



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

A Look at the Audit Response of the Office of Inspector General, U.S. Environmental Protection Agency to the Beale Investigation

**Oral Statement of Arthur A. Elkins Jr.
Inspector General**

**Before the Committee on Environment and Public Works
U.S. Senate**

September 30, 2013

**Talking Points of
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Good afternoon, Chairman Boxer, Ranking Member Vitter and other Members of the Committee. I am Arthur Elkins, Inspector General of the U.S. Environmental Protection Agency (EPA). I am pleased to brief the committee about the second part of the story, namely the audit work that ensued as a direct result of the OIG's criminal investigation of former EPA employee John C. Beale, who pled guilty on Friday, September 27, 2013. Thank you for allowing me the opportunity to share with you a specific example of how the OIG safeguards the EPA and the Chemical Safety and Hazard Investigation Board (CSB) from fraud, waste, and abuse through independent oversight of their programs and operations.

After the OIG briefed his staff, Ranking Member Vitter stated, on August 27, 2013, that this matter raises a number of questions about the integrity of the process that administers EPA's workforce payroll and benefits and requested that the OIG immediately launch an investigation into the agency's policies and processes that facilitated Beale's fraud, and to make recommendations to ensure that this does not happen again.

The Assistant Inspector General for Investigations, Patrick Sullivan, requested audit assistance to address areas identified as potential EPA systematic weaknesses during the investigation of John Beale. The areas related to:

- EPA's retention bonuses
- Statutory annual pay limit
- EPA's first-class travel
- EPA's process for approval of foreign travel
- EPA's vetting process for new employees
- Time-and-attendance issues
- Timely referrals of potentially criminal allegations to the OIG
- Authority of EPA's Office of Homeland Security

The Office of Audit was assigned to look into all the areas listed in Patrick Sullivan's request. On September 11, 2013, a notification letter was sent to the agency stating that the OIG plans to begin preliminary research on various administrative areas as a result of recent actions taken against a former EPA employee.

We are currently performing work to address the first part of Ranking Member Vitter's request to look into the policies and procedures that have facilitated Mr. Beale's fraud.

We have reviewed the OIG's Office of Investigations case file to determine:

- how the fraud took place;
- what internal controls existed;
- what controls may need strengthening;
- what controls were compromised, circumvented or overridden

We are conducting interviews and reviews to acquire any additional information that was not included in the Office of Investigations case file. We are coordinating this with the Office of Investigations, so we do not compromise any active investigations. The interviews are with Office of Air and Radiation and Office of Administration and Resources Management personnel.

Upon completion of interviews and reviews, we will provide a letter to the Ranking Member as requested in his August 27 letter, addressing the facts concerning how the Beale fraud occurred. The estimated date for the issuance of this letter will be October 31, 2013, barring no shutdown of the government and the cooperation of the EPA. Any shutdown or lack of cooperation will delay the issuance.

We just started our preliminary research on the second part of the Ranking Member's request. Typically, it takes 3-6 months to issue the preliminary results of the audits, and it takes 9-12 months for the final report to be issued. However, if significant issues are discovered, the issuing of the final report may take longer. We will keep the Committee updated on the audit's estimated completion.

Further, this audit may uncover other issues that I have not detailed this morning. The Office of Audit will continue to look at the EPA to ensure that situations similar to Beale are not occurring in other locations. Accordingly, we may issue early warning reports to EPA concerning the internal controls surrounding the Beale matter. At this time, we may issue reports on time-and-attendance and travel as they relate to Beale.

The investigation of John Beale has also resulted in several investigations related to administrative matters. As these are ongoing investigations, I am unable at this juncture to discuss them, but will do so when I can.

My briefing today highlights the OIG's commitment to continue to shine a light on EPA and the CSB and to guarantee that our tax dollars are being well spent. The OIG clearly represents a great value to the American taxpayer. I ask the Committee to please keep in mind that additional budget cuts may force us to focus on statutory work and reduce discretionary work, such as requests from Congress to investigate agency programs or actions.

In conclusion, I would like to reaffirm the OIG's commitment to add value and assist the agency in accomplishing its mission of safeguarding the health of the American people and protecting the environment. We take very seriously our mandate to promote economy, efficiency, effectiveness, and prevent and detect fraud, waste, and abuse through independent oversight of the EPA's programs and operations

Chairman Boxer, Ranking Member Vitter and other Members of the Committee, I will be pleased to answer any questions you or the Members may have.