



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



Spending Taxpayer Dollars

Improvements Needed by EPA OIG to Reduce Risk in Employee Hiring Process

Report No. 15-B-0076

February 5, 2015



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Report Contributors:

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Abbreviations

EPA U.S. Environmental Protection Agency
OIG Office of Inspector General

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At a Glance

Why We Did This Review

On August 27, 2013, Congress 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, Congress requested the OIG to determine EPA policies and processes that "facilitated" Beale's fraud.

We initiated an audit on EPA's employee vetting process. As part of the assignment, we also conducted an audit on the OIG's own employee vetting process.

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/2015/20150205-15-B-0076.pdf

Improvements Needed by EPA OIG to Reduce Risk in Employee Hiring Process

What We Found

The EPA OIG does not have a requirement to verify information in a job application, including job employment history or references. Once an applicant meets the minimum requirements and is considered eligible for the position, the office relies extensively on the applicant self-certifying the information they submitted on their resume and application. Without verification of prior employment or references for eligible job candidates, the potential exists that the OIG will not hire the best possible candidate, or hire a job applicant based on misleading information.

Without verification of prior employment or references the EPA OIG may not hire the best job candidates.

U.S. Office of Personnel Management and EPA policies and procedures do not have a requirement to verify prior employment or references for eligible job candidates. According to OIG guidance, the selecting official is responsible for ensuring that references are checked prior to making final selections and for maintaining all documentation used for selection. However, there is no assurance that the verifications are performed and documentation is consistently maintained. Like the guidance for the Office of Personnel Management and EPA, the OIG guidance does not require the verification of prior employment history.

Recommendations and Planned Corrective Actions

We recommend the Deputy Inspector General require selecting officials to verify prior employment and references prior to making final selection and retain documentation as outlined in OIG guidance and procedures. In addition, the Deputy Inspector General should establish OIG policies to enhance internal controls for employee vetting.

The Deputy Inspector General agreed with the recommendations and provided corrective actions with planned completion dates to address all recommendations.



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

OFFICE OF
INSPECTOR GENERAL

February 5, 2015

MEMORANDUM

SUBJECT: Improvements Needed by EPA OIG to Reduce Risk in Employee Hiring Process
Report No. 15-B-0076

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

As part of our continuing work on internal controls, we initiated an audit of the U.S. Environmental Protection Agency's employee vetting process. As part of this assignment, we conducted an audit of the Office of Inspector General's (OIG's) own employee vetting process. Our audit identified areas where improvements should be made by the OIG to reduce risk in the employee hiring process. We are reporting the issues to you separately.

Action Required

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

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

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Purpose

As part of our continuing work on internal controls in response to a request from Congress, we conducted an audit on the U.S. Environmental Protection Agency (EPA) Office of Inspector General's (OIG's) employee vetting process. The purpose of the audit is to evaluate the OIG's current vetting process for new employee hires to determine whether proper verification of applicant assertions is conducted.

Background

On August 27, 2013, Congress requested that the 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, Congress asked the OIG to determine EPA policies and processes that "facilitated" Beale's fraud. We initiated an audit on EPA's vetting process. As part of the assignment, we also conducted an audit on the OIG's employee vetting process. For purposes of our audit, we defined vetting as the process of verifying an applicant's assertions made during the hiring process.

As of August 31, 2014, the OIG employed 295 staff, consisting of auditors, program analysts, investigators and others with extensive expertise. During fiscal year 2013 (October 1, 2012, to September 30, 2013), the OIG hired 15 new employees. At the time of our review the OIG was in process of filling numerous vacancy announcements.

The Human Resources Directorate within the OIG's Office of Chief of Staff is responsible for administering, executing and advising on OIG human resource operations in accordance with governing laws, regulations, policies and practices. According to the EPA OIG Organization Function, "the directorate serves as the principal advisor and conducts the full range of human resources operational activities, including position classification and management, recruitment, and staffing."

Memorandum of Agreement and Statement of Work Between EPA OIG and U.S. Office of Personnel Management

The November 2008 *Memorandum of Agreement and Statement of Work Between the U.S. Environmental Protection Agency Office of Inspector General and the U.S. Office of Personnel Management, Center for Talent Services for Human Resources Management Services*, outlines the agreement for direct examining services. Under the agreement, the Center for Talent Services "will provide a variety of staffing and consulting services to assist EPA-OIG in the assessment and referral of candidates for multiple occupations, locations, and grade levels."

Under the Memorandum of Agreement, Section V2, *Scope of Work, Candidate Assessment and Referral*, some of the services provided by the Center for Talent Services include:

- Develop assessment questionnaires to be used for candidate screening and rating.
- Verify minimum qualification requirements for all candidates referred for consideration. Minimum qualifications will be determined by closely reviewing the candidates' supporting documentation (i.e., resumes and/or transcripts) and verifying that they possess the minimum level of education and/or experience.
- Review documentation and adjudicate veterans' preference prior to assignment of preference points on the final referral list.
- Verify candidates' claims of eligibility under the Interagency Career Transition Assistance Plan.
- Rate applicant responses to the assessment questionnaire.
- Issue competitive, merit promotion, and/or noncompetitive certificates/referral lists in accordance with merit system principles and delegated examining procedures.

The agreement does not make any reference to verifying prior employment.

Memorandum of Understanding Between EPA OIG and Office of Administration and Resources Management

The March 2011 *Memorandum of Understanding Between the Office of Administration and Resources Management and the Inspector General of the Environmental Protection Agency* outlines the human resources activities and responsibilities between the OIG and EPA's Office of Human Resources. Under the Memorandum of Understanding, the "OIG will perform the full range of activities related to staffing and recruitment, including but not limited to delegated examining and merit promotions activities[,] Senior Executive Service recruitment, and special program recruitment." In addition the "OIG will perform full range of activities for H[uman] R[esources] records administration for recruitment. The EPA will provide services related to employee on-boarding and orientation." The agreement does not make any reference to verifying prior employment.

EPA Human Resources Bulletin 08-007B

EPA Human Resources Bulletin 08-007B, *Quality Assurance in the Hiring Process*, dated September 29, 2008, highlights the legal and regulatory procedures that servicing human resources offices must follow in the hiring process and the procedures that managers and supervisors should use to ensure quality.

The bulletin states that, as part of the hiring process, “a variety of pre-and post-appointment actions and review are conducted by the servicing human resources office to help provide confidence and credibility in employee recruitment efforts and contributes toward the selection of quality hires.” Pre-appointment “actions and reviews measure whether the candidates meet legal and regulatory requirements for positions and are suitable for employment in the Federal Service.” One of the pre-appointment actions is an applicant’s assessment, rating and ranking. EPA uses an automated tool—EZhire—to attract, assess, rate and rank candidates. The bulletin further states: “EZhire electronically calculates applicants’ rates, assigns points for veteran’s preference and ranks applicants scores. A quality review is performed by the EPA human resources specialist to ensure the validity of the applicant’s response against the assessment instrument and the applicants’ resumes.”

Other pre-appointment actions include reference checks/pre-employment inquiries. According to the Procedures Section Ia3 of the bulletin:

Reference checks or pre-employment inquiries can be a valuable tool when selecting applicants for employment. They not only can be helpful in authenticating information provided in the resume/application, but also in obtaining additional information about an applicant’s work performance and habits, and other information not provided in the resume but relevant to the job opening. **Servicing HR Offices will advise selecting officials about the importance of reference checks in verifying applicants’ statements on their resumes or applications and/or during the interview for assessing personal effectiveness traits that have an impact on an employee’s ability to perform in a quality manner.** (OIG emphasis added). Supervisors should also be advised to obtain references from former employers or school officials, rather than solely relying on personal references or other references submitted with the application or resume.

Because a current supervisor may have other motives for giving a current employee either a glowing recommendation or an unsatisfactory one, at least two other references checks should be made with other reliable individuals who are knowledgeable of the candidate’s skills abilities, and other work-related characteristics.

The bulletin does not require human resources or the selection official to perform reference checks or a verification of statements on an applicant’s resume. Instead, the bulletin requires the servicing human resources office to **advise** (OIG emphasis added) selection officials about the importance of verifying applicants’ statements or resumes, and includes a sample reference-check template with questions.

EPA OIG Guidance and Procedures for Hiring Process

We requested the current policies and procedures used by the OIG Human Resources Directorate for vetting employees. The OIG Human Resources Directorate did not provide us with any policies and procedures. However, our search of the OIG human resources services webpage disclosed the *OIG Hiring Process: Guidance and Procedures* document, which provides general guidance and procedures to delineate roles and responsibilities, the process for approval, and filling of OIG positions. According to the guidance, the selecting official is responsible for ensuring that references are checked prior to making final selections and for maintaining all documentation on the selection for a minimum of 2 years after the selected candidate starts in a new position (Sections 2.5.1 and 2.5.5). The selecting official may delegate the interviewing of job candidates to other OIG employees (Section 2.5.3).

Scope and Methodology

We conducted our audit from June 16, 2014, through August 19, 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.

To determine the OIG's employee hiring process and whether applicants' assertions made during the hiring process are validated, we performed the following steps:

- Met with representatives from the OIG Office of Chief of Staff, Human Resources Directorate, to obtain an understanding of the OIG employee hiring process; and to identify and discuss applicable federal, EPA and OIG policies and procedures
- Obtained and reviewed criteria identified by the U.S. Office of Personnel Management, EPA and OIG associated with employee hiring to obtain an understanding of the requirements. Specifically we:
 - Obtained and reviewed the March 2011 *Memorandum of Understanding Between the Office of Administration and Resources Management and the Inspector General of the Environmental Protection Agency* to determine human resource responsibilities.
 - Obtained and reviewed the November 2008 *Memorandum of Agreement and Statement of Work Between the U.S. Environmental Protection Agency Office of Inspector General and the U.S. Office of Personnel Management, Center for Talent Services for Human Resources Management Services*, to determine human resource responsibilities

- Obtained and reviewed the *OIG Hiring Process: Guidance and Procedures* to obtain an understanding of the OIG hiring process.
- Obtained from the EPA Office of Human Resources a listing of new hires for fiscal year 2013 (October 1, 2012 – September 30, 2013) to determine the number of employees hired by the OIG and the type of hiring appointment.

Because there is no formal requirement to perform a reference check or verification of statements on an applicant's resume, we did not conduct any detailed testing of OIG new hires.

Results of Review

The OIG does not have a requirement to verify information in a job application, including employment history or references. Once an applicant meets the minimum requirements and is considered eligible for the position, the office relies extensively on the applicant self-certifying the information they submitted on their resume and application. According to OIG guidance, the selecting official is responsible for ensuring that references are checked prior to making final selection and for maintaining all documentation used for selection. However, there is no assurance the verifications are performed or documentation is consistently maintained. Without verification of prior employment or references for prospective eligible job candidates the potential exists that the OIG will not hire the best possible qualified candidate, or hire an applicant employee based on misleading information.

The EPA's Office of Human Resources and the U.S. Office of Personnel Management are not involved in or required to perform vetting under the applicable memorandum. The OIG is responsible for the vetting process for OIG employment (qualification reviews, pre-employment screening, official employment tentative offers and official job offer notification, and pre-employment personnel security process).

EPA Human Resources Bulletin 08-007B does not require a selecting official or initiating office to perform and document a reference check on prospective employees. However, it does state that the human resources servicing offices will advise selecting officials of the importance of reference checks and how it is a valuable tool in authenticating information provided in the resume. We consider the verification of prior employment and references to be a best practice if conducted, and recommend that it should be conducted for all recruiting actions.

The *OIG Hiring Process: Guidance and Procedures* provides the process to be followed in the hiring of new employees. This guidance was not provided to us by the OIG Human Resources Directorate; rather, our search of the OIG human resource services webpage disclosed the document. According to the guidance, the selecting official is responsible for making selections, ensuring that references

are checked prior to making the final selection (Section 2.5.1), and maintaining all documentation used for selection of the position for a minimum of 2 years after a selected candidate starts in new position (Section 2.5.5). It also allows the selecting official to delegate the interviewing and checking of references to other OIG employees. This guidance assigns responsibility, but does not make it a requirement for selecting officials.

The previous Director of the OIG Human Resources Directorate (the individual left the OIG in July 2014) stated the directorate really does not do anything to identify false statements in an applicant's information, including job history or accomplishments. The office relies extensively on the applicant self-certifying the information they submitted on their resume and application. This is contrary to the guidance and best practice of verifying prior employment and references. We did not attempt to verify whether individual offices within the OIG verified prior employment and references.

On August 18, 2014, we met with and provided the findings and recommendations to the acting Director, Human Resources Directorate. The acting Director took no exception to the finding and recommendation and suggested we include a time period of at least 7 years for verifying applicants' prior employment. In addition, the acting Director suggested that the selection official could use the form contained in EPA Human Resources Bulletin 08-007B. We agree with the acting Director's suggestions and believe the OIG should consider implementing these suggestions when addressing the report recommendations.

Recommendations

We recommend that the Deputy Inspector General:

1. Require selecting officials to verify prior employment and references prior to making final selection and retain documentation as outlined in the OIG guidance and procedures.
2. Establish OIG policies to enhance internal controls for employee vetting.

Exit Conference and Planned Corrective Actions

We conducted a preliminary exit conference with the Deputy Inspector General on August 12, 2014, and issued the finding outline on August 19, 2014. On September 5, 2014, we distributed the finding outline to the OIG Senior Leadership Team for review and comment. Three Senior Leadership Team members provided comments and suggestions. We reviewed the comments and suggestions and made changes to the findings as considered necessary. We incorporated the changes into this report.

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

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	6	Require selecting officials to verify prior employment and references prior to making final selection and retain documentation as outlined in the OIG guidance and procedures.	O	Deputy Inspector General	3/31/15		
2	6	Establish OIG policies to enhance internal controls for employee vetting.	O	Deputy Inspector General	9/30/15		

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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