



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We initiated this review to evaluate how efficiently, effectively, and timely the U.S. Environmental Protection Agency (EPA) resolves audits under appeal. Our objectives were to determine whether all of the audits under appeal are included in the Management Audit Tracking System (MATS), whether the applicable policies and procedures are complete and relevant, and how efficiently and effectively the audits under appeal are being resolved.

Background

For purposes of this report, we use the term “audits under appeal” to describe situations in which a grantee disagrees with a Final Determination Letter issued by the Agency sustaining some or all of the questioned costs identified in an audit of a completed grant. The grantee appeals the Final Determination Letter with the Regional Administrator or Assistant Administrator of the issuing EPA office.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2011/20110921-11-P-0687.pdf

EPA Should Improve Timeliness for Resolving Audits Under Appeal

What We Found

EPA’s efforts to resolve over \$55 million for audits under appeal in Regions 2 and 5 are not efficient, effective, or timely. During our audit, we found that:

- Inadequate communications between audit followup coordinators and EPA personnel responsible for resolving audits under appeal have resulted in inaccurate information in MATS.
- Policies and procedures for addressing audits under appeal are not complete and relevant; many of the policies for resolving audits under appeal are inconsistent.
- EPA does not adhere to its policies for timely resolution of audits under appeal; as of September 2010, 17 of 30 audits under appeal had been in resolution for 10 to 21 years.

EPA Manual 2750 and the Code of Federal Regulations (CFR), through 40 CFR 31.70, require that appeals be fully and fairly considered and resolved in the earliest practicable timeframe, at the lowest level possible. Because appeals are not being resolved timely, at least \$17.3 million is not available to the government. These funds could potentially be used to protect public health and the environment.

What We Recommend

We recommend that the Office of the Chief Financial Officer ensure that the in-process revisions to EPA Manual 2750 include a communication strategy to ensure that EPA records current data on audits under appeal in MATS, establishes a finite number of reconsideration requests, and provides for consistency among policies for resolving audits under appeal. We also recommend that the Assistant Administrator for Administration and Resources Management reference revisions to EPA Manual 2750 in the Office of Administration and Resources Management’s in-process revisions to the Agency’s *Assistance Administration Manual*. The Agency generally agreed with the report’s findings and overall recommendation for EPA to provide greater structure and consistency to the audit resolution process, but the Agency proposed alternatives to the recommendations. Currently, the Office of Inspector General considers the recommendations to be unresolved with resolution efforts in progress.