



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



EPA OIG Compliance With Retention Incentive Regulations and Policies

Report No. 14-B-0246

May 2, 2014



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Report Contributors:

Leah Nikaidoh
Darren Schorer
Catherine B. Allen

Abbreviations

CFR Code of Federal Regulations
EPA U.S. Environmental Protection Agency
OIG Office of Inspector General

Hotline

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write: EPA Inspector General
 1200 Pennsylvania Avenue, NW
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 Washington, DC 20460



At a Glance

Why We Did This Review

On August 27, 2013, a member of the U.S. Senate Committee on Environment and Public Works requested that the U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), initiate work in connection with a fraud committed by John C. Beale, a former Senior Policy Advisor with the EPA's Office of Air and Radiation. In particular, the committee member asked the OIG to determine EPA policies and processes that "facilitated" Beale's fraud. Although the EPA authorized retention incentive pay to Beale until 2003, the agency continued to make retention incentive payments to him until 2013.

This report addresses the following EPA theme:

- *Embracing EPA as a high performing organization.*

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2014/20140502-14-B-0246.pdf

EPA OIG Compliance With Retention Incentive Regulations and Policies

What We Found

The EPA OIG did not comply with Office of Personnel Management regulations or agency policies on retention incentive pay. From 2006 through 2009, retention incentives were paid to two EPA OIG employees. The two EPA OIG employees received \$64,204 in retention incentives with no documentation of annual recertification from 2008 through 2009.

Unauthorized retention incentive payments totaling \$64,204 were made to EPA OIG employees due to a lack of adequate internal controls and agency follow-up.

The EPA OIG employees received unauthorized retention pay due to:

- Management confusion over the requirement for annual recertification of retention incentive pay.
- Evidence of the annual recertification not being retained.
- The agency's human resource system lacking internal controls to track, notify and automatically discontinue retention incentive pay if not properly authorized.

Recommendation and Planned Corrective Actions

We recommend that the Deputy Inspector General determine whether any additional evidence exists to justify a retention incentive. If unjustified, he Deputy Inspector General should refer the matter to the agency to initiate action to recover the unauthorized retention incentive amounts paid to EPA OIG employees.

The Deputy Inspector General agreed with our recommendation.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

May 2, 2014

MEMORANDUM

SUBJECT: EPA OIG Compliance with Retention Incentive Regulations and Policies
Report No. 14-B-0246

FROM: Kevin Christensen, Acting Assistant Inspector General
Office of Audit

A handwritten signature in black ink, appearing to read "Kevin Christensen".

TO: Charles Sheehan, Deputy Inspector General

As part of our continuing work on internal controls as a result of the John C. Beale investigation, we initiated an audit of the U.S. Environmental Protection Agency's (EPA's) internal controls over retention incentives. During this review, we identified issues that impact the Office of the Inspector General (OIG) and require your immediate attention, and we are reporting this to you separately.

Action Required

Please provide a written response to this report within 60 calendar days. You should include planned corrective actions and completion dates for the recommendation. Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want released to the public. If your response contains such data, you should identify the data for redaction or removal, along with corresponding justification. We will post this report to our website at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact me at (202) 566-1007 or christensen.kevin@epa.gov; or Robert Adachi, Director, Forensic Audits, at (415) 947-4537 or adachi.robert@epa.gov.

U.S. Environmental Protection Agency

Office of Inspector General

EPA OIG Compliance With
Retention Incentive Regulations
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Reasons for Review

- Part of continuing work on internal controls of payroll and benefits.
- Review initiated on the U.S. Environmental Protection Agency's (EPA's) policies and procedures for paying retention incentives.

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Scope and Methodology

- Performed fieldwork from October 31, 2013, to March 20, 2014.
- Conducted assignment in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.
- EPA personnel were covered in a separate report.
- Determined whether the EPA Office of Inspector General (OIG) paid employees retention incentives in accordance with federal regulations and EPA policy.

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Scope and Methodology (cont'd.)

- Obtained a listing of OIG employees who received retention incentives for calendar years 2006 through August 7, 2013.
- Reviewed retention incentive request forms, correspondence and SF-50s for each employee.
- Interviewed staff from the agency's Shared Service Center.
- Contacted the two EPA OIG supervisors and their employees who received retention incentives.

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Office of Personnel Management Regulations

- The Code of Federal Regulations (CFR), in 5 CFR 575:
 - Authorizes payment of incentive for employees:
 - With unusually high or unique qualifications.
 - Likely to leave in the absence of an incentive.
 - Requires annual review of the determination to pay the incentive.
 - Requires an authorized agency official to annually document in writing the determination to pay the incentive.
 - Requires reduction/termination of the retention incentive authorization whenever conditions change.

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EPA/OIG Policies

- EPA's Pay Administration Manual:
 - Authorizes a 1-, 2- or 3-year retention incentive.
 - Requires annual recertification using the EPA authorization form.
 - Requires the human resources officer to provide notification in advance of the annual reauthorization date.
 - Requires termination if the employee is reassigned or promoted to a different position.
- Per EPA's order on waivers, the employee is required to notify the supervisor and the human resources officer about overpayments.
- EPA OIG has no additional retention incentive policies.

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Results

- We found that the EPA OIG did not fully comply with Office of Personnel Management regulations or EPA policy on retention incentive pay.
 - No documentation of annual recertification identified for the last 2 years each employee received the retention incentive.
 - One employee received retention incentive pay for 4 months beyond the promotion date.

- There are no EPA OIG employees currently receiving retention incentives.

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Uncertified Incentives

- We identified two EPA OIG employees who received retention incentives with no documentation of annual recertification from 2008 through 2009:

	Uncertified Incentive
Employee #1 (Retired)	\$16,098
Employee #2	48,106
EPA OIG Total*	\$64,204

- No EPA OIG employee has received a retention incentive since 2009.

*Amounts were calculated using data provided by EPA and are subject to reconciliation with payroll records.

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Uncertified Incentives (cont'd.)

- For both EPA OIG employees, retention incentives were properly reviewed and authorized for 2006 and 2007.
- No documentation is available to support either employee being authorized to receive retention incentives in 2008 and 2009, as required by federal regulations and EPA policies.

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Pay Beyond Promotion

- EPA OIG Employee #1 received incentive pay although his incentive should have been terminated because he was promoted.
 - The EPA issued a debt notice to the employee and advised him about the agency's waiver process.
 - The employee filed a waiver with the EPA's Office of General Counsel Claims Officer. The Office of General Counsel reviewed the waiver and made a determination to partially reinstate incentive pay.
- No further action is warranted for incentive pay received after promotion.

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How Did This Happen?

- Confusion over the requirement for an annual recertification.
- Evidence of the annual recertification was not retained, even though one supervisor stated that the annual recertifications were completed.
- The EPA's human resources system lacks internal controls to track, notify and automatically discontinue the retention incentive if not authorized by an annual recertification.

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Why Is This Important?

- Unauthorized retention payments were made to two EPA OIG employees:
 - Employees #1 and #2 were paid a total of \$64,204 without documentation supporting annual recertification.
 - Employee #2 was overpaid by an additional \$13,563 due to lack of timely termination.

- Review of the EPA's internal controls related to retention incentives for agency employees identified similar issues.

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Recommendation

- We recommend that the EPA OIG Deputy Inspector General determine whether any additional evidence exists to justify retention incentive pay. If unjustified, the EPA OIG Deputy Inspector General should refer the matter to the agency to initiate action to recover the unauthorized retention incentive amounts paid to the EPA OIG employees.

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Management Briefing

- We held an exit conference with the Deputy Inspector General on April 10, 2014, on the results of the review.
- The Deputy Inspector General agreed to take action to address the recommendation.

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Status of Recommendation and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	13	Determine whether any additional evidence exists to justify retention incentive pay. If unjustified, refer the matter to the agency to initiate action to recover the unauthorized retention incentive amounts paid to EPA OIG employees.	O	Deputy Inspector General		\$64	

¹ O = recommendation is open with agreed-to corrective actions pending
 C = recommendation is closed with all agreed-to actions completed
 U = recommendation is unresolved with resolution efforts in progress

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