



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We performed this review to evaluate the U.S. Environmental Protection Agency's (EPA's) assessment and collection of vehicle emissions testing fees for its Motor Vehicle and Engine Compliance Program (MVECP). Our objectives were to determine whether EPA is recovering its costs of administering the MVECP, and whether EPA has effective internal controls over the assessment and collection of the fees.

## Background

EPA's MVECP ensures that vehicles and engines comply with emission standards. The Independent Offices Appropriation Act, with guidance from Office of Management and Budget Circular A-25, authorizes federal agencies to charge fees for the services they provide. The Clean Air Act authorizes EPA to establish fees to recover all reasonable costs associated with the MVECP. EPA's final rule of May 2004 provides specific requirements for assessing and collecting the fees.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

The full report is at:  
[www.epa.gov/oig/reports/2011/20110923-11-P-0701.pdf](http://www.epa.gov/oig/reports/2011/20110923-11-P-0701.pdf)

## **EPA Should Update Its Fees Rule to Recover More Motor Vehicle and Engine Compliance Program Costs**

### What We Found

EPA is not recovering all reasonable costs of administering the MVECP. Our analysis, using the Agency's cost estimate for fiscal year 2010, showed a \$6.5 million difference between estimated program costs of \$24.9 million and fee collections of \$18.4 million. EPA's final rule of May 2004 establishes fees under the authority of the Clean Air Act and the Independent Offices Appropriation Act. The rule limits the annual fee increases to inflation adjustments to EPA's labor costs. The rule does not allow fee increases to cover EPA's increasing costs of additional facilities, equipment, and personnel needed to address the growing MVECP activity. EPA has not conducted a formal cost study since 2004 to determine its actual MVECP costs, and has not updated the annual fee adjustment formula in the 2004 fees rule to recover more costs. By not recovering all reasonable costs, the federal government did not collect funds that otherwise could have been available to offset the federal budget deficit. EPA is considering an update of the fees rule, which would provide additional recurring annual revenue in future years.

EPA's internal controls over the assessment and collection of fees are generally effective, except for minor exceptions related to segregation of duties, fee refund approvals, untimely recording of collections, and correction of customer errors. EPA corrected the exceptions when we pointed them out.

### What We Recommend

We recommend that the Assistant Administrator for Air and Radiation update the 2004 fees rule to increase the amount of MVECP costs it can recover, and conduct biennial reviews of the MVECP fee collections and the full cost of operating the program to determine whether EPA is recovering its costs. EPA agreed with these recommendations but did not provide planned completion dates. Therefore, we consider these recommendations unresolved with resolution efforts in progress.

We recommend that the Assistant Administrator for Air and Radiation and the Chief Financial Officer segregate certain fee collection functions to maintain a proper segregation of duties. We recommend that the Chief Financial Officer obtain approval of alternate payee names for fee refunds when alternate names are needed. EPA agreed with these recommendations and has completed the corrective actions.