



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 (IPERIA), requires that each fiscal year the Inspector General of each agency determine whether the agency is in compliance with the law. In addition, the Office of Management and Budget (OMB) requires that Inspectors General 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 IPERA because OMB's draft implementation guidance states IPERIA requirements are not effective until fiscal year 2014.

This report addresses the following EPA theme:

- *Embracing EPA as a high performing organization.*

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2014/20140410-14-P-0171.pdf

EPA Needs to Continue to Improve Controls for Improper Payment Identification

What We Found

The EPA was compliant with IPERA for the fiscal year 2013 reporting of improper payments. However, EPA regional offices were not following State Revolving Fund (SRF) standard operating procedures nor completing all required fields of the transaction testing worksheet. We found several errors and inconsistencies in the EPA's process for collecting data on improper payments. These errors and inconsistencies raise concerns regarding the accuracy of improper payments reported.

EPA's fiscal year 2013 Agency Financial Report reported inaccurate information for the SRF and grant payment streams.

The EPA also did not accurately report its recovery of SRF improper payments in the Agency Financial Report. No formal mechanism exists to track improper payment recovery through transaction testing for the Office of Water. During the audit, the EPA verified that \$722,831 of overpayments was repaid by states between March and July 2013. Thus, the EPA was not accurately reporting the recovery of improper payments.

The EPA understated the improper payments for grants in the fiscal year 2013 Agency Financial Report by \$16,086 because the accounts receivable and disallowed costs were not reconciled prior to reporting improper payments.

Recommendations and Planned Corrective Actions

We recommend that the Assistant Administrator for Water coordinate with regions to address where differences occurred between improper payment testing and improper payments reported in the Agency Financial Report. In addition, we recommend providing regional staff with the current transaction testing worksheet and directions for completing the worksheet and require regional staff to review a sample of large negative draws to identify improper payments. We further recommend that a system be established for tracking the recovery of improper payments, and that disallowed costs in the compliance database be reconciled with accounts receivable in the financial system. The agency concurred with all of the recommendations and provided corrective actions and estimated completion dates.

Noteworthy Achievements

The EPA took substantial corrective actions during fiscal year 2013 to bring the agency back into compliance with IPERA. The EPA improved its testing of the SRF program by conducting statistical sampling of transactions, which resulted in a more accurate improper payment rate.