



At a Glance

Why We Did This Audit

We conducted this audit to determine whether the U.S. Environmental Protection Agency is following federal laws and regulations and has established controls related to military leave. A federal civilian employee who is a member of a military reserve force—that is, a *reservist*—is entitled to military leave for certain types of duty in the National Guard or Armed Forces.

If an EPA reservist takes unpaid military leave and the reservist's military pay is less than what the reservist would have earned in civilian pay, the EPA must pay the reservist the difference—that is, the *reservist differential*. EPA reservists who take paid military leave must, in certain circumstances, reimburse the EPA for the military pay received, minus travel, transportation, and per diem—known as a *military offset*.

This audit addresses the following:

- *Compliance with the law.*
- *Operating efficiently and effectively.*

This audit addresses a top EPA management challenge:

- *Complying with key internal control requirements (policies and procedures).*

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List of [OIG reports](#).

EPA Needs to Substantially Improve Oversight of Its Military Leave Processes to Prevent Improper Payments

What We Found

The EPA has not fully complied with federal laws related to military leave, reservist differential, and military offset. This occurred because Agency management did not establish effective internal controls to implement these laws. The EPA instead relied on reservists, their supervisors, and the Agency's federal payroll provider to comply with federal requirements.

The EPA paid 124 reservists about \$1.4 million in military leave pay from January 2017 through June 2019. We identified potential improper payments of \$129,000 related to 104 of the 1,628 payroll transactions that we audited.

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*, known as the "Green Book," and the Office of Management and Budget's Circular No. A-123 state that management is responsible for complying with applicable federal laws and regulations, as well as for designing, implementing, and monitoring internal controls to achieve its objectives. When effective and systematic internal controls are in place, compliance with laws and regulations becomes more likely.

EPA management's lack of internal controls to effectively implement federal laws resulted in potential overpayments or underpayments to EPA reservists. Based on the transactions we reviewed, the Agency had a 75 percent error rate for 36 of 48 reservists tested for compliance with military leave requirements. These errors resulted in about \$129,000 in potential improper payments.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrator for Mission Support and the chief financial officer develop and implement policies and procedures on military leave and pay requirements; provide resources to EPA staff related to military leave, such as guidance and training; implement internal controls to monitor Agency compliance with applicable military leave laws, guidance, and policies; and address military offset because of the EPA and reservist differential due to reservists. We also recommend that the chief financial officer report all improper payments related to military leave in the annual *Agency Financial Report*. The Agency agreed with the recommendations and provided acceptable planned corrective actions and estimated completion dates. We consider the recommendations resolved with corrective actions pending.