



At a Glance

Why We Did This Project

The U.S. Environmental Protection Agency's (EPA's) Office of Inspector General (OIG) initiated an audit to determine whether the EPA properly collects salary overpayments from its employees.

The U.S. Department of the Interior's Interior Business Center (IBC) processes the EPA's payroll. One of the IBC's responsibilities is to issue debt notices to employees when salary overpayments are identified. Under certain circumstances, employees can request to have their debt waived. The agency is responsible for reviewing the debt waiver request and determining whether to accept or deny the request.

While our audit is ongoing, the purpose of this management alert is to notify the agency about our finding related to internal control weaknesses that resulted in unprocessed debt waivers.

This report addresses the following:

- *Operating efficiently and effectively.*

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Listing of [OIG reports](#).

Management Alert: EPA Oversight of Employee Debt Waiver Process Needs Immediate Attention

What We Found

Internal controls failed to detect 18 EPA employee debt waiver requests totaling \$22,015. Even though the agency's payroll provider forwarded this information to the EPA's Office of the Chief Financial Officer (OCFO), the office was not aware of the missing waivers until the OIG brought it to their attention. Several debt waiver requests have been outstanding since 2015.

When debt waiver requests are not resolved in a timely manner, EPA employees may assume their debts have been forgiven.

Several internal control failures caused the debt waiver requests to go missing, including the lack of:

- Accurate and consistent policies and procedures for debt waiver processing.
- Monitoring and accounting for current agency employee debts (in-service debts).

The EPA has taken several actions to improve debt waiver processing. The OCFO's Cincinnati Finance Center has begun processing the missing debt waiver requests and has provided eight debt waiver packages to the Office of General Counsel for review. However, the underlying issues that caused the missing debt waivers have not been fully addressed.

Recommendations and Agency Corrective Actions

We recommend that the OCFO continue to analyze all debts that the IBC has identified as having open waiver requests and take immediate action to process any additional missing debt waiver requests. We also recommend that the OCFO expand the accounting of in-service debts that the IBC has identified by recognizing this debt activity in the EPA's accounting system.

The agency implemented corrective action to improve its process to analyze and manage open waiver requests by adopting standard operating procedures for debt waiver requests. We confirmed with the EPA Claims Officer that his office has received additional debt waiver requests from the OCFO. No further action is required for this recommendation.

Although the agency disagreed with our recommendation to record individual accounts receivable for each employee debt, the OCFO adopted a new procedure to record accounts receivable on a quarterly basis. We agree that the OCFO's alternative corrective action satisfies the intent of the recommendation, and we modified our recommendation in the final report. No further action is required for this recommendation.