



THE CHIEF FINANCIAL OFFICER

WASHINGTON, D.C. 20460

August 8, 2025

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Final Report, Report No. 25-P-0033, *"Audit of the EPA's Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019,"* dated May 27, 2025

FROM: Paige Hanson, Chief Financial Officer
Office of the Chief Financial Officer

TO: Nicole N. Murley, Acting Inspector General
Office of the Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject final report. The following is a summary of the U.S. Environmental Protection Agency's overall position, along with its position on the report's unresolved recommendations.

AGENCY'S OVERALL POSITION

The Office of the Chief Financial Officer agrees with the Office of Inspector General's recommendations and appreciates the opportunity to address unresolved recommendations 2, 3 and 4. The following table provides revised corrective actions, which will improve the EPA's reporting and further the agency's ongoing efforts to ensure the integrity of its payments.

The EPA is re-assessing its Payment Integrity Information Act processes in compliance with *Executive Order 14249: Protecting America's Bank Account Against Fraud, Waste, and Abuse*. The EO calls for more detailed alignment of programs to the assistance listings in the Federal Program Inventory when completing PIIA reporting requirements. To ensure compliance with EO 14249 and to address the OIG's findings and recommendations, the agency is evaluating its current risk assessment procedures for payment integrity. The OCFO will coordinate with stakeholders across the EPA to fully document and implement any changes.

AGENCY RESPONSE TO FINAL REPORT RECOMMENDATIONS

Recommendation	High-Level Intended Corrective Action(s)	Planned Date
2. Develop and document internal processes to ensure that all applicable grant recipients and transactions are included in the sampling population universe and sampling frame so that the EPA produces a valid improper payment and unknown payment estimate.	<u>Concur.</u> The agency will develop an implementation plan to address EO 14249. This EO requires the agency to redesign the Payment Integrity program, including an enhanced statistical sampling methodology, and will impact planned activities to meet the intent of the OIG's recommendations. Once implemented, the OCFO's Office of the Controller will update the sampling methodology and applicable Standard Operating Procedures to document revised or developed internal processes for ensuring populations and samples accurately reflect the full universe for improper and unknown payment estimates.	10/1/26
3. Update the June 2019 Sampling and Estimation Methodology Plan and internal standard operating procedures to reflect changes to internal processes to optimize efficiency and effectiveness of the Sampling and Estimation Methodology Plan execution.	<u>Concur.</u> The EPA is currently developing a compliance plan for Executive Order 14249. This EO requires the agency to redesign the Payment Integrity program and will impact planned activities to meet the intent of the OIG's recommendations. Once implemented, the OCFO's Office of the Controller will develop a Sampling and Estimation Methodology Plan and Standard Operating Procedures document in alignment with the EPA's compliance plan for EO 14249 and to reflect any changes to internal processes for Sampling and Estimation Methodology Plan execution.	
4. Perform statistical sample testing of the grant's payment stream as part of the Payment Integrity Information Act of 2019 annual reporting for FY 2026 to effectively demonstrate payment integrity compliance. The statistical sample testing should utilize the updated Sampling and Estimation Methodology Plan and updated internal standard operating procedures to ensure that the EPA has an accurate improper and unknown payment estimate for the grants payment stream.	<u>Concur.</u> During FY 2026, the OCFO's Office of the Controller will identify new PIIA reporting grant programs based upon requirements established in EO 14249, PIIA, and OMB Circular A-123, Appendix C, required to perform a qualitative risk assessment of assistance listings within all programs (as opposed to one grant payment stream) for determining susceptibility to significant improper payments. For any PIIA grant program(s) determined to be susceptible to significant improper payments, the OCFO will collaborate with the Office of Mission Support's Office of Grants and Debarment to design and implement a new	

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	transaction testing program for the agency in FY 2027 to align with the updated Statistical Sampling and Estimation Methodology Plan and revised internal Standard Operating Procedures to ensure that the EPA has an accurate improper and unknown payment estimate.	

CONTACT INFORMATION

If you have any questions regarding this response, please contact the OCFO's Audit Follow-up Coordinator, Andrew LeBlanc at leblanc.andrew@epa.gov or (202) 564-1761.

cc: Gregg Trembl
Lek Kadeli
Angel Robinson
Meshell Jones-Peeler
Adil Gulamali
Melissa Wise
Rachel Lentz
Kysha Holliday
Daryl Hobbs
OCFO-OC-MANAGERS
Gloria Taylor-Upshaw
Katelyn Bell
Ryan Dzakovic
LaTanya Furdge
Susan Perkins
Jovandra Sanderlin
Mark T. Howard
Eric Fox
Shay Bracey
Andrew LeBlanc
José Kercadó