



EPA Office of Inspector General Initial Plan for Oversight of Recovery Act Funds

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OIG Objectives Regarding Recovery Act Oversight

The American Recovery and Reinvestment Act (Recovery Act) of 2009 provides the EPA Office of Inspector General (OIG) \$20 million through September 30, 2012, for oversight and review. The OIG will assess whether EPA is using the \$7.2 billion of Recovery Act funds in accordance with its requirements and is meeting the accountability objectives as defined by the Office of Management Budget. The objectives include whether:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner.
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.
- Projects funded under this Act avoid unnecessary delays and cost overruns.
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

OIG Actions to Help the Agency Reduce Risk

As EPA prepares to award Recovery Act funds, the OIG is taking a number of actions to alert Agency managers of risks and recommend cost effective controls to help prevent fraud, waste, and abuse; and ensure program goals are achieved and stimulus funds are accurately tracked and reported. As our auditors and evaluators identify risks, they will provide Agency managers with flash reports with recommendations for ways to mitigate these risks. Our investigators are developing an outreach strategy to educate EPA employees, contractors, grant recipients, the law enforcement community, and the general public of grant and contract fraud schemes and how to report suspected fraud. Our work is being closely coordinated with the Recovery Accountability and Transparency Board, as well as other audit and law enforcement organizations at the federal, State, and local levels.

OIG Review Activities

After EPA awards the Recovery Act funds, the OIG will focus on auditing and investigating EPA's management of the Recovery Act programs, how the funds are being used, and the accuracy of the information being reported. The OIG will continue to take proactive actions to prevent fraud, waste, abuse, and mismanagement of funds. Listed below are some of the areas we plan to audit and investigate.

Performance Audits

- Evaluate the process for awarding funds, particularly competitive awards.
- Determine whether funds are being awarded and spent timely.
- Determine whether the Agency has sufficient staff with the skills and knowledge needed to manage the grants and contracts awarded with Recovery Act funds.
- Evaluate how the Agency is monitoring the use of the funds.
- Assess how performance is being measured and the process used for computing jobs saved and created.
- Review the quality of data systems and information EPA uses for reporting Recovery Act's requirements.

Financial Audits

- Conduct interim and final financial audits of Recovery Act fund recipients to determine whether:
 - ✓ costs incurred met federal requirements;
 - ✓ funds were used as intended; and
 - ✓ funds were free of fraud, waste, abuse, and mismanagement.
- Work with EPA to update the Single Audit Compliance Supplements for the Clean Water and Drinking Water State Revolving Funds.
- Review Single Audit reports on Recovery Act funds and ensure that corrective action is taken.
- As part of the annual audit of EPA's overall consolidated financial statements:
 - ✓ assess internal controls over the financial reporting of Recovery Act funds;
 - ✓ examine transactions to determine whether they are properly authorized, recorded, and reported;
 - ✓ examine compliance with Recovery Act provisions that could have a material or direct effect on the financial statements; and
 - ✓ assess the ability or effectiveness of capturing data for external reporting.

Investigations

- Investigate allegations raised by the public and others of fraud, waste, and abuse committed against EPA involving Recovery Act funds.
- Contact State recipients to facilitate ongoing communications regarding EPA Recovery Act funds distributed to local authorities.
- Through the review of EPA and State audits and evaluations, identify fraud indicators, program weaknesses, and potential problems.
- Gather information on potential instances of fraud being perpetrated with EPA Recovery Act funds from law enforcement officials, auditors, contractors, suppliers, and vendors at the federal, State, and local levels.