



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, requires that each fiscal year the Inspector General of each agency determine whether the agency is in compliance with the law. In addition, Office of Management and Budget Memorandum M-15-02 says that the Office of Inspector General (OIG) may 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 these requirements.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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EPA Complied With Improper Payment Legislation, but Stronger Internal Controls Are Needed

What We Found

The EPA complied with improper payment legislation when reporting improper payments in fiscal year 2015. However, while the EPA initially published its Agency Financial Report on November 16, 2015, the agency found errors in the report and did not publish the revised, final version until January 2016. We also identified errors in the Improper Payments Compliance section of the Agency Financial Report, resulting in overstated improper payments for the Hurricane Sandy and grants payment streams, and an under-reporting of total dollar outlays for the commodities payment stream.

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

Further, we determined that the EPA limited the scope of the risk assessment for the contracts payment stream to the processing of invoices pursuant to appropriations law and the Prompt Payment Act, and to determining if the invoice was proper. As a result, the risk assessment did not take into consideration the programmatic risks associated with compliance regarding the terms and conditions of the contract, or contracting officer and contracting officer's representative invoice reviews. In addition, the risk assessments did not take into consideration OIG audits or internal reviews conducted by the EPA.

Recommendations and Planned Agency Corrective Actions

We recommend that the Chief Financial Officer determine the reasons for the delays and errors in the publication of the EPA's fiscal year 2015 Agency Financial Report, and identify and implement internal controls to prevent these errors and delays. We further recommend that the Chief Financial Officer amend the standard operating procedure for identifying and reporting improper payments for the commodities payment stream, and integrate the entire contracting process into the contracting payment process risk assessment. We recommend that the Assistant Administrator for Administration and Resources Management finalize the grants payment stream's draft procedure for improper payment reporting, including cost-effective internal controls to produce reliable reports. The agency concurred with all of the recommendations and provided corrective actions with estimated completion dates. All corrective actions are scheduled to be completed by November 2016. When implemented, the corrective actions should address the recommendations. The recommendations are considered open with agreed-to corrective actions pending.