TESTIMONY OF
BOB PERCIASEPE
DEPUTY ADMINISTRATOR
U.S. ENVIRONMENTAL PROTECTION AGENCY
BEFORE THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
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Chairman Issa, Ranking Member Cummings, and Members of the Committee, thank you for providing me with the opportunity to appear before you today to discuss the U.S. Environmental Protection Agency's (EPA's) progress in addressing recent issues brought to light by the EPA Inspector General's ongoing investigation involving former EPA employee, John C. Beale. As evidenced by the EPA's referral of this matter to our Inspector General and our steadfast cooperation with the Inspector General's investigation into this matter, the EPA approaches the issues raised by Mr. Beale's fraudulent activity very seriously.

Introduction

As stewards of taxpayer resources, the EPA takes seriously our responsibility to ensure that federal funds are used for purposes that are appropriate, cost-effective and important to the U.S. Environmental Protection Agency's mission. The EPA's Office of Administration and Resources Management, the Office of the Chief Financial Officer, the Office of Environmental Information, and I, as the agency's Chief Operating Officer, share responsibility for providing a governance framework for overseeing the administrative processes and systems which enable the agency to ensure accountability and maintain integrity of operations. That charge includes managing the administrative systems of the agency as well as developing an effective collection

of policies, procedures and training necessary for employees, supervisors and managers to understand their important roles and responsibilities. We routinely identify process improvements based on Office of Personnel Management and Office of Management and Budget guidance, emerging federal spending transparency and accountability requirements as well as General Accountability Office reviews and Inspector General audits and findings. Finally, we work closely with our Inspector General as part of the annual Federal Managers' Financial Integrity Act (FMFIA) process which delineates potential management weaknesses and associated corrective plans – the end result of which is improved accountability and effectiveness in our program and resource management.

Recent Inspector General Investigation

As we know, a number of administrative process controls were insufficient or ineffective in preventing what appears to be calculated, long-term criminal fraud. While I have not been provided the full details of the Inspector General investigative findings, I am aware that the most significant fraud involved employee pay, including exceeding statutory pay limitations and unauthorized extension on retention incentives; time and attendance; and government-funded travel. In nearly all instances, policies and procedures were in place, however, a number of them may have been ignored, circumvented, or undermined by Mr. Beale's criminal misconduct. At this time, the EPA is fully cooperating with the Inspector General and is looking forward to assessing all findings with a complete commitment to implement appropriate further process improvements and administrative changes necessary to ensure more effective internal controls.

Steps taken to address deficiencies

In regard to steps taken as part of regular ongoing process improvements and since preliminary findings from the IG Investigation were shared with our agency, we have taken a number of actions. In October 2012 and more recently in July of this year, I directed the Office of Administration and Resources Management and the Office of the Chief Financial Officer to conduct additional reviews of policies and controls for time and attendance, employee pay, and travel. These reviews resulted in the following:

- Strengthening supervisory controls of time and attendance:
    - Supervisors and time approvers now required to review and approve every individual timesheet, rather than review and approve in groups.
- Increased oversight of time entry and approval practices:
    - Bi-weekly report showing every employee where neither employee or time keeper entered the employee's time;
    - Quarterly report showing each employee who fails to enter their own time for three pay periods in a single quarter;
    - Bi-weekly report showing any instance where a supervisor or time approver failed to approve an employee's time;
    - Plan for an additional quarterly report showing all situations where someone other than an employee's immediate supervisor approves the employees time for more than three pay periods in a single quarter;
    - Follow-up by the Office of the Chief Financial Officer with employees, supervisors, and time approvers based upon these reports.

- Improved review of employee travel:
    - Receipts for any expense over $75 must now be included with travel voucher, in addition to being maintained by employee;
    - 100% of travel vouchers audited by the Office of the Chief Financial Officer, including an audit of all receipts submitted before payment is authorized.
- Tightened retention incentive processes:
    - Require future retention incentives to be entered into the human resources system with a "not to exceed date" of when the next annual certification is due (or the end date at the end of the three year period);
    - Exceptions report generated which will require human resource specialists to either confirm the recertification has been received or end the incentive payments.
- Ensured review of gross pay amounts of employees:
    - Generated new reports for employee gross salaries and total pay to ensure compliance with statutory pay limits.

These documented changes in policies and procedures will also be supported by an array of new training and toolkit resources for employees and supervisors that define roles and responsibilities associated with our administrative processes.

As I indicated previously, our agency is fully committed to strengthening accountability for and stewardship of resources entrusted to us by the taxpayers. We look forward to working with the EPA’s Inspector General to ensure continuous improvement in that process.

Thank you again for allowing me to represent the agency here today, and I look forward to answering your questions.

Deputy Administrator Bob Perciasepe

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Appointed by President Obama in 2009 as the U.S. Environmental Protection Agency's Deputy Administrator, Bob Perciasepe continues a career spanning nearly four decades as one of the nation's leading environmental and public policy figures. An expert on environmental stewardship, advocacy, public policy, and national resource and organizational management, Perciasepe is widely respected within both the environmental and U.S. business communities.

His extensive experience includes service both inside and outside of government. He served as a top EPA official in the administration of President Bill Clinton, who appointed him, first, to serve as the nation's top water official and later as the senior official responsible for air quality across the U.S. Prior to being named to his current position, he was chief operating officer at the National Audubon Society, one of the world's leading environmental organizations. He has also held top positions within state and municipal government, including as Secretary of the Environment for the State of Maryland and as a senior official for the City of Baltimore.

Perciasepe holds a Bachelor of Science degree in Natural Resources from Cornell University and a master's degree in planning and public administration from the Maxwell School of Syracuse University. He and his wife have two adult daughters.