26-P-0046
August 4, 2026

At a Glance

Audit of the EPA's Fiscal Year 2025 Compliance with the Payment Integrity Information Act of 2019

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 complied with the Payment Integrity Information Act of 2019 for fiscal year 2025 reporting.

The Payment Integrity Information Act of 2019 requires inspectors general to determine and report their agencies' compliance with the act every fiscal year. The act also requires the head of each agency to periodically review and identify all programs and activities with outlays exceeding $10 million annually to determine whether they are susceptible to significant improper payments. The Office of Management and Budget's Circular A-123 Appendix C requires each agency to publish payment integrity information with its annual financial statements.

In its FY 2025 Agency Financial Report, the EPA reported an estimated $14.43 million in improper payments from the grants and Clean School Bus grants payment streams resulting from administrative or process errors made by state or local agencies or other parties.

To support this EPA mission-related effort:

- *Compliance with the law.*

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

List of OIG reports.

What We Found

Of the four Payment Integrity Information Act of 2019 requirements applicable to fiscal year 2025 reporting, the EPA complied with three. Specifically, in compliance with requirements one, two, and three, the EPA published payment integrity information with the annual financial statement, posted the annual financial statement and accompanying materials on the agency website, and conducted improper payment risk assessments for each program with annual outlays greater than $10 million at least once in the last three years. However, the EPA did not comply with requirement four because it did not adequately determine whether two out of 10 payment streams were likely to make improper and unknown payments above or below the statutory threshold.

We determined that the EPA did not adequately conclude whether the grants payment and Clean School Bus grants payment streams were below the threshold and, therefore, were not susceptible to significant improper payments. The Office of Management and Budget's Circular A-123 Appendix C states that if a program does not meet one or more compliance requirements, then the agency is not compliant with PIIA. As a result, the EPA did not comply with PIIA and applicable OMB requirements for its FY 2025 reporting.

We questioned approximately $26.73 of $36.36 million, or 73.50 percent, of costs claimed due to the EPA obtaining inadequate and incomplete documentation from recipients for its risk assessments. In addition, the EPA did not ensure that its payment integrity information on the Office of Management and Budget's PaymentAccuracy.gov website was consistent with the information posted in the FY 2025 Agency Financial Report.

> **When the EPA does not obtain accurate and complete support for transaction testing and document its consideration of known risks, the agency results may include inconsistent and inaccurate conclusions that do not comply with the payment integrity requirements.**

Recommendations and Planned Agency Corrective Actions

We recommend that the chief financial officer and chief administrative officer implement a process to document considerations of known program risks, conduct an off-cycle risk assessment of the Clean School Bus grants payment stream, update transaction testing procedures and training materials, review and resolve the OIG-questioned costs of approximately $26.7 million in unsupported costs claimed, and implement a process to review the EPA's payment integrity information uploaded to PaymentAccuracy.gov for accuracy.

The agency agreed with four recommendations, and we consider these recommendations resolved. The agency did not agree with one recommendation, and we consider the recommendation unresolved pending corrective actions. Although the agency disagreed with another recommendation, we agreed with its planned corrective actions and consider the recommendation resolved.