



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-0036.pdf

Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale Pay Issues

What We Found

Internal controls that the EPA had in place did not identify and/or prevent abuses related to:

- Retention bonuses.
- Pay in excess of statutory limits.
- Time and attendance.

The fraud committed by John C. Beale was enabled by ineffective internal controls and a lack of management attention.

EPA management actions in dealing with Beale while he was working at the EPA enabled Beale's fraud in areas related to internal control issues, and were influenced by Beale's claims regarding his Central Intelligence Agency (CIA) status and retirement. Specifically:

- Agency managers did not take timely, effective action to address Beale's retention bonus and pay in excess of statutory limits even though they were presented with these issues in July 2010.
- Management believed that Beale's pay issues were an administrative matter, and did not consider the matter a priority for them to address.
- Agency management thought Beale had retired at the end of 2011, but Beale did not retire from the EPA until 2013.
- The EPA's internal controls over timekeeping facilitated Beale's time and attendance abuses.

Management Actions Taken

The EPA Office of Administration and Resources Management and Office of the Chief Financial Officer identified internal control improvements that could be made to prevent and/or detect payroll and time and attendance issues, including:

- Modification to the time and attendance system to ensure managers approve individual employee timecards.
- Quarterly review of time and attendance records to confirm employees are entering and attesting their own time and determine whether someone other than the supervisor is approving the timecard.
- Quarterly review to determine whether an employee is receiving a retention bonus or has been paid over the statutory pay cap.

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