



At a Glance

Why We Did This Project

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 require that each fiscal year the Inspector General of each agency determine whether the agency is in compliance with the law. IPERA requires agencies to annually estimate and report improper payments for programs and activities that are deemed susceptible to significant improper payments. In addition, Office of Management and Budget Circular A-123, Appendix C, states that the Office of Inspector General should evaluate the accuracy and completeness of agency reporting. Our audit focused on the U.S. Environmental Protection Agency's (EPA's) compliance with these requirements.

This report addresses the following:

- *Compliance with the law.*

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EPA Complied with Improper Payments Legislation but Stronger Internal Controls Are Needed

What We Found

The EPA complied with IPERA in that it reported all required information on improper payments, but the EPA can improve the accuracy and completeness of the information.

The EPA's estimated improper payments and the improper payment error rate were understated for fiscal year (FY) 2018. In the FY 2017 Agency Financial Report, the EPA reported \$12.37 million in estimated improper payments for grants. For FY 2018, the EPA reported only \$310,000 in estimated improper payments—a decrease of nearly \$12 million. We believe the improper payment amount reported for FY 2018 is understated because our review of 25 payments, totaling \$4,418,774, identified an additional \$1,912,275 in payments as improper due to insufficient, or lack of documentation (see Appendix A for further details).

Improvement to processes for preventing and detecting improper payments will result in better use of funds for environmental and supporting programs.

EPA staff did not effectively test drawdowns to verify whether costs were allowable, allocable, reasonable and necessary; and did not use standard operating procedures to substantiate the procedures performed.

Improvement to the testing of drawdowns and the statistical sample for grant payments will aid in the better use of funds for environmental and supporting programs.

Recommendations and Agency Corrective Actions

We recommend that the EPA revise the Office of the Chief Financial Officer's grant improper payments review process to include internal controls for training reviewers and annually verifying that reviewers are knowledgeable and proficient in the identification and reporting of improper payments. We also recommend that the Office of the Chief Financial Officer comply with the EPA's sampling and estimation plan annually submitted to the Office of Management and Budget. The agency agreed with our recommendations and indicated that corrective actions were implemented in April 2019. We consider the recommendation resolved until we confirm completion during next year's audit.