



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

JUL 2 2014

MEMORANDUM

SUBJECT: OIG Review of EPA's Compliance with Retention Incentive Regulations and Policies (Report 14-P-0245)

FROM: Craig E. Hooks, Assistant Administrator
Office of Administration and Resources Management

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Maryann Froehlich, Acting Chief Financial Officer
Office of the Chief Financial Officer

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TO: Arthur A. Elkins, Jr.
Inspector General

We have reviewed the final Office of the Inspector General report issued on May 2, 2014 entitled *Review of EPA's Compliance with Retention Incentive Regulations and Policies*. The agency concurs with both OIG recommendations. Below are EPA's corrective actions and estimated completion dates in response to them.

AGENCY'S RESPONSE TO REPORT RECOMMENDATIONS

As we have previously indicated, the OIG review complements the EPA's on-going efforts to strengthen its internal controls over use of incentive pay. The OIG report and our review highlighted needed changes, most of which we have already implemented, to improve compliance with governing regulations and policies and strengthen our internal controls.

The agency agrees with the OIG that agency and management misunderstanding over the requirement for annual recertification was a significant issue in a number of cases – an issue that has been clarified in a recent incentive pay bulletin.

The agency also agrees that agency systems lacked controls to discontinue retention incentive payments that were no longer valid. Appropriate changes have been made to our systems to ensure retention incentive pay is automatically terminated unless the required annual re-certifications are received. At the end of the incentive period, payments now stop automatically.

The agency is committed to determining whether retention incentives were authorized throughout the life of the incentive agreement and recovering incentive payments that were not authorized. The agency

reiterates that the transition to electronic Official Personnel Folders caused personnel records to be purged of retention incentive documentation in accordance with records retention schedules. As a result, the agency is searching for other forms of evidence that will establish the validity or non-validity of the retention incentives in question. This effort includes requesting personnel records from the OPM records center in the case of retired employees and from a new federal employer in cases where employee records have been transferred to another agency. The time it takes to get records from OPM and other federal agencies is outside of EPA's control and may impact our completion date.

Below is a summary of the recommendations, corrective actions and the estimated completion dates:

No.	Recommendation	High-Level Intended Corrective Action(s)	Estimated Completion by Quarter and FY
1	Determine if any additional evidence exists to justify a retention incentive without documented, authorized annual recertification. If no additional evidence exists, pursue action to recover unauthorized retention incentive payments made to EPA employees.	The agency will continue searching for relevant evidence of initial retention incentive agreements and renewal certifications and determine if any recovery actions are warranted.	OARM will complete the documentation review by December 31, 2014.
2	Pursue action to recover the unauthorized retention incentive amounts paid to the EPA employees who received retention incentive pay beyond their promotion date or authorized end date.	The agency has already initiated the collection processes for the two overpayment cases.	Completion pending outcome of the labor relations process initiated by the involved employees.

Thank you for the opportunity to respond to the subject audit report. Please direct any questions regarding human resources issues to Susan Kantrowitz, Director, Office of Human Resources (202) 564-4606 and questions regarding financial issues to Jeanne Conklin, Acting Director, Office of Financial Management at (202) 564-5342.

cc: David Bloom
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