



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

OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

SUBJECT: Notification of Audit:
EPA's Fiscal Year 2019 Compliance with Improper Payments Requirements
Project No. OA&E-FY20-0025

FROM: Khadija Walker, Director
Contract and Assistance Agreement Directorate
Office of Audit and Evaluation

A handwritten signature in blue ink, appearing to read "Khadija", is written over a light blue oval background.

TO: David Bloom, Acting Chief Financial Officer

The Office of Inspector General (OIG) for the U.S. Environmental Protection Agency (EPA) plans to begin an audit of the EPA's reporting of improper payments during fiscal year (FY) 2019. This audit is required by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

The OIG's objectives are to determine whether the EPA is in compliance with the IPERA and IPERIA and to assess the accuracy and completeness of agency reporting. The OIG plans to conduct work remotely and will only conduct site visits when required to examine sampled grant drawdown payments. Applicable generally accepted government auditing standards will be used in conducting our audit.

We would like to meet with you by November 21, 2019, to discuss the objectives of this audit. During our entrance conference, we will answer questions you may have about the audit process and discuss expectations. Throughout the audit, we will provide updates on a regular basis.

The OIG is required to issue its report on the EPA's compliance with IPERA 180 days from the publication of the Agency Financial Report. In Appendix A, we have listed items that we need to obtain from you prior to the start of the audit. Please provide the requested information by the entrance conference.

We respectfully note that the OIG is authorized by the Inspector General Act of 1978, as amended, to have timely access to personnel and all materials necessary to complete its objectives. We will request that you resolve the situation if an agency employee or contractor refuses to provide requested records to the OIG or otherwise fails to cooperate with the OIG. We may report unresolved access matters to the Administrator and include the incident in the *Semiannual Report to Congress*.

I will supervise the audit, and the Project Manager will be Kevin Chaffin. If you have any questions, please contact me at (312) 886-3106 or walker.khadija@epa.gov, or Kevin Chaffin at (202) 566-2646 or chaffin.kevin@epa.gov.

cc: Henry Darwin, Assistant Deputy Administrator
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Requested Information for IPERA Audit

- Identification of any investigations or legal proceedings that are in process and significant to the audit objectives.
- Documentation of corrective action for EPA improper payments reporting for FY 2018 (these documents should show actions taken for Recommendations 1 and 2 from Report No. [19-P-0163](#)).
- A listing of staff responsible for reporting or consolidating the FY 2019 improper payment information (this information should also identify the Office of the Chief Financial Officer reviewers who completed grants transaction testing).
- An advance draft copy of the FY 2019 Agency Financial Report section on improper payments, including any and all recipient accounting documents (e.g., chart of accounts, grant fund revenue/expense reports, payroll ledgers, timesheets, travel authorizations, expense receipts, proof of payment, per diem rates, recipient travel policies, etc.).
- A description of all risk assessments performed in FY 2019 and the changes to risk methodology or results since the last Agency Financial Report.
- Spreadsheets used to consolidate improper payment totals, and supporting schedules and/or system-generated reports for risk-susceptible programs (e.g., Compass Business Objects Reporting, Small Purchase Information Tracking System, Contract Payment System, Commercial Payments Improper Payment Quality Assurance Checklist, Compass Data Warehouse monthly metrics reports, DataMart, Office of the Chief Financial Officer's FY 2019 audit tracking spreadsheet with "TBD" amounts, etc.).
- Spreadsheets and/or reports created by the Office of the Chief Financial Officer grant reviewers that support the scope, transaction testing and conclusions formulated from the review.
- Standard Operating Procedures for improper payment reporting and for grants transaction testing (this information should also include the dates the Standard Operating Procedures' were applicable).
- Grantee Compliance and Recipient Activity, Compass Data Warehouse and Comply, improper payments reconciliation - Policies and Procedures for retaining and storage of documents in IGMS (Integrated Grants Management System) and Comply.
- A listing of all payments reviewed and the support document reviewers' names (this information should also identify backup reviewers, who will need to answer questions regarding the review process in case the principal reviewers are no longer available during next year's review).
- The EPA's latest sampling plan approved by the Office of Management and Budget.
- A listing of grant specialist training/certification completed by Office of the Chief Financial Officer reviewers.
- A summary of all communications to the Office of Grants and Debarment regarding questioned costs and any requests for concurrence and/or guidance.
- Copies of invoices and supporting documentation for payments in our selected sample in Appendix B, including schedules that confirm payment amounts.
- Identification of the EPA system(s) where all review documents are retained and instructions on how to locate those documents.
- A list of any grant payments—other than State Revolving Fund payments—that were excluded from the EPA's review of improper payment (e.g., Public International Organizations).
- All new policies and/or procedures adopted for the FY 2019 improper payment review.

OIG IPERA Drawdown Sample Selection

	DUNS	Recipient Name	Document Number	Document Date	Payment
1	041027822	DARTMOUTH COLLEGE	18AS1089952	1/16/2018	\$9,107.82
2	624134037	RECEIVABLES ACCOUNTING OFFICE	18AS1074474	10/13/2017	\$223,486.14
3	929773554	PRE-AWARDS SERVICES	18AS1108953	5/4/2018	\$98,417.89
4	098456585	NATIONAL RURAL WATER ASSOCIATION	18AS1128405	8/30/2018	\$58,633.18
5	175172527	NATIONAL FISH AND WILDLIFE FOUNDATION	18AS1077903	11/2/2017	\$293,313.41
6	556063758	GREAT FALLS DEVELOPMENT AUTHORITY INC.	18AS1109801	5/10/2018	\$80,158.19
7	830948340	BAY JOURNAL MEDIA INC.	18AS1119124	7/2/2018	\$32,241.41
8	929876142	NORTH AMERICAN DEVELOPMENT BANK	18AS1077273	10/30/2017	\$30,489.00
9	025986159	SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT	18AS1111429	5/18/2018	\$275,905.00
10	041174889	COUNTY OF SHELBY	18AS1096529	2/21/2018	\$290,000.00
11	073134884	WAYNE COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY	18AS1113755	6/1/2018	\$121,408.83
12	097810014	CITY OF ST. LOUIS	18AS1098605	3/5/2018	\$222,655.30
13	146937768	CITY OF CHICAGO	18AS1093630	2/5/2018	\$14,560.71
14	001118574	NORTHERN CHEYENNE FIRE PROTECTION DEPARTMENT.	18AS1115852	6/14/2018	\$239,174.25
15	054653340	THE COEUR D'ALENE TRIBE	18AS1088938	1/9/2018	\$95,261.22
16	060038890	PORT GAMBLE S'KALLAM TRIBE	18AS1098412	3/2/2018	\$35,361.35
17	078353919	RED WILLOW PRODUCTION COMPANY	18AS1122678	7/27/2018	\$229,848.20
18	121067045	FORT BIDWELL INDIAN COMMUNITY	18AS1088249	1/4/2018	\$54,398.66
19	797816647	SAINT REGIS MOHAWK TRIBE	18AS1127976	8/28/2018	\$219,795.37
20	945712560	KALTAG TRIBAL COUNCIL	18AS1089577	1/12/2018	\$146,229.43
			Total payments selected		\$2,770,445.36