



# At a Glance

## Audit of the EPA's Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019

### Why We Did This Audit

#### To accomplish these objectives:

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 for fiscal year 2024 reporting and to review the EPA's implementation of its corrective action plans for prior audit recommendations.

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 the \$10 million statutory threshold 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 2024 Agency Financial Report, the EPA reported an estimated \$13.19 million in improper payments from the grants payment stream 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](mailto:OIG.PublicAffairs@epa.gov).

[List of OIG reports.](#)

### What We Found

The EPA did not comply with applicable Office of Management and Budget requirements for the Payment Integrity Information Act of 2019 for its fiscal year 2024 reporting. Specifically, for its grants payment stream, the EPA published a 0.77 percent improper payment estimate with no unknown payments. The Agency's estimate was not based on an accurate sampling and estimation methodology plan, referred to as a statistical sampling plan. Therefore, we could not determine whether the published estimate is valid and representative of the grant program characteristics.

The EPA's statistical sampling plan was not accurate because the Agency excluded approximately \$222 million in grant payment transactions from its statistical sample population universe. Additionally, the Agency did not maintain supporting documentation of its sample selection. By not publishing a valid estimation rate and not maintaining documentation, the EPA increases its risk of ineffectively reporting improper and unknown payments for the grants payment stream.

In addition, the EPA needs to improve its documentation to ensure compliance with policies and procedures. The Office of the Chief Financial Officer does not require staff to document who performed the risk assessment review and what information staff considers in the qualitative risk assessment reviews. The office acknowledged that it could document its review process better and stated that it is working to create a review and decision document. By not following the policies and procedures that it updated in response to prior year audits, the EPA increases its risk of ineffectively managing payment integrity, potentially leading to compliance issues; inefficiencies; and vulnerabilities to fraud, waste, and abuse.

We also reviewed the EPA's corrective actions in response to OIG recommendations from FY 2023 and FY 2021 audit reports. We found that the Agency completed corrective actions for the three recommendations from our FY 2023 audit report and for one recommendation from our FY 2021 audit report.

**The EPA needs to update its Sampling and Estimation Methodology Plan to produce a valid improper and unknown payment estimate.**

### Recommendations and Planned Agency Corrective Actions

We recommend 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 universe and sampling frame; perform a statistical test of outlay transactions for the grants payment stream as part of the Payment Integrity Information Act of 2019 annual reporting for FY 2026; develop and implement guidance to annually review and update the Sampling and Estimation Methodology Plan; require staff to maintain documentation to support its sample selection, risk assessment reviews, and susceptibility determinations; and develop and implement a process that requires staff to document and maintain documentation of any exceptions to payment integrity procedures. The Agency agreed with our six recommendations. We consider Recommendations 1, 5, and 6 resolved with corrective actions pending. The Agency's responses to Recommendations 2, 3, and 4 were not complete. Therefore, we consider them unresolved, and resolution efforts are in progress.