to include language to require testing of all dollars associated with statistically selected samples. The agency concurred with the recommendation and provided an estimated completion date of August 2017 to revise its annual review guidance. The recommendation is considered resolved with the corrective action pending.