July 15, 2026

MEMORANDUM

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

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

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

Thank you for the memorandum dated March 12, 2026, which outlines the U.S. Environmental Protection Agency's planned corrective action and estimated completion date for one unresolved recommendation issued in the subject Office of Inspector General report. The other five recommendations were previously resolved. Based on the information and supporting documentation provided, we do not agree that the planned corrective action for recommendation 4 meets the intent of our recommendation.

The agency did not address our recommendation to perform statistical sample testing of the grants payment stream. The agency response stated that to comply with Executive Order 14249, *Protecting America's Bank Account Against Fraud, Waste, and Abuse*, dated March 25, 2025, the EPA will no longer recognize all grant programs as one payment stream for purposes of Payment Integrity Information Act of 2019 reporting. The agency response also stated that it would conduct statistical sample testing in FY 2026 for the Clean School Bus grants program, Clean Water State Revolving Fund grants, and the Drinking Water State Revolving Fund grants. However, in FY 2026, the agency is not performing testing of the grant programs that were included in the "grants payment stream." Testing these programs is necessary to address the agency's FY 2024 noncompliance, which was a result of an inaccurate improper and unknown payment estimate.

Consistent with Executive Order 14249, the EPA is undergoing a transition to identify new and additional programs or payment streams for PIIA reporting. The agency is also aware of our prior findings on the risk of improper payment among the programs or payment streams that were part of the "grants payment stream." According to Appendix C to the Office of Management and Budget's Circular A-123, agencies have the responsibility to respond to identified payment integrity risks and prevent improper payments from occurring. By not performing timely testing of grant programs that were included in the "grants payment stream," the EPA is at risk of ineffectively managing improper and unknown payments because of the inaccurate improper and unknown payment estimate.

During our FY 2025 reporting audit, the audit team discussed planned corrective actions for recommendation 4. The Office of Financial Operations & Management staff stated that for FY 2026 reporting, programs included in the "grants payment stream" likely would require statistical sampling to produce an improper payment estimate. To address the intent of recommendation 4, the EPA needs to identify the grant programs deemed susceptible to significant improper payments in FY 2026 that will require an improper payment estimate in FY 2027. The intended corrective action as stated does not meet the intent of our recommendation to perform testing of the grant programs from the FY 2024 grants payment stream. We consider this recommendation unresolved. EPA Manual 2750 requires that recommendations be resolved promptly.

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

cc:

Gregg Treml, Deputy Chief Financial Officer and Deputy Chief Administrative Officer
Lek Kadeli, Director of the Office of Resources and Information
Angel Robinson, Director, Office of Budget and Performance
Meshell Jones-Peeler, Controller, Office of Financial Operations and Management
Adil Gulamali, Deputy Controller, Office of Financial Operations and Management
Natasha Gonzalez, Acting Deputy Director for Financial Management
Nikki Wood, Director of Oversight & Accountability Division
Afreeka Wilson, Primary OFA Audit Follow-up Coordinator
Sara Elkassabany, OFA Audit Follow-up Coordinator
Andrew LeBlanc, Acting Agency Audit Liaison
Shay Bracey, Agency Audit Follow-Up Coordinator
José Kercado DeLeon, Agency Audit Follow-Up Coordinator
Alana Maye, Agency Audit Follow-Up Coordinator
Brittany Wilson, Agency Audit Follow-Up Coordinator
Erica Kavanaugh, Associate Deputy Inspector General
Katherine Trimble, Assistant Inspector General for Audit
Marcus Gullett, Deputy Assistant Inspector General for Audit