



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Hotline Report: Spending Taxpayer Dollars

Awards Made by EPA's Office of the Chief Financial Officer Raise Questions

Report No. 16-P-0048

November 30, 2015

Report Contributors:

Angela Bennett
Darren Schorer

Abbreviations

CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
RTP	Research Triangle Park

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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 alleging that the EPA's Office of the Chief Financial Officer (OCFO) intended to pay a \$250,000 bonus to a newly hired employee because it was unable to provide relocation expenses for the employee. The new hire was for the position of Director, Research Triangle Park (RTP) Finance Center, in North Carolina. Our objective was to determine the validity of the allegation and identify the basis for any bonus payments made to the employee.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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Awards Made by EPA's Office of the Chief Financial Officer Raise Questions

What We Found

The EPA's OCFO did not pay the alleged intended \$250,000 bonus to the newly hired Director of the RTP Finance Center. However, the Director did receive two individual cash awards of \$4,500 each within 3 months of her start date. OCFO justified the awards as follows:

OCFO's unprecedented award of \$9,000 in bonuses to a Director less than 3 months after being hired raises questions about the reasonableness of the awards and how the OCFO uses the awards process.

- The justification for the first award, within 6 weeks of the Director's start date, stated that the Director "...took extraordinary initiative to assist the Acting Chief Financial Officer in a final decision to transition the EPA to a fully automated invoice processing system...."
- The justification for the second award, 6 weeks after the first award, stated that "Despite delays of the planned OCFO reorganization, [the Director] has put into place initiatives to reorganize the RTP Finance Center to provide more efficient operations."

The total award amount of \$9,000 represented approximately 25 percent of the Director's salary for the 3-month time period. Based on discussions with OCFO management, this was an unprecedented amount by OCFO for such a short period of time after a person being hired. OCFO had considered a third award, but indicated that because of the OIG review the award was never processed.

Although the individual awards were compliant with federal regulations and EPA award policies and procedures, the amounts, justifications and timing raise questions about the reasonableness of the awards, as well as how OCFO used the awards process.

Recommendations and Planned Agency Corrective Actions

We recommend that the Deputy Administrator revisit the awards to determine whether they are reasonable and properly justified and, if needed, take appropriate action. For future awards, we recommend that the agency establish and require a proper level of management review for multiple awards that total in excess of \$5,000. The agency concurred with the recommendations. The agency indicated management officials will be required to take mandatory training related to recruitment incentives and monetary recognition for employee performance, and the agency will review the actions of the appropriate management officials in this matter and propose any corrective or disciplinary action if appropriate. The agency did not provide completion dates for all the planned corrective actions.



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

THE INSPECTOR GENERAL

November 30, 2015

MEMORANDUM

SUBJECT: Awards Made by EPA's Office of the Chief Financial Officer Raise Questions
Report No. 16-P-0048

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: A. Stanley Meiburg, Acting Deputy Administrator

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report was conducted in response to a hotline complaint. The 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 determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of Financial Services within the EPA's Office of the Chief Financial Officer was the selecting office for the position of Director, Research Triangle Park Finance Center—the subject of the hotline complaint. The Office of Financial Services was also responsible for initiating and approving the employee awards discussed in this report. The Office of Human Resources within the EPA's Office of Administration and Resources Management is responsible for providing policies and guidance on recruitment as well as pay and leave administration.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 60 calendar days. You should include a target completion date for Recommendation 2, which will be considered unresolved until a target completion date is provided. Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

This report will be available at www.epa.gov/oig.

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Purpose

The U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) received a hotline complaint that alleged the EPA's Office of the Chief Financial Officer (OCFO) intended to pay a \$250,000 bonus to a newly hired employee because OCFO was unable to provide the employee relocation expenses. Our objective was to determine the validity of the allegation and identify the basis for any bonus payments made to the employee.

Background

On April 21, 2015, the OIG Hotline Manager received an anonymous telephone call reporting a potential financial irregularity in OCFO. The caller stated that OCFO issued a job announcement for the position of Director of the Research Triangle Park (RTP) Finance Center and, shortly after a Director was hired, the OCFO requested reimbursement of relocation expenses for the selected new Director. The complainant stated that OCFO's request was denied on the basis that the reimbursement of relocation expenses was not advertised in the job announcement. The complainant alleged that OCFO was subsequently giving the candidate a \$250,000 bonus because it was unable to authorize relocation funds.

The OCFO issued a job announcement in October 2014 for the Director, RTP Finance Center, in North Carolina. From the applicants, the EPA identified 13 eligible candidates for consideration, including both internal and external applicants. The selected candidate, an external applicant, asked about reimbursement of relocation expenses during the initial interview process. At that time, the OCFO informed the candidate that the announcement stated the EPA would not pay relocation expenses. The EPA previously determined it was not in the government's interest to pay relocation expenses because the expenses were not needed to attract qualified candidates.

The selected candidate agreed to take the position on February 5, 2015, without reimbursement of relocation expenses. After accepting the position, the selected candidate again approached OCFO to ask if anything could be done to help with moving expenses. On February 25, 2015, OCFO contacted the RTP Human Resource Management Division Shared Service Center to discuss the use of a "relocation incentive" for the selected candidate.

A "relocation incentive" is not the same as relocation expenses. In accordance with the Code of Federal Regulations (CFR) under 5 CFR § 575.201:

An agency may pay a relocation incentive to a current employee who must relocate to accept a position in a different geographic area under the conditions specified in this subpart provided the agency determines that the position is likely to be difficult to fill in the absence of an incentive.

Title 5 CFR § 575.206(b) states an agency:

...may determine a position is likely to be difficult to fill if the agency is likely to have difficulty recruiting candidates with the competencies required for the position (or group of positions) in the absence of the relocation incentive.

On March 9, 2015, OCFO submitted a request for a relocation incentive to the Service Center for \$15,000, representing estimated moving and storage costs. OCFO's proposed use of the incentive to assist the candidate with relocation expenses is not consistent with the intent of a relocation incentive as defined by 5 CFR § 575.201 and § 575.206(b). OCFO submitted two revised requests for the relocation incentive based on additional guidance received from the Shared Service Center. However, on April 2, 2015, the Human Resource Management Division determined that the request did not meet the relocation incentive criteria—specifically, the position is likely to be difficult to fill in the absence of an incentive. This decision was further supported by the Assistant Administrator for Administration and Resources Management. As previously noted, the EPA had identified 13 eligible candidates. The new Director started with the EPA on April 5, 2015, without receiving reimbursement of relocation expenses or a relocation incentive.

Responsible Offices

The Office of Financial Services within the EPA's OCFO was the selecting office for the position of Director, RTP Finance Center. The Office of Financial Services was also responsible for initiating and approving the employee awards discussed in this report. The Office of Human Resources within the EPA's Office of Administration and Resources Management is responsible for providing policies and guidance on recruitment as well as pay and leave administration.

Scope and Methodology

We conducted this audit from July 7, 2015, to September 22, 2015, 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To achieve our objective, we performed the following steps:

- Reviewed documentation related to the hiring of the RTP Finance Center Director.
- Interviewed the RTP Finance Center Director and EPA staff and/or managers from the Office of Human Resources, the RTP Shared Service Center, and OCFO.

- Reviewed award data from EPA’s accounting system—Compass Data Warehouse.
- Reviewed criteria related to relocation expenses and awards.

Results of Audit

We determined that the OCFO did not pay a \$250,000 bonus to the recently hired Director of the RTP Finance Center. However, the Director did receive two individual cash awards of \$4,500 each within 3 months of her April 5, 2015, start date. The total award amount of \$9,000 represents approximately 25 percent of the Director’s salary for that 3-month time period. Based on discussions with OCFO management, this was an unprecedented amount for OCFO for such a short period of time after being hired. Although the individual awards were compliant with federal regulations and the EPA award policies and procedures, the amounts, justifications and timing raise questions about the reasonableness of the awards, as well as how OCFO used the awards process.

On May 13, 2015—within 6 weeks after the new Director’s start date—OCFO gave the new Director a \$4,500 award. The award justification stated that the Director “...took extraordinary initiative to assist the Acting Chief Financial Officer in a final decision to transition the EPA to a fully automated invoice processing system...” On June 25, 2015—6 weeks later—OCFO gave the Director a second award for \$4,500. The award justification stated that “Despite delays of the planned OCFO reorganization, [the Director] has put into place initiatives to reorganize the RTP Finance Center to provide more efficient operations.” During our interview with OCFO on July 22, 2015, some 4 weeks later, we also learned that OCFO had considered a third award for the Director, related to the Director’s analysis of metrics for invoicing costs. However, OCFO officials said that, in light of the OIG review, there would be no award for the metrics analysis.

During our interviews, the EPA staff and management commented on the outstanding abilities and achievements of the Director. One manager noted that they were disappointed they were unable to provide the relocation incentive. The manager said there were internal discussions of potential awards and how management felt the need to treat the new Director “well.” The EPA staff and managers interviewed believed the new Director’s accomplishments supported the awards and her performance was substantially beyond expectations. However, several OCFO managers did say that they have never seen such award amounts given in such a short period of time and within 3 months of being hired. In addition, while the acting Chief Financial Officer was aware of the first award, he said he was surprised by the second.

In comparing the number and amount of the new Director’s awards with other OCFO awards, we observed that the Director’s awards were not in line with what other OCFO employees received. During fiscal year 2015, OCFO approved awards of \$4,500 or more for 11 employees, but the RTP Finance Center Director

was the only employee to receive two awards of \$4,500. Three other OCFO employees—including two managers—received a second award in fiscal year 2015, but the amounts were significantly less, ranging from \$750 to \$1,000.

Title 5 CFR § 451.104(a)(1) allows agencies to pay a cash award to an employee for a “superior accomplishment . . . that contributes to the efficiency, economy, or other improvement of Government operations or achieves a significant reduction in paperwork.” EPA’s Recognition Policy and Procedures Manual, Chapter 4, paragraph 5.d., states that:

There is no limit to the total number of monetary awards an employee may receive in any given period, either as an individual or as a member of a team, as long as the awards are for different contributions.

Further, paragraph 6.b. allows that Superior Accomplishment Recognition Awards with a value up to \$5,000 may be awarded for “a one time special act, service or achievement of a non-recurring nature, and for high quality performance of assigned duties by an employee.” Types of contributions appropriate for this award include “performance substantially beyond expectations for a period of time - not less than 30 days or more than one year - of an employee’s assigned duties and responsibilities.”

EPA’s Recognition Policy and Procedures Manual also states that “all monetary awards must have a supervisor as the recommending official and a different and higher level supervisor as the approving official.” The authority for “awards up to \$10,000 is redelegated to Assistant Administrators, the General Counsel, the Chief Financial Officer, Regional Administrators and the Inspector General for their respective jurisdictions.” However, the “authority to approve awards up to \$5,000 may be . . . further redelegated to Headquarters and Regional Division Directors.” Awards above \$10,000 “must be formally recommended by the Administrator before forwarding to the Office of Personnel Management for approval for awards between \$10,001 and \$25,000.”

Recommendations

We recommend that the Deputy Administrator:

1. Revisit the awards made to the new Director, RTP Finance Center, to determine whether the awards are reasonable and properly justified and, if needed, take appropriate action.
2. For future awards, establish and require a proper level of management review for multiple awards that total in excess of \$5,000 during a fiscal year to ensure that awards are reasonable and justified in comparison to other awards.

Agency Comments and OIG Evaluation

The OIG provided a discussion document to the agency for comment on September 22, 2015. The OIG received a response from the agency on October 6, 2015. The agency concurred with the recommendations and indicated it is revisiting the awards in question and implementing additional processes to require additional reviews when awards for an individual exceed \$5,000 per fiscal year. The agency indicated management officials will be required to take mandatory training related to recruitment incentives and monetary recognition for employee performance. The agency further noted that actions of management officials in this matter will be reviewed and, if appropriate, the agency will propose any corrective or disciplinary action.

On October 29, 2015, the OIG received a revised response from the agency that included timeframes for the initiation of certain aspects of the planned corrective actions. For Recommendation 1, the agency stated it would appoint an appropriate management official within 30 days of receiving information from the OIG, and would complete their review of the matter within 5 months of appointment of that official. The OIG provided the agency with the requested information on November 9, 2015. The OIG considers Recommendation 1 open with agreed-to corrective actions pending.

The agency did not provide a completion date for the planned actions for Recommendation 2; therefore, that recommendation remains unresolved.

The agency's October 29, 2015, response to our discussion document is in Appendix A of this report.

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	4	Revisit the awards made to the new Director, RTP Finance Center, to determine whether the awards are reasonable and properly justified and, if needed, take appropriate action.	O	Deputy Administrator	05/31/16		
2	4	For future awards, establish and require a proper level of management review for multiple awards that total in excess of \$5,000 during a fiscal year to ensure that awards are reasonable and justified in comparison to other awards.	U	Deputy Administrator			

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.

Agency's Response to Discussion Document

The Honorable Arthur A. Elkins Jr.
Inspector General
Office of Inspector General
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460

Dear Mr. Elkins:

I am responding to the Office of Inspector General's September 22, 2015, report, No. OA-FY15-0026, "Awards Made by EPA's Office of the Chief Financial Officer Raise Questions About Reasonableness and How the Awards Process Is Used." I would like to thank you for your work in investigating this matter, for the opportunity to respond to your findings and for your acknowledgement that the individual awards were compliant with federal regulations and the U.S. Environmental Protection Agency's award policies. Following are my responses to your recommendations.

Recommendation 1: Revisit Awards made to Director, OCFO RTP Finance Center. Determine whether they are reasonable and justified. If needed, take appropriate action.

Based upon the information contained in the OIG report, I have determined that management officials within the OCFO should receive mandatory training regarding the requirements for and limitations of recruitment incentives and monetary recognition of an employee's performance. The mandatory training will be provided to the OCFO management officials by March 31, 2016.

Additionally, I am working with the Office of General Counsel to identify the appropriate management official(s) to review the actions of individual employees in this matter and propose, if appropriate, any corrective or disciplinary action. That official or officials will also review the awards themselves and make recommendations regarding the awards, if appropriate.

In order to select an appropriate management official, the agency needs information regarding the employees who were interviewed as part of the audit or otherwise potentially involved in this matter. Having that information will allow the agency to select a single appropriate management official to review the actions of all involved. The Office of General Counsel has reached out to the OIG for such information, but has not yet received this information. The agency will appoint an appropriate management official within 30 days of receiving such information, and complete the review of this matter within five months of appointment of that official.

Recommendation 2: Establish and require a proper level of management review for multiple awards that total in excess of \$5,000 during a fiscal year.

I agree that the EPA should implement a process that requires additional review when awards for an individual employee exceed \$5,000 per fiscal year. By November 30, 2015, the Office of Administration and Resources Management will begin to explore using the human-resources system to flag cases in which the \$5,000 threshold is exceeded in a fiscal year, and require additional review before such cases can be processed. If the system is unable to identify these particular cases, we will make a system-change request to the Interior Business Center for consideration and vote at the February 2016 meeting. Should the capability be available, agency policy will be modified to require this additional approval by an appropriate official outside the requesting program office.

If we are unable to have the human-resources system flag those cases in which the award amount exceeds \$5,000 for an employee in a fiscal year, the EPA will develop a process that will require the appropriate level of authorization on all awards over the threshold amount before they can be submitted to the Human Resources Shared Service Center. This process would then be incorporated into EPA policy.

I am confident that the actions I have described will address concerns about this particular matter as well as the EPA awards process in general. Please know that I appreciate your hard work.

Sincerely,

A. Stanley Meiburg
Acting Deputy Administrator

cc: Karl Brooks

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