



At a Glance

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

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 2023 reporting and to evaluate the EPA's corrective action plans and efforts to prevent and reduce improper payments from 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 heads of each agency to periodically review and identify all programs and activities with costs exceeding the \$10 million statutory threshold to determine whether they are susceptible to significant improper payments. The Payment Integrity Information Act of 2019 and Office of Management and Budget Circular A-123, Appendix C, require each agency to publish payment integrity information with its annual financial statements. Agency inspectors general are to review payment integrity reporting for compliance and issue an annual report.

To support this EPA mission-related effort:

- *Compliance with the law.*

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What We Found

The EPA complied with the requirements of the Payment Integrity Information Act of 2019, or PIIA, and the applicable Office of Management and Budget guidance for its fiscal year 2023 reporting. Pursuant to the PIIA, the EPA is required to comply with three of the ten requirements for its FY 2023 reporting:

- Publish payment integrity information in its Agency financial statement.
- Post the Agency financial statement on its website.
- Conduct risk assessments at least once every three years for each program with annual outlays greater than \$10 million.

The EPA has made progress in resolving corrective action plans and efforts to prevent and reduce improper payments from prior audit recommendations, but Agency corrective actions are still in process. We will review the corrective actions in the FY 2024 PIIA compliance audit.

The Agency satisfied these requirements for PIIA compliance for FY 2023 but has 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.

The EPA needs to improve its internal controls to better document and monitor payment integrity activities; maximize the likelihood of preventing, reducing, and recovering improper payments; and reduce its risk of ineffectively managing payment integrity activities.

Recommendations and Planned Agency Corrective Actions

We recommend 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. Also, the EPA should 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. The Office of the Chief Financial Officer agreed with our recommendations. We agree with the Agency's planned corrective actions for all recommendations, and we will evaluate the Agency's responses during our next fiscal year audit. We consider the recommendations resolved with corrective actions pending.