



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

The EPA OIG's Investigation of John C. Beale

**Statement of Patrick Sullivan
Assistant Inspector General for Investigations**

**Before the Committee on Oversight and Government
Reform
U.S. House of Representatives**

October 1, 2013

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Good morning, Chairman Issa, Ranking Member Cummings and members of the committee. I am Patrick Sullivan, Assistant Inspector General for Investigations for the U.S. Environmental Protection Agency (EPA). Thank you for inviting me to appear before you today to discuss in further detail my office's investigation into the activities of John C. Beale while he was employed in the EPA's Office of Air and Radiation (OAR).

The EPA Office of Inspector General's (OIG's) investigation of this case, to date, has included interviews with more than 40 individuals. We have examined thousands of documents. In addition to offices and individuals at the EPA, we have coordinated with other federal law enforcement agencies, namely: the Central Intelligence Agency's Office of Inspector General; the Department of State's Diplomatic Security Service; the Department of Homeland Security's Immigration and Customs Enforcement; the Department of Justice, including the Federal Bureau of Investigation; and the Department of the Treasury's Financial Crimes Enforcement Network.

As Inspector General Elkins noted, the Office of Investigations first received information about Mr. Beale's potential misconduct on February 11, 2013. However, the activities that investigators discovered began as far back as 1988, when Mr. Beale was hired. I will describe those activities one topic at a time beginning with the hiring of Mr. Beale.

Hiring

In 1988, Mr. Beale was hired as a consultant to the EPA by his close friend Robert Brenner, who was then the Director of OAR's Office of Policy, Analysis and Review. Mr. Brenner and Mr. Beale had attended graduate school together at Princeton University from 1975 to 1979 and owned property in Massachusetts together from approximately 1983 to 1999.

In 1989, Mr. Beale was hired as a full-time EPA employee in the position of Senior Policy Advisor. Mr. Brenner had recommended the competitive selection of Mr. Beale and prepared an "Advance in Hire" memorandum articulating that, in order for Mr. Beale to accept the position, he would need to start at the pay grade of GS-15 Step 10 because he would be taking a \$20,000 pay reduction from his previous position in the private sector.

Our investigation revealed numerous misleading and false statements, including inconsistencies and omissions, on multiple applications for federal employment found in Mr. Beale's Official Personnel File. The applications were for jobs at the EPA and elsewhere. One example of the problems found is that Mr. Beale claimed to have worked for Senator Tunney of California, supplying a work address in Washington D.C. However, Mr. Beale stated in his resume and other paperwork that he was working and living in California during the same time period. Furthermore, he spelled the Senator's name differently on various applications. When investigators sought confirmation of Mr. Beale's employment and service dates with the U.S. Senate or, to be thorough, the U.S. House of Representatives, they found none.

Retention Incentive Bonuses

Throughout Mr. Beale's career with the EPA, Mr. Brenner was instrumental in facilitating and recommending bonuses, promotions, awards and other recognition on Mr. Beale's behalf.

In 1991, Mr. Brenner recommended a first retention incentive bonus for Mr. Beale, representing 25 percent of Mr. Beale's base pay. A retention incentive bonus may be given by an agency to keep an employee with the federal government when he or she has a unique skill set that is sought out by private companies. An agency can pay such a bonus for a three-year period. Therefore, this bonus should have ended by 1994. Instead, Mr. Beale received payments until 2000.

In 2000, Mr. Brenner – who by this time was a Deputy Assistant Administrator – recommended a second retention incentive bonus for Mr. Beale, again representing 25 percent of Mr. Beale's base pay. The bonus was approved by Bob Perciasepe, who was then the Assistant Administrator of OAR. This second bonus should have ended by 2003, but Mr. Beale received payments until 2013.

In short, while bonus payments would have been authorized for a total of six years, Mr. Beale received bonus payments for 22 years. The agency thus erroneously paid him bonuses for 16 extra years, costing the government more than \$500,000.

Additionally, Mr. Brenner's recommendations that Mr. Beale receive the bonuses indicated that Mr. Beale had received outside offers of employment. However, supporting documents available for the six years that Mr. Beale may have been eligible to receive the bonuses did not include written proof of such offers. Mr. Beale conceded in an interview with the OIG on June 14, 2013, that he had not, in fact, received any written offers of employment to support either bonus. Rather, he said, he had received only oral offers for outside employment.

Promotion and Overpayment

In 2000, Mr. Brenner recommended Mr. Beale for a promotion to Senior Leader status, a designation equivalent to the Senior Executive Service for technical professionals in the

federal government pay system. At that time, Mr. Beale was given the operational title of Deputy Assistant Administrator, the same title held by Mr. Brenner since 1993. Based upon his Senior Leader status and retention incentive bonuses, from 2000 to 2013, Mr. Beale was paid, on average, \$180,000 per year, an amount that exceeded statutory pay limits for federal employees at his grade for four of those years – 2007, 2008, 2009 and 2010.

False Personation of a CIA Agent

From approximately 1990 to 1993, Mr. Beale was instrumental in drafting and implementing the Clean Air Act Amendments. It appears that his role gained him significant prestige within the EPA, and with foreign countries and private companies interested in the environment and clean air, in particular.

Our investigation revealed that, beginning in 1994, Mr. Beale began the false personation of a Central Intelligence Agency (CIA) employee. During his June 14, 2013, interview with the OIG, he said that he perpetrated this lie to “puff up the image of myself.” It also was at the core of Mr. Beale’s fraud scheme to justify frequent and long absences from the office. He admitted having told even his wife and closest friends, in addition to co-workers, that he worked for the CIA, a fact also documented by email correspondence and other sources.

Mr. Beale was absent from the EPA for long periods of time from 2000 to 2013 under his alleged CIA cover. In communications to his colleagues and family members, he often volunteered locations and other details relating to foreign travel he was undertaking on behalf of the CIA – none of which actually occurred.

Starting in 2000, Mr. Beale began to place “D.O. Oversight” on his calendar for every Wednesday, to validate his absences from the EPA. “D.O.” refers to the Directorate of Operations, which is responsible for covert operations at the CIA. As a Deputy Assistant Administrator, Mr. Beale’s calendar was available to his supervisors and other co-workers both in written form and electronically.

In 2001, Mr. Beale told his supervisor, Assistant Administrator for OAR Jeff Holmstead, that he had to be absent from his work at the EPA so he could work on “D.O. Oversight” issues at the CIA. When interviewed by the OIG on June 3, 2013, Mr. Holmstead confirmed that fact, as well as that he had believed Mr. Beale. During his tenure with OAR, Mr. Holmstead shared Mr. Beale’s alleged CIA status with other OAR executives, and this “information” spread throughout the office. The lie became an open secret – something many people were aware of but knew they were not supposed to disclose or discuss.

In 2009, from the start of her tenure as Assistant Administrator for OAR, Gina McCarthy was told by OAR senior executives that Mr. Beale worked for the CIA, which required frequent absences from the EPA. Mr. Beale also told Ms. McCarthy personally that he worked for the CIA. She confirmed these facts in the first of two interviews with the OIG,

on February 27, 2013. In his June 14, 2013, interview, Mr. Beale said that providing this fabrication to senior level managers of OAR “made the lie kind of official or sanctioned.”

Additionally, an Executive Assistant who worked for Mr. Beale, in an interview with the OIG, recalled that Mr. Beale had told her he needed to stay on with the CIA until his replacement, who had been captured and was being tortured in Pakistan, had recovered. According to the Executive Assistant, she responded, “John, that’s what movies are made of,” and Mr. Beale asserted that he was telling her the truth.

When interviewed by OIG investigators on June 14, 2013, Mr. Beale admitted to taking off a total of 2 ½ years – six months in 2008 and two years between 2011 and 2013 – for nonexistent CIA work, at a cost to the federal government of approximately \$350,000. Mr. Beale also stated that during these periods he actually was working around the house, riding his bicycle and reading books.

Awards

Concurrent with his frequent absences from the EPA, Mr. Beale received substantial cash awards, all on top of his salary and the 25 percent retention incentive bonuses. In 2003, he received a cash award for \$1,500. He was recommended for and received at least three performance awards: In 2004, he was presented with a Superior Accomplishment Recognition Award, which was accompanied by a \$2,250 payment. Mr. Brenner, now Mr. Beale’s equal in rank rather than his supervisor, submitted the nomination, which was approved by Mr. Holmstead.

In 2005, Mr. Beale was away from the EPA for more than 400 work hours, which he recorded on his calendar as either “DO Oversight” or “out of the office.” That same year, Mr. Holmstead recommended Mr. Beale for a second Superior Accomplishment Recognition Award, which carried a \$2,000 payment. In 2005, Mr. Beale also received a Meritorious Executive Rank Award, a category of the Presidential Rank Award, which carried a \$28,201 payment. Mr. Brenner nominated Mr. Beale for that award, which was approved by Mr. Holmstead.

Lies About Military Service in Vietnam and Malaria

Over the course of Mr. Beale’s employment with the EPA, he perpetuated other lies that gained him financial benefits and special treatment.

For example, Mr. Beale told other EPA employees that he had contracted malaria in Vietnam during service in the U.S. Army. During the June 14, 2013, interview, he admitted to never having had malaria or ever being in Vietnam. Military documentation confirms that Mr. Beale never served in Vietnam. Mr. Beale used his lie about having malaria as a basis for obtaining subsidized parking at EPA facilities – designated for people requiring special access for medical conditions – for several years, costing the government approximately \$200 a month and totaling approximately \$18,000 over his

tenure with the agency. Additionally, he cited his alleged malaria condition as another explanation for why he was often gone for long periods of time.

Travel Fraud

The lies perpetuated by Mr. Beale also involved travel-related fraud.

Travel Vouchers

Between 2005 and 2007, Mr. Beale traveled multiple times to Los Angeles and Bakersfield, California, to work on an alleged research project. From these trips, the OIG's investigation was able to confirm that \$87,434.30 in charges submitted to the government via travel vouchers were fraudulent. In the June 14, 2013, interview, he admitted that the alleged project did not require him to travel to Los Angeles and Bakersfield and any related work could have been done from his EPA office or Arlington, Virginia, residence. Mr. Beale stated that he actually had traveled to California so he could spend time with and care for his ailing parents, who lived in Bakersfield.

A review of Mr. Beale's travel authorizations and vouchers – which were approved and reimbursed – revealed that he never indicated Bakersfield as a destination. Rather, he listed Los Angeles and other domestic as well as foreign cities. However, the receipts attached reflected charges in Bakersfield – a discrepancy readily apparent when comparing the receipts to the vouchers. Also, when he traveled to Bakersfield, Mr. Beale always claimed meals and independent per diem expenses for a higher cost city, such as Los Angeles, to receive a greater payment.

Lodging

Travel documents revealed that Mr. Beale usually stayed at hotels that far exceeded the allowed government lodging rate. In one instance, he charged the government \$1,066 per night for four nights in London even though he had the opportunity to stay at a different hotel for \$375 per night. When shown this overage during the interview on June 14, 2013, Mr. Beale stated, "Even I am outraged at this."

First-Class Flight Accommodations

Mr. Beale claimed that, from approximately 1998 until his retirement in 2013, he had a back injury requiring first-class airplane accommodations when he traveled for official EPA business. Our investigation revealed that he provided medical documentation from a chiropractor supporting his back injury claim. However, due to Mr. Beale's undertaking extensive physical activities, including bike riding, and his many other deceptions regarding his health, his claim of needing first-class travel accommodations due to a back injury is dubious at best.

From available travel records, we have determined that Mr. Beale charged the government approximately \$300,000 in travel expenses between 2003 and 2011. His first-class airfares

often were more than five times the amount of coach fares. In one case, when Mr. Beale traveled for the EPA from Washington, D.C., to London, United Kingdom, to meet with the Shell Foundation about cook stoves and pollution/respiratory issues, his first-class ticket was 14 times higher than the coach fare – \$14,000 instead of approximately \$1,000 for a round-trip flight.

Mr. Beale was never held accountable by his management for his spending on these trips. When interviewed by the OIG, those responsible for approving his travel vouchers acknowledged that the charges he submitted often seemed excessive, but they never questioned him about them because he was a highly respected EPA senior level official and because, based on his work for the CIA, they trusted his word.

The Executive Assistant interviewed by investigators said that she had brought concerns about the excessive and abusive nature of Mr. Beale's travel expenses to her supervisor. According to the Executive Assistant, the supervisor told her not to question the expenses, which were authorized because Mr. Beale was a senior level official.

Misuse of Government-Issued Passport

Finally, our investigation revealed that, beginning in 2003, Mr. Beale traveled overseas multiple times for personal reasons using a government passport issued to him for official EPA travel, as confirmed by the U.S. Departments of State and Homeland Security. Misuse of a government-issued passport violates 18 U.S. Code §1544. The State Department also verified that Mr. Beale has not held a personal passport since 2003. In the OIG interview on June 14, 2013, Mr. Beale agreed with these facts.

Retirement

In September 2011, a joint retirement party was held on the Potomac River for Mr. Beale, Mr. Brenner and a third EPA employee on the Celebrity Yacht owned by Capital Yacht Charters. Friends, family and senior-ranking EPA executives – including Mr. Perciasepe and Ms. McCarthy – attended. During interviews conducted by OIG investigators, Ms. McCarthy and several other OAR employees stated that they believed Mr. Beale had retired from the EPA at this point.

On March 29, 2012, Ms. McCarthy was informed via email by a member of her staff that John Beale was still on the payroll and had not retired. She responded, "I thought he had already retired."

On April 2, 2012, Ms. McCarthy forwarded the March 29 correspondence to an EPA official with human resources oversight, asking for clarification of Mr. Beale's "situation." In that message, she stated her discomfort with "the lack of appropriate paperwork on this 'arrangement'" and asked that staff find out what was happening. Referring to the retention incentive bonus that Mr. Beale still was receiving, she ended her message, "We had discussed this bonus many months ago and as you advised me, I have not taken action to question that. What do you suggest?"

At some point, Ms. McCarthy began contacting Mr. Beale to inquire about the status of his retirement plans. His responses include an email to her dated November 29, 2012, in which he stated, “. . . I want to let you know that despite much back and forth my plans remain much the same as we discussed last spring. You may recall that I was asked to stay on until after the election. The good news is that I am holding firm to that plan. The better news is that November 30 is my last working day with the Federal government. Tomorrow! I get back to the states this weekend and then have to go to the Mayo clinic for a few days of tests. . . .”

On November 30, 2012, Mr. Beale sent another email to Ms. McCarthy in which he wrote, “Today is my last day of what I consider substantive work in the government. I still have to spend some time having some medical issues addressed, out processing, and being debriefed. During this time, I will be using some sick leave, annual leave, and a few days of regular time. I will have a much better idea of how long this will take after I complete the initial medical review and get debriefed on the debriefing process. At this point I am guessing the entire process should take about four to six weeks considering the holidays. . . .”

Mr. Beale officially retired from the EPA on April 30, 2013, after receiving pay and benefits for approximately another 1 ½ years after the “retirement party.” As you heard from Inspector General Elkins, Ms. McCarthy, who was then Assistant Administrator for OAR, referred concerns about Mr. Beale’s potential criminal misconduct to the EPA’s Office of General Counsel on or about November 1, 2012. Three months later, the Office of General Counsel reported the misconduct to the OIG.

Performance Appraisals

OIG investigators examined those of Mr. Beale’s performance appraisals that are readily available, from 2006 through 2012. All reflect a rating of “effective” or “fully successful” (an equivalent rating under an earlier scale). The only appraisal signed by Mr. Beale is from 2006; some of the others include a note to the effect that the employee was unavailable or forgot to sign. The 2010 appraisal is notated “John Beale is performing a special assignment during this period.” The 2009 appraisal is notated “special assignment during this period.”

Concluding Remarks

As Inspector General Elkins explained, the OIG’s Office of Audit has begun research into the underlying causes and internal control weaknesses at the EPA brought to the fore through this case.

The Office of Investigations continues to determine the extent of potential administrative misconduct of other senior level EPA employees whose failure to exercise due diligence allowed this fraud scheme to occur and continue unchecked for as long as it did.

I will be pleased to answer any questions you may have.