



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Spending Taxpayer Dollars

Improvements Needed by EPA to Reduce Risk in Employee Hiring Process

Report No. 15-P-0253

August 3, 2015



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Report Contributors:

Jean Bloom
Kevin Collins

Abbreviations

Bulletin	EPA Human Resource Bulletin 08-007B, <i>Quality Assurance in the Hiring Process</i>
EPA	U.S. Environmental Protection Agency
GS	General Schedule
HR	Human Resources
OARM	Office of Administration and Resources Management
OHR	Office of Human Resources
OIG	Office of Inspector General

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At a Glance

Why We Did This Audit

On August 27, 2013, Congress requested that the U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), initiate work in connection with a fraud committed by John C. Beale, a former Senior Policy Advisor with the EPA's Office of Air and Radiation. In particular, Congress requested the OIG to determine EPA policies and processes that "facilitated" Beale's fraud. In connection with this request, we initiated an audit on the EPA's employee vetting process.

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

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

Send all inquiries to our public affairs office at (202) 566-2391 or visit www.epa.gov/oig.

The full report is at:
www.epa.gov/oig/reports/2015/20150803-15-P-0253.pdf

Improvements Needed by EPA to Reduce Risk in Employee Hiring Process

What We Found

The EPA has a multi-step hiring process and written procedures to ensure quality in the hiring process, and performs some verification of an applicant's assertions during the pre-employment hiring process. However, our audit found that during the pre-employment phase, the EPA does not confirm applicants' assertions of prior employment or awards/professional certifications, nor does it document any reference checks. The EPA does verify the academic credentials for jobs with a positive education requirement.

Without verification of prior employment or references, the potential exists that the EPA will not hire the best possible staff, or will hire an employee based on false statements.

We reviewed 25 new hire candidate files and found no documentation that the selecting official verified prior employment or references. The EPA advises selecting officials about the importance of reference checks in verifying an applicant's statements, as it can be helpful in authenticating information provided by the applicant. Without verification of employment, reference checks and awards/professional certifications, the EPA is at risk of hiring an applicant based on false information and may not hire the best-qualified candidate.

Recommendation and Planned Corrective Actions

We recommend that the Assistant Administrator for Administration and Resources Management review and revise EPA Human Resource Bulletin 08-007B, *Quality Assurance in the Hiring Process*, to enhance internal controls for vetting prior employment, verifying awards/professional certifications and contacting references. The agency concurred with the recommendation and provided acceptable corrective actions with a planned completion date.



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

THE INSPECTOR GENERAL

August 3, 2015

MEMORANDUM

SUBJECT: Improvements Needed by EPA to Reduce Risk in Employee Hiring Process
Report No. 15-P-0253

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: Karl Brooks, Acting Assistant Administrator
Office of Administration and Resources Management

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 contains findings that describe 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. In accordance with established audit-resolution procedures, EPA managers will make final determinations on matters in this report.

Action Required

In response to our discussion document, the agency provided preliminary corrective actions that address the recommendation and establish a planned completion date. Therefore, a written response to the final report is not required. The OIG may make periodic inquiries on your progress in implementing these corrective actions. Please update the EPA's Management Audit Tracking System as you complete planned corrective actions. 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 on our website at <http://www.epa.gov/oig>.

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Purpose

As part of our work on internal controls in response to a request from Congress, we initiated an audit on the U.S. Environmental Protection Agency's (EPA's) vetting process for new employees to determine whether the EPA confirms previous employment, education and awards/professional certifications claimed by the applicant.

Background

On August 27, 2013, Congress requested that the Office of Inspector General (OIG) initiate work in connection with a fraud committed by John C. Beale, a former Senior Policy Advisor with the EPA's Office of Air and Radiation. In particular, Congress asked the OIG to determine EPA policies and processes that "facilitated" Beale's fraud. As part of the assignment, we initiated an audit of the EPA's employee vetting process. For purposes of our audit, we defined vetting as the process of verifying an applicant's assertions made during the hiring process.

It is the objective of the EPA to select the "best and brightest" individuals for its workforce to maintain a talented, dedicated and highly motivated staff of employees. The EPA's servicing human resources (HR) office has a variety of pre- and post-appointment actions to help provide confidence and credibility in the EPA's recruitment efforts and contributes toward the selection of quality hires. The actions are outlined in EPA Human Resource Bulletin 08-007B, *Quality Assurance in the Hiring Process* (the Bulletin), dated September 29, 2008.

The Bulletin highlights the legal and regulatory procedures that servicing HR offices must follow in the hiring process and the procedures that managers and supervisors should use to ensure quality. The EPA's pre- and post-appointment actions associated with hiring are included in the Bulletin. Pre-appointment actions are actions, reviews or procedures that take place before a candidate enters on duty and measure whether the candidate meets the legal and regulatory requirements for the position and is suitable for employment in the federal service. Post-appointment actions and procedures occur and/or affect an individual while employed at the EPA.

The pre- and post-appointments procedures are shown in Table 1. The two shaded areas (items 3 and 5) are the two procedures that we reviewed and tested.

Table 1: Pre- and post-appointment procedures

Item no.	Pre-appointment procedures
1.	Screen for minimum qualifications/selective factors.
2.	Applicant assessment, rating and ranking.
3.	Reference checks/pre-employment inquiries.
4.	Records check for current federal employees.
5.	Verification of academic credentials.
6.	Verification of selective services, proof of veterans' status and U.S. citizenship, or documentation that applicant is legally authorized to work in the United States.
7.	Pre-employment security.
8.	Completion of declaration for federal employment.
9.	Offer of employment.
Post-appointment procedures	
1.	Suitability.
2.	Employment Eligibility Verification Program (E-Verify).
3.	Probationary periods.

Source: EPA Human Resource Bulletin 08-007B, *Quality Assurance in the Hiring Process*.

The vetting of an applicant's assertions regarding previous employment, education and awards/professional certifications are primarily done during the reference check/pre-employment inquiries and verification of academic credentials stage.

Reference Checks/Pre-Employment Inquiries

The Bulletin, Section I.a.3, Reference Checks/Pre-employment inquiries, states:

Reference checks or pre-employment inquiries can be a valuable tool when selecting applicants for employment. They not only can be helpful in authenticating information provided in the resume/application, but also in obtaining additional information about an applicant's work performance and habits, and other information not provided in the resume but relevant to the job opening. **Servicing HR Offices will advise selecting officials about the importance of reference checks in verifying applicants' statements on their resumes or applications and/or during the interview for assessing personal effectiveness traits that have an impact on an employee's ability to perform in a quality manner** (OIG emphasis added). Supervisors should also be advised to obtain references from former employers or school officials, rather than solely relying on personal references or other references submitted with the application or resume.

Because a current supervisor may have other motives for giving a current employee either a glowing recommendation or an unsatisfactory one, at least two other reference checks should be made with other reliable individuals who are knowledgeable of the candidate's skills, abilities and other work-related characteristics.

Verification of Academic Credentials

The Bulletin, Section I.a.5, Verification of Academic Credentials, states:

When a college degree is required for a position according to the Qualification Standards for General Schedule Positions, it must be from an accredited college or university. In order to prevent an applicant from gaining favorable consideration during the hiring process based on bogus degrees or degrees obtained from unaccredited institutions, the HR specialist must verify the legitimacy of the degree.

The servicing HR office must obtain an official, notarized college transcript to verify the degree of a recent college graduate before an employee enters on duty.

Selecting officials have a key role in selecting quality staff for the EPA. In accordance with the Bulletin, Section II.b, Interviews and Selection:

Selecting officials should select the best candidate for their position(s) based on information obtained from the employment application, reference checks, interviews, performance appraisals, work samples, etc.

Responsible Office

The Office of Human Resources (OHR) within the EPA's Office of Administration and Resources Management (OARM) is responsible for developing, promoting and implementing improved principles, standards, policies, procedures, services and systems governing the overall organization and workforce of the agency. According to the EPA Organization Function, "OHR is responsible for policies, procedures, program development, and implementation of the full spectrum of EPA's human resources functions and programs, and employee services."

Other OIG Audit

The OIG issued Report No. 15-B-0076, *Improvement Needed by EPA OIG to Reduce Risk in Employee Hiring Process*,¹ on February 4, 2015. The audit was

¹ <http://www.epa.gov/oig/reports/2015/20150205-15-B-0076.pdf>.

conducted to evaluate the OIG's own vetting process and determine whether proper verification of applicant assertions was conducted. The audit disclosed weaknesses in the OIG's current system and made two recommendations. We recommended that the Deputy Inspector General require selecting officials to verify prior employment and references prior to making final selections and retain documentation as outlined in the OIG guidance and procedures. In addition, we recommended that the OIG establish policies to enhance internal controls for employee vetting. The Deputy Inspector General agreed with our recommendations and provided corrective actions and completion dates to address all recommendations. The two recommendations remain open pending full completion of the corrective actions.

Scope and Methodology

We conducted our audit from December 9, 2013, through May 4, 2015, in accordance with the 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine the EPA's employee hiring process and whether applicants' assertions made during the hiring process are validated, we performed the following steps:

- Met with representatives from OHR to obtain an understanding of the EPA's employee hiring process and to identify and discuss applicable EPA policies and procedures.
- Obtained and reviewed criteria identified by OHR that is associated with employee hiring to obtain an understanding of the requirements. Specifically, we obtained and reviewed EPA HR Bulletin 08-007B, *Quality Assurance in the Hiring Process*.
- Met with OHR Shared Service Centers to obtain an understanding of the information available in a job candidate's file and where it should be located.

To determine whether reference checks are conducted and whether applicants' assertions made during the hiring process are validated, we performed the following steps:

- Obtained from OHR a listing of full-time career-conditional new employees for fiscal year 2013 (October 1, 2012 – September 30, 2013) to determine the number of employees hired by the EPA and the type of appointment. Based on the information provided, the EPA hired 291 new hires.

- Analyzed the information provided and selected the General Schedule (GS)-level appointments for our universe of testing. We focused on GS-level hiring since Mr. Beale was hired as a GS employee. We stratified the GS-level appointments by grade level and assessed the risk based on the grade level. We assigned the highest risk level to the highest GS grade as more work experience would be required and the risk would be greater by not verifying prior employment, education and awards/certifications. We presented our sampling methodology to OHR and the office took no exception. Our original sample universe consisted of 43 GS new hires, but was reduced to 41 because we deleted the two OIG GS-15 new hires who were part of the prior report covering the OIG employee vetting process.
- Performed selected testing of GS new hires' candidate files to determine whether reference checks were performed to confirm previous employment. We tested 25 of the 41 sample items. The remaining 16 candidate files were either not contained in the EZ file system based on the hiring designation or were not readily available. We determined the reduction to the 25 sample-tested items would provide a representative sample for our testing and OHR agreed that the 25 items would be representative. A breakdown of the sample is in Table 2.

Table 2: EPA new hires by government pay plan and OIG sample plan

Pay plan and grade level hired	Universe of employees hired	Test percentage	Sample size	Items Tested
GS-8 and below	23	10%	2	0
GS-9	29	10%	2	1
GS-11	20	10%	2	1
GS-12	19	25%	4	3
GS-13	31	30%	10	7
GS-14	22	50%	11	7
GS-15	12	100%	12	6
Subtotal GS	156		43	25
Less: OIG Hires			(2)	
Non-GS Hires	135	0%	0	
Total Hires	291		41	

Source: OHR new hires from October 1, 2012 – September 30, 2013.

- Reviewed the candidate files to determine whether the EPA verified the applicants' claimed education for hiring actions that had a positive education requirement.

- Reviewed the candidate files to determine whether the EPA verified applicants' claimed awards/professional certifications.

On March 16, 2015, we met with the EPA's OHR Director and provided the results of testing. The Director took no exception to our sampling methodology and results.

Results of Audit

The EPA has a multi-step hiring process and written procedures to ensure quality in the hiring process, and performs some verification of an applicant's assertions during the pre-employment hiring process. However, we found that the EPA does not confirm applicants' assertions of prior employment or verify awards/professional certifications claimed during the pre-employment phase. The EPA does verify the academic credentials for jobs with a positive education requirement.

No Verification of Prior Employment

We found no documentation in candidates' files that the EPA confirmed applicants' assertions of prior employment during the pre-employment phase.

We reviewed 25 new-hire-candidate files maintained by OHR Shared Service Centers to determine whether applicants' assertions of prior employment were verified by the EPA. None of the 25 tested candidate files contained documentation that prior employment or references were verified.

The EPA's HR Bulletin does not require HR or the selection official to perform reference checks or a verification of statements on an applicant's resume. Instead, Procedures Section I.a.3 of the Bulletin requires that servicing HR offices **advise** (OIG emphasis added) selection officials about the importance of verifying applicants' statements or resumes, and includes a sample reference-check template with questions. The Bulletin also does not provide information on how and where documentation of reference checks or verification of applicants' assertions should be retained. Without a requirement, there is no assurance that a verification of prior employment or references for perspective job candidates is conducted or consistently performed. In addition, without the verification, the EPA may not hire the best-qualified candidate, and is at risk of hiring an applicant based on false information. We consider the verification of prior employment and references during the pre-employment phase to be a best practice and recommend that it should be conducted for all recruiting actions.

The EPA does not have any review procedures in effect that would detect false statements during the normal course of operations. Although, the EPA has the ability to release the new hire from employment during the probationary period for poor performance and can release the employee for making any false

statements on their application and resume, it results in unnecessary expenses to hire, train and dismiss the employee.

Academic Credentials and Awards/Professional Certifications Verified

We reviewed 25 new-hire-candidate files maintained by OHR Shared Service Centers to determine whether the EPA verified the academic credentials as required in Procedures Section I.a.5 of the Bulletin. Of the 25 candidate files reviewed, only nine were for a job classification that required a positive educational requirement. All nine candidate files reviewed had documentation indicating the appropriate educational requirements were met and verified as required by the EPA's HR Bulletin.

We also reviewed the candidate files to determine whether the EPA verified awards/professional certifications claimed by applicants. We found no evidence that awards/professional certifications were verified. The EPA's HR Bulletin does not require verification of awards or professional certification claimed by the applicant.

Recommendation

We recommend that the Assistant Administrator for Administration and Resources Management:

1. Review and revise EPA Human Resource Bulletin 08-007B, *Quality Assurance in the Hiring Process*, to enhance internal controls for vetting prior employment, verifying awards/professional certifications and contacting references by:
 - a. Establishing a requirement that an applicant's prior employment, awards/professional certifications and references be verified.
 - b. Establishing a requirement that the selecting official or delegated authority document that they verified prior employment, awards/professional certifications and references of prospective new hires, or explain the reasons why they did not verify. Retain documentation in a permanent file for the time period required in the applicable EPA Record Schedule.

Agency Comments and OIG Evaluation

A discussion document was provided to the agency for comment on May 4, 2015. The agency provided an initial response on May 22, 2015, and we held a final exit conference on June 10, 2015. The agency modified its corrective actions and provided an updated response on June 22, 2015. The agency concurred with our

recommendation and provided acceptable corrective actions with a planned completion date. The agency's full response to our discussion draft 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	7	Review and revise EPA Human Resource Bulletin 08-007B, <i>Quality Assurance in the Hiring Process</i> , to enhance internal controls for vetting prior employment, verifying awards/professional certifications and contacting references by: <ol style="list-style-type: none"> a. Establishing a requirement that an applicant's prior employment, awards/professional certifications and references be verified. b. Establishing a requirement that the selecting official or delegated authority document that they verified prior employment, awards/professional certifications and references of prospective new hires, or explain the reasons why they did not verify. Retain documentation in a permanent file for the time period required in the applicable EPA Record Schedule. 	O	Assistant Administrator for Administration and Resources Management	9/30/15		

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 Response to Discussion Document



UNITED STATES ENVIRONMENTAL PROTECTION
AGENCY

WASHINGTON, D.C. 20460

JUNE 22, 2015

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: Response to OIG Discussion Document: Improvements Needed by EPA to Reduce Risk in Employee Hiring Process, Project No. OA-FY13-0396

FROM: Karl Brooks, Acting Assistant Administrator

TO: Arthur A. Elkins, Jr., Inspector General
Office of Inspector General

The purpose of this memorandum is to provide the Office of Administration and Resources Management's response to the above subject discussion document issued by your office on May 4, 2015. The discussion document identified one OARM recommendation with two requirements. OARM concurs with the recommendation and has provided its preliminary corrective actions below:

Recommendation: Review and revise EPA Human Resource Bulletin 08-007B, Quality Assurance in the Hiring Process, to enhance internal controls for vetting prior employment, verifying awards/professional certifications, and contacting references by:

- a. Establishing a requirement that an applicant's prior employment, awards/professional certifications and references be verified.***
- b. Establishing a requirement that the selecting official or delegated authority document that they verified prior employment, awards/professional certifications and references of prospective new hires, or explain the reasons why they did not verify. Retain documentation in a permanent file for the time period required in the applicable EPA Record Schedule.***

OARM agrees to:

- Revise the guidance contained in *EPA Human Resource Bulletin 08-007B, Quality Assurance in the Hiring Process* to enhance internal controls by:
 - requiring selecting official or delegated authority to:
 - conduct three professional reference checks (or three academic references in the case of students or recent graduates without professional references);
 - verify prior three years of employment;
 - verify a sampling of professional certifications and awards referenced by the applicant that is relevant and pertains to the position being filled as determined by the selecting official or delegated authority; and
 - maintain all vetting documentation in accordance with the appropriate EPA records management schedule.
 - requiring the selecting official to certify completion of the vetting process directly on the “certificate of eligibles” returned to the OARM Shared Service Center before the official job offer is made.

The agency plans to revise and institutionalize the HR Bulletin by September 30, 2015.

Thank you and your staff for their efforts to help us address this concern. If you or your staff have any additional questions, please contact Susan A. Kantrowitz, director, Office of Human Resources, at (202) 564-4606.

cc: John Showman
Sandy Womack
Susan Kantrowitz
Angela Freeman
Peter Johnson
Rick Carter

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