



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale's Travel

Report No. 14-P-0037

December 11, 2013



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Abbreviations

EPA U.S. Environmental Protection Agency
OIG Office of Inspector General

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Washington, DC 20460



At a Glance

Why We Did This Review

John C. Beale, a former Senior Policy Advisor within the U.S. Environmental Protection Agency (EPA) Office of Air and Radiation, committed fraud against the EPA. The EPA Office of Inspector General (OIG) concluded it would need to determine conditions that may have allowed Mr. Beale's actions to take place.

On August 27, 2013, the Ranking Member of the Senate Committee on Environment and Public Works requested that the EPA OIG initiate work to determine "the agency's policies and processes that facilitated Mr. Beale's fraud."

This report addresses the following EPA theme:

- *Embracing EPA as a high performing organization.*

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2014/20131211-14-P-0037.pdf

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What We Found

The EPA's lack of management oversight and weak internal controls that the EPA had in place enabled Beale's travel abuse. Beale's travel abuse included:

- Using premium class travel.
- Incurring expenses above per diem amounts.
- Charging questionable travel and transportation costs.

John C. Beale admitted to \$45,094 in fraudulent travel expenses, and additional expenses are questionable.

EPA's management actions while Beale was working at the EPA that contributed to Beale's fraudulent travel were:

- Limited review of vouchers or receipts.
- Dismissed questions raised about Beale's travel.
- Expenses not questioned because Beale's reviewing official was also a Deputy Assistant Administrator (a peer to Beale).
- Concern that Beale's "behavior and travel expenses" were supported by another senior executive."

Management Actions Taken

The EPA Office of the Chief Financial Officer identified internal control improvements made or that will be made to prevent or detect travel-related issues, including:

- Since 2012, vouchers for other than coach travel must include an approved waiver supporting premium class travel, and 100 percent review of all vouchers before payment.
- Effective November 15, 2013, eligibility regarding medical documentation supporting premium class travel waivers are to be made by EPA's Office of Reasonable Accommodation.
- Starting in the second quarter of fiscal year 2014, second line supervisors are to approve lodging amounts that exceed a designated percentage over per diem and require Senior Resource Official approval of any single trip exceeding \$5,000.
- By February 2014, internal control assessments are to be completed for travel in the areas of premium class travel, above government rate travel reimbursement and executive travel approvals.

The OIG has not verified the implementation and adequacy of the agency's identified improvements.



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

THE INSPECTOR GENERAL

December 11, 2013

SUBJECT: Early Warning Report: Internal Controls and Management Actions Concerning
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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: Gina McCarthy, Administrator

This is our early warning report, prepared by the Office of the Inspector General at the request of the Honorable David Vitter, Ranking Member, Committee on Environment, and Public Works, United States Senate. This report addresses the area of travel in which John C. Beale, the former Senior Policy Advisor for the U.S. Environmental Protection Agency's (EPA) Office of Air and Radiation, defrauded the EPA.

If you or your staff have any questions regarding this report, please contact Richard Eyermann, Acting Assistant Inspector General for Audit, at (202) 566-0565 or at eyermann.richard@epa.gov; or Michael Davis, Director, Efficiency Audits, at (513) 487-2363 or davis.michaeld@epa.gov.

U.S. EPA Office of Inspector General

Internal Controls and
Management Actions Concerning
John C. Beale's Travel

December 11, 2013

Background

- John C. Beale committed fraud against the U.S. Environmental Protection Agency (EPA).
- OIG concluded it needed to determine the conditions that may have contributed to Mr. Beale's actions.
- August 27, 2013: Ranking Member of the Senate Committee on Environment and Public Works made request to review matter.
- September 27, 2013: Beale pleaded guilty to theft of government property and:
 - Agreed to pay \$886,186 in restitution to EPA.
 - Agreed to a forfeiture money judgment of \$507,207.
- Work completed in conjunction with an ongoing travel review.



Beale Admitted Fraudulent Travel

- Beale claimed six trips to Los Angeles for work but actually just visited family in Bakersfield, California.
 - Trips made October 2005, July 2006, November 2006, June 2007, January 2009 and November 2009.
 - Total estimated cost of trips was \$45,094.
- Did not stay in lower cost hotel at per diem rate.
 - Trip in July 2008 at London, England, hotel.
 - Total hotel cost – \$5,659 for 5 nights.
 - Maximum allowable lodging – \$354 per night.



Assignment Objective

- Determine the policies that facilitated Beale's fraud.
- This assignment was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*.



Scope of Report

- Report covers the policies that enabled Beale's fraud in connection with travel.
- The EPA Office of Inspector General (OIG) review included:
 - Examination of Beale's travel authorizations and vouchers.
 - Interviews with agency management.



Extent of Beale's Travel

2003 to 2011

Activity	Number	Costs
Trips taken	33	\$266,190
Cancelled trips	12	\$493
Total Planned Trips	45	\$266,683



Summary of Results

- Lack of management oversight and ineffective internal controls that the EPA had in place enabled Beale's travel abuse regarding:
 - Premium class travel.
 - Actual expenses above per diem amount.
 - Questionable travel and transportation costs.



Travel Oversight

Poor Management Oversight

- Limited management review of vouchers or receipts.
- Dismissed questions raised about Beale's travel.
- Expenses not questioned because Beale's reviewing official was a Deputy Assistant Administrator (a peer to Beale).
- The Deputy Assistant Administrator for the Office of Air and Radiation at the time stated it was "hard to question Beale's behavior and travel expenses when it was supported by another senior executive."



Travel Internal Controls

Ineffective Internal Controls

- Limited review and approval of Beale's travel.
 - Acting Director, Office of Program Management Operations, Office of Air and Radiation, stated:
 - *Assumed Beale's supervisor had approved the travel.*
 - *Vouchers were approved regardless of costs as long as remarks and explanations authorized the cost.*
- EPA Travel Manual requires supervisors to authorize, review and approve travel documents.



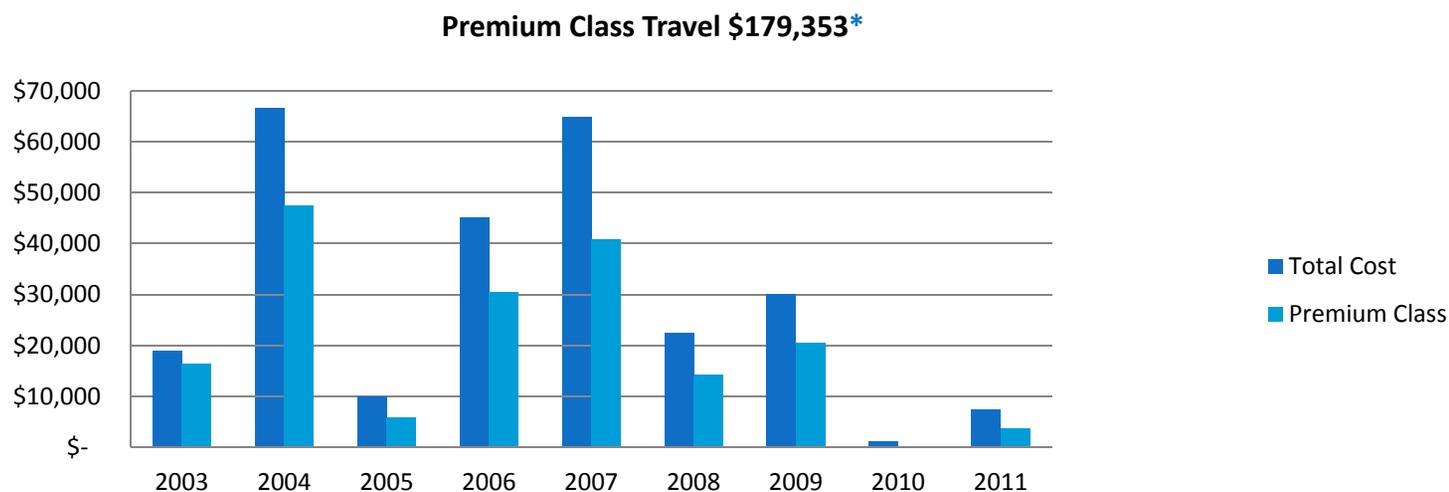
Beale Premium Class Travel

- Beale obtained medical and EPA approval for premium class travel for travel more than 2 hours.
- Beale took two first class trips that were less than 2 hours.
- Beale flew first class 70% of the time even though required to use business class if available.



Beale's Premium Class Travel by Year

- Premium class travel – 23 of 33 trips (70%)



- * Highest price: \$25,111.98 (multiple destinations: Los Angeles and England, Sweden and India). Lowest price: \$1,319 (Boston/less than 2 hrs)



Agency Identified Corrective Measures *

- Effective November 15, 2013, eligibility regarding medical documentation supporting premium class travel waivers to be made by EPA's Office of Reasonable Accommodation.
- Since 2012, vouchers for other than coach travel must include an approved waiver supporting premium class travel.

* Agency corrective measures have not been confirmed and evaluated by the OIG.



Actual Expenses Above Per Diem

- Actual lodging approved above per diem.
 - 17 of 33 trips (52%).
- Most travel authorizations did not contain documentation to justify expenses above per diem.
- EPA's travel manual requires reimbursement for actual expenses be **justified** and authorized in advance.



Examples of Lodging Over Per Diem

Year	Destination	Per Diem Lodging	Claimed	Amount Over Per Diem	Percent Over Per Diem	Total Over Per Diem Lodging
2004	London, UK	\$272	\$414	\$142	52%	\$849
2006*	Bakersfield, CA	\$70	\$98	\$28	40%	\$168
2006	London, UK	\$307	\$563	\$256	83%	\$1,792
2007	Ann Arbor, MI	\$86	\$206	\$120	140%	\$120
2008*	London, UK**	\$354	\$752	\$398	112%	\$2,692
			\$904	\$550	155%	
2009	Sierra Vista, AZ	\$83	\$120	\$37	45%	\$222

*Beale admitted fraudulent activity associated with these two trips.

**Different amounts charged per night for same trip.



Agency Identified Corrective Measures *

- Second quarter of fiscal year 2014, require second line supervisors to approve lodging amounts that exceed a designated percentage over per diem.

* Agency corrective measures action has not been confirmed and evaluated by the OIG.



Questionable Travel – London

- Claimed lodging and meals & incidental expenses while flying overnight.
 - On 1/11/09, departed for London from Los Angeles at 4:54 PM, arrived in London on 1/12/09 at 11:25 AM.
 - For 1/11/09, claimed lodging expense of \$279, but no lodging charged to hotel bill for 1/11/09.
 - Claimed London rate of \$137 for meals & incidental expenses for 1/11/09, but did not arrive in London until 1/12/09. He should have claimed the Santa Monica rate of \$64.



Questionable Transportation Costs

- Approved international trips plan identified one trip per day.
- In London, on 11/17/03 and 11/18/03, claimed 12 taxi trips costing \$285 for the two days.
- In London, on 7/9/08 through 7/15/08:
 - Arrived in London on 7/9/08 at 9:55 pm, claimed taxi cost of \$44 to the U.S. Embassy, also claimed \$166 taxi cost to hotel.
 - On 7/10/08, claimed 5 taxis totaling \$254 and public transit costs of \$310 with no explanation on travel voucher (chauffeur service that was included on the hotel bill).
 - In London, on 1/12/09 through 1/17/09, claimed public transit of \$932 for 2 to 6 taxis per day (22 total taxi trips).



Agency Identified Corrective Measures *

- Since 2012, the Office of the Chief Financial Officer has performed 100% voucher review before payment.
- In second quarter of fiscal year 2014, agency is to require Senior Resource Official approval of any single trip exceeding \$5,000.
- By February 2014, agency is to complete comprehensive internal control assessments for travel.
 - Premium class travel.
 - Above government rate travel reimbursement.
 - Executive travel approvals.

* Agency corrective action has not been confirmed and evaluated by the OIG.



Future OIG Report

- EPA travel report will be issued covering:
 - Executive Level (ES, SES, SL, etc..) travel.
 - Trips by frequent travelers (5 or more trips a year).
 - High-cost travel (\$5,000 or more).
 - Length of time for travelers to submit vouchers.



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