



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

OFFICE OF
INSPECTOR GENERAL

October 8, 2020

MEMORANDUM

SUBJECT: Notification of Audit:
EPA's Fiscal Year 2020 Compliance with the Payment Integrity Information Act of 2019
Project No. OA-FY21-0013

FROM: Khadija Walker, Director
Contracts and Assistance Agreements Directorate
Office of Audit

TO: David Bloom, Deputy Chief Financial Officer

A handwritten signature in blue ink, likely belonging to Khadija Walker, is positioned to the right of the "FROM:" field.

The Office of Inspector General for the U.S. Environmental Protection Agency plans to begin an audit of the EPA's reporting of improper payments during fiscal year 2020. This audit is required by the Payment Integrity Information Act of 2019. This audit also addresses the following top management challenge for the Agency, as identified in our *EPA's FYs 2020–2021 Top Management Challenges [report](#)*, issued July 21, 2020: fulfilling mandated reporting requirements.

The OIG's objectives are to:

1. Review the payment integrity section of the FY 2020 Agency Financial Report to determine whether the EPA is in compliance with the Payment Integrity Information Act of 2019.
2. Evaluate the following Agency actions, as they relate to improper payments:
 - a. Risk assessment methodology.
 - b. Improper payment rate estimates.
 - c. Sampling and estimation plans.
 - d. Corrective action plans.
 - e. Prevention and reduction efforts.

The OIG plans to conduct work within the Office of the Chief Financial Officer. Applicable generally accepted government auditing standards will be used in conducting our audit. The anticipated benefit of this audit is improved operational efficiency.

We would like to meet with you the week of November 2, 2020, to discuss the objectives of this audit. 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.

In Appendix A, we have listed items that we need to obtain from you prior to the start of the audit. Please provide the requested information by October 23, 2020. In addition, in Appendix B, we have listed the grant draws that we will be testing.

We respectfully note that the 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. We will request that you immediately resolve the situation if an Agency employee or contractor refuses to provide requested materials to the OIG or otherwise fails to cooperate with the OIG. We may report unresolved access matters to the administrator and include the incident in the *Semiannual Report to Congress*.

I will supervise the audit, and the project manager will be Kevin Chaffin. Any information related to the project should be addressed to Kevin Chaffin at (202) 566-2646 or chaffin.kevin@epa.gov or to me at (312) 886-3106 or walker.khadija@epa.gov.

cc: Henry Darwin, Assistant Deputy Administrator
Doug Benevento, Associate Deputy Administrator
Mandy Gunasekara, Chief of Staff
Michael Molina, Deputy Chief of Staff/Operations
Wesley J. Carpenter, Acting Deputy Chief of Staff
Corry Schiermeyer, Associate Administrator for Public Affairs
Carol Terris, Associate Chief Financial Officer
Paige Hanson, Associate Chief Financial Officer for Policy
Jeanne Conklin, Controller
Istanbul Yusuf, Acting Deputy Controller
Aileen Atcherson, Director, Policy, Training, and Accountability Division, Office of the Controller,
Office of the Chief Financial Officer
Nikki Newton, Branch Chief, Management, Integrity and Accountability Branch; Policy, Training,
and Accountability Division, Office of the Controller, Office of the Chief Financial Officer
Andrew LeBlanc, Audit-Follow-Up Coordinator, Office of the Chief Financial Officer
José Kercado, Audit-Follow-Up Coordinator, Office of the Chief Financial Officer
James Hewitt, 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
Eric W. Hanger, Deputy Counsel to the Inspector General
Katherine Trimble, Assistant Inspector General for Audit
Rashmi Bartlett, Acting Assistant Inspector General for Evaluation
Helina P. Wong, Assistant Inspector General for Investigations
Stephanie L. Wright, Acting Deputy Assistant Inspector General for Management
Christine El-Zoghbi, Deputy Assistant Inspector General for Evaluation
James Hatfield, Associate Deputy Assistant Inspector General for Audit
Richard J. Eyermann, Director, Mission Support Directorate, Office of Audit, Office
of Inspector General
Jennifer Kaplan, Deputy Assistant Inspector General for Congressional and Public Affairs
Jeffrey Lagda, Congressional and Media Liaison, Office of Inspector General

Requested Information for Audit

- Identification of any investigations or legal proceedings that are in process and significant to the audit objectives.
- List of staff responsible for reporting or consolidating the FY 2020 improper payments information. This information should also identify the Office of the Chief Financial Officer reviewers who completed grants transaction testing.
- Advance draft copy of the FY 2020 Agency Financial Report section on Payment Integrity.
- All recipient accounting documents—for example, chart of accounts, grant fund revenue/expense reports, payroll ledgers, timesheets, travel authorizations, expense receipts, proof of payment, per diem rates, and recipient travel policies.
- Description of all risk assessments performed in FY 2020 and the changes made to risk methodology or results since the last Agency Financial Report.
- Spreadsheets used to consolidate improper payment totals, as well as supporting schedules and system-generated reports for risk-susceptible programs—for example, 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 2020 audit tracking spreadsheet with “TBD” amounts.
- 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.
- Standard operating procedures for improper payments reporting and grants transaction testing. This information should also include the dates the standard operating procedures were applicable.
- Any and all administrative and programmatic advanced monitoring, reviews, indirect cost rate agreements, audits and enforcement actions audits, monitoring, and enforcement actions that were uploaded or should be uploaded into COMPLY, which is the central repository for all EPA grantee compliance-related activities, for the selected sampled reviews.
- List of all payments reviewed and the supporting document reviewers’ names. This information should also identify backup reviewers who can answer questions regarding the review process in case the principal reviewers are not available during this year’s review.
- The EPA’s latest grants sampling plan approved by the Office of Management and Budget.
- Summary of all communications to the Office of Grants and Debarment regarding questioned costs and any requests for concurrence or guidance.

- Copies of invoices and supporting documentation for payments in our selected sample in Appendix B, including schedules confirming that payment amounts are allowable, allocable, reasonable, and necessary as defined in the grants Regulatory Authority: 2 C.F.R. Subpart E, “Cost Principles.”
- List of any cost principles from 2 C.F.R. Subpart E that were not considered or applied during the review process, as well as a justification as to why those individual cost principles were not considered or applied during the review process.
- Identification of the EPA systems where all review documents are retained, and instructions on how to locate those documents.
- List of any grant payments, other than State Revolving Fund payments, that were excluded from the EPA’s review of improper payments—for example, Public International Organizations.
- All new policies and procedures adopted for the FY 2020 improper payments review.

OIG Drawdown Sample Selection

	DUNS	Recipient name	Document number	Document date	Payment
1	079362182	Fulton County Board of Education	19AS1141656	11/20/18	\$277,002.00
2	170230239	University of Texas at Austin	19AS1163253	3/29/19	\$30,558.51
3	014928931	Windham Regional Commission	19AS1148727	1/31/19	\$61,624.56
4	025986159	A Q M D	19AS1182866	7/29/19	\$221,607.00
5	060273687	Lewis & Clark, County of	19AS1180620	7/15/19	\$9,503.40
6	078781416	Bay Area Air Quality Management District	19AS1187985	8/27/19	\$548,750.00
7	071688188	Napa, County of	19AS1154138	2/5/19	\$110,697.37
8	781347828	Ecology, Washington State Department of	19AS1136396	10/17/18	\$86,986.00
9	929327880	MDEQ	19AS1156804	2/20/19	\$196,640.07
10	958550576	Environmental Management, Alabama Dept of	19AS1164343	4/8/19	\$1,411,421.00
11	4868105	RTI International	19AS1146811	12/20/18	\$42,728.12
12	786927686	NACAA	19AS1157491	2/25/19	\$128,193.00
13	929876142	N A D Bank	19AS1188815	8/30/19	\$19,310.62
14	009001702	Navajo Nation Tribal Government	19AS1133561	10/1/18	\$51,331.00
15	037718785	Bishop Paiute Tribe	19AS1151751	1/28/19	\$10,296.87
16	946407731	Fort Belknap Tribal Government Administration	19AS1190165	9/10/19	\$74,641.54
17	093633675	Passamaquoddy Tribe	19AS1138119	10/29/18	\$29,485.49
18	14928931	Windham Regional Commission	19AS1167118	4/26/19	\$17,002.00
19	786927686	NACAA	19AS1152014	1/28/19	\$120,054.00
20	784057432	Native Village of Kluti-Kaah	19AS1182900	7/29/19	\$77,256.32
Total payments selected					\$3,525,088.87