



At a Glance

Why We Did This Project

The Improper Payments Elimination and Recovery Act of 2010, as modified by the Improper Payments Elimination and Recovery Improvement Act of 2012, requires that each fiscal year, inspectors general determine whether their respective agency complied with the law. Known as IPERA, the Act requires agencies to annually estimate and report improper payments for programs and activities that are deemed susceptible to significant improper payments. In addition, Office of Management and Budget Circular A-123, Appendix C, states that the Office of Inspector General should evaluate the accuracy and completeness of agency reporting.

Our audit focused on the U.S. Environmental Protection Agency's compliance with these requirements.

This report addresses the following:

- *Compliance with the law.*

This project addresses a key EPA [management challenge](#):

- *Improve fulfillment of reporting requirements.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG_WEBCOMMENTS@epa.gov.

List of [OIG reports](#).

EPA Complied with Improper Payments Legislation, but Internal Controls Need Substantial Improvement to Ensure More Accurate Reporting

What We Found

The EPA complied with all six IPERA requirements for fiscal year 2019. However, the EPA needs to improve the accuracy and completeness of improper payments reporting for the grant payment stream.

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

The EPA's estimated improper payments and the improper payment error rate were understated for FY 2019. In the FY 2019 Agency Financial Report, the EPA reported \$22.49 million in estimated improper payments. However, our review of 20 of the 225 payments that the EPA tested identified an additional \$571,469.19 in improper payments due to insufficient or a lack of supporting documentation. We found that EPA reviewers were not adhering to the Agency's improper-payment-review policies and that they were not sufficiently trained in grant cost regulations and the Agency's improper payment review process.

Improved review methods for grant funds will aid the Agency in more accurately identifying estimated improper payments and potentially lead to better use of funds for environmental programs.

Recommendations and Planned Agency Corrective Actions

We recommend that the chief financial officer revisit the previous recommendation in EPA OIG Report No. 19-P-0163, *EPA Complied with Improper Payments Legislation but Stronger Internal Controls Are Needed*, to implement internal controls for training reviewers and annually verifying that reviewers are knowledgeable and proficient in the identification and reporting of improper payments, and verify all corrective actions are completed.

The EPA agreed with our recommendation and stated that the corrective action that was recommended in our prior report was completed in April 2019. The Office of the Chief Financial Officer stated that it updated the IPERA Standard Operating Procedures to include an annual training requirement for all IPERA grant reviewers on the Grants Improper Payment Review SOP checklist and the Office of Mission Support Grants Specialist Module. Completion of this training must be certified in writing to the IPERA grant review lead prior to receiving sample recipient folders for review. However, we have not evaluated the updated Grants Improper Payment Review SOP, nor will we be able to determine whether reviewers are knowledgeable and proficient in the identification and reporting of improper payments until we conduct our next IPERA audit. Therefore, we consider the recommendation not implemented.