

Audit of the EPA's Resolution of Improper Payments Identified Through Its Annual Review of the State Revolving Fund Program

January 29, 2026 | Report No. 26-P-0014



Abbreviations

C.F.R.	Code of Federal Regulations
CWSRF	Clean Water State Revolving Fund
DWSRF	Drinking Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
IP	Improper Payment
OIG	Office of Inspector General
OMB	Office of Management and Budget
PER	Program Evaluation Report
PIIA	Payment Integrity Information Act of 2019
SRF	State Revolving Fund

Key Definitions

Improper Payment	A payment made in an incorrect amount, made to an ineligible recipient, or not made in accordance with applicable requirements.
Proper Payment	A payment made to the right recipient for the right amount that meets all of the applicable legal requirements.
Unknown Payment	A payment made without sufficient documentation for the agency to determine whether the payment falls into the proper or improper category.

Cover Image

Image of an unsigned construction invoice. (iStock.com/timnewman image as modified by the OIG)

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At a Glance

Audit of the EPA's Resolution of Improper Payments Identified Through Its Annual Review of the State Revolving Fund Program

Why We Did This Audit

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether the EPA appropriately identified and resolved improper payments during its annual review of the State Revolving Fund Program. The Payment Integrity Information Act of 2019 requires the head of each executive agency to periodically review and identify all programs and activities with outlays exceeding the \$10 million statutory threshold to determine whether they are susceptible to significant improper payments.

A payment is "proper" if it is made to the right recipient for the right amount and if it meets all applicable legal requirements. A payment is "improper" if it was made for an incorrect amount, if it was made to the wrong recipient, or if it was not made in accordance with applicable requirements. An unknown payment is a payment that an agency cannot determine to be either proper or improper because of insufficient or a lack of documentation.

For programs identified as risk-susceptible, the Act requires agencies to produce estimates for improper payments, take steps to reduce improper payments, and recover funds that are subject to recovery.

To support this EPA mission-related effort:

- *Operating efficiently and effectively.*

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[List of OIG reports.](#)

What We Found

The EPA did not appropriately identify unknown and improper payments or properly track them for reporting and resolution, which resulted in the Agency's regions underreporting unknown and improper payments by approximately \$54.4 million for fiscal year 2022 and \$8.8 million for fiscal year 2023 for the transactions we reviewed. We reviewed 20 transactions selected from the 751 transactions the Agency sampled during its annual reviews and found errors in 19. During the EPA's review of state revolving fund transactions, regional staff accepted unapproved or unsigned construction invoices and summary data rather than individual invoices to support payments made from the State Revolving Fund Program. According to the Payment Integrity Information Act, if an agency cannot determine whether a payment is proper or not because there is a lack of or insufficient information, the agency must treat that payment as improper. Appendix C of Office of Management and Budget Circular A-123 refers to such payments as unknown payments. We also found instances in which the EPA identified improper payment transactions in testing worksheets but failed to include the improper payments in required reports.

These outcomes occurred because reviewers did not follow standard operating procedures when reviewing transactions and preparing program evaluation reports. As a result, the EPA does not have accurate information to make an assessment as to whether the State Revolving Fund Program is at risk of improper payments as the Payment Integrity Information Act requires.

Without proper identification of unknown and improper payment transactions made through the EPA's State Revolving Fund Program, the Agency cannot make accurate determinations about the success of the states' loan programs or whether state revolving fund controls are operating effectively.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for Water evaluate, in light of the underreporting of improper payments identified in this audit, the risk assessment that the Agency used for state revolving fund programs as the Payment Integrity Information Act of 2019 requires; revise, disseminate, and enforce the EPA's Transaction Testing Standard Operating Procedures to establish robust methods for identifying errors when conducting improper payment testing; and establish robust controls for conducting quality control reviews of the improper payment testing performed. The Office of Water did not provide proposed corrective actions and estimated completion dates for Recommendations 1, 2, and 3. These recommendations are unresolved with resolution efforts in progress.

We also recommend that the chief financial officer incorporate the findings from this audit, as well as relevant reports from other internal and external sources, to support a more comprehensive and informed risk assessment process in future risk evaluations. The Office of Finance and Administration provided a proposed corrective action and estimated completion date for Recommendation 4. This recommendation is resolved pending completion of corrective actions.



OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

January 29, 2026

MEMORANDUM

SUBJECT: Audit of the EPA's Resolution of Improper Payments Identified Through Its Annual Review of the State Revolving Fund Program
Report No. 26-P-0014

FROM: Nicole N. Murley, Deputy Inspector General performing the duties of the Inspector General *Nicole N. Murley*

TO: Paige Hanson, Chief Financial Officer
Office of Finance and Administration

Jessica L. Kramer, Assistant Administrator
Office of Water

This is our report on the subject audit conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was OA-FY24-0033. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

In accordance with EPA Manual 2750, the Office of Finance and Administration provided an acceptable planned corrective action and estimated milestone date for Recommendation 4. This recommendation is resolved. A final response pertaining to these recommendations is not required; however, if your office submits a response, it will be posted on the OIG's website, along with our memorandum commenting on the response.

Action Required

Recommendations 1, 2, and 3 are unresolved. EPA Manual 2750 requires that recommendations be resolved promptly. Therefore, we request that the EPA provide us within 60 days its response concerning specific actions in process or alternative corrective actions proposed on the recommendations. This response will be posted on the OIG's website, along with our memorandum commenting on the response. The response should be provided as an Adobe PDF file that complies with the requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that your office does not want released to the public; if the response contains such data, your office should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency Office of Inspector General initiated this audit to determine whether the EPA appropriately identified and resolved improper payments during its annual review of the State Revolving Fund Program.

Background

The EPA is charged with implementing two state revolving fund programs: the Clean Water State Revolving Fund, or CWSRF, Program, and the Drinking Water State Revolving Fund, or DWSRF, Program. The CWSRF Program was created by the 1987 amendments to the Clean Water Act. The CWSRF provides financial assistance for a wide range of clean water infrastructure projects, such as constructing municipal wastewater facilities, controlling nonpoint sources of pollution, and building decentralized wastewater treatment systems. In 1996, Congress amended the Safe Drinking Water Act to establish the DWSRF Program. The DWSRF helps states finance critical drinking water infrastructure projects, such as improving drinking water treatment, improving source of water supply, and replacing or constructing finished water storage tanks that further the health protection objectives of the Safe Drinking Water Act.

The EPA provides grant funding through its SRF Program to all 50 states plus Puerto Rico, hereafter referred to simply as states, to fund the 51 state CWSRF and 51 state DWSRF loan programs, also called SRF programs. Currently, the CWSRF and DWSRF receive both regular annual appropriations and Infrastructure Investment and Jobs Act appropriations. From 2017 to 2021, Congress provided an average of \$2.7 billion in annual appropriations to the SRF Program. The Act, which was signed into law in November 2021, appropriated to the EPA an additional \$48.4 billion in water infrastructure funding for fiscal years 2022 through 2026, of which \$43.4 billion is for the SRF Program. As a result, the EPA has an unprecedented amount of funding to further invest in water infrastructure programs.

The CWSRF and DWSRF funds can cover a variety of expenses, but recipients must adhere to specific regulations and guidance to ensure that expenses are eligible for reimbursement. Allowable expenses include:

- Construction costs.
- Equipment and materials necessary for the treatment, management, and distribution of water or wastewater.
- Project planning, design, and engineering.

The Payment Integrity Information Act and Federal Requirements for Improper Payments

The Payment Integrity Information Act of 2019, or PIIA, directs the head of each executive branch agency to periodically review all programs and activities with annual outlays greater than \$10 million and to identify those that may be susceptible to significant improper payments. Agency heads must conduct these periodic reviews, referred to as risk assessments, at least once every three years. The Office of Management and Budget, or OMB, uses three levels to classify federal agency improper payments risk: not susceptible to significant improper payments, susceptible to significant improper payments, and high priority.¹ For those programs identified as susceptible to significant improper payments, the head of the relevant executive agency is required to develop an estimate of the program or activity's improper payments and include the estimates in the agency's annual financial report.

OMB Circular A-123, appendix C, *Requirements for Payment Integrity Improvement*, dated March 5, 2021, provides requirements for agencies to comply with PIIA. This appendix clarifies that improper payment risk assessments may be qualitative or quantitative in nature. The agency should develop an improper payment risk assessment methodology that is appropriate to ensure that the result of the improper payment risk assessment reasonably supports whether the program is, or is not, susceptible to significant improper payments. According to the OMB, all program outlays will fall into one of three possible payment type categories: proper payment, improper payment, or unknown payment. A payment is "proper" if it was made to the right recipient for the right amount and meets all applicable legal requirements. A payment is "improper" if it was made for an incorrect amount, to the wrong recipient, or not in accordance with applicable requirements. Unknown payments are those that an agency cannot determine to be either proper or improper because of insufficient or a lack of documentation. When the executive agency does not have enough documentation to determine whether a payment is proper and classifies the payment as "unknown," the agency is required to treat it as an improper payment.

The EPA's Improper Payment Review Process

The EPA conducts risk assessments for the CWSRF and the DWSRF once every three years, as required by PIIA. Most recently, the Office of Water completed risk assessment questionnaires for both the CWSRF and the DWSRF programs in FY 2023, and the Office of the Chief Financial Officer analyzed that information to make the risk level determination.² According to the EPA, these risk assessments involved using a systematic approach to determine whether each program or payment stream is susceptible to significant improper payments. The risk assessments required an evaluation of factors that could contribute to the potential for significant improper payments. The 13 risk factors, as listed in Appendix A, include assessing the accuracy and reliability of improper payments and unknown payment

¹ None of the Agency's programs were identified as high priority (defined as exceeding \$100 million of annual estimated improper payments under PIIA).

² In November 2025, the EPA transferred the functions of the Office of the Chief Financial Officer to its new Office of Finance and Administration. We continue to refer in this report to the Office of the Chief Financial Officer, as that was the office in place when we conducted our audit work.

estimates previously reported for the SRF programs. As a result of the risk assessments, the EPA concluded that CWSRF and DWSRF payment streams were unlikely to be susceptible to significant improper payments.

According to the EPA, in an effort to prevent and recoup improper payments, it holds compliance training sessions in various areas of the country that are attended by local, state, and EPA regional officials as well as operators of water treatment facilities. Further, EPA regional offices supported by headquarters staff conduct mandatory annual reviews of all state SRF programs to identify and recover improper payments, as appropriate. EPA headquarters staff have developed checklists to assist regions with the annual review process. The annual review checklists include questions about potential improper payments that regional staff discuss with the state SRF staff during the reviews. According to the EPA, SRF improper payments most often arise from duplicate payments, funds drawn from the wrong account, incorrect federal share percentage used for drawing federal funds, ineligible expenses, transcription errors, or inadequate cost documentation. Many of the payment errors are immediately corrected by the state or are resolved by adjusting a subsequent cash draw. For issues requiring more detailed analysis, the state provides the Agency with a plan for resolving the improper payments and reaches an agreement on the planned course of action. The EPA describes the agreement in its program evaluation report,³ known as a PER, and the Agency follows up with the state to ensure compliance.

State Revolving Fund Annual Review Process and Improper Payment Testing

One of the EPA's strategies to prevent and recoup SRF improper payments is conducting transaction testing during the annual review of the SRF programs. According to its *SRF Annual Review Guidance* dated October 2022, the EPA performs an annual review to assess the success of each state's performance of activities identified in its intended use plan and annual report, and to determine compliance with the terms of the capitalization grant agreement. The EPA conducts transaction testing for CWSRF and DWSRF cash draws during the annual review. The cash draws selected for transaction testing must occur during the year under review. The EPA's *SRF Annual Review Guidance* has instructions to consider when testing transactions. The *EPA Standard Operating Procedure, 1.5 Transaction Testing for Improper Payments* (September 29, 2020) and *FY 2023 Transaction Testing Standard Operating Procedures* provide EPA staff specific instructions on how to conduct improper payment transaction testing, as well as examples of improper payments.

The *SRF Annual Review Guidance* provides the following general expectations for EPA regions to follow when completing their annual project file reviews:

- Cash draw selection should take into consideration the risk-based approach to conducting the annual review.⁴

³ This report details the annual review process and its findings.

⁴ Taking a risk-based approach to the annual review means targeting limited time and resources to the management areas that pose the greatest challenge to the state's ability to use SRF funds in a timely, appropriate, and effective manner.

- Regional staff should follow the review steps in the *EPA Standard Operating Procedure, 1.5 Transaction Testing for Improper Payments*.
- Regional staff may complete transaction testing remotely if the state's invoice files are available electronically.
- All improper payments discovered by the state or its auditors, in addition to those discovered by regional staff during transaction testing, must be reported to EPA headquarters.
- Cash draw amounts and improper payment amounts stated in the transaction testing worksheet must match the amounts reported to EPA headquarters and in the PER.
- When calculating an improper payment amount, regional staff should only report the amount paid improperly, not the amount of the entire cash draw or disbursement.
- If a state disagrees with the assessment of an item as an improper payment, the issue is considered a questioned cost.
- A description of the planned or completed resolution should accompany each reported improper payment.
- Negative cash draws should be discussed with the state to determine the reason for the negative draw.

The *EPA Standard Operating Procedure, 1.5 Transaction Testing for Improper Payments* steps for testing SRF transactions are as follows:

- Step 1: Identify cash draws for review.
- Step 2: Investigate negative draws.
- Step 3: Compare the federal cash draws with state documentation.
- Step 4: Review invoices supporting the cash draws.
- Step 5: Review the state's cash draw proportionality approach.
- Step 6: Review disbursements to borrowers.
- Step 7: Ensure that improper payments are resolved.
- Step 8: Investigate questioned costs.

At the completion of improper payment transaction testing, the *SRF Annual Review Guidance* requires the results to be reported in the transaction testing worksheet, in the PER, and to EPA headquarters.

Responsible Offices

The Office of Finance and Administration

The Office of Finance and Administration has subsumed the former responsibilities of the Office of the Chief Financial Officer, which at the time of our audit was responsible for forming and managing the Agency's annual budget and performance plan, coordinating the Agency's strategic planning and performance reports, and providing financial services, including making payments to EPA grant recipients, contractors, and others. Within the Office of the Chief Financial Officer, the Office of the Controller's Management Integrity and Accountability Branch was responsible for overseeing the Agency payment integrity program that includes tasks such as preparing the Payment Integrity chapter of the EPA's Annual Financial Report, consolidating improper payment information for publishing in the Annual Financial Report, and reviewing and providing feedback on each payment stream's improper payment information.

The Office of Water

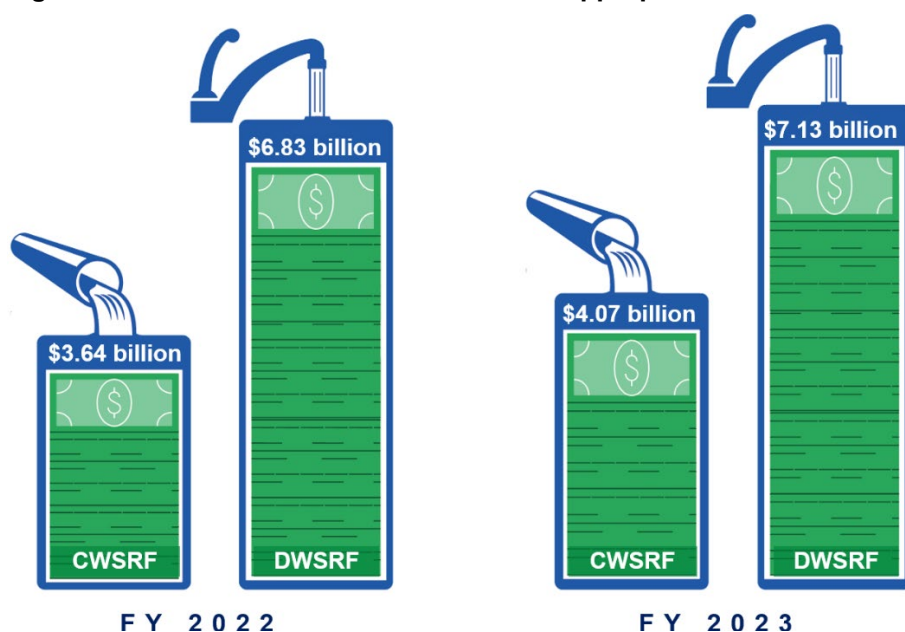
The Office of Water is responsible for ensuring that drinking water is safe and restoring and maintaining oceans, watersheds, and their aquatic ecosystems to protect human health, support economic and recreational activities, and provide healthy habitats for fish, plants, and wildlife. The Office of Water is responsible for implementing the Clean Water Act and the Safe Drinking Water Act and works with the ten EPA regional offices, state and local governments, American Indian tribes, other entities, and the public-at-large. The Office of Water provides guidance, performs oversight, and facilitates communication among those involved.

Within the Office of Water, the Office of Ground Water and Drinking Water is responsible for managing the DWSRF, while the Office of Wastewater Management is responsible for managing the CWSRF. The state revolving funds have two primary goals: (1) to achieve the greatest environmental and public health results by improving water quality, and (2) to ensure that funds are used efficiently and maintained in perpetuity. The Infrastructure Investment and Jobs Act provided the DWSRF \$2.4 billion in FY 2022 and \$2.75 billion in FY 2023. Similarly, the CWSRF received \$2.4 billion in FY 2022 and \$2.75 billion in FY 2023.

Figure 1 shows the FYs 2022 and 2023 total annual appropriations for the CWSRF and DWSRF programs.

For FY 2024, the EPA received nearly \$6.4 billion in total annual appropriations for the SRF Program. In addition, the program is expected to receive a total of \$43.4 billion in Infrastructure Investment and Jobs Act funds between FYs 2022 and 2026.

Figure 1: CWSRF and DWSRF Total Annual Appropriations for FYs 2022 and 2023



Source: The appendixes of the U.S. government's budget for fiscal years 2022 and 2023. (EPA OIG image)

The EPA Regions

The ten EPA regional offices participate in the oversight of the state revolving funds and facilitate issues between state agencies or between state and federal agencies and help state managers make strategic and sound decisions about the SRF programs. As part of their responsibility, regions conduct annual reviews of these programs to verify compliance with federal regulations, identify improper payments, and assess the success of each state's performance of activities identified in the intended use plan and annual report, and determine compliance with the capitalization grant agreement. Regions ensure that improper payments are resolved and transaction testing worksheets and PERs are completed, while coordinating with states to ensure timely submission of their annual report and audits. Additionally, the EPA's *SRF Annual Review Guidance* provides important directions that regional offices should follow, highlighting required tasks through focused checklists developed by EPA headquarters.

Scope and Methodology

We conducted this performance audit from January 2024 to September 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We assessed the internal controls necessary to satisfy our audit objective.⁵ In particular, we assessed the internal control components significant to our audit objective—as outlined in the U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government*. Any internal control deficiencies we found are discussed in this report. Because our audit was limited to the internal control components deemed significant to our audit objective, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

To answer the objective, we reviewed PIIA; OMB Circular A-123, appendix C; the Uniform Grant Guidance (2 C.F.R. part 200); the EPA’s *SRF Annual Review Guidance*; select transaction testing sheets, state PERs; and certain state intended use plans. We interviewed management and staff from the EPA’s Offices of Water and the Chief Financial Officer, Agency regions, and certain states. We reviewed select transactions from FYs 2022 and 2023 to determine whether the EPA correctly identified each payment as either a proper or improper payment. For our FY 2022 testing, we judgmentally selected 13 transactions to review, including at least one from each region. For FY 2023, we initially selected 12 transactions from the list of the same states that we tested for FY 2022. Since we found many of the same kinds of errors in the FY 2023 data that we had found from FY 2022, we stopped testing after seven transactions.⁶ We also reviewed whether the EPA properly reported any improper or unknown payments in the states’ PERs.

Prior Reports

EPA OIG Report No. [25-P-0033](#), issued May 27, 2025, *Audit of the EPA’s Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019*, found that the EPA did not comply with applicable OMB requirements for PIIA in its FY 2024 reporting. Specifically, the EPA published a 0.77 percent improper payment estimate with no unknown payments for the grants payment stream. The OIG reported that this was not based on an accurate statistical sampling plan. The OIG was unable to determine whether the published estimate was valid and representative of the grant program characteristics because \$222 million in grant payment transactions were excluded from the statistical sample population universe. Additionally, the Agency did not maintain supporting documentation of its sample selection, which increases the risk of the EPA ineffectively reporting improper and unknown payments for the grant payment stream.

We recommended that the chief financial officer develop and implement an internal process to ensure that all applicable grant recipients and transactions are included in the sampling population; annually review and update the Sampling and Estimation Methodology Plan; and require staff to maintain documentation to support its sample section, risk assessment reviews, and susceptibility determinations.

⁵ An entity designs, implements, and operates internal controls to achieve its objectives related to operations, reporting, and compliance. The Government Accountability Office sets internal control standards for federal entities in GAO-14-704G, *Standards for Internal Control in the Federal Government*, issued September 10, 2014.

⁶ We did not test the other five transactions or make any conclusions regarding those transactions.

We also recommended that the Office of the Chief Financial Officer perform a statistical test of outlay transactions for the grants payment stream as part of PIIA annual reporting for FY 2026 and develop and implement a process that requires staff to document any exceptions to payment integrity procedures. The Agency agreed with all recommendations. Recommendations 1, 5, and 6 are resolved with corrective actions pending. As of June 24, 2025, Recommendations 2, 3, and 4 were not resolved, and resolution efforts were in progress.

EPA OIG Report No. [24-P-0041](#), issued May 29, 2024, *The EPA Complied with the Payment Integrity Information Act for Fiscal Year 2023 but Needs to Improve Its Oversight Efforts for Improper and Unknown Payment Activities*, found that the Agency satisfied the requirements for PIIA compliance for FY 2023 but had an opportunity to improve internal controls to provide better oversight of its payment integrity activities. Specifically, we found that the EPA lacked (1) documentation to support its conclusions for determining payment stream susceptibility to improper payments and (2) proper monitoring of the resolution of the unknown payments from the grant payment stream and agencywide payment integrity performance. By not having documentation to support conclusions and proper monitoring, the EPA's risk for ineffective management is increased. We recommended that the chief financial officer develop guidance for generating and maintaining documentation to support risk assessment determinations of whether EPA programs are susceptible to significant improper payments. We also recommended that the EPA develop oversight guidance and mechanisms to monitor the resolution of unknown payments, as well as develop processes and tools to periodically collect and analyze agencywide payment integrity activities and related information for preventing and reducing improper and unknown payments. All recommendations were considered resolved with corrective actions completed as of June 2024.

EPA OIG Report No. [23-P-0017](#), issued May 16, 2023, *The EPA Complied with the Payment Integrity Information Act for Fiscal Year 2022*, found that the EPA was compliant with PIIA and related OMB guidance for its FY 2022 reporting. We made no recommendations in the report.

Government Accountability Office Report No. [23-106285](#), *Improper Payments: Fiscal Year 2022 Estimates and Opportunities for Improvement*, issued March 29, 2023, noted that the EPA did not report improper payment estimates for FY 2022 but that PIIA only requires an estimate when a risk assessment determines that a program may be susceptible to significant improper payments. The Government Accountability Office also identified that the EPA OIG reported that the EPA did not make adequate conclusions from its risk assessments because it used outdated operating procedures and lacked standard operating procedures to evaluate payments. This report did not make any recommendations to the EPA.

EPA OIG Report No. [22-P-0050](#), *The EPA Was Not Compliant with the Payment Integrity Information Act for Fiscal Year 2021*, issued June 27, 2022, found that the EPA was not compliant with PIIA for its FY 2021 reporting and needed to improve risk assessments to adequately conclude whether the program's improper and unknown payments exceeded the compliance threshold. We made four recommendations to the chief financial officer that addressed reviewing the OIG-identified questioned

costs, determining the payment allowability, recovering costs and recalculating the error rate, conducting an off-cycle risk assessment, updating applicable standard operating procedures, and training Agency personnel on the application of cost principles. All recommendations were considered resolved with corrective actions completed as of November 2022.

EPA OIG Report No. [14-P-0171](#), *EPA Needs to Continue to Improve Controls for Improper Payment Identification*, issued April 10, 2014, found that the EPA was compliant with the Improper Payments Elimination and Recovery Act of 2010 for FY 2013 reporting of improper payments. However, EPA regional offices were neither following SRF standard operating procedures nor completing all required fields of the transaction testing worksheet. We found several errors and inconsistencies in the EPA's process for collecting data on improper payments. These errors and inconsistencies raised concerns regarding the accuracy of improper payments reported. We made multiple recommendations, including that the assistant administrator for Water provide regional staff with the current transaction testing worksheet and directions for completing the worksheet and require regional staff to review a sample of large negative draws to identify improper payments. All recommendations were considered resolved with corrective actions completed as of October 2014.

Chapter 2

The EPA Needs Robust and Enforceable Controls for Identifying and Resolving Unknown and Improper Payments

The EPA did not appropriately identify unknown and improper payments and did not properly track these payments for reporting and resolution, which resulted in the Agency's regions underreporting improper payments by at least \$54.4 million and \$8.8 million, in FY 2022 and FY 2023, respectively, for the 20 transactions we reviewed. According to PIIA, if an agency cannot determine whether a payment is proper or not because of a lack of or insufficient information, the agency must treat that payment as improper. Appendix C of OMB Circular A-123 refers to such payments as unknown payments. This underreporting occurred because reviewers did not follow standard operating procedures when reviewing transactions and preparing PERs. Without proper identification of SRF unknown and improper payment transactions, the EPA cannot make an accurate determination about the success of the states' SRF programs or if the SRF controls are operating effectively. Additionally, the EPA does not have accurate information to assess if the SRFs are at risk of improper payments as required by PIIA.

The EPA Did Not Properly Identify FY 2022 Unknown and Improper Payments

The EPA did not properly identify unknown and improper payments during the SRF annual reviews. Specifically, regional staff did not question payments for ineligible expenses, allowed inadequate documentation as support for SRF payments, and did not report negative draws for improper payments. As a result, the regions underreported FY 2022 unknown and improper payments by approximately \$46.2 and \$7.0 million, respectively. Without proper testing of SRF transactions, the EPA cannot make an accurate determination of the success of the states' SRF programs or if the SRF controls are operating effectively. Additionally, EPA headquarters did not have accurate information to make its PIIA assessment that the SRFs are not susceptible to significant improper payments.

The Office of Water and Regional Staff Did Not Question Payments for Ineligible Expenses and Allowed Inadequate Documentation as Support for SRF Payments

As part of the SRF annual reviews, the EPA selects and tests SRF transactions to identify if improper payments occurred and controls are operating effectively. The EPA also uses this testing to help evaluate the success of the states' SRF programs and support the EPA's overall PIIA assessment that the SRFs are not susceptible to significant improper payments. Transaction testing is the method by which a region reviews SRF funds drawn from the federal Treasury and disbursed to SRF assistance recipients to ensure that no improper payments occurred.

Improper payment testing results in coordination with other performance indicators, such as states' intended use plans and annual reports, help the EPA assess the success of the SRF Program and determine compliance with the terms of its capitalization grant agreement.

In accordance with the Uniform Grant Guidance at 2 C.F.R. part 200, expenses that lack detailed, verifiable documentation are deemed ineligible for reimbursement. Examples of insufficient supporting documentation can include:

- Instances where invoices or receipts were missing, making it impossible to trace the payment to a legitimate expense.
- Invoices that were unapproved or lack the necessary signatures from authorized personnel, such as city engineers or project managers.
- Invoices that were vague or insufficiently detailed, such as those lacking itemized costs, project descriptions, or specific breakdowns (for example, labor hours or equipment used) to ensure that payment is to the correct project and for the correct amount.

According to PIIA, if payments do not include sufficient documentation, they should be treated as improper.

Maintaining proper, detailed records is essential to ensuring compliance and eligibility for program funds.

For FY 2022, regions were directed to judgmentally select at least four transactions from each state's CWSRF and DWSRF. This resulted in 412 transactions totaling \$781.4 million in SRF funding. During testing, the EPA identified and reported eight improper payments valued at \$226,326 and used that result to support its conclusion that the SRFs are not susceptible to significant improper payments. To verify the accuracy of SRF improper payment testing results, we retested 13 of the 412 FY 2022 SRF transactions that the EPA tested (totaling \$56.0 million), including at least one transaction in each EPA region.

In our FY 2022 limited sample, we found that 12 of the 13 transactions had unknown payments not identified by EPA regional staff. Regional staff did not question payments for ineligible expenses and accepted inadequate documentation as support for SRF payments, resulting in the EPA underreporting errors worth approximately \$46.2 million in unknown payments. During the EPA's review of SRF transactions, EPA regional staff accepted:

- *Unapproved or unsigned construction invoices.* Construction invoices did not contain required signatures indicating that the work completed was approved by city engineers, construction representatives, and city officials. In some cases, it also appeared that the invoice approval was prepopulated (typed or photocopied) and not completed at the time the invoice was submitted for payment.
- *Summary data rather than individual invoices to support the state's administrative payments, such as payroll.* These summaries included handwritten figures that did not match the actual payroll figures and lacked necessary details, such as an employee's full name, hourly rate, and total hours worked. In many cases, the numbers in the provided documentation did not reconcile with the requested payroll amounts, further complicating the ability to verify payments.

- *Invoices for training costs without additional support.* Training costs were similarly vague, lacking key details such as the subject of the training, the names of employees who attended, and why the training was necessary.
- *Contracted hourly and professional services lacked detail to support actual costs.* Invoices were accepted without supporting timesheets or service descriptions, particularly for attorney and engineering fees, which only provided summary data without necessary information such as detailed timesheets, hourly rates, or project specifics.
- *State Administrative Expenses Missing Supporting Documentation.* Supporting documents provided—such as invoices, contracts, and progress reports that demonstrate the completion of technical or local assistance projects and to validate expenditures were incurred for eligible activities—lacked specificity for how funds were used.
- *Construction Payments Missing Supporting Documentation.* Documentation provided to support construction transactions was either insufficient to determine eligibility or entirely lacking to substantiate construction payments.

We found errors in 12 of the 13 FY 2022 transactions we reviewed. Although the EPA regions may be able to resolve these deficiencies with follow-up, they should have questioned the documentation and required proper support during transaction testing and treated these as unknown payments until all discrepancies were resolved. Without proper testing of SRF transactions, the EPA cannot make an accurate determination of the success of the states' SRF programs or if the SRFs' controls are operating effectively.

The EPA Did Not Review Negative Draws as Required

During FY 2022,⁷ the SRFs made 77 negative draws amounting to nearly \$12.2 million. Of those draws, the SRFs corrected at least 54 improper payments totaling approximately \$7.0 million by using negative draws. Separate from the transaction testing, the EPA is required to review negative SRF drawdowns. A drawdown occurs when a state requests and receives money from a grant. A negative draw can occur when a grantee returns funds to a grant or makes an adjustment to the grant. A negative draw could indicate that an improper payment was made and appropriately adjusted by the state after the error was detected through normal internal control procedures. According to the *SRF Annual Review Guidance*, negative cash draws should be discussed with the states to determine the reason for the negative draw. This information should be included in the PER and provided to EPA headquarters with the transaction testing. We reviewed the 77 negative draws made during FY 2022 to determine whether these were to correct improper payments. See Table 1 below. Some of the 77 draws were to adjust the grant funding year. Fifty-four negative draws should have been identified as correcting prior improper payments but were not reported in the respective PERs and identified to EPA headquarters.⁸

⁷ States' fiscal years generally run from July 1 through June 30.

⁸ Draws that resulted in a net wash were excluded from our final counts and not considered as part of our review.

Table 1: Negative draws correcting improper payments

SRF	Number of negative draws	Dollar value of negative draws (\$)	Number of draws correcting improper payments	Dollar value of negative draws correcting improper payments (\$)	Negative draw reviews discussed in PER	Negative draws correcting improper payments reported in PER
Alaska	4	156,235	4	156,235	No	No
Arizona	1	1,182	1	1,182	No	No
Arkansas	1	24,164	—	—	No	—
California	1	143,516	1	143,516	No	No
Idaho	1	23,960	—	—	No	—
Illinois	1	188,328	1	188,328	Yes	No
Iowa	1	3,196	—	—	Yes	—
Kansas	2	54,414	1	48,753	Yes	No
Kentucky	1	29,931	1	29,931	No	No
Louisiana	1	199,847	1	199,847	Yes	No
Maine	1	40,274	1	40,274	No	No
Maryland	1	1,241	1	1,241	Yes	No
Nebraska	12	2,481,943	10	1,991,744	Yes	No
Nevada	3	1,500,000	—	—	No	—
New Jersey	1	91,543	1	91,543	No	No
New Mexico	3	536,869	3	536,869	Yes	No*
New York	12	4,222,694	7	2,690,816	No	No
Oregon	1	1,224	1	1,224	No	No
Pennsylvania	3	1,276,635	2	109,580	Yes	No
Puerto Rico	2	80,212	2	80,212	No	No
Rhode Island	2	118,530	1	114,910	No	No
Tennessee	1	48,056	1	48,056	No	No
Virginia	13	491,577	7	429,849	Yes	No
Washington	5	71,506	5	71,506	No	No
West Virginia	3	395,480	2	14,271	Yes	No
Total	77	\$12,182,557	54	\$6,989,887	—	—

Source: OIG analysis of SRF negative draws. (EPA OIG table)

* Although New Mexico's PER discussed a draw correcting a negative draw, it did not properly report the draw as an improper payment, nor was the improper payment reported to EPA headquarters.

Examples of negative draws correcting improper payments included state SRFs correcting draws from the wrong fund. Properly reporting corrected improper payments is critical to the EPA's ability to understand the operating effectiveness of the SRFs and how the states are managing the money provided to the SRFs.

The EPA Did Not Properly Report Its FY 2022 Improper Payments

Even though the EPA correctly reported eight improper payments worth \$226,326 for FY 2022, it did not properly report two improper payments worth \$1.2 million that the Agency had identified as improper during its testing. All improper payments and resolution, whether discovered by the region, the state, or its auditors, must be reported in the PER and to EPA headquarters. Table 2 summarizes reporting protocol for improper payments depending on how the improper payment was discovered.

Table 2: Reporting protocol for improper payments

How was it discovered?	How should it be reported?
Discovered by the region during transaction testing of the cash draws identified for the review.	<ul style="list-style-type: none"> • Transaction testing worksheet. • PER. • EPA headquarters.
Discovered by the region during the review but not associated with a cash draw selected for transaction testing.	<ul style="list-style-type: none"> • PER. • EPA headquarters.
Associated with a cash draw selected for transaction testing but discovered and corrected by the state prior to the review.	<ul style="list-style-type: none"> • Transaction testing worksheet. • PER. • EPA headquarters.
Discovered by the state, auditors, or the region outside of the annual review.	<ul style="list-style-type: none"> • PER. • EPA headquarters.
Negative cash draw identified by the Office of the Chief Financial Officer for follow-up during annual review but not associated with a cash draw selected for transaction testing.	<ul style="list-style-type: none"> • PER. • EPA headquarters.

Source: *SRF Annual Review Guidance*, October 2022. (EPA OIG table)

During our review of FY 2022 SRF improper payment testing, we found that regional staff did not correctly identify and report all improper payments. The EPA uses a worksheet to conduct transaction testing. Upon completion of transaction testing, the EPA regions submit a copy of the worksheet to EPA headquarters with the PER and annual review checklist. In our sample of 13 FY 2022 transactions, we found that for two transactions, Office of Water staff had noted \$1.2 million in improper payments on the testing sheets but had not reported these in the SRFs' total improper payment amount. In one instance, staff identified that the SRF incorrectly calculated the amount due by \$1,164,978 but did not properly identify this as an improper payment on the transaction testing sheet, even though the Agency reviewer annotated on the same sheet that the mistake was corrected in the next draw. Additionally, we found multiple examples of transaction testing sheets that EPA regional staff had incorrectly completed, failing to complete sections requiring key conclusions, and not correctly indicating the EPA's final determination as to whether a tested transaction was proper or improper. In many cases, the PERs incorrectly reported the total amount of improper payments for the transactions tested.

Without accurate reporting of improper payments, the EPA regions are making inaccurate assessments of the SRF state operations. As a result, EPA headquarters is unaware of issues related to the accuracy of grant drawdowns and the appropriateness of the PIIA assessment that the SRFs are not susceptible to significant improper payments.

Process Revisions Did Not Improve the EPA's Identification of Improper and Unknown Payments in FY 2023

For FY 2023, the EPA revised its SRF improper payment testing process. Specific changes included:

- EPA improper payment testing was performed by a team of contractors instead of by regional staff.
- EPA updated its Transaction Testing Standard Operating Procedures to help reviewers better identify improper payments.
- EPA moved from selecting a judgmental sample of SRF transactions to a statistically based, stratified random sample of SRF payments.

For FY 2023, the Office of Water used a statistical sampling method to calculate the sample size. Additionally, to ensure that all state agencies and programs were reviewed, the Office of Water selected additional payments from both the CWSRF and the DWSRF. In total, the Office of Water selected 147 CWSRF payments and 192 DWSRF payments totaling \$1.1 billion to review. For FY 2023, EPA improper payment testing identified 23 improper payments worth \$4.5 million. The Agency used that information to conclude that the states' SRF programs were successful and support the EPA's overall PIIA assessment that the SRFs are not likely to be susceptible to improper payments. To verify the accuracy of the EPA's SRF improper payment testing results, we retested seven FY 2023 SRF transactions.

In our limited sample of FY 2023 transactions, we continued to find that the Office of Water and contractor staff did not question payments for ineligible expenses, allowed inadequate documentation as support for SRF payments, and did not properly report unknown and improper payments. Examples included:

- *Unsupported or unsigned construction invoices.* Construction invoices submitted lacked detail of itemized costs or appropriate approval from city engineers, construction representatives, or city officials.
- *Lack of documentation supporting payroll and administrative expenses.* Payments for payroll and administrative expenses could not be located or were not sufficient to reconcile to summary documentation or support provided.
- *Travel documentation lacked detailed support.* Supporting documentation did not indicate relevance of travel to allowable costs.
- *Contracted hourly and professional services lacked detail to support actual costs.* Invoices were accepted without supporting timesheets or service descriptions, particularly for attorney and

engineering fees, which only provided summary data without necessary information such as detailed timesheets, hourly rates, or project specifics.

- *Construction Payments Discrepancy.* Documentation provided to break down construction costs did not align with the total amount paid.

In one example, the EPA reviewer noted a lack of documentation and was unable to reconcile the documentation provided to determine eligibility and justify expenses for the cash draw request; however, the reviewer did not document this as an improper payment on the transaction testing worksheet or in the PERs.

Despite the revised process in FY 2023, the EPA continues to not identify all SRF improper payments made in the program. The EPA continues to not have all the information necessary to have a full understanding of the operating effectiveness of the SRFs and how the states are managing the money provided to the SRFs.

The EPA Needs to Continue to Improve Controls for Improper Payment Identification

As introduced in the Prior Reports section, EPA OIG Report No. [14-P-0171](#), *EPA Needs to Continue to Improve Controls for Improper Payment Identification*, found that regional offices were not following the EPA's standard operating procedure for SRF programs, completing all required fields of the transaction testing worksheet, or considering negative draws as an indicator of previous overpayment. These issues continue to persist in the EPA's FY 2022 and FY 2023 SRF improper payment process despite being requirements of the *SRF Annual Review Guidance*.

The *SRF Annual Review Guidance* is clear that all improper payments, both overpayments or underpayments, discovered by the state or its auditors, in addition to those discovered during transaction testing, must be reported to EPA headquarters. The region should also document whether this improper payment *has been resolved* or *is still outstanding*. However, we found multiple instances where the reviewer did not count a transaction as an improper payment if the payment was corrected.

Omitting information on transaction testing forms and incorrectly reporting results in final reports ultimately provides the EPA with incomplete and inaccurate data, complicating the preparation of the annual SRF financial report. This underreporting of improper and unknown payments prevents a clear understanding of the financial risks associated with the SRF programs, obscuring the true scope of potential issues. As a result, the EPA does not have a full picture of the programs' financial health, which could hinder informed decision-making and appropriate corrective actions.

Conclusions

The EPA Office of Water needs to develop and implement robust and enforceable controls to address deficiencies in identifying improper payments during its annual review of the SRF programs. If the Agency and its contractors do not identify and report improper payments, they cannot correct or

recover the errors subject to recovery. For the sample of 20 transactions we reviewed, we found that the regions and contractors underreported unknown and improper payments by approximately \$63.2 million, of which about \$7.0 million were negative draws made to correct other improper payments. The unknown payments we identified were the result of the EPA not requiring the SRFs to provide sufficient documentation for a reviewer to ensure that the payment was for an allowable and allocable cost. Consequently, we consider the entire \$63.2 million as monetary benefits due to the lack of support or missing documentation. Although required, in some cases the EPA also did not report improper payment transactions that had been corrected as improper. Without proper identification of SRF improper payment transactions, the EPA cannot make an accurate determination of the success of the states' respective SRF programs or if the SRFs' controls are operating effectively, determine whether any fraudulent payments exist based on the information available to them, or have accurate information to make an assessment if the SRFs are at risk of improper payments as required of PIIA.

Recommendations

We recommend that the assistant administrator for Water:

1. Evaluate, in light of underreporting of improper payments identified in this audit, the risk assessment used by the Agency for state revolving fund programs as required by the Payment Integrity Information Act of 2019.
2. Revise, disseminate, and enforce the Transaction Testing Standard Operating Procedures to establish robust methods for identifying errors when conducting improper payment testing. The standard operating procedures should describe the minimum acceptable support required for payment justification.
3. Develop and implement robust and enforceable controls to conduct comprehensive quality reviews of transaction tests completed by regional staff or contractors. These controls should be designed to require that all testing is accurately executed, and all results are correctly reported on the testing sheets, in the program evaluation reports, and to EPA headquarters.

We recommend that the chief financial officer, representing the Office of Finance and Administration:

4. Incorporate, in future Payment Integrity Information Act risk evaluations, the findings from this audit, as well as relevant reports from other internal and external sources, to support a more comprehensive and informed risk assessment process.

Agency Response and OIG Assessment

Appendix B includes the Agency's response to our draft report. For Recommendations 1, 2, and 3, the Office of Water did not provide proposed corrective actions and estimated completion dates to address the recommendations. The Agency stated that it lacks sufficient information to provide appropriate responses. We met with Agency officials multiple times before and after receiving the draft report response to explain our report findings. To resolve the recommendations, the Office of Water should

provide a complete response to address each component of the recommendations, including how it plans to establish robust methods for identifying errors in improper payment testing, develop and implement robust controls to conduct comprehensive quality reviews of transaction testing, and, in conjunction with the Office of Finance and Administration, evaluate the SRF programs' payment integrity risk assessment in light of underreporting of improper payments. We consider these recommendations unresolved and will work with the Agency to gain resolution.

The Office of Finance and Administration agreed with Recommendation 4 to incorporate findings from this audit, as well as relevant reports from other internal and external sources, to support a more comprehensive and informed risk assessment process. The Office of Finance and Administration provided a proposed corrective action with an acceptable estimated completion date. The proposed corrective action and completion date meet the intent of the recommendation. We consider this recommendation resolved pending the completion of the corrective action.

Status of Recommendations and Potential Monetary Benefits

Rec. No.	Page No.	Recommendation	Status*	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	17	Evaluate, in light of underreporting of improper payments identified in this audit, the risk assessment used by the Agency for state revolving fund programs as required by the Payment Integrity Information Act of 2019.	U	Assistant Administrator for Water	—	—
2	17	Revise, disseminate, and enforce the Transaction Testing Standard Operating Procedures to establish robust methods for identifying errors when conducting improper payment testing. The standard operating procedures should describe the minimum acceptable support required for payment justification.	U	Assistant Administrator for Water	—	63,200
3	17	Develop and implement robust and enforceable controls to conduct comprehensive quality reviews of transaction tests completed by regional staff or contractors. These controls should be designed to require that all testing is accurately executed, and all results are correctly reported on the testing sheets, in the program evaluation reports, and to EPA headquarters.	U	Assistant Administrator for Water	—	—
4	17	Incorporate, in future Payment Integrity Information Act risk evaluations, the findings from this audit, as well as relevant reports from other internal and external sources, to support a more comprehensive and informed risk assessment process.	R	Chief Financial Officer	4/1/26	—

* C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

Payment Integrity Qualitative Risk Assessments Standard Operating Procedures

The qualitative risk assessments consist of a questionnaire designed to provide the payment streams with a tool for self-evaluation of risk factors in consideration of their existing internal controls. The following Office of Water risk assessment is based upon 11 risk factors identified in appendix C of OMB Circular A-123 and two additional risk factors that the EPA added:¹

1. Whether the program reviewed is new to the agency.
2. The complexity of the program reviewed.
3. The volume of payments made through the program reviewed.
4. Whether payments or payment eligibility decisions are made outside of the agency, such as by a state or local government.
5. Recent major changes in program funding, authorities, practices, or procedures.
6. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate.
7. Significant deficiencies in the audit report or other relevant management findings of the agency that might hinder accurate payment certification.
8. Similarities (a combination of outlays, mission, payment process, etc.) to other programs that have reported improper payment and unknown payment estimates or been deemed susceptible to significant improper payments.
9. The accuracy and reliability of improper payment and unknown payment estimates previously reported for the program or other indicator of potential susceptibility to improper payments and unknown payments identified by the OIG of the executive agency; the Government Accountability Office; other audits performed by or on behalf of the federal, state, or local government; disclosures by the executive agency; or any other means.
10. Whether the program lacks information or data systems to confirm eligibility or provide for other payment integrity needs.

¹ EPA Payment Integrity Qualitative Risk Assessments, Standard Operating Procedures (2023).

11. The risk of fraud as assessed by the agency under the Standards for Internal Control in the Federal Government published by the Government Accountability Office (commonly known as the "Green Book").
12. PIIA audit results and the risk status of the payment stream in prior year audit results.
13. Other risk factors, outside of what was indicated in the risk assessment, that should be taken into consideration.

Agency Response to the Draft Report



WASHINGTON, D.C. 20460

December 2, 2025

MEMORANDUM

SUBJECT: Response to the Office of Inspector General Draft Report, Project No. OA-FY24-0033, *Improper Payments Identified Through its Annual Review of the State Revolving Fund Program*, dated September 25, 2025

FROM: Jessica L. Kramer, Assistant Administrator
Office of Water

Jessica
Kramer

Digitally signed by Jessica
Kramer
Date: 2025.12.03
16:17:09 -05'00'

Paige Hanson, Chief Financial Officer
Office of Finance and Administration

C. Paige Hanson

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

Thank you for the opportunity to review and respond to the U.S. Environmental Protection Agency's Office of Inspector General draft report titled, *Improper Payments Identified Through its Annual Review of the State Revolving Fund Program*, OA-FY24-0033, dated September 25, 2025. We request that the OIG pause the publication of the final report for at least 30 days to allow for further collaboration and information exchange between our teams. This will facilitate a comprehensive understanding of the audit's findings and recommendations with the necessary parties including those that were furloughed.

During the fieldwork, statement of findings, and draft report stages of this audit, the EPA requested that the OIG provide the underlying data necessary for the agency to meaningfully review and analyze the draft report. While some information has been shared the EPA currently lacks sufficient information to assess or confirm the OIG's findings, conclusions, and recommendations, and therefore cannot provide a full response to the draft report. Once the necessary documentation is received, the EPA will conduct a thorough review and address the recommendations appropriately.

The attached table annotates Appendix C of OIG's draft report to provide the EPA's preliminary analysis, questions, and gaps in available OIG documentation for the Fiscal Year 2023 payments evaluated by the

OIG. Appendix C highlights the significant uncertainties faced by the EPA in meaningfully evaluating the OIG's draft conclusions without adequate documentation.¹

The EPA and the OIG share a duty to protect public funds and maintain the integrity of the EPA's programs by administering them in a transparent and accountable manner with the highest standards of fiscal responsibility. As such, we appreciated the constructive dialogue at the November 24, 2025, meeting and look forward to additional discussions over the next 30 days to understand the OIG's methodology for the 2022 and 2023 transactions reviewed to enable cooperative efforts to identify root causes and implement appropriate corrective actions that address the findings and recommendations and improve the EPA's programs.

AGENCY RESPONSE TO DRAFT REPORT RECOMMENDATIONS

Recommendation	EPA Office	High-Level Intended Corrective Action(s)	Planned Date
1. Evaluate the SRF programs' Payment Integrity Information Act of 2019 risk assessment in light of underreporting of improper payments identified in this audit.	OW	Insufficient information to provide an appropriate response.	TBD
2. Revise, disseminate, and enforce the Transaction Testing Standard Operating Procedures to establish robust methods for identifying errors in improper payment testing. The standard operating procedures should describe the minimum acceptable support required for payment justification.	OW	Insufficient information to provide an appropriate response.	TBD

¹ As noted in the draft report, SRF transaction testing efforts in FY22 were led by EPA Regions, while transaction testing efforts beginning in FY23 were led by EPA Headquarters. Many EPA Regional staff were furloughed due to the lapse in appropriations. For this reason, the technical comments attached to this memorandum focus on the EPA Headquarters focused transactions in Appendix C. The EPA's concerns about the inadequacy of documentation to support the OIG's draft conclusions extends to the FY22 transactions as well.

Recommendation	EPA Office	High-Level Intended Corrective Action(s)	Planned Date
3. Develop and implement robust and enforceable controls to conduct comprehensive quality reviews of transaction tests completed by regional staff or contractors. These controls should be designed to require that all testing is accurately executed, and all results are correctly reported on the testing sheets, in the program evaluation reports, and to EPA headquarters.	OW	Insufficient information to provide an appropriate response.	TBD
4. In future PIIA risk evaluations, the Office of the Chief Financial Officer should incorporate the findings from this audit, as well as relevant reports from other internal and external sources, to support a more comprehensive and informed risk assessment process.	OFA	The Office of Finance and Administration will incorporate findings from relevant internal and external reporting into risk assessments performed in accordance with OMB Circular A-123, Appendix C and the Payment Integrity and Information Act (PIIA) of 2019 to support a comprehensive and informed risk assessment process.	4/1/2026

CONTACT INFORMATION

If you have any questions regarding this response, please contact the Office of Water Audit Follow-up Coordinator, Carla Hagerman, at Hagerman.Carla@epa.gov, or the Office of Finance and Administration Audit Follow-up Coordinator, Andrew LeBlanc, at LeBlanc.Andrew@epa.gov.

ATTACHMENT

1. Transaction Testing Sample Analysis (FY23)

Distribution

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Chief of Staff, Office of the Administrator
Deputy Chief of Staff for Management, Office of the Administrator
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