



At a Glance

Why We Did This Audit

The U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) conducted this audit to follow up on corrective actions made in response to two prior OIG audits on retention incentives paid by the agency and OIG. Retention incentives are used to retain employees who are highly or uniquely qualified, or meet a special need.

The objectives of this follow-up audit were to determine whether: (1) the agency completed the corrective actions proposed in the prior audits, (2) actions taken were effective in resolving the cause of the findings, and (3) the agency and OIG complied with regulations and policies for retention incentives since the prior audits.

This report addresses the following:

- *Operating efficiently and effectively.*

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Follow-Up Audit: EPA Needs to Strengthen Internal Controls Over Retention Incentives

What We Found

The agency completed its proposed corrective actions to address prior OIG audit recommendations. However, the agency has not monitored retention incentives as required by existing EPA policy and 5 CFR § 575.312(a), nor issued a new incentive policy. In response to the prior OIG audit, the agency stated it had drafted a new policy that delineates the EPA's implementation requirements and processes. These actions are needed to further strengthen internal controls and effectively resolve the cause of the prior audit findings.

Additional actions are needed to strengthen internal controls over monitoring and to effectively resolve the cause of the prior audit findings. We question \$1,605 of irregular payments.

The agency did not perform monitoring reviews due to a misunderstanding of oversight responsibilities. The EPA's new policy, drafted in 2014, has not been issued and is currently under review by agency officials. We also identified two requirements that should be included in the agency's new policy—quarterly reviews and performance ratings. Without an up-to-date policy, the agency has no assurance that retention incentives are authorized and activities are monitored consistent with its policy and federal requirements, or that payments are valid.

The agency complied with its existing policy and 5 CFR Part 575, Subpart C, for one of two employees receiving retention incentive payments since the prior audits. However, the agency indicated the payments for the second employee may have been the result of payroll miscoding, and we questioned the payments of \$1,605 to that employee.

The OIG has not given any retention incentives since the prior audit, and therefore we performed no additional work related to the OIG.

Recommendations and Planned Agency Corrective Actions

We recommend that the Assistant Administrator for Administration and Resources Management: (1) implement quarterly monitoring of retention incentives; (2) issue new policy on retention incentives, including requirements for quarterly monitoring and performance ratings; and (3) determine the validity of the irregular payments to an employee totaling \$1,605 and, if invalid, discontinue payments and recover all funds paid. The agency agreed to take sufficient corrective action for all recommendations.