



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Spending Taxpayer Dollars

EPA OIG Not Fully Compliant With Overtime Policies

Report No. 15-B-0075

February 4, 2015



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Report Contributors:

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Abbreviations

AIGA	Assistant Inspector General for Audit
CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
IGEMS	Inspector General Enterprise Management System
OA	Office of Audit
OCOS	Office of Chief of Staff
OIG	Office of Inspector General
OMS	Office of Mission Systems

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At a Glance

Why We Did This Review

On April 9, 2014, a member of the U.S. Senate requested the U.S. Environmental Protection Agency's (EPA's) Office of Inspector General (OIG) to provide clarification on the process used to determine and track overtime compensation for EPA employees. The Senator requested that the OIG examine whether the agency: (1) properly documents how overtime is distributed and identify the process that is used, (2) has a specific breakdown of activities for employees who received overtime during the last 2 fiscal years, and (3) has an effective means to ensure employees are not compensated overtime for travel. As part of our agency audit, we conducted an audit of the OIG's compliance with applicable overtime policies.

This report addresses the following OIG goal:

- *To be responsible stewards of taxpayer dollars.*

Send all inquiries to our public affairs office at (202) 566-2391 or visit www.epa.gov/oig.

The full report is at:
www.epa.gov/oig/reports/2015/20150204-15-B-0075.pdf

EPA OIG Not Fully Compliant With Overtime Policies

What We Found

The OIG did not always use the EPA Form 2560-7, *Request for Authorization of Overtime Work*, for overtime requests and authorization as required by *EPA Pay Administration Manual 3155*. Also, the OIG did not always comply with the *OIG Policy 323, Time and Attendance Reporting Policy*, pertaining to the use of the planned timesheet for the advance approval of overtime. This occurred because:

- Management did not provide oversight to ensure compliance with policies pertaining to the authorization of overtime.
- OIG policies were not clear on the use of the EPA authorization form for overtime requests versus the use of the planned timesheets for advance approval of overtime.
- There was no oversight or emphasis by management to ensure planned timesheets were submitted and approved in advance.

Also, the OIG did not retain the EPA authorization forms supporting the overtime requests.

As a result of the issues noted, the OIG may have incurred overtime charges without proper authorization, may have made after-the-fact approvals, and did not comply with records management requirements.

Recommendations and Planned Corrective Actions

We recommend that the Deputy Inspector General: (1) revise OIG policy to clarify EPA overtime authorization requirements and appropriate levels of approval and stipulate use of EPA Form 2560-7 for overtime requests; and (2) inform management and employees of the requirement to comply with EPA overtime policies, use EPA Form 2560-7, obtain advance approval for scheduling of overtime hours in the planned timesheet, and retain supporting documents as required by OIG and EPA records management policies. The Deputy Inspector General agreed with our recommendations and provided corrective actions and planned completion dates to address all recommendations.

The OIG may have incurred overtime charges without proper authorization and advance approval, and did not maintain overtime authorization forms as required.



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

OFFICE OF
INSPECTOR GENERAL

February 4, 2015

MEMORANDUM

SUBJECT: EPA OIG Not Fully Compliant With Overtime Policies
Report No. 15-B-0075

FROM: Kevin Christensen, Assistant Inspector General
Office of Audit

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

TO: Charles Sheehan, Deputy Inspector General

At the request of a member of the U.S. Senate, we initiated an audit of the U.S. Environmental Protection Agency's (EPA's) internal controls pertaining to overtime pay. As part of our agency audit, we conducted an audit of the Office of Inspector General (OIG) to determine its compliance with applicable OIG and EPA policies covering the use of overtime. During the OIG audit, we identified issues that impact the OIG and require your immediate attention. We are reporting these issues to you separately.

Action Required

During the exit conference, you provided corrective actions that addressed the recommendations and planned completion dates. The OIG must demonstrate that the proposed corrective actions are resolved before the report can be closed.

We will post this report to our website at <http://www.epa.gov/oig>.

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Purpose

We conducted this audit to determine whether the U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) complied with applicable OIG and EPA policies for the authorization and approval of overtime payments.

Background

On April 9, 2014, a member of the U.S. Senate requested the EPA OIG to provide clarification on the process the EPA uses to determine and track overtime compensation for employees. In particular, the Senator requested that the OIG examine whether the EPA:

- Properly documents how overtime is distributed and identify the process that is used.
- Has a specific breakdown of activities for employees who received overtime during the last 2 fiscal years.
- Has an effective means for ensuring employees are not compensated overtime for travel.

As part of our agency audit, we conducted an audit of the OIG to determine its compliance with applicable OIG and EPA policies covering the use of overtime.

Overtime Costs Incurred by OIG

For the period October 2011 through September 2013, the OIG incurred 2,560.50 hours of overtime at an estimated cost of \$168,736.95.¹ As shown in Table 1, the OIG's Office of Audit (OA) Financial Audit Team incurred the majority of the overtime hours in connection with the annual audit of EPA's financial statements. In addition, the OIG's Office of Mission Systems (OMS) incurred overtime charges in support of the Financial Audit Team.

Table 1: Overtime hours and costs incurred

OIG office	Overtime hours	Overtime costs
OA	2,482.50	\$163,596.75
OMS	78.00	5,140.20
Total	2,560.50	\$168,736.95

Source: OIG-generated table.

Requirements for Overtime Authorization and Approval

The OIG must adhere to applicable federal regulations and EPA and OIG policies related to the authorization and approval of overtime.

¹ For estimating purposes, costs are based on OA's latest average billing rate of \$65.90 per hour for fiscal year 2014.

The Code of Federal Regulations (CFR), at 5 CFR § 550.111, provides guidance on the authorization of overtime pay. The regulation defines overtime as work in excess of 8 hours in a day or in excess of 40 hours in an administrative work week. The regulation also provides that overtime must be officially ordered or approved only in writing by an officer or employee to whom this authority has been specifically delegated.

EPA Pay Administration Manual 3155, Chapter 4, “Overtime Pay and Compensatory Time” (May 17, 1990), addresses overtime pay. Section 5E provides that overtime must be officially authorized and approved in writing on EPA Form 2560-7, *Request for Authorization of Overtime Work*.² Section 6 provides agency officials, including the Inspector General, the authorization to approve overtime in accordance with governing laws, regulations, and EPA rules and procedures. This section also provides that this authority may be re-delegated to a level that will assure compliance with legal and regulatory requirements.

The OIG does not currently have an internal policy that addresses the rules and regulations of overtime pay. Prior OIG Policy 304, *Overtime Pay, Compensatory Time, Administratively Uncontrollable Overtime, and Law Enforcement Availability Pay* (April 24, 2007), was rescinded on June 25, 2013. The OIG rescinded the policy because the basic rules and regulations for overtime pay are covered in *EPA Pay Administration Manual 3155* and do not require further interpretation by the OIG. This policy had stated that the OIG strives to achieve its mission in a manner that minimizes the need for employees to work overtime. However, when employees are required to work overtime, the OIG must follow the EPA’s rules and procedures regarding overtime pay and compensatory time.

OIG staff are also required to follow OIG Policy 323, *OIG Time and Attendance Reporting Policy* (July 7, 2011). This policy provides general guidance and procedures concerning the OIG’s time and attendance reporting process in the Inspector General Enterprise Management System (IGEMS) and in the EPA’s PeoplePlus payroll system. Section 2.1 of the policy, *Roles and Responsibilities*, discusses requirements for the advance approval of overtime. The OIG uses the *Time Planning* and *Timesheet* modules within IGEMS to document the approval of overtime. Employees are required to use the planned timesheet in the *Time Planning* module to document the advance approval of the specific days and hours overtime will be worked. Supervisors are responsible for approving planned timesheets for the upcoming pay period no later than the last Friday of the current pay period. The actual timesheet in the *Timesheet* module records daily activities for submission to the supervisor every 2 weeks. The OIG uses both modules for internal reporting purposes only.

The EPA’s PeoplePlus system is the OIG’s official payroll and time and attendance system. Assistant Inspectors General are required to ensure that

² EPA Form 2560-7 is required for the authorization of overtime and compensatory time off in lieu of payment for overtime.

employees, timekeepers and supervisors comply with the provisions of this policy, including maintaining any required supporting documentation in accordance with agency retention schedules.

Requirements for Records Management

The OIG is responsible for maintaining all records pertaining to the approval of overtime in accordance with OIG records management policies. OIG Policy 420, *OIG Records Management Policy* (February 28, 2014), says the OIG shall operate a records management program in its headquarters and regional offices consistent with federal regulations, as required by the Federal Records Act.

The OIG is also required to follow EPA records management policies related to time and attendance. EPA Resource Management Directive Systems 2540-08-P1, *Payroll: Time and Attendance Reporting*, dated September 5, 2014, requires timekeepers to maintain supporting documentation for approved leave, overtime, compensatory time and other time and attendance reports in accordance with EPA records management requirements. EPA records management requirements applicable to time and attendance source records are covered in *EPA Records Schedule 0300* and *1005*.

EPA Records Schedule 0300 (December 31, 2013) provides that the agency's PeoplePlus time and attendance data may be closed and destroyed after an audit by the U.S. Government Accountability Office or when the data are 6 years old, whichever is sooner. *EPA Records Schedule 1005* (December 31, 2013) pertains to financial management records and provides that time and attendance source records may be closed and destroyed after a U.S. Government Accountability Office audit or when the records are 6 years old, whichever is sooner.

Scope and Methodology

We conducted our audit from May 13, 2014, through October 10, 2014, in accordance with the generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Based on the request from the Senator, we limited the scope of our audit to overtime charges³ over a 2-year period.

We held an entrance conference with the OIG's Office of Chief of Staff (OCOS) on May 13, 2014, in our headquarters in Washington, D.C. We made return site visits to headquarters the weeks of June 2, 2014, and July 7, 2014, to perform

³ Overtime charges included some compensatory time that was converted to paid overtime. Our audit did not include unconverted compensatory time.

fieldwork. To determine the OIG's compliance with applicable overtime policies, we performed the following steps:

- Met with representatives from OCOS to identify and discuss applicable OIG policies and procedures covering overtime.
- Met with the EPA's Office of Human Resources to identify and discuss applicable EPA policies covering overtime.
- Reviewed overtime data obtained from IGEMS for the period of October 2011 through September 2013 to determine overtime charges categorized by OIG offices and employees.
- Met with OA and OMS representatives to discuss their respective office procedures for authorizing and approving overtime.
- Obtained and reviewed the OIG's *Request for Authorization of Overtime Work* forms and planned timesheets to determine whether overtime was authorized, approved in advance and justified.

Because travel associated with the OIG's overtime work was minimal, we did not include travel compensation in the scope of the audit.

Results of Review

The OIG did not comply with certain overtime policies. Specifically, EPA Form 2560-7 was not always prepared as required by *EPA Pay Administration Manual 3155*. In addition, planned timesheets were not always submitted for advance approval of overtime as required by OIG Policy 323. This occurred because:

- Management did not provide oversight to ensure compliance with EPA policies pertaining to overtime, including the use of EPA Form 2560-7.
- OIG policies were not clear on the use of the EPA authorization form for overtime requests versus the use of the planned timesheets for advance approval of overtime.
- There was no oversight or emphasis by management to ensure that planned timesheets were submitted and approved in advance.

Also, the OIG did not retain the EPA authorization forms supporting overtime requests as required by OIG and EPA records management policies.

As a result of the issues noted, the OIG may have incurred overtime charges without proper authorization, may have made after-the-fact approvals, and did not comply with records management requirements. Without adequate controls and oversight, there is limited assurance that overtime charges are properly authorized or approved in advance or that supporting records are appropriately retained.

EPA's Request for Authorization of Overtime Work Forms Not Always Prepared or Retained

Our analysis of the OIG's compliance with the EPA policy for authorizing overtime showed that the OIG did not always follow the policy in *EPA Manual 3155*. EPA policy requires the completion of EPA Form 2560-7 for overtime requests and authorization. Also, the OIG used two different processes for authorizing and approving overtime—the OA process used the authorization form but OA did not retain the forms as required, while the OMS process did not include the use of the authorization form.

OA Process

The overtime request process used by OA is a multistep process that occurs as needed each pay period. The process begins with the Project Manager submitting the EPA authorization form to the Director. The EPA authorization form requires, among other things: a justification or reason for the overtime request, the employee's name, estimated hours and dates, and the signature of the requester and approver.

The OIG Director signs the EPA Form 2560-7 as the requester and forwards the form to the Assistant Inspector General for Audit (AIGA) for approval. The AIGA, as the approver, maintains the EPA authorization forms.

IGEMS showed 158 actual timesheets with overtime charges incurred during the period October 2011 through September 2013. Our analysis of OA overtime charges (incurred on 149 of the 158 actual timesheets) showed that OA could not locate authorization forms to support the authorization of overtime incurred on 90 of the 149 actual timesheets. Also, although OA provided copies of the forms to support authorization of overtime incurred on the remaining 59 actual timesheets, the forms lacked signatures by the requester and approver. Consequently, we could not confirm whether the authorization forms were reviewed by the Director or approved by the AIGA.

During the period of our review, the Deputy AIGA said the forms would have been submitted to, and approved by, the prior AIGA. Searches of the prior AIGA's files and records by the Deputy AIGA were unsuccessful. Based on evidence provided, the authorization process appears to have been followed but the signed forms were not retained as required by OIG and EPA records management policies.

The EPA's records management schedule for time and attendance documentation provides for record closure and disposal after a U.S. Government Accountability Office audit or when the records are

6 years old, whichever is sooner. Therefore, according to the schedule, the OIG should have retained the authorization forms for the period covered by our review (October 2011 through September 2013).

OMS Process

Our analysis of OMS overtime charges (incurred on nine of the 158 actual timesheets) showed that OMS did not prepare the authorization form. OMS said the authorization form is no longer required because advance approval of overtime is documented with the planned timesheets. OMS further stated that the electronic workflow process within the IGEMS *Time Planning* module can capture the same data that employees would have provided were they still using the EPA's authorization form. Our analysis showed that the IGEMS *Time Planning* module may have the potential to capture the required information. However, the advance approval of overtime within IGEMS is generally at a nonsupervisory level and by a person who is not knowledgeable about the budgetary impacts that need to be considered prior to authorizing overtime. In addition, OIG is still required to follow *EPA Manual 3155*, which mandates the completion of EPA Form 2560-7.

Related Causes

Inconsistencies between the processes used by OA and OMS to authorize and provide advance approval of overtime occurred because there is no OIG policy for overtime that requires the use of the EPA authorization form. While OIG Policy 323 discusses the use of planned timesheets for the advance approval of overtime, the policy is silent on the authorization of overtime and the use of the EPA authorization form. The EPA's authorization form must be used to capture all applicable information needed to meet the EPA's requirements for authorization (e.g., justification and approval at the appropriate level). In addition, oversight is needed by management to ensure compliance with EPA policies pertaining to overtime, including the use of EPA Form 2560-7.

Overtime Schedule Not Always Approved in Advance

As part of the audit, the OIG conducted analysis to determine whether employees had submitted planned timesheets for the advanced approval of scheduled overtime hours. Our analysis showed that:

- For 12 of the 158 actual timesheets, employees did not submit planned timesheets for advance approval as required by OIG Policy 323.
- For the remaining 146 actual timesheets, employees had submitted planned timesheets, but we could only confirm that 47 of the 146 planned timesheets had actually been approved prior to incurring overtime charges.

Because the history of a planned timesheet is limited to 1 year from the current pay period, we could not determine whether the remaining 99 planned timesheets had been approved prior to incurring overtime charges. OMS said it has the ability to retrieve the information from IGEMS, but it would take time to gather the history. As a result, we did not request the history for the 99 remaining planned timesheets. We consider the results of our analysis sufficient to support the findings and recommendations.

Recommendations

We recommend that the Deputy Inspector General:

1. Revise OIG Policy 323, *OIG Time and Attendance Reporting Policy*, to clarify EPA overtime authorization requirements and appropriate levels of approval, and to stipulate the requirement to use EPA Form 2560-7 to document overtime authorization.
2. Inform management and employees of the requirements to:
 - Comply with EPA overtime policies, including the requirement to use EPA Form 2560-7 to document overtime authorization.
 - Obtain advance approval of specific overtime hours in the IGEMS planned timesheet.
 - Retain overtime documents in accordance with OIG and EPA records management policies.

Exit Conference and Planned Corrective Action

We conducted a preliminary exit conference with the Deputy Inspector General on July 28, 2014. On August 14, 2014, we issued finding outlines to the Deputy Inspector General who, in turn, distributed the finding outlines to the OIG Senior Leadership Team.

We received numerous comments and suggestions from Senior Leadership Team members during August 18–19, 2014. We reviewed the comments and suggestions and made changes to the findings as needed. We did not issue revised finding outlines. Instead, the results were incorporated into this final report.

On November 18, 2014, we conducted a final exit conference with the Deputy Inspector General to discuss our recommendations and his proposed corrective actions. The Deputy Inspector General agreed with our recommendations and provided proposed corrective actions and completion dates for all recommendations. We agree with the proposed actions and consider the recommendations open with corrective actions ongoing.

Status of Recommendations 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	7	Revise OIG Policy 323, <i>OIG Time and Attendance Reporting Policy</i> , to clarify EPA overtime authorization requirements and appropriate levels of approval, and to stipulate the requirement to use EPA Form 2560-7 to document overtime authorization.	O	Deputy Inspector General	9/30/15		
2	7	Inform management and employees of the requirements to: <ul style="list-style-type: none"> • Comply with EPA overtime policies, including the requirement to use EPA Form 2560-7 to document overtime authorization. • Obtain advance approval of specific overtime hours in the IGEMS planned timesheet. • Retain overtime documents in accordance with OIG and EPA records management policies. 	O	Deputy Inspector General	2/12/15		

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.

EPA OIG Distribution

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