



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

November 1, 2021

MEMORANDUM

SUBJECT: Notification of Audit:
EPA's Fiscal Year 2021 Compliance with Improper Payments Requirements
Project No. OA-FY22-0028

FROM: Khadija Walker, Director
Business Operations Directorate
Office of Audit

A handwritten signature in blue ink, appearing to read "Khadija", is written over the "FROM:" line.

TO: Faisal Amin, Chief Financial Officer

The Office of Inspector General for the U.S. Environmental Protection Agency plans to begin an audit of EPA's reporting of improper payments during fiscal year 2021. This audit is required by the Payment Integrity Information Act of 2019, is part of OIG's oversight plan for fiscal year 2022 and addresses the following fiscal year 2022 top management challenge for the Agency: managing infrastructure funding and business operations.

OIG's objective is to determine whether EPA has met the requirements of the Payment Integrity Information Act of 2019 related to the formulation and inclusion of payment integrity information in its fiscal year 2021 annual financial statements and accompanying materials. OIG plans to conduct its work on this audit remotely. Applicable generally accepted government auditing standards will be used in conducting our audit. The anticipated benefit of this audit is to improve compliance with the Payment Integrity Information Act of 2019.

We will contact you to arrange a mutually agreeable time to discuss our objectives. 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.

To expedite our audit, please provide the items listed in the attached Appendix A by November 15, 2021. If there are any items that you cannot provide by this date, please respond with the estimated date of delivery and the explanation for the delay. This list of requested items resembles that from last year's audit but has been adjusted to address new Office of Management and Budget criteria.

We respectfully note that 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. Similarly, EPA Manual 6500, *Functions and Activities of the Office of Inspector General* (1994), requires that each EPA employee cooperate with and fully disclose information to OIG. Also, Administrator Michael S. Regan, in an April 28, 2021 email message to EPA employees, conveyed his "expectation that EPA personnel

provide OIG timely access to records or other information” and observed that “full cooperation with the OIG is in the best interest of the public we serve.” We will request that you immediately resolve the situation if an Agency employee or contractor refuses to provide requested materials to OIG or otherwise fails to cooperate with OIG. We may report unresolved access matters to the administrator and include the incident in the *Semiannual Report to Congress*.

We will post this memorandum on our public website at www.epa.gov/oig

Attachment

cc: Janet McCabe, Deputy Administrator
Dan Utech, Chief of Staff, Office of the Administrator
Wesley J. Carpenter, Deputy Chief of Staff, Office of the Administrator
David Bloom, Deputy Chief Financial Officer
Carol Terris, Associate Chief Financial Officer
Diane Kelty, Chief of Staff for Policy and Communications, Office of the Chief Financial Officer
Jeanne Conklin, Controller
Meshell Jones-Peeler, Deputy Controller
Brian Webb, Director, Policy, Training, and Accountability Division, Office of the Controller
Nikki Wood Chief, Management, Integrity and Accountability Branch; Policy, Training, and
Accountability Division, Office of the Controller
Andrew LeBlanc, Agency Follow-Up Coordinator
José Kercado, Backup Agency Follow-Up Coordinator
Lindsay Hamilton, 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
Benjamin May, Counsel to the Inspector General
Stephanie Wright, Assistant Inspector General for Management
Kellie J. Walker, Acting Deputy Chief of Staff, Office of Inspector General
Katherine Trimble, Assistant Inspector General for Audit
Paul H. Bergstrand, Acting Assistant Inspector General for Special Review and Evaluation
Marc Perez, Acting Assistant Inspector General for Investigations
Jee Kim, Acting Deputy Assistant Inspector General for Management
Tom Collick, Deputy Counsel to the Inspector General
Laura B. Nicolosi, Principal Deputy Assistant Inspector General for Audit
Erin Barnes-Weaver, Acting Deputy Assistant Inspector General for Evaluation
Susan Barvenik, Associate Deputy Counsel to the Inspector General
James Hatfield, Associate Deputy Assistant Inspector General for Audit
Jennifer Kaplan, Deputy Assistant Inspector General for Congressional and Public Affairs
Jeffrey Lagda, Congressional and Media Liaison, Office of Inspector General
Lori Hoffman, Congressional and Media Liaison, Office of Inspector General

Requested Information for PIIA Audit

- a. Identification of any investigations or legal proceedings that are in process and significant to the audit objective.
- b. A list of staff responsible for reporting or consolidating the FY 2021 improper payment and unknown payment information for each program.
- c. A list of all programs with annual outlays greater than \$10 million and for which OMB granted an exemption to EPA from performing a risk assessment, as well as a copy of any OMB communications and agreements to support those exemptions.
- d. All quantitative and qualitative risk assessments for each program with annual outlays greater than \$10 million.
- e. All sampling methodologies for improper payments and unknown payment testing undertaken for FY 2021 reporting, and the changes to risk methodology or results since the last Agency Financial Report.
- f. An advance draft copy of the FY 2021 Agency Financial Report section on payment integrity data.
- g. All underlying documents and data that support the accuracy of improper payments and unknown payment estimates for each program with annual outlays greater than \$10 million, as well as any and all analyses and evaluations that the sampling and estimation plans used are appropriate given program characteristics, such as spreadsheets used to consolidate improper payment and unknown payment totals, supporting schedules and/or system-generated reports for risk-susceptible programs, 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 2021 audit tracking spreadsheet with "TBD" amounts.
- h. For those programs for which payments were reviewed for proper payment compliance, a copy of payment universe and selected samples, as well as the methodology by which the universe was obtained and samples were selected.
- i. A list of any payments that were excluded from EPA's review of payments.
- j. Policy and procedures for retaining, maintaining, and storing all evidence supporting payment compliance and noncompliance termination.
- k. 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.
- l. Standard Operating Procedures for improper payments and unknown payments for each program with annual outlays greater than \$10 million in effect during FY 2021.
- m. For Grantee Compliance and Recipient Activity, Compass Data Warehouse and Comply, improper payments, and unknown payment reconciliation, the policies and procedures for retaining and storing documents in the Integrated Grants Management System and Comply.

- n. A list of all payments reviewed and the support document reviewers' names. Please also identify backup reviewers, who will need to answer questions regarding the review process in case the principal reviewers are no longer available during next year's review.
- o. EPA's latest grants sampling methodology for improper payment and unknown payment testing approved by OMB.
- p. A list of grant specialist trainings and certifications completed by Office of the Chief Financial Officer reviewers.
- q. A summary of all communications to the Office of Grants and Debarment regarding questioned costs and any requests for concurrence or guidance.
- r. Identification of the EPA systems where all review documents are retained and instructions on how to locate those documents.
- s. All new policies and procedures adopted for the FY 2021 improper payment review for all programs that had annual outlays of \$10 million or more.
- t. All of EPA's FY 2021 High-Dollar Overpayment notifications and schedules.