



# At a Glance

## Why We Did This Review

Office of Management and Budget (OMB) guidance for implementation of the 2010 Improper Payments Elimination and Recovery Act (IPERA) specifies responsibilities of agencies and inspectors general. Agencies are required, among other things, to report on improper payments, and inspectors general are required to determine whether the agency is in compliance with IPERA.

## Background

Each year, the federal government wastes billions of taxpayer dollars on improper payments to individuals, organizations, and contractors. Such payments can be made in the wrong amount, to the wrong entity, or for the wrong reason. Despite efforts to reduce improper payments, all federal agencies reported an estimated \$125 billion in improper payments for fiscal year (FY) 2010.

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

The full report is at:  
[www.epa.gov/oig/reports/2012/20120301-12-P-0311.pdf](http://www.epa.gov/oig/reports/2012/20120301-12-P-0311.pdf)

## EPA Can Improve Its Improper Payments Reporting

### What We Found

The U.S. Environmental Protection Agency (EPA) complied with IPERA in that it reported all required information on improper payments, but EPA can improve the accuracy and completeness of the information. In the *Fiscal Year 2011 Agency Financial Report (AFR)*, EPA reported the results of its efforts to recapture improper payments. EPA is taking actions to improve internal controls in preventing, reducing, and recapturing improper payments.

EPA did not report all improper payments identified in audits and reviews of grants to tribes, state and local governments, and universities in the FY 2011 AFR. IPERA requires that agencies report on all actions to detect and recover improper payments. EPA did not update its detection and reporting procedures to identify all grant improper payments as required by IPERA. As a result, EPA understated grant improper payments by thousands of dollars. The Office of Grants and Debarment has developed draft guidance and plans to report all grant improper payments in the FY 2012 AFR. If it does not do so, grant improper payments will continue to be understated.

The Agency is not reporting discounts not taken as improper payments. According to IPERA, any payment that does not account for credit for applicable discounts is considered an improper payment. In EPA's opinion, there are valid reasons why certain discounts cannot be taken. In such cases, discounts should be considered "non-applicable" for improper payments reporting purposes.

EPA did not correctly calculate improper payments reported in the FY 2011 AFR. OMB Memorandum M-11-16 requires inspectors general to evaluate the accuracy and completeness of agency reporting. Errors occurred because EPA's Office of the Chief Financial Officer did not issue guidance to ensure the accuracy of improper payment reporting. As a result, EPA understated its error rate for State Revolving Fund programs and made errors in its consolidation of data.

### What We Recommend

We recommend that EPA issue guidance requiring that the results of all grant improper payment determinations and recaptures, as well as discounts not taken as improper payments, be reported. We also recommend that EPA issue guidance to program offices to ensure the quality of reported information. EPA agreed with three of the four recommendations; it did not agree with the recommendation that EPA report discounts not taken as improper payments. That recommendation is unresolved with resolution efforts in progress.