



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Spending Taxpayer Dollars

Early-Outs and Buyouts Aided OIG Workforce Reduction, but Weak Management Controls Led to Misused Authority

Report No. 17-P-0362

August 14, 2017



Report Contributors:

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Abbreviations

CFR	Code of Federal Regulations
EPA	U.S. Environmental Protection Agency
FTE	Full-Time Equivalent
GAGAS	Generally Accepted Government Auditing Standards
OIG	Office of Inspector General
OPM	U.S. Office of Personnel Management
U.S.C.	United States Code
VERA	Voluntary Early Retirement Authority
VSIP	Voluntary Separation Incentive Payment

Cover image: Twenty-three buyouts and payments. (OIG image)

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At a Glance

Why We Did This Review

This report addresses the progress of the U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), in achieving its workforce restructuring goals. In fiscal year 2014, the OIG applied for and was granted the authority to execute two programs to increase voluntary attrition:

- Voluntary Early Retirement Authority (VERA), which temporarily lowers the age and service requirements for retirement (“early-out”).
- Voluntary Separation Incentive Payment (VSIP), which allows agencies to offer up to \$25,000 per employee to incentivize separation from federal service (“buyout”).

We separately issued a report on the progress of other EPA offices in accomplishing workforce restructuring using the VERA-VSIP authority (see Report No. [17-P-0140](#)).

This report addresses the following EPA OIG goal:

- *Contribute to improved business practices and accountability.*

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Listing of [OIG reports](#).

Early-Outs and Buyouts Aided OIG Workforce Reduction, but Weak Management Controls Led to Misused Authority

What We Found

With its VERA-VSIP authority, the OIG achieved its goal to reduce the size of its workforce but did not achieve its other workforce restructuring goals.

The OIG’s VERA-VSIP goals were consistent with those outlined by other EPA offices. The OIG sought to increase the numbers of staff per supervisor, obtain staff with new skill sets, eliminate surplus positions, and reduce the number of employees.

In total, 23 employees separated from the OIG under the VERA-VSIP program. However, the OIG’s weak management controls resulted in 11 of these 23 employees receiving separation payments even though their positions were not included in the OIG’s VERA-VSIP plan approved by the U.S. Office of Personnel Management (OPM). The cost of these 11 VSIP buyouts was approximately \$347,000, which included payment for unused annual leave that employees were entitled to upon separation from their positions. Furthermore, the OIG did not abolish from its workforce profile the 23 positions vacated after the buyouts, as its OPM-approved plan stated it would.

In addition, the OIG provided quarterly VERA-VSIP reports to OPM but did not provide a final report as required in OPM instructions.

Recommendations and Planned Corrective Actions

We made four recommendations to the Assistant Inspector General for the Office of Management to permanently abolish positions identified in the OIG’s VERA-VSIP plan; update the OIG’s restructuring plan as appropriate; develop internal controls to prevent future buyouts to staff in positions not approved by OPM; and ensure adherence to VERA-VSIP obligations, including reporting requirements. The OIG concurred with these recommendations and provided acceptable corrective actions. Two corrective actions are closed, and two have pending corrective actions.

The OIG should implement management controls for high-risk operations such as a VERA-VSIP program to prevent future noncompliance and support improved workforce outcomes.



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

OFFICE OF
INSPECTOR GENERAL

August 14, 2017

MEMORANDUM

SUBJECT: Early-Outs and Buyouts Aided OIG Workforce Reduction,
but Weak Management Controls Led to Misused Authority
Report No. 17-P-0362

FROM: Eric Lewis, Director, Special Program Reviews
Office of Program Evaluation
Office of Inspector General

A handwritten signature in black ink, appearing to read "Eric Lewis".

TO: Edward Shields, Acting Deputy Assistant Inspector General
Office of Management
Office of Inspector General

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 work was conducted as part of the OIG's audit of the EPA's progress in achieving workforce restructuring goals with Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) programs. This report contains findings that describe the problems the audit team has identified and corrective actions the audit team recommends. This report represents the opinion of the audit team and does not necessarily represent the final OIG position. Final determinations on matters in this report will be made by OIG managers.

The Assistant Inspector General for Program Evaluation, following the summer 2017 announcement that the OIG is planning to seek VERA-VSIP authority this year, expressed an interest in VERA. The Assistant Inspector General for Program Evaluation decided that it is best for the integrity of the report for her to recuse herself from further involvement, including signing the report. The authority to issue this report has been delegated to the Director for Special Program Reviews.

Action Required

You provided acceptable corrective actions and milestone dates for Recommendations 2 and 4. Recommendations 1 and 3 are considered resolved and closed. You are not required to provide a written response to this final report. Should you choose to provide a final response, we will post your response 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.

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

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Chapter 1

Introduction

Purpose

We reviewed actions taken by the U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), for its fiscal year 2014 Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) programs. This review was part of a larger review we conducted across EPA offices to address the following four questions:

1. What workforce restructuring goals were identified by program and regional offices?
2. How consistent were these goals across the agency?
3. What progress have the offices made in executing their restructuring plans?
4. Did the major offices achieve their goals in restructuring the organization?

Background

Federal agencies that are downsizing or restructuring can use VERA and VSIP to facilitate an increase in voluntary attrition. With U.S. Office of Personnel Management (OPM) approval, agencies can grant “early-outs” to employees not otherwise eligible for retirement by temporarily lowering the age and service requirements, with the goal of increasing the number of employees who choose to retire from the federal government. Similarly, with OPM approval, agencies can grant “buyouts”—lump-sum payments of up to \$25,000 per individual—to incentivize employees to voluntarily leave the federal government.

Section 1313 of the Chief Human Capital Officers Act of 2002 authorizes these VERA and VSIP options, as regulated by OPM and codified in 5 U.S.C. § 8336(d)(2) and § 8414(b)(1)(B) for VERA and 5 U.S.C. Parts 3521 to 3525 for VSIP.

The purpose of these voluntary attrition programs is to realign the workforce to meet changing mission requirements and move toward new models of work by enabling agencies to restructure or eliminate positions after they are vacated. According to 5 CFR § 576.102(a)(1), a VERA-VSIP plan submitted to OPM by the head of an agency, or his or her specific designee, must identify the specific positions and functions to be reduced or eliminated. These positions must be identified by organizational unit, geographic location, occupational series, grade level and any other related factors. Further, once OPM approves an agency’s VERA-VSIP plan, the agency should administer the authority as approved. Only OPM can grant amendments to the approved plan.

OPM interprets the VERA-VSIP authority as also allowing positions to be restructured, which enables agencies to modify and change positions to help meet new or anticipated workforce needs. This includes filling a vacated position with one that is:

- Distinctly different in job series and/or grade.
- The same job series and grade but has substantively different duties and responsibilities.
- A different full-performance level.
- Nonsupervisory (for vacated positions that were supervisory).

An OPM Human Resources Specialist we interviewed stated that only restructured positions under an OPM-approved plan can be filled and that an agency is required to follow the approved plan or amend the plan.

In addition, an organization’s progress in completing its approved restructuring activities can be used to assess whether the VERA-VSIP authority was properly used and helped the agency to cost-effectively meet its workforce restructuring goals. However, OPM does not monitor organizations after the conclusion of the buyout authority to verify compliance or assess results.

As a result of budget reductions initiated by the federal government in fiscal year 2013, the OIG decided to request VERA-VSIP authority to reduce staff levels and achieve other organizational restructuring goals. The Inspector General was concerned that the OIG’s budget outlook could lead to furloughs or a reduction-in-force. The OIG applied for and submitted a plan for VERA-VSIP authority in September 2013, and OPM approved the plan in November 2013. In December 2013, the OIG requested an amendment to its approved plan to expand the positions covered and to extend the buyout period to April 5, 2014. OPM approved this amendment in January 2014.

Overall, 23 OIG employees accepted a buyout incentive. The OIG paid incentives of about \$572,000 and annual leave payments of about \$287,000, for a total of \$859,000. These are the direct costs associated with the OIG’s 23 buyouts.

Figure 1: OIG direct costs for its fiscal year 2014 VERA-VSIP buyout incentives



Source: EPA OIG.

Responsible Office

The OIG's Deputy Inspector General oversees the Office of Management,¹ which administered the OIG's fiscal year 2014 VERA-VSIP program.

Scope and Methodology

We conducted our work from November 2014 to April 2017. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS), except for the independence standard.² GAGAS requires 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. Under EPA OIG policy, our internal review of the OIG's VERA-VSIP activity creates a potential threat that prevents compliance with the GAGAS independence standard. Specifically, conducting internal reviews can create the appearance of a lack of independence. During our audit and the quality assurance process, however, we took steps to follow all standards and mitigate threats to independence. For example, during this internal review, the audit team requested an outside review from the Integrity Committee of the Council of the Inspectors General on Integrity and Efficiency regarding certain VERA-VSIP actions taken by senior OIG personnel.³ The Integrity Committee reviewed the issues, obtained senior OIG management responses, and decided to close the matter and take no further action. In addition, appropriate senior OIG officials were recused from involvement in this review. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To address our objectives, we obtained information from and interviewed employees within the following OIG offices: Chief of Staff [now the Office of Management], Audit, Investigations, Information Technology Systems and Services, and Program Evaluation.

We obtained detailed information from the OIG regarding its VERA-VSIP application, plan and plan amendments; the OPM approvals of the OIG's VERA-VSIP plan and plan amendments; its progress reports submitted to OPM; the VERA-VSIP payments made to separated OIG employees; and its hiring and activities to achieve workforce restructuring goals. Hiring data provided by the OIG was current through July 2016. We also reviewed laws, regulations and guidance related to VERA-VSIP and obtained information from OPM.

¹ Prior to August 2016, the Office of Management was named the Office of the Chief of Staff. In this report, except for in this section and the "Recommendations" section, we refer to the office as the Office of the Chief of Staff, since that was its name during the VERA-VSIP initiative.

² The *Government Auditing Standards*, Sections 3.02 through 3.06, establish the standard for auditor independence.

³ The purpose of the Integrity Committee is to protect the integrity, efficiency and economy of the federal government. The Integrity Committee maintains public trust by receiving, reviewing and investigating allegations of wrongdoing made against Inspectors General, designated senior staff, and certain members of the Office of Special Counsel that are members of the Council of the Inspectors General on Integrity and Efficiency.

Prior Reports

Our office issued two prior reports on the fiscal year 2014 VERA-VSIP programs:

- On July 14, 2015, we issued Report No. [15-P-0184](#), *Quick Reaction Report: EPA Should Ensure Positions Vacated Under Buyouts Are Eliminated or Properly Filled*, which made a time-sensitive recommendation that the EPA develop and implement management controls to prevent positions vacated under VERA-VSIP authorities from being filled using the same position descriptions. As a corrective action to the OIG recommendation, the Office of Administration and Resources Management distributed “hiring templates” to program offices and regions. These hiring templates were designed to track the status of positions vacated through the buyouts, so that positions targeted for elimination were not refilled and positions targeted for restructuring were filled using different position descriptions.
- On March 23, 2017, we issued Report No. [17-P-0140](#), *EPA’s 2014 Early-Out and Buyout Activities Aided Workforce Restructuring Goals, and Continued Monitoring of Progress Can Show Value of Restructuring*, which made recommendations for improvements to how the EPA monitors its remaining VERA-VSIP restructuring activities. The Office of Administration and Resources Management concurred with both the recommendations made and provided sufficient corrective actions, which have been completed.

Chapter 2

OIG Achieved Some VERA-VSIP Goals but Executed Its Program With Weak Management Controls

The OIG's fiscal year 2014 VERA-VSIP goals were consistent with goals established by other EPA organizations: delayer its workforce, reduce the size of its workforce, reduce surplus positions, and add staff with skills in the science and information technology fields. VERA-VSIP authority helped the OIG achieve its goal to reduce its workforce to 300 full-time equivalent (FTE) employees. However, the OIG did not achieve its goals to increase the team lead/supervisor-to-staff ratio (i.e., delayer its workforce), to reduce surplus positions, or to obtain staff with new skills. Further, 11 of the 23 positions vacated through VSIP buyouts were not included in the OIG's plan or amendments approved by OPM. Buyouts for those 11 ineligible positions resulted in payments of approximately \$347,000. Weak management controls—as shown by the minimal supervision and management oversight of these authorities—contributed to this outcome.⁴

OIG Was Granted Authority to Abolish up to 40 Positions

In November 2013, the OIG obtained authority from OPM to buy out and abolish up to 40 of the following positions that met the criteria specified in the VERA-VSIP plan, including specific job locations, job series and pay grades:

- Auditor.
- Management and Program Analyst.
- Criminal Investigator.
- Information Technology Specialist.
- Attorney.
- Administrative Support Staff.

In December 2013, the OIG submitted to OPM an amended VERA-VSIP plan, which OPM approved in January 2014. That plan included the following actions:

- Added 29 new eligible positions.⁵
- Extended the period of buyouts until April 2014.
- Changed the location of some positions.

⁴ The VERA-VSIP process was managed by the Chief of Staff, who reported first to the Deputy Inspector General and second to the Inspector General. The Inspector General approved the submission of the VERA-VSIP plan and amendment to OPM. The Deputy Inspector General and Inspector General recused themselves from approving this report.

⁵ These 29 new positions expanded the scope of eligible positions in the OIG's VERA-VSIP plan, but they did not change the overall approval to abolish up to 40 total positions.

OIG Reduced Workforce but Offered Buyouts to Ineligible Staff

The OIG achieved its goal to reduce the size of its organization. Through a combination of the 23 VSIP buyouts and normal attrition, the OIG reduced its workforce by 39 FTEs, from 332 FTEs in 2013 to 293 FTEs in 2014. However, nearly half of the buyouts that the OIG executed (11 of 23) went to employees in positions that were not in the OPM-approved VERA-VSIP plan or amendment.

Although 5 CFR § 576.103(h) states that agencies “may not offer Voluntary Separation Incentive Payments to employees who are outside the scope of the Voluntary Separation Incentive Payment authority approved by OPM,” the OIG granted 11 buyouts to employees who did not occupy positions matching the organizational unit, geographic location, occupational series, grade level and other factors listed in the OPM-approved plan. These 11 ineligible employees included Auditors, Lead Program Analysts, Information Technology Specialists and administrative staff.

In one case, the OIG sought to transfer a GS-11 Administrative Officer to a buyout-eligible GS-08 Secretary position located in a different city and different OIG division. Although this effort did not result in an official change of position, the GS-11 Administrative Officer was provided a \$25,000 buyout, one of the 11 buyouts granted to employees in positions not listed in the OIG’s VERA-VSIP plan.⁶

These 11 buyouts occurred because the OIG’s Office of the Chief of Staff had weak controls for verifying that staff who were offered and accepted buyouts occupied positions in the OPM-approved plan. In addition, OIG management did not sufficiently oversee the actions of personnel in the Office of the Chief of Staff, which managed the VERA-VSIP process.

We provided former personnel within the Office of the Chief of Staff the opportunity to explain these oversight gaps. The former OIG Director of Human Resources stated that he supervised the effort but could not explain why the 11 ineligible staff members had been approved for a buyout. We also attempted to contact the former EPA OIG Chief of Staff, who was responsible for administering the OIG’s VERA-VSIP authority, but she declined to speak with us.

During the course of this review, the Inspector General stated that OIG senior leadership acted in good faith, emphasizing the following specific points:

⁶ This issue was one of the issues referred to the Integrity Committee of the Council of the Inspectors General on Integrity and Efficiency because the audit team could not objectively make a determination on the appropriateness of this action. As stated in the “Scope and Methodology” section, the Integrity Committee reviewed the issue, obtained senior OIG management responses, and decided to close the matter and take no further action.

1. OIG senior leadership agreed that the rules governing VERA-VSIP were not fully disclosed by the Office of the Chief of Staff.
2. The VERA-VSIP package was not properly vetted with the senior leaders before it was submitted to OPM.
3. The rules governing the OIG VERA-VSIP process were improperly conveyed to the senior leaders. If the full and correct VERA-VSIP information would have been presented, the OIG may have taken different actions.

The misapplication of buyout authority resulted in the OIG paying approximately \$347,000 in incentives and accrued leave for OIG employees in positions that were not in the OPM-approved buyout plan.

OIG Did Not Abolish Vacated Positions

According to information we received from the OIG Office of the Chief of Staff, none of the 23 positions vacated through the buyout initiative were abolished. The OIG's approved plan identified up to 40 positions slated for abolishment if buyouts were accepted by staff occupying these positions. However, we believe these positions have not been abolished for the following reasons:

- The OIG received incorrect information from the Office of the Chief of Staff about requirements following a buyout. Specifically, OIG human resources staff informed some OIG managers that abolished positions could be re-created 1 year after the conclusion of the buyout authority.
- There was inadequate management oversight and supervision of OIG human resources staff.

Our analysis showed the OIG potentially hired five new staff into positions that should have been abolished. A Criminal Investigator and an Auditor⁷ were hired into positions with the same job series, grade, full performance level and location as staff who had accepted a buyout. In addition, the Office of Investigations hired three other Criminal Investigators into vacated positions that should have been abolished but were instead restructured.⁸

⁷ The OIG's response to the draft report (Appendix A) states that the OIG used the Pathways Program to hire this Auditor. The Pathways Program allows the federal government to quickly hire outstanding students and recent graduates into government positions with a 2-year probationary period. Otherwise, Pathways hires are like any other new hire.

⁸ The OIG's response to the draft report (Appendix A) states that the Criminal Investigator positions as "restructured" were part of a reorganization plan based on erroneous information provided to management. As previously noted in the report, Office of Chief of Staff personnel incorrectly stated that positions could be re-created after 1 year.

The OIG has not implemented a system to track vacated positions and ensure they are abolished. As a result, there is a risk that additional vacated positions could be either refilled or restructured, even if they are not approved for restructuring under the OIG's VERA-VSIP plan.

OIG Did Not Reduce Surplus Positions, Acquire New Skills, or Delayer Its Workforce

The OIG did not achieve its goal to reduce surplus positions; hired only two personnel with the desired new skillsets; and did not increase the team lead/supervisor-to-staff ratio.

The OIG's goal to reduce surplus positions was dependent upon eliminating positions that were vacated as a result of the buyout initiative. According to the approved buyout plan, all 23 vacated positions should have been eliminated.

The OIG's approved VERA-VSIP plan also identified 57 other positions to be restructured. However, after the buyouts were completed in February 2014, only two of the 16 new employees hired through July 2016—both in the Office of the Chief of Staff—filled any of these 57 restructured positions:

- A former GS-301-13 Human Resources Management Operations Specialist position was filled by a GS-201-13 Human Resources Specialist.
- A former GS-511-15 Deputy Assistant Inspector General position was filled by a GS-340-15 Supervisory Program Manager.

Managers from the Office of Program Evaluation and the Office of Audit reported that they either did not have control over the restructuring plan or did not see the final restructuring plan that the Office of the Chief of Staff submitted to OPM. As a result, the planned restructuring may never occur because the actual staffing needs of the organization may not match the approved plan.

The OIG's VERA-VSIP delayering goal was to increase the team lead/supervisor-to-staff ratio from 1-to-3 to 1-to-4. The final quarterly report that the OIG provided to OPM stated that the OIG was able to reduce staff but had fewer management officials and employees utilize the authority than anticipated. As a result, the report claimed that "the ability to reduce our employee to management official ratio was reduced."

OIG Complied With Quarterly, but Not Final, Reporting Requirements

OPM requires agencies with approved VERA-VSIP plans to submit quarterly and final progress reports. Per this requirement, an OIG Office of the Chief of Staff human resources staff member submitted quarterly reports to OPM detailing the

OIG's implementation of its approved plan. Those reports contained the required information about the VSIP buyouts accepted during each reporting period. However, the Office of the Chief of Staff did not submit a final report to OPM summarizing its overall fiscal year 2014 buyout and early-out activities; this report should have been submitted by June 4, 2014. The OIG's Office of the Chief of Staff had no management controls in place to ensure that the VERA-VSIP reporting requirements were fulfilled.

According to the OPM approval letter granting the OIG's buyout authority, OPM uses these reports (quarterly) to track and evaluate trends, to allow for prompt processing of retirement applications, and to meet other reporting requirements. Regardless of whether any buyouts were taken in a reporting period, each report was to include the following data:

- 1) Total number of VSIPs available.
- 2) Total number of buyouts under VSIP offered and accepted.
- 3) A description of VSIPs paid to staff accepting buyouts during that reporting period, including the geographic location, organizational unit, occupational series and grade level of each accepting employee.

Our review of the quarterly reports submitted by the OIG shows that three of the 11 buyouts granted to unapproved positions occurred in the first quarter of the VERA-VSIP authority, while the remaining eight occurred in the second quarter. If the OIG had effective supervisory and oversight controls in place, staff and supervisors in the Office of the Chief of Staff would have been positioned to detect the first quarter errors and take appropriate action to prevent the unapproved buyouts in the second quarter.

Conclusion

The OIG's compliance shortfalls and minimal progress in achieving its VERA-VSIP goals resulted from insufficient internal controls and a management group that did not sufficiently oversee the OIG's implementation of its authority. The OIG's initiative to seek VERA-VSIP authority so that furloughs or reductions-in-force could be avoided showed a reasonable concern for the organization's staff. However, the OIG should have adhered to the VERA-VSIP plan as approved by OPM. The OIG should implement management controls for high-risk operations like the VERA-VSIP program to prevent future noncompliance and to support improved workforce outcomes.

Recommendations

We recommend that the Assistant Inspector General for the Office of Management:

1. Ensure that positions vacated via buyouts are permanently abolished by:
 - a. Identifying those positions that should have been abolished as a result of the fiscal year 2014 Voluntary Separation Incentive Payment actions.
 - b. Eliminating those positions in the EPA Office of Inspector General's system of records.
 - c. If any positions that should have been abolished are currently filled, transferring affected staff into vacant positions, as possible.
2. Review the restructuring plan submitted to the U.S. Office of Personnel Management, determine whether it needs to be updated, and document that decision.
3. Develop internal controls to prevent unauthorized buyouts during future Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment initiatives. These should include:
 - a. Standard operating procedures.
 - b. Checklists to execute the standard operating procedures.
 - c. A quality assurance process, whereby:
 - (1) The Director of Human Resources, or equivalent, certifies a recommendation to approve or disapprove each buyout request to the Assistant Inspector General for Management, who reviews and approves or disapproves each buyout application.
 - (2) All Assistant Inspectors General certify that they have reviewed the Office of Inspector General Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment plan and all amendments provided to the U.S. Office of Personnel Management.
4. Issue a final report to the U.S. Office of Personnel Management that:
 - a. Documents the EPA Office of Inspector General's implementation of its fiscal year 2014 Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment authority.
 - b. Identifies corrective actions planned and/or taken to prevent buyouts to staff in unapproved positions in the future.

Auditee Response and Team Evaluation

In its response to the draft report (Appendix A), the OIG agreed with the premise of the finding, but is concerned with the factual accuracy of some of the information supporting the finding. While the OIG concurred with the basis of the report's recommendations, it disagreed with the specificity of the recommendations. The OIG also requested other modifications to the report. Later, the acting Deputy Assistant Inspector General for the Office of Management provided revised corrective actions, which we accepted. We did not revise the recommendations.

All four recommendations are resolved. Recommendations 1 and 3 have pending corrective actions, and Recommendations 2 and 4 are closed. Based on OIG comments about the managers involved in VERA-VSIP oversight, we modified the report to more specifically describe the chain of command for administering the OIG VERA-VSIP activity.

The OIG also provided comments about the independence of the audit team and suggested that we change the compliance statement in the report to a modified GAGAS statement. We followed the policy required in the OIG *Project Management Handbook* regarding the review of OIG activities in conformity with the handbook. The handbook states that the OIG is not independent when reviewing its own activities and requires the team to use a modified GAGAS statement. Therefore, we did not remove the statement but expanded it to provide more information on the independence issue.

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	10	<p>Ensure that positions vacated via buyouts are permanently abolished by:</p> <ul style="list-style-type: none"> a. Identifying those positions that should have been abolished as a result of the fiscal year 2014 Voluntary Separation Incentive Payment actions. b. Eliminating those positions in the EPA Office of Inspector General's system of record. c. If any positions that should have been abolished are currently filled, transferring affected staff into vacant positions, as possible. 	R	Assistant Inspector General for the Office of Management	9/30/17	
2	10	Review the restructuring plan submitted to the U.S. Office of Personnel Management, determine whether it needs to be updated, and document that decision.	C	Assistant Inspector General for the Office of Management	5/22/17	
3	10	<p>Develop internal controls to prevent unauthorized buyouts during future Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment initiatives. These should include:</p> <ul style="list-style-type: none"> a. Standard operating procedures. b. Checklists to execute the standard operating procedures. c. A quality assurance process, whereby: <ul style="list-style-type: none"> (1) The Director of Human Resources, or equivalent, certifies a recommendation to approve or disapprove each buyout request to the Assistant Inspector General for Management, who reviews and approves or disapproves each buyout application. (2) All Assistant Inspectors General certify that they have reviewed the Office of Inspector General Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment plan and all amendments provided to the U.S. Office of Personnel Management. 	R	Assistant Inspector General for the Office of Management	9/30/17	
4	10	<p>Issue a final report to the U.S. Office of Personnel Management that:</p> <ul style="list-style-type: none"> a. Documents the EPA Office of Inspector General's implementation of its fiscal year 2014 Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment authority. b. Identifies corrective actions planned and/or taken to prevent buyouts to staff in unapproved positions in the future. 	C	Assistant Inspector General for the Office of Management	5/16/17	

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

OIG Response to the Draft Report



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

OFFICE OF
INSPECTOR GENERAL

May 22, 2017

MEMORANDUM

SUBJECT: Draft Report:
Early-Outs and Buyouts Aided Office of Inspector General Workforce
Reduction, but Weak Management Controls Led to Misused Authority
Project No. 16-P-0007

FROM: Edward S. Shields, Acting Deputy Assistant Inspector General
Office of Management

TO: Carolyn Copper, Assistant Inspector General
Office of Program Evaluation

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. The following is a summary of the Office of Inspector General's (OIG's) overall position, along with our position on each of the report's recommendations.

OIG's OVERALL RESPONSE

The OIG agrees with the premise of the finding, but we are concerned with the factual accuracy of some of the information supporting the finding. The OIG also agrees that strong internal controls and proper management oversight are important to the planning and execution of a Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment (VERA/VSIP).

While the OIG concurs with the basis of the report's recommendations, we do not agree with the level of specificity contained in the recommendations. We are requesting that you modify the recommendations to provide us greater flexibility for execution. In addition, we are concerned

that the report does not provide a complete presentation of the details relevant to each job position in question.

Specifically, on page 7 of the draft report, the Office of Program Evaluation (OPE) states the following:

Our analysis showed the OIG hired six new staff into positions that should have been abolished. Three of these—an Information Technology Specialist, a Criminal Investigator and an Auditor—were hired into positions with the same job series, grade, full performance level and location as staff who had accepted a buyout. The Office of Investigations hired three other Criminal Investigators into vacated positions that should have been abolished but were instead restructured.

In response to this statement, the OIG did not hire an Information Technology Specialist or an Auditor into the positions vacated by the VERA/VSIP authority. The U.S. Office of Personnel Management (OPM) established parentheticals for the Information Technology series. These parentheticals separate the specific functions (duties) of the Information Technology Specialist into more than one category. The abolished Information Technology Specialist position was under the “Data Management” parenthetical, which involves assisting OIG staff with data analysis and data mining. The OIG hired the Information Technology Specialist referenced in the audit report to fill an existing, vacant position. This position was not abolished and was under the separate parentheticals for “Network.” Further, this position includes the responsibility of leading a team of Information Technology Specialists handling all network operations, including system backup. In accordance with OPM parentheticals, these are two distinct positions. We shared this information with OPE prior to the draft report, and we request that you remove or revise the portrayal of these positions in the final report.

Regarding the Auditor position referenced in the report, the OIG abolished the position associated with the GS-13 level in the Atlanta office. The OIG later decided to add a “Pathways” Auditor under a different position number to the Atlanta office at the significantly lower GS-7 level. We are unaware of any legal restrictions on hiring through the Pathways Program, which does not guarantee retention or promotion to the GS-13 level. We shared this information on numerous occasions with OPE. We request that you remove or revise the portrayal of this position in the final report.

The Criminal Investigator positions mentioned in your report as “restructured” were part of a reorganization plan based on erroneous information provided to management. Consistent with the report’s Recommendation 3, the OIG is taking steps to prevent this from happening in future buyouts.

INDEPENDENCE BETWEEN AUDITOR AND AUDITEE

The EPA OIG Project Management Handbook (PMH) paragraph 1.1 states the following:

This PMH describes the OIG’s key processes and controls that help the OIG comply with its mandatory obligations and operate within its discretionary

authority, including those prescribed by the Inspector General Act of 1978 (IG Act),² as amended; and applicable *Government Auditing Standards*—also known as the “Yellow Book,” or the generally accepted government auditing standards (GAGAS)—issued by the U.S. Government Accountability Office (GAO).

Please note that it is an important distinction that audits completed in accordance with GAGAS must comply with GAGAS, while the PMH establishes controls to help comply with those requirements.

Further, paragraph 1.5 of the PMH states the following:

Generally, reviews of OIG activities will be done in accordance with OIG Policy and Procedure 017, *Internal Control Review*. Under this policy/procedure, internal reviews: ... However, there may be circumstances where a review of OIG activities will be done in accordance with the PMH and GAGAS. The AIG must approve conducting an internal review in accordance with the PMH. If done in accordance with the PMH, the report must contain a modified GAGAS statement because the OIG is not independent when reviewing its own activities.

The PMH states that an internal review will follow OIG Policy and Procedure 017. If an audit is completed in accordance with GAGAS and the PMH, all GAGAS requirements must be followed. The report also must include a modified GAGAS statement because the OIG is not independent.

In addition, Paragraph 2.24 b. of the Yellow Book states the following:

Modified GAGAS compliance statement: Stating either that (1) the auditor performed the audit in accordance with GAGAS, except for specific applicable requirements that were not followed, or (2) because of the significance of the departure(s) from the requirements, the auditor was unable to and did not perform the audit in accordance with GAGAS.... When auditors use a modified GAGAS statement, they should disclose in the report the applicable requirement(s) not followed, the reasons for not following the requirement(s), and how not following the requirement(s) affected, or could have affected, the audit and the assurance provided.

Independence is an important element of compliance with GAGAS. Organization, audit and individual independence must be evaluated from the standpoint of what a reasonable and informed third party would conclude about the integrity, objectivity or professional skepticism of an audit organization or member of the audit team. A threat to independence that is not eliminated or reduced to an acceptable level is an impairment. Independence impairments are considered to be a significant departure from GAGAS and prevent completion of the report in accordance with the standards.

We question the application of OIG Policy and Procedure 017 for this internal review as required by the PMH. The report states: “Under EPA OIG policy, our internal review of the OIG’s

VERA/VSIP activity creates a potential threat that prevents compliance with the independence standard.” The report identifies this as an internal review and according to the PMH, OIG Policy and Procedure 017 would be followed.

We question whether the scope and methodology adequately addressed the issue of organizational, audit, and individual independence and compliance with GAGAS. The team stated that a modified GAGAS statement was used. However, not all the elements required by GAGAS 2.24 are present. We suggest that the modified GAGAS statement 2.24 b. (2) be used because of the significant departure(s) from the requirements (i.e., as acknowledged by the PMH, the OIG cannot be independent of itself).

We question the application of the conceptual framework for independence that is required to be completed to comply with GAGAS, whether adequate safeguards were put in place at the beginning of the audit, and what determination was made as to the effectiveness of the safeguards at the end of the audit.

We are concerned about the organization threat resulting from the auditor (OPE) and the auditee (OIG as an entity) being in the same organization, and the management participation threat from the AIG involved in the audit also being involved in portions of the VERA/VSIP decision process. As identified in the PMH, “the OIG is not independent when reviewing its own activities.”

In addition, the facts presented in the report indicate that all OIG managers were involved in the VERA/VSIP process, including the AIGs. The report states that OIG management did not sufficiently oversee the process, including the AIGs. The report also states that managers in OA and OPE reported about their restructuring plan, which again would include the AIGs. A “reasonable person” would conclude the AIGs were involved in the VERA/VSIP decision process, and in determining who was eligible for VERA/VSIP within their directorates.

In our meeting with the OPE team to discuss the draft report, we recommended that OPE contact and provide GAO with the full details of the situation, and obtain GAO’s interpretation as to whether the independence concerns would preclude the report from being issued in compliance with GAGAS, i.e., whether the report should be issued using a modified GAGAS statement under 2.24 b. (1) or (2). The OPE team confirmed they had not contacted GAO, and instead determined that such contact was not necessary. Because our question and the team’s answer were in oral conversation, we are capturing the exchange here in our written comments.

We believe that it is important to ensure that whatever form the report is issued complies with the Comptroller General’s requirements, because this report will at some point be subject to peer review of the work of the OIG as an entity.

To be clear, as auditee, we are only asking the questions. The auditor will make the decision on whether the scope and methodology support modified GAGAS, GAGAS, or non-GAGAS issuance.

FINAL OIG RESPONSE TO THE RECOMMENDATIONS

The OIG agrees with the basis of the recommendations and proposed modifications. Our intended corrective actions are included in the table that follows.

Office of Program Evaluation Recommendations	OIG's Plan
<p>1. Ensure positions vacated via buyouts are permanently abolished by:</p> <ol style="list-style-type: none"> 2. Identifying those positions that should have been abolished as a result of the 2014 Voluntary Separation Incentive Payment actions. 3. Eliminating those positions in the EPA OIG's system of records. 4. If any positions that should have been abolished are currently filled, transferring affected staff into vacant positions, as possible. 	<p>Corrective Action: The OIG plans to verify that the positions vacated via the buyouts are permanently abolished in the system of records and where possible move any of the filled positions to other vacant OIG positions. We expect to complete this action by September 30, 2017.</p> <div data-bbox="954 764 1446 898" style="border: 1px solid black; padding: 5px;"> <p>Team Analysis: Recommendation 1 is resolved with corrective actions pending.</p> </div>
<p>2. Review the restructuring plan submitted to the U.S. Office of Personnel Management to determine whether it needs to be updated, and document that decision.</p>	<p>Corrective Action: We made this determination on May 22, 2017 and decided that no corrective action was necessary.</p> <div data-bbox="954 1146 1430 1245" style="border: 1px solid black; padding: 5px;"> <p>Team Analysis: Recommendation 2 is resolved.</p> </div>
<p>3. Develop internal controls to prevent unauthorized buyouts during future Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment initiatives. These should include:</p> <ol style="list-style-type: none"> a. Standard operating procedures. b. Checklists to execute the standard operating procedures. c. A quality assurance process, whereby: <ol style="list-style-type: none"> 2. The Director of Human Resources, or equivalent, certifies a recommendation to approve or disapprove each buyout request to the Assistant Inspector General for the Office of Management, who reviews and 	<p>Corrective Action: We will establish a SOP and checklist which will state the process used to certify internal buyout decisions by September 30, 2017. These procedures will include a process to ensure that the AIG's see the any final future VERA/VSIP plan submitted to OPM. The Director of Human Resources, or equivalent, will certify a recommendation to approve or disapprove each buyout request to the Assistant Inspector General for the Office of Management, who reviews and approves or disapproves each buyout application.</p>

<p>approves or disapproves each buyout application.</p> <p>3. Each Assistant Inspector General certifies that they have reviewed the OIG Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment plan and all amendments provided to the U.S. Office of Personnel Management.</p>	<p>Team Analysis: Recommendation 3 is resolved with corrective actions pending.</p>
<p>4. Issue a final report to the U.S. Office of Personnel Management that:</p> <p>a. Documents the EPA OIG’s implementation of its 2014 Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment authority.</p> <p>b. Identifies corrective actions planned and/or taken to prevent buyouts to staff in unapproved positions in the future.</p>	<p>Corrective Action: The OIG issued the final report to U.S. Office of Personnel Management on May 16, 2017. We provided the auditors evidence that OPM has accepted our submission.</p> <p>Team Analysis: Recommendation 4 is resolved.</p>

cc: Christine El-Zoghbi, Deputy Assistant Inspector General Office of Program Evaluation
Eric Lewis, Product Line Director of Special Program Reviews, Office of Program Evaluation

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