



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



Compliance with the law

Management Alert:
**Controls Failed to Prevent
Employee From Receiving
Payment in Excess of
Statutory Limit**

Report No. 17-P-0410

September 27, 2017

\$23,413

overpayment



Report Contributors:

John Trefry
Jean Bloom
Philip Cleveland

Abbreviations

CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
GAO	U.S. Government Accountability Office
GS	General Schedule
IBC	Interior Business Center (Department of the Interior)
LEAP	Law Enforcement Availability Pay
OCEFT	Office of Criminal Enforcement, Forensics and Training
OCFO	Office of the Chief Financial Officer
OECA	Office of Enforcement and Compliance Assurance
OIG	Office of Inspector General
OTS	Office of Technology Solutions
PSD	Protective Service Detail
U.S.C.	United States Code

Cover image: Image depicting overpayment, prepared by EPA OIG.

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At a Glance

Why We Did This Audit

The U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), received a hotline complaint and initiated an audit to determine whether the agency's Protective Service Detail (PSD) has adequate controls for the scheduling, approving and monitoring of employees' time.

PSD agents provide physical protection services for the EPA Administrator. As law enforcement officers, PSD agents may receive adjustments over their regular salary, including overtime, night-differential and law enforcement availability pay. However, PSD salaries are subject to both biweekly and annual pay caps, regardless of the hours worked.

The purpose of this management alert is to notify the agency of a finding—a control weakness that resulted in an unauthorized payment—while our audit continues.

This report addresses the following:

- *Compliance with the law.*

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Management Alert: Controls Failed to Prevent Employee From Receiving Payment in Excess of Statutory Limit

What We Found

Internal controls failed to prevent an unauthorized overpayment to a PSD agent, causing the agent's 2016 salary to exceed the annual statutory pay cap. The agent's biweekly pay for the period ending January 7, 2017, included an adjustment of \$23,413.

According to the agent, the additional payment was for work hours not compensated in 2016. The agent believed that payment for these hours was not issued in 2016 because of the biweekly pay cap. However, starting in May 2016, the EPA authorized a series of waivers that lifted the biweekly caps, including one waiver that retroactively applied to the pay periods from September 6, 2015, through April 30, 2016.

On January 18, 2017, the agent informed staff in the Office of Criminal Enforcement, Forensics and Training of this payment, expressing concern that the annual pay cap may be exceeded. The staff notified the Office of the Chief Financial Officer's Human Resources and Payroll Customer Service Help Desk, which subsequently referred the issue to the EPA's payroll provider, the Department of the Interior's Interior Business Center (IBC).

Neither the EPA nor the IBC could provide the OIG with an explanation for this unauthorized payment until July 2017. In July 2017, the IBC told us that the \$23,413 payment was for hours that were worked by the agent in 2016 but that could not be paid in 2016. The IBC could not process these hours until January 2017, when the EPA submitted an amended time-and-attendance file. As a result, because the payment was not processed until the next calendar year, the IBC's payroll system did not detect that the agent exceeded the 2016 annual pay cap. If not for the actions of the agent, this overpayment may have remained undetected.

According to the IBC, this payment was unauthorized and a debt collection notice was issued to the agent on July 14, 2017.

Recommendations and Planned Agency Corrective Actions

We recommend that the EPA's Chief Financial Officer design and implement new controls to prevent the reoccurrence of unauthorized payments. We also recommend that the Chief Financial Officer determine whether similar unauthorized payments have been made to other EPA employees and recover any overpayments. The agency did not provide any proposed corrective actions; therefore, all recommendations are unresolved.

Our audit identified an unauthorized pay adjustment of \$23,413 for a PSD agent.



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

THE INSPECTOR GENERAL

September 27, 2017

MEMORANDUM

SUBJECT: Management Alert: Controls Failed to Prevent Employee From Receiving
Payment in Excess of Statutory Limit
Report No. 17-P-0410

FROM: Arthur A. Elkins Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over the printed name.

TO: David Bloom, Acting Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA-FY16-0265. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determination on matters in this report will be made by EPA management in accordance with established audit resolution procedures.

Action Required

The agency did not provide any corrective actions for our recommendations; therefore, the recommendations are unresolved. In accordance with EPA Manual 2750, the resolution process begins immediately with the issuance of this report. We are requesting a meeting within 30 days between the acting Chief Financial Officer and the OIG's Assistant Inspector General for Audit. If resolution is still not reached, the acting Chief Financial Officer is required to complete and submit a dispute resolution request to the Deputy Administrator for decision.

We will post this report to our website at www.epa.gov/oig.

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Purpose

As a result of a hotline complaint, the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) is conducting an audit of the EPA Administrator's Protective Service Detail (PSD). The objective of the audit is to determine whether PSD has adequate controls for the scheduling, approving and monitoring of employees' time. This management alert is being issued to notify the agency that an internal control weakness resulted in an unauthorized payment of \$23,413 to a PSD agent on January 17, 2017. Our overall audit of the PSD controls that was initiated as a result of the hotline complaint continues.

Background

PSD, within the Office of Criminal Enforcement, Forensics and Training (OCEFT), provides physical protection and protective escorts to the EPA Administrator. As law enforcement officers, PSD agents may receive adjustments over their regular salary, including overtime, night-differential and law enforcement availability pay (LEAP). However, PSD salaries are subject to both biweekly and annual pay caps, regardless of the hours worked.

Regulatory and Policy Requirements

Federal statutes at 5 U.S.C. § 5547, *Limitation on Premium Pay*, identify a biweekly pay cap for General Schedule (GS) employees. The biweekly basic pay cap may be waived for some GS employees who receive premium pay while performing work designated as emergency or mission critical.

Per 5 U.S.C. § 5547(a), employees may be paid premium pay, but this section also limits basic pay plus premium pay for any pay period to the greater of the maximum rate of pay for a GS-15 Step 10 employee or the rate payable for Level V of the Executive Schedule.

In addition, 5 U.S.C. § 5547(b) identifies an annual statutory pay limit for employees performing the work noted above. Under this section, employees may receive certain types of premium pay to the extent that the employees' basic and premium pay for the calendar year do not exceed the greater of the annualized rate payable at the end of calendar year for GS-15 Step 10 or Level V of the Executive Schedule.

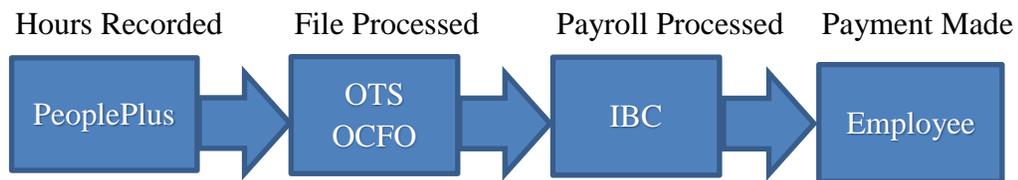
Furthermore, 5 U.S.C. § 5547(b)(3) allows the head of each agency to determine whether to apply subsection (a) to an employee who is paid premium pay to perform work that is critical to the mission of the agency.

Agency Timekeeping Practices and Payroll Processing

Employees are responsible for accurately entering hours worked or leave taken on a biweekly basis into an electronic timesheet within PeoplePlus, which is the agency's time-and-attendance system. Employees must also attest to the accuracy of the data entered. Timekeepers then monitor and review the data entered by employees for accuracy and completeness. Approving officials review and certify the time-and-attendance data entered in PeoplePlus for the employees under their supervision. The certified data is sent to Office of Technology Solutions (OTS), within the Office of the Chief Financial Officer (OCFO), for processing and transmittal to the agency's payroll provider.

The Department of the Interior's Interior Business Center (IBC) has been the EPA's payroll provider since June 2014. The IBC is responsible for processing the agency's payroll data in the Federal Personnel and Payroll System and notifying the agency of any errors or discrepancies needing correction and resubmission. The IBC computes payment amounts based on information such as hours worked and time codes from each employee's payroll data, classification, status, hourly rates and pay requirements. The IBC then issues the payment to the employee. Figure 1 summarizes the payroll process.

Figure 1: Overview of payroll process



Source: OIG-generated image.

Responsible Offices

Within the Office of Enforcement and Compliance Assurance (OECA), OCEFT managers are responsible for ensuring the accuracy of timekeeping data entered by PSD employees. OCFO maintains a Human Resources and Payroll Customer Service Help Desk that provides assistance with human resources, payroll, and time-and-attendance issues. OCFO's OTS manages the operation of the EPA's time-and-attendance system.

Scope and Methodology

We conducted this audit from September 2016 to August 2017, in accordance with 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 to date provides a reasonable basis for our findings and conclusions presented in this document.

To determine whether PSD has adequate controls for the scheduling, approving and monitoring of employees' time, we performed the following tasks:

- Obtained an understanding of internal controls for PSD time and attendance.
- Reviewed PSD employees' 2016 salaries to determine whether they exceeded biweekly or annual pay caps.
- Reviewed information (email correspondence, pay statements and supporting labor charges recorded in PeoplePlus) associated with a payment made to an agent on January 17, 2017.
- Interviewed the PSD agent, OCEFT management, personnel in OCFO and OTS, and IBC representatives to obtain information on the payment.
- Analyzed the hours entered into PeoplePlus for the agent who received the payment, and compared these hours, on a test basis, to the hours worked and the hours paid through the Federal Personnel and Payroll System.

Results of Audit

It was brought to our attention that a PSD agent received a payment adjustment for \$23,413 in the second pay period of calendar year 2017, which encompassed the period ending January 7, 2017. The payment, which was issued on January 17, 2017, contained an adjustment for hours that were recorded by the agent in PeoplePlus in calendar year 2016 but that were not paid in 2016. The payment was delayed because of issues associated with the processing of biweekly pay cap waivers. Even with biweekly pay cap waivers in place, however, the annual pay cap requirement was still in effect. Therefore, according to the IBC, the \$23,413 payment adjustment was unauthorized because it caused the agent to exceed the annual pay cap for 2016.

The EPA submitted an amended time-and-attendance file to the IBC in December 2016 to process. However, the file was missing some information necessary for processing. The corrected file was not submitted to the IBC for processing until January 2017. Since the file was provided and processed in 2017, the IBC's payroll system did not recognize that the employee exceeded the 2016 annual pay cap. Consequently, the unauthorized payment was issued. A debt collection notice was issued to the agent on July 14, 2017.

The U.S. Government Accountability Office (GAO), in its *Standards for Internal Controls in the Federal Government* (GAO-14-704G), sets internal control

standards for federal entities. It also notes that federal entities are responsible for understanding controls governing external service organizations, such as payroll providers. Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Controls*, references the GAO standards and emphasizes each agency's responsibility to understand the controls used by its service organizations in Section III, B1:

Agencies are ultimately responsible for the services and processes provided by third party service organizations as they relate to the Agency's ability to maintain internal control over operations, reporting, and compliance with laws and regulations.

Neither the EPA's nor the IBC's internal controls prevented or detected this unauthorized payment.

Within the EPA, OCFO's OTS has standard operating procedures that govern its time-and-attendance process with the IBC. The procedures define the roles and responsibilities for processing payroll and handling issues detected during processing.

PeoplePlus has controls to prevent and detect unauthorized payments to employees. For example, the time-and-attendance data recorded in PeoplePlus are reviewed and certified by approving officials, who confirm that the hours recorded by each employee are authorized, accurate and complete. PeoplePlus has no control to detect biweekly or annual pay caps.

According to IBC management, there are controls within its payroll system to prevent an employee from exceeding the statutory annual and biweekly pay cap limits. These controls prevent payments above the biweekly limit unless a biweekly pay cap waiver has been authorized, entered into the system by the EPA, and transmitted to the IBC. In addition, these controls prevent employees from exceeding the annual statutory pay cap by comparing the cumulative amounts paid to the limits in the annual and aggregate pay tables.

For the PSD agent at the center of this discussion, we noted that the Earnings and Leave Statement for the pay period ending January 7, 2017, included not only regular and LEAP pay but also multiple pay adjustments. These adjustments addressed regular, overtime, LEAP, holiday and night-differential hours worked during previous pay periods. This significantly increased the agent's pay for that period, as shown by Table 1.

Table 1: Payment summary for biweekly period ending January 7, 2017

Regular and LEAP pay	\$6,145
Adjusted pay	23,413
Total gross pay	\$29,558

Source: PSD agent's Earnings and Leave Statement.

According to the PSD agent, the adjusted pay amount was for 347 overtime hours and 195 night-differential hours worked in 2016. The agent believed that the IBC did not issue payment for these hours in 2016 because of the biweekly pay cap.

OCEFT representatives stated that they believed the agent's adjusted pay was issued in 2017 because the OECA Assistant Administrator retroactively lifted the biweekly pay cap for PSD agents. Starting in May 2016, the OECA Assistant Administrator authorized a series of biweekly pay cap waivers that covered the period through early February 2017. On October 7, 2016, the OECA Assistant Administrator issued a memorandum that also retroactively waived the biweekly pay cap from September 6, 2015, through April 30, 2016. However, even though the biweekly pay caps were lifted, the cumulative effect of the pay adjustments were still limited by the annual pay cap.

Based on our calculations, the 2016 annual statutory pay cap limit for this PSD agent was \$159,765.¹ On January 18, 2017, the agent informed OCEFT staff of the potential overpayment, expressing concern that the payment may have exceeded the annual pay cap. OCEFT staff notified OCFO's Human Resources and Payroll Customer Service Help Desk, which subsequently referred the issue to the IBC.

Neither the EPA nor the IBC was able to provide the OIG with an explanation regarding this overpayment. However, when we contacted the IBC in June 2017 to obtain information on the payment, the IBC confirmed that the payment made on January 17, 2017, was for payroll adjustments related to the EPA's retroactive biweekly pay cap waivers

In July 2017, the IBC finally explained to the OIG how the unauthorized payment was made. According to the IBC, if the payroll adjustments had been processed in 2016, no overpayments would have been made to the employee. The system would have determined that the adjusted amounts would have exceeded the 2016 annual pay cap. However, since the adjustments were processed in 2017, the system could not detect that the 2016 annual pay cap was exceeded. The system therefore allowed the payment.

Conclusion

Internal controls did not prevent an unauthorized payment to a PSD agent, which caused the agent's annual 2016 salary to exceed the statutory pay cap. According to the IBC, this payment was unauthorized, and a debt collection notice was issued to the agent on July 14, 2017.

¹ In accordance with 5 CFR § 550.106(d), the hourly pay rate is computed by dividing the annual salary published by the Office of Personnel Management by 2,087 hours and rounding to the nearest cent. The biweekly rate is then computed by multiplying the rounded hourly rate by 80 hours. The annual rate is then computed by multiplying the biweekly rate by the number of pay periods in the agency's payroll cycle.

Recommendations

We recommend that the Chief Financial Officer:

1. Design and implement new controls to prevent the reoccurrence of unauthorized payments that will put an employee above the annual statutory pay cap.
2. Determine whether similar unauthorized payments above the annual statutory pay cap have been made to other EPA employees.
3. Recover any overpayments above the annual statutory pay cap.

Agency Response and OIG Comments

We provided a discussion document to the agency for comment on August 25, 2017, and received verbal comments from OCFO's Office of the Controller and OTS on September 5, 2017. OCEFT emailed comments on September 8, 2017.

OCFO agreed that an overpayment occurred. Further, OCFO recognized that the IBC's system controls and the manual adjustment process between the EPA and the IBC did not prevent the payment from occurring. According to OTS, the manual adjustment process has stopped. OCFO also stated that it generates and transmits quarterly reports to the Office of Administration and Resources Management for use in monitoring statutory biweekly pay limits. However, based on our review of these reports, no cumulative pay information for monitoring annual statutory pay limits is included within the reports.

We contacted the Office of Administration and Resources Management's Office of Human Resources personnel and were told that they do not monitor annual statutory pay limits. However, the Office of Human Resources' Shared Service Centers have responsibility for any biweekly pay cap exceptions. We contacted the Cincinnati Shared Service Center to determine what type of review is conducted, and we were informed that its personnel check for a biweekly pay cap waiver if an employee exceeds the biweekly pay cap limit.

OCEFT suggested some edits for report clarification, and we adjusted the reported accordingly. No corrective actions were provided, and all recommendations are unresolved.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	6	Design and implement new controls to prevent the reoccurrence of unauthorized payments that will put an employee above the annual statutory pay cap.	U	Chief Financial Officer		
2	6	Determine whether similar unauthorized payments above the annual statutory pay cap have been made to other EPA employees.	U	Chief Financial Officer		
3	6	Recover any overpayments above the annual statutory pay cap.	U	Chief Financial Officer		

¹ C = Corrective action completed.
R = Recommendation resolved with corrective action pending.
U = Recommendation unresolved with resolution efforts in progress.

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