MEMORANDUM

SUBJECT: Notification of Audit: EPA’s Fiscal Year 2020 Compliance with the Payment Integrity Information Act of 2019
Project No. OA-FY21-0013

FROM: Khadija Walker, Director
Contracts and Assistance Agreements Directorate
Office of Audit

TO: David Bloom, Deputy Chief Financial Officer

The Office of Inspector General for the U.S. Environmental Protection Agency plans to begin an audit of the EPA’s reporting of improper payments during fiscal year 2020. This audit is required by the Payment Integrity Information Act of 2019. This audit also addresses the following top management challenge for the Agency, as identified in our EPA’s FYs 2020–2021 Top Management Challenges report, issued July 21, 2020: fulfilling mandated reporting requirements.

The OIG’s objectives are to:

1. Review the payment integrity section of the FY 2020 Agency Financial Report to determine whether the EPA is in compliance with the Payment Integrity Information Act of 2019.

2. Evaluate the following Agency actions, as they relate to improper payments:
   a. Risk assessment methodology.
   b. Improper payment rate estimates.
   c. Sampling and estimation plans.
   d. Corrective action plans.
   e. Prevention and reduction efforts.

The OIG plans to conduct work within the Office of the Chief Financial Officer. Applicable generally accepted government auditing standards will be used in conducting our audit. The anticipated benefit of this audit is improved operational efficiency.

We would like to meet with you the week of November 2, 2020, to discuss the objectives of this audit. We would also be particularly interested in any areas of concern that you may have. We will answer any of your questions about the audit process, reporting procedures, methods used to gather and analyze data, and what we should expect of each other during the audit. Throughout the audit, we will provide updates on a regular basis.
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 October 23, 2020. In addition, in Appendix B, we have listed the grant draws that we will be testing.

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 immediately resolve the situation if an Agency employee or contractor refuses to provide requested materials 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. Any information related to the project should be addressed to Kevin Chaffin at (202) 566-2646 or chaffin.kevin@epa.gov or to me at (312) 886-3106 or walker.khadija@epa.gov.

cc:  Henry Darwin, Assistant Deputy Administrator
     Doug Benevento, Associate Deputy Administrator
     Mandy Gunasekara, Chief of Staff
     Michael Molina, Deputy Chief of Staff/Operations
     Wesley J. Carpenter, Acting Deputy Chief of Staff
     Corry Schiermeyer, Associate Administrator for Public Affairs
     Carol Terris, Associate Chief Financial Officer
     Paige Hanson, Associate Chief Financial Officer for Policy
     Jeanne Conklin, Controller
     Istanbul Yusuf, Acting Deputy Controller
     Aileen Atcherson, Director, Policy, Training, and Accountability Division, Office of the Controller, Office of the Chief Financial Officer
     Nikki Newton, Branch Chief, Management, Integrity and Accountability Branch; Policy, Training, and Accountability Division, Office of the Controller, Office of the Chief Financial Officer
     Andrew LeBlanc, Audit-Follow-Up Coordinator, Office of the Chief Financial Officer
     José Kercado, Audit-Follow-Up Coordinator, Office of the Chief Financial Officer
     James Hewitt, Associate Administrator for Public Affairs
     Lance McCluney, Director, Office of Administrative and Executive Services, Office of the Administrator
     Regional Audit Follow-Up Coordinators, Regions 1–10
     Sean W. O’Donnell, Inspector General
     Charles J. Sheehan, Deputy Inspector General
     Edward S. Shields, Associate Deputy Inspector General
     Eric W. Hanger, Deputy Counsel to the Inspector General
     Katherine Trimble, Assistant Inspector General for Audit
     Rashmi Bartlett, Acting Assistant Inspector General for Evaluation
     Helina P. Wong, Assistant Inspector General for Investigations
     Stephanie L. Wright, Acting Deputy Assistant Inspector General for Management
     Christine El-Zoghbi, Deputy Assistant Inspector General for Evaluation
     James Hatfield, Associate Deputy Assistant Inspector General for Audit
     Richard J. Eyermann, Director, Mission Support Directorate, Office of Audit, Office of Inspector General
     Jennifer Kaplan, Deputy Assistant Inspector General for Congressional and Public Affairs
     Jeffrey Lagda, Congressional and Media Liaison, Office of Inspector General
Appendix A

Requested Information for Audit

- Identification of any investigations or legal proceedings that are in process and significant to the audit objectives.

- List of staff responsible for reporting or consolidating the FY 2020 improper payments information. This information should also identify the Office of the Chief Financial Officer reviewers who completed grants transaction testing.


- All recipient accounting documents—for example, chart of accounts, grant fund revenue/expense reports, payroll ledgers, timesheets, travel authorizations, expense receipts, proof of payment, per diem rates, and recipient travel policies.

- Description of all risk assessments performed in FY 2020 and the changes made to risk methodology or results since the last Agency Financial Report.

- Spreadsheets used to consolidate improper payment totals, as well as supporting schedules and system-generated reports for risk-susceptible programs—for example, 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, and Office of the Chief Financial Officer’s FY 2020 audit tracking spreadsheet with “TBD” amounts.

- Spreadsheets and 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 payments reporting and grants transaction testing. This information should also include the dates the standard operating procedures were applicable.

- Any and all administrative and programmatic advanced monitoring, reviews, indirect cost rate agreements, audits and enforcement actions audits, monitoring, and enforcement actions that were uploaded or should be uploaded into COMPLY, which is the central repository for all EPA grantee compliance-related activities, for the selected sampled reviews.

- List of all payments reviewed and the supporting document reviewers’ names. This information should also identify backup reviewers who can answer questions regarding the review process in case the principal reviewers are not available during this year’s review.

- The EPA’s latest grants sampling plan approved by the Office of Management and Budget.

- Summary of all communications to the Office of Grants and Debarment regarding questioned costs and any requests for concurrence or guidance.
• Copies of invoices and supporting documentation for payments in our selected sample in Appendix B, including schedules confirming that payment amounts are allowable, allocable, reasonable, and necessary as defined in the grants Regulatory Authority: 2 C.F.R. Subpart E, “Cost Principles.”

• List of any cost principles from 2 C.F.R. Subpart E that were not considered or applied during the review process, as well as a justification as to why those individual cost principles were not considered or applied during the review process.

• Identification of the EPA systems where all review documents are retained, and instructions on how to locate those documents.

• List of any grant payments, other than State Revolving Fund payments, that were excluded from the EPA’s review of improper payments—for example, Public International Organizations.

• All new policies and procedures adopted for the FY 2020 improper payments review.
## OIG Drawdown Sample Selection

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**Total payments selected**: $3,525,088.87