



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

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EPA's 2014 Early-Out and Buyout Activities Aided Workforce Restructuring Goals, and Continued Monitoring of Progress Can Show Value of Restructuring

Report No. 17-P-0140

March 23, 2017



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| | |
|--------|---|
| CFR | Code of Federal Regulations |
| EPA | U.S. Environmental Protection Agency |
| FTE | Full-Time Equivalent |
| FY | Fiscal Year |
| OARM | Office of Administration and Resources Management |
| OECA | Office of Enforcement and Compliance Assurance |
| OHR | Office of Human Resources |
| OIG | Office of Inspector General |
| OPM | U.S. Office of Personnel Management |
| OW | Office of Water |
| U.S.C. | United States Code |
| VERA | Voluntary Early Retirement Authority |
| VSIP | Voluntary Separation Incentive Payment |

Cover image: An illustration of early-out/buyout incentives and related annual leave paid in 2014 as a result of VERA-VSIP activities. (EPA OIG image)

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At a Glance

Why We Did This Review

This report addresses the U.S. Environmental Protection Agency's (EPA's) progress toward workforce restructuring goals after EPA employees accepted payments of up to \$25,000 in 2014 to separate from federal employment. The U.S. Office of Personnel Management (OPM) gave the EPA buyout authority through Voluntary Early Retirement Authority (VERA, or "early out") and Voluntary Separation Incentive Payment Authority (VSIP, or "buyout") so it could downsize and restructure its workforce. Once an agency's VERA-VSIP plan gets approved, the agency should administer the VERA-VSIP plan as approved by OPM.

The EPA paid \$11.3 million in incentives in 2014 to get 456 employees to voluntarily leave the agency. EPA's other VERA-VSIP goals included reducing surplus positions, decreasing the staff-per-supervisor ratio, and reducing the pay grades of targeted positions.

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

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

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EPA's 2014 Early-Out and Buyout Activities Aided Workforce Restructuring Goals, and Continued Monitoring of Progress Can Show Value of Restructuring

What We Found

The EPA used its VERA-VSIP authority to buy out employees in certain targeted positions. This helped the agency accomplish certain restructuring goals, including reducing the size of program and regional offices, reducing the number of highly graded positions, and eliminating surplus positions.

Monitoring results of workforce restructuring activities informs decisions about the value and benefits of employee buyout incentives.

Although progress has been made in filling positions designated for restructuring under VERA-VSIP, not all workforce restructuring goals had been achieved at the time we concluded our review. Two of five EPA organizations we reviewed reported that all the VERA-VSIP-vacated positions planned for restructuring had been filled. Overall, approximately 80 percent of the positions (57 of 73) in our sample targeted for restructuring had been filled.

Other VERA-VSIP goals—such as increasing the number of staff per supervisor and obtaining staff with new skill sets—were also not complete at the time we concluded our review. Further, there are limitations in determining whether goals for increasing the staff-per-supervisor ratio and changing organizational structure were met, because some EPA organizations did not specify a metric for their goals or an identifiable end point for restructuring. Specific metrics were not required by OPM.

The EPA complied with OPM's reporting requirements during and immediately after the completion of the early-outs and buyouts. In addition, the agency developed "hiring templates," which were designed to track the status of positions vacated through the buyouts, so that positions targeted for elimination were not refilled and positions targeted for restructuring were filled using different position descriptions. However, the agency did not have a system to monitor its progress in achieving all of the remaining VERA-VSIP goals. As a result, the agency could not assess the overall impact, effectiveness and value of VERA-VSIP as a workforce restructuring tool.

Recommendations and Agency Corrective Actions

We made two recommendations to the Assistant Administrator for Administration and Resources Management to monitor the remaining VERA-VSIP activities and determine the value of VERA-VSIP as a workforce tool. The Office of Administration and Resources Management concurred with both recommendations and provided sufficient corrective actions, which have been completed.



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

THE INSPECTOR GENERAL

March 23, 2017

MEMORANDUM

SUBJECT: EPA's 2014 Early-Out and Buyout Activities Aided Workforce Restructuring Goals, and Continued Monitoring of Progress Can Show Value of Restructuring
Report No. 17-P-0140

FROM: Arthur A. Elkins Jr.

A handwritten signature in black ink, reading "Arthur A. Elkins Jr.", is placed to the right of the "FROM:" line.

TO: Donna Vizian, Acting Assistant Administrator
Office of Administration and Resources Management

This is our report on the review conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this review was OPE-FY14-0049. This report contains findings that describe the 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. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

Action Required

In accordance with EPA Manual 2750, you provided acceptable corrective actions and milestone dates for Recommendations 1 and 2. Both recommendations are considered resolved and closed. You are not required to provide a written response to this final report. 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 to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

We reviewed actions taken by the U.S. Environmental Protection Agency (EPA) for its fiscal year (FY) 2014 Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Program (VSIP) activities to assess agency workforce restructuring progress. We addressed four questions:

1. What workforce restructuring goals were identified by program and regional offices?
2. How consistent were these goals across the agency?
3. What progress have the offices made in executing their restructuring plans?
4. Did the major offices achieve their goals in restructuring the organization?

Background

On December 12, 2013, the Deputy Administrator announced that EPA offices were planning to use early-outs (under VERA) and buyouts (under VSIP) to realign their workforces to meet changing mission requirements and move toward new models of work. According to the announcement, over the prior year, due to resource constraints, the EPA had been operating under a series of temporary hiring policies to carefully manage its workforce and payroll by not filling all positions vacated when people left the agency. The December 2013 announcement noted this approach was difficult to manage because of the unpredictable nature of attrition. Further, it challenged the EPA's ability to acquire new talent, build diversity in its staff, develop new skills, and provide all of the necessary tools to do the job of protecting human health and the environment.

VERA and VSIP are options for increasing voluntary attrition in agencies that are downsizing or restructuring. With U.S. Office of Personnel Management (OPM) approval, federal agencies can grant early-outs to temporarily lower the age and service requirements to increase the number of employees eligible for retirement from the federal government. Similarly, with OPM approval,

Several conditions apply to a VERA-VSIP plan. Specifically:

1. The plan must include identification of the specific positions to be reduced or eliminated by organizational unit, geographic location, occupational series, grade level, and any other factors related to the position.
2. Only positions to be restructured in the approved plan may be refilled.
3. Agencies are required to administer the plan as approved.
4. Only OPM can approve amendments.

agencies can grant buyouts—lump-sum payments of up to \$25,000 to each employee—as an incentive to voluntarily leave the federal government. Section 1313 of the Chief Human Capital Officers Act of 2002 authorized VERA and VSIP options as regulated by OPM and codified in Title 5 U.S.C. (For VERA, see 5 U.S.C. §§ 8336(d)(2) and 8414(b)(1)(B); for VSIP, see 5 U.S.C. §§ 3521 and 3525.)

According to CFR 576.102(a)(1), a plan submitted to OPM by the head of an agency, or his or her specific designee, must include identification of the specific positions and functions to be reduced or eliminated—identified by organizational unit, geographic location, occupational series, grade level, and any other factors related to the position. The OPM human resources specialist we interviewed stated that only restructured positions under the approved plan can be refilled. Further, once an agency’s VERA-VSIP plan gets approved, the agency is required to administer the VERA-VSIP plan as approved. Only OPM can approve amendments that revise the dates and targeted positions listed in the original approved plan after consultation with the Office of Management and Budget.

Besides eliminating positions, OPM interprets the VERA-VSIP to allow positions to be restructured. This includes filling the vacated position with a position:

- Having a different job series and/or grade.
- Using the same job series and grade but with substantively different duties and responsibilities.
- Having a different full-performance level.
- That is no longer supervisory.

Once OPM approves an agency’s VERA-VSIP plan, each agency should administer its plan as approved. This includes completing the restructuring or elimination of positions vacated through the buyouts. An organization’s progress in completing its approved restructuring activities is relevant for assessing whether the VERA-VSIP authority was properly used, and for assessing the overall cost effectiveness of VERA-VSIP to meet agency workforce goals. While, agencies are required to provide OPM with interim and final VERA and VSIP reports, OPM does not monitor organizations after the conclusion of the buyout authority to verify restructuring progress.

In 2014, 19 of the EPA’s 23 program and regional offices participated in VERA-VSIP activities. A total of 456 employees separated from the EPA through these activities. The EPA paid early-out/buyout incentives of about \$11.3 million and annual leave payments of \$4.9 million, for a total of approximately \$16.2 million, as shown in Figure 1. These costs represent the direct costs associated with the VERA-VSIP early-outs/buyouts. Other indirect costs not captured include the costs to develop and administer each of the 19 program and regional office plans.

Figure 1: EPA direct costs for VERA-VSIP early-outs and buyouts in 2014



Source: Office of Inspector General (OIG) analysis.

Responsible Office

The Office of Human Resources, within the Office of Administration and Resources Management (OARM), oversees the agency human capital program, and coordinated the agency's 2014 VERA-VSIP program.

Scope and Methodology

We conducted our work from November 2014 to May 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Each of the EPA program and regional offices participating in VERA-VSIP independently applied to OPM for early-out/buyout authority. This independent approach resulted in some differences in how the participating EPA offices described their goals and objectives in their applications. Some EPA offices provided specific numeric targets for VERA-VSIP goals, such as specifying a desired supervisor-to-staff ratio of 1:9. In other cases, offices simply described their goals as a reduction or change with no accompanying target, date for completion, or other specific way to assess whether goals are achieved. The regulations that address VERA-VSIP reporting—5 CFR 842.213 for VERA and 5 CFR 576.104 for VSIP—do not require or prescribe to agencies specific measures for assessing VERA-VSIP goals after the early-outs and buyouts are completed.

For the 15 program and regional offices ("organizations") in Table 1, we collected and reviewed such information as:

- The requests to OPM for VERA-VSIP authority.
- OPM's approvals.
- EPA organizations' quarterly and final progress reports to OPM.

Table 1: Organizations reviewed

| Organization |
|--|
| Office of the Administrator |
| Office of the Chief Financial Officer |
| Office of Enforcement and Compliance Assurance |
| Office of Environmental Information |
| Office of Research and Development |
| Office of Land and Emergency Management |
| Office of Water |
| Region 1 |
| Region 3 |
| Region 4 |
| Region 6 |
| Region 7 |
| Region 8 |
| Region 9 |
| Region 10 |

Source: OIG analysis.

To answer objectives 1 and 2, we obtained detailed information from four of the 15 organizations: the Office of Environmental Information, the Office of Land and Emergency Management, and Regions 1 and 8. In addition to interviewing personnel from these four EPA organizations, we interviewed staff from OARM and OPM. We also obtained and reviewed information on payments to employees who left the EPA under VERA-VSIP. We reviewed laws, regulations and guidance documents related to VERA-VSIP.

To answer objectives 3 and 4, we obtained detailed information for program offices and regions that had at least a 50-percent acceptance rate of authorized VERA-VSIP actions.¹ These offices were the Office of Water (OW); Office of Enforcement and Compliance Assurance (OECA); and Regions 1, 4 and 7. We obtained information about hiring and activities to achieve restructuring goals through document reviews and interviews with managers and staff in these organizations. OW reported conducting a second round of buyouts with a goal to reduce the number of higher-graded positions. To be consistent with our analysis of organizations, we reviewed only the first round of buyouts. Hiring data was current through June 2016.

This report contains our analysis of the agency buyout and restructuring activities. A separate report will address the EPA OIG's buyout and restructuring activities.

¹ We excluded Region 8 from selection for this analysis due to other OIG reviews occurring in the region at the time.

Prior Report

On July 14, 2015, we issued Report No. [15-P-0184](#), *Quick Reaction Report: EPA Should Ensure Positions Vacated Under Buyouts Are Eliminated or Properly Filled*, which made a time-sensitive recommendation for improvements to how the EPA was filling positions vacated under VERA-VSIP authorities. OARM distributed “hiring templates” to program offices and regions as a corrective action to the OIG recommendation. These hiring templates were designed to track the status of positions vacated through the buyouts, so that positions targeted for elimination were not refilled and positions targeted for restructuring were filled using different position descriptions.

Chapter 2

VERA-VSIP Helped Achieve Some but Not All Restructuring Goals

VERA-VSIP authority helped the EPA organizations in our sample achieve goals related to reducing size and grades. At the time we concluded our review, other organizational goals—such as de-layering (increasing supervisor-to-staff ratio) and adding staff with new skill sets—had not been achieved, and not all of the VERA-VSIP positions targeted for restructuring had been filled. To obtain buyout authority from OPM, EPA program offices and regions identified and proposed a variety of restructuring activities in their VERA-VSIP applications (plans). Once OPM approved VERA-VSIP plans, organizations were required to administer their VERA-VSIP plan as approved. The agency monitored its buyout and subsequent hiring activities to ensure positions vacated under VERA-VSIP were properly filled. However, the agency was limited in determining whether it achieved its VERA-VSIP goals for reducing the supervisor-to-employee ratio and changing organizational structure, because some organizations did not specify measurements for their goals or an identifiable end point for restructuring. As a result, the agency could not assess the overall impact, effectiveness and value of VERA-VSIP as a workforce management tool.

Agency Restructuring Goals Were Generally Consistent

The EPA program offices and regions requested VERA-VSIP authority consistent with OPM guidance, justifying early-outs and buyouts for restructuring goals. Table 2 lists the goals in applications that EPA organizations submitted to OPM. These goals included de-layering, reorganization, transfer of function, or other workforce restructuring or reshaping. The organizations in our review requested VERA-VSIP for a variety of reasons, and those reasons were generally consistent. Staff from OARM described three cross-cutting issues that EPA senior leadership suggested to program and regional offices:

- Reduce the number of staff performing administrative functions.
- Replace higher-graded technical staff with lower-graded technical staff (reduce grade).
- Increase the staff-to-supervisor ratio (de-layering).

As shown in Table 2, these issues were reflected as goals in most of the EPA VERA-VSIP requests we reviewed.

Table 2: VERA-VSIP goals by organization

| Organization | Goals (i.e., reasons for restructuring) | | | | | | |
|--|---|-----------|--------------|-------------|------------------|-----------|----------|
| | Separating employees | | | | Hiring employees | | Other |
| | De-layer | Surplus | Reduce grade | Reduce size | New skill | Grade cap | |
| Office of the Administrator | | X | X | X | X | | |
| Office of the Chief Financial Officer | X | X | X | X | X | | |
| Office of Enforcement and Compliance Assurance | | X | | X | X | | X |
| Office of Environmental Information | X | X | X | | X | X | X |
| Office of Research and Development | | X | | | X | | |
| Office of Land and Emergency Management | | X | X | | X | X | |
| Office of Water | | X | | X | X | | X |
| Region 1 | X | | X | X | X | X | |
| Region 3 | | X | X | X | X | | |
| Region 4 | X | X | | | | | |
| Region 6 | | X | X | X | X | | |
| Region 7 | X | | X | X | X | | |
| Region 8 | | | X | X | X | | X |
| Region 9 | X | X | | | | | X |
| Region 10 | X | X | | X | X | | |
| Total | 7 | 12 | 9 | 10 | 13 | 3 | 5 |

De-layer: Reduce number of supervisory positions and/or combine organizational units to change staff-to-supervisor ratio.

Surplus: Reduce number of positions in job series because the workload does not warrant number onboard; the skills needed for the position are no longer needed; or the work is being performed by others because of automation, work transfers, etc.

Reduce grade: Consolidate work requiring a higher-graded position into fewer positions and (in some cases) shift lesser work to lower-graded positions.

Reduce size: Reduce the number of positions.

New skill: Address when the work requires a position with skills different than those in the existing workforce, even (sometimes) when the position is in the same job series as separating positions.

Grade Cap: New staff are being hired who will be on a career ladder with a lower grade cap.

Other: A goal was identified that did not specify either separating or hiring employees.

Office of Enforcement and Compliance Assurance: Preserve extramural funds to implement future compliance program and consolidate administrative functions.

Office of Environmental Information: Realign information technology security functions with the Senior Agency Information Security Officer to increase the officer's independence.

Office of Water: Redirect or refocus resources in the Office of Water.

Region 8: Merging offices and centralizing administrative functions.

Region 9: Consolidate all attorney-advisor positions into the San Francisco office.

Source: OIG analysis of EPA VERA-VSIP applications.

The most common goal in the EPA program and regional office requests was the acquisition of new skills, and the second most frequent goal was to target nonessential positions. According to some of the EPA requests, the agency had positions that were considered no longer essential to operations. Fifteen organizations planned new hires after VERA-VSIP buy-outs. Also, 13 of the 15 organizations identified that new or different skills were needed in their workforce. Three organizations indicated that some positions would have a lower full-performance level for the newly hired staff. Further, the goals described by the 15 organizations were consistent with the purposes of an early-out or buyout.

The EPA organizations we reviewed described in general terms the workforce analysis they performed in support of their VERA-VSIP requests. For example:

- The Office of Research and Development performed a modified gap analysis to identify its scientific workforce supply, demand and gaps, and how VERA-VSIP could be used to address the gaps.
- Region 1 reviewed its workforce demographics to determine the number of positions, occupations and grade levels that would be considered for workforce reshaping.
- Region 10 relied on a comprehensive workload assessment that it conducted in FY 2013 using specially designed assessment guidelines to determine what workload or priority adjustments were warranted.

Staff and managers we interviewed in the Office of Human Resources (OHR), within OARM, reported assisting regions and program offices through a variety of activities. OHR reported preparing business cases for VERA-VSIP. OHR also created two teams to help regions and program offices implement VERA-VSIP. OHR developed and shared with all of the EPA organizations participating in VERA-VSIP its workforce planning data, rosters of staff eligible for retirement, examples of VERA-VSIP requests, templates, VERA and VSIP Guides, checklists, and other items. OHR reviewed program office and regional VERA-VSIP applications, and advised changes, before EPA organizations sent the applications to OPM.

Buyouts Helped Vacate Positions

The EPA organizations we reviewed made progress executing restructuring plans and achieving some of the goals identified in their OPM-approved VERA-VSIP plans. The VERA-VSIP early-out/buyout initiative was successful in helping vacate 456 positions across the agency.

The voluntary nature of the VERA-VSIP incentive means that the agency cannot control which employees—or how many employees—will accept an offer to separate from the agency. However, the agency retains control of hiring into

restructured positions, and should complete restructuring those positions as part of administering its plans as approved by OPM. While VERA-VSIP early-outs/buyouts helped the regions and program offices reviewed achieve goals for reducing the size and changing the shape of the workforce, some goals used to justify the early-out/buyout authority from OPM—such as hire workers with new skills, restructure work or redirect resources—were not complete at the time we concluded our review.

VERA-VSIP Helped Achieve Some Goals Associated With Reducing Number of Positions

We evaluated success achieving the goals listed in VERA-VSIP applications for the sample organizations in Table 3. At the time we concluded our review, each organization achieved at least one of the VERA-VSIP goals associated with de-layering, removing surplus positions, reducing grade or reducing size.

Table 3. Progress on VERA-VSIP goals

| Organization | Goals | | | |
|-----------------|----------|---------|--------------|-------------|
| | De-layer | Surplus | Reduce grade | Reduce size |
| OECA | N/A | | N/A | |
| Office of Water | N/A | | N/A | |
| Region 1 | | N/A | | |
| Region 4 | | | N/A | N/A |
| Region 7 | | N/A | | |

Source: OIG analysis.

Green = goal accomplished; yellow = some progress made.

Examples for each of the goals follow, based on information provided by program offices and regions.

- De-layer:** Regions 1, 4 and 7 sought to reduce the number of supervisory positions consistent with a smaller workforce. Region 1 made slight progress; its pre-VERA-VSIP ratio was 1:7.4 and post-VERA-VSIP ratio was 1:7.8. Region 1 reported to us that it believed its continued restructuring will move it to above a ratio between 1:8. Region 4 made some progress as well, moving from 1:6.6 to 1:7.4, with a goal of 1:9. While Region 7 did not identify a target ratio in its VERA-VSIP plan, its supervisor-to-staff ratio increased from 1:6.9 in 2013 to 1:8.4 as of September 2015.
- Surplus:** Three of five organizations sought to reduce the number of positions in targeted areas and made progress. For example, OW eliminated eight positions and Region 4 eliminated 10 positions from targeted job series. OECA eliminated six positions and restructured seven others to lower full performance grade levels.

- **Reduce Grade:** Regions 1 and 7 reduced the number of highly-graded employees at the GS-13 through GS-15 level, and transferred duties to other employees or to lower-graded staff. The Region 1 VERA-VSIP plan stated its goal was to reduce the number of high-graded technical experts and senior policy advisors, and bring greater balance across the region's grade structure in both technical and legal series. As of September 2015, Region 1 capped new-hire positions for entry-level environmental engineers, environmental scientists and environmental protection specialists at the GS-12 level, and has only hired for GS-7 through GS-12 positions. Region 7's stated goals were to consolidate some higher-graded duties or restructure grade levels. According to a September 2015 Region 7 report, 73 percent of its VERA-VSIP departures were at GS-13 or above. The region spread staff work from those that left so some could be performed by lower-graded staff. Region 7 reduced the grade of one GS-14, three GS-13 and one GS-12 positions. Four total OECA Attorney and Criminal Investigator positions were also restructured to lower full performance level or by changing the supervisory status of the position.
- **Reduce Size:** Four of the five organizations sought to reduce the size of the organization, and all four lowered the full-time equivalent (FTE) to the level or below listed in their OPM-approved VERA-VSIP plan:
 - OECA reduced its FTEs to 726; its goal was to reduce to 767 FTEs.
 - OW reduced its FTEs to 558; its goal was to reduce to 563 FTEs.
 - Region 1 reduced its FTEs to 556; its goal was to reduce to approximately 590 FTEs.
 - Region 7 reduced its FTEs to 488; its goal was to reduce to 488 FTEs.

Some Progress Made on VERA-VSIP Restructuring Goals

One justification for the EPA's VERA-VSIP authority was to provide an incentive for staff in targeted positions to vacate those positions, which would then be restructured to accommodate new skillsets. This would enable the agency to accomplish its human health and environmental protection goals with a different workforce.

While hiring has occurred since VERA-VSIP, not all the organizations we reviewed had filled all the positions that were targeted for restructuring at the time we concluded our review. Table 4 shows the positions vacated through VERA-VSIP targeted for restructuring, and how many of those had been filled. Regions 1 and 7 are the only organizations to have filled all positions targeted for restructuring.

Table 4: Progress on restructuring through new positions

| Region/office | Positions available for restructuring | Positions restructured and filled |
|-----------------|---------------------------------------|-----------------------------------|
| Region 1 | 11 | 11 |
| Region 4 | 7 | 1 |
| Region 7 | 37 | 37 |
| OECA | 11 | 3 |
| OW ² | 7 | 5 |
| Totals | 73 | 57 |

Source: Analysis of EPA June 2016 hiring data.

Green = goal accomplished; yellow = some progress made.

EPA regional and program office managers stated that restructuring activities had not been completed for various reasons. For example:

- Region 4 cited the theft of security-related information (OPM breach) leading to the slowing and stopping of background checks as impeding its ability to hire new staff.
- OECA stated its overall number of staff was reduced due to congressional budget cuts, and it did not want to hire and then have to lay off staff.
- OW managers had not filled more positions because of uncertainty about budgets being large enough to support new staff.

The status of restructuring efforts for new skill, grade cap and other organization goals in our sample is summarized in Table 5.

Table 5: Progress achieving restructuring goals

| EPA region or office | Restructuring Goals | | | |
|----------------------|---------------------|-----------|---------------|--------------------|
| | New skill | Grade cap | Consolidation | Realign activities |
| Region 1 | | | N/A | N/A |
| Region 4 | N/A | N/A | N/A | N/A |
| Region 7 | | N/A | N/A | N/A |
| OECA | | N/A | | N/A |
| OW | | N/A | N/A | |

Source: OIG analysis.

Green = goal accomplished; yellow = some progress made; red = goal not accomplished.

- **New Skill:** We concluded that Regions 1 and 7 completed their new skill-hiring goals because they filled all of their restructured positions. Region 1 identified three positions needing new skills and reported filling each of those positions. Region 7 changed the job series of 12 positions and filled those positions with new staff. OECA stated that it added some staff with new skills to meet about 25 percent of its requirement and, at the time of our review, stated it had made job offers that would raise the fill rate to

² The information presented for OW in Table 4 is only for Round 1 of the buyouts. Appendix C contains additional information about both rounds of buyouts and filling of restructured positions.

about 50 percent if those offers were accepted. The OW had identified nine positions requiring different job series and had hired staff into four of those positions.

- **Grade Cap:** Region 1 reduced the grade of the four positions targeted for restructure so the full performance level was capped at a lower grade. Those changes included two environmental engineer positions reduced from a GS-13 to GS-12 full performance level; one GS-13 Information Specialist replaced with a GS-9 Correspondence Control Analyst; and one GS-13 Management Analyst position downgraded to a GS-12.
- **Consolidation:** Consolidation was an OECA VERA-VSIP goal. At the time of our review, OECA's consolidation effort was not complete. Specifically, OECA sought VERA-VSIP authority to redirect and refocus resources to support the *Next Gen*³ compliance assistance system and other consolidation efforts that reduce administrative and program support through efficiencies and eliminating obsolete skills. At the time of our review, OECA achieved its FTE reduction goal but could not decide how to reallocate staff.
- **Realign Activities:** The OW stated that realignment of administrative functions was not complete at the time of our review. The office attempted to realign administrative processes after losing 15 administrative staff. The office has tried alternatives, such as having other staff serve as backups and considered using Senior Environmental Employees. However, the OW stated that realignment is still a work in progress.

EPA Should Continue Monitoring Its Progress on VERA-VSIP Goals

All of the EPA organizations we reviewed submitted quarterly reports to OPM during the VERA-VSIP early-out/buyout period. These reports document progress in completing authorized buyouts. At the conclusion of the early-outs/buyouts in April 2014, these organizations submitted a final report detailing compliance with VERA-VSIP requirements and the results of the initiative. This reporting requirement was an OPM oversight function to monitor the agency's use of VERA-VSIP authority.

After the final reports were submitted to OPM, EPA organizations monitored hiring activities to verify that positions vacated after VERA-VSIP were either eliminated or restructured before being refilled. This monitoring occurred through "hiring templates" distributed by OARM. OARM has also summarized results of VERA-VSIP buyouts across the agency in its April 2015 and May 2016 EPA VERA-VSIP Impact Reports. The information presented in the April 2015 report helped OARM conclude that VERA-VSIP created an opportunity for the EPA

³ The *Next Generation Compliance (Next Gen)* approach increases the use of technology and innovative compliance strategies to yield more effective compliance with the nation's environmental laws.

“... to significantly reshape its workforce to align with evolving mission needs and current budgetary limitations.” The report from May 2016 summarized the results of VERA-VSIP buyout activities, discussed subsequent hiring to fill skill gaps, and stated that organizations were following their respective business cases to reshape their workforce for better alignment with mission goals and objectives.

The agency monitoring that occurred during the buyout activities was used to comply with OPM’s VERA-VSIP reporting requirements, and later provided OARM with data to assess the impact of VERA-VSIP. With this monitoring and reporting, we believe the agency can identify barriers to success, be positioned to detect when the longer-term restructuring goals are achieved, and have information to determine whether the 2014 VERA-VSIP program was a cost-effective approach to achieve EPA workforce restructuring needs.

Conclusion

Under its VERA-VSIP authority, the EPA paid incentives of about \$11.3 million for federal workers to leave their positions, plus accumulated annual leave payments of \$4.9 million, for a total of \$16.2 million. VERA-VSIP helped the program offices and regions in our sample achieve goals related to reducing size, grades and surplus positions. Other goals—such as de-layering and adding staff with new skill sets—had not been fully achieved at the time we concluded our review. All EPA organizations we reviewed complied with OPM’s reporting requirements, and continued monitoring after the completion of the buyouts. In response to an earlier OIG report, the agency implemented “hiring templates” to ensure it filled new EPA positions in a manner consistent with its VERA-VSIP goals and authority. The agency can take further action to monitor its progress in achieving its VERA-VSIP restructuring goals while also providing a foundation for assessing the cost effectiveness of VERA-VSIP as a broad workforce restructuring tool.

Recommendations

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

1. On a quarterly basis, collect information from program offices and regions on:
 - a. Progress toward achievement of Voluntary Early Retirement Authority–Voluntary Separation Incentive Payment restructuring goals.
 - b. When Voluntary Early Retirement Authority–Voluntary Separation Incentive Payment restructuring goals are accomplished.
 - c. When positions vacated under Voluntary Early Retirement Authority–Voluntary Separation Incentive Payment are filled.

2. Analyze the information obtained to determine the value of Voluntary Early Retirement Authority–Voluntary Separation Incentive Payment as a workforce restructuring tool.

Agency Response and OIG Evaluation

In response to the draft report, OARM agreed with the recommendations and provided corrective actions and completion dates. OIG and OARM representatives met to discuss the recommendations and agency response. Recommendations 1 and 2 are resolved and closed. We also received separate comments from Region 1, which we incorporated into the report as appropriate. Prior to issuing the final report we received supplemental comments and information from OARM and OW, which were incorporated into the report as appropriate. Agency comments are in Appendices A, B and C.

Status of Recommendations and Potential Monetary Benefits

| RECOMMENDATIONS | | | | | | Potential Monetary Benefits (in \$000s) |
|-----------------|----------|--|---------------------|---|-----------------|---|
| Rec. No. | Page No. | Subject | Status ¹ | Action Official | Completion Date | |
| 1 | 13 | On a quarterly basis, collect information from program offices and regions on: a. Progress toward achievement of Voluntary Early Retirement Authority–Voluntary Separation Incentive Payment restructuring goals. b. When Voluntary Early Retirement Authority–Voluntary Separation Incentive Payment restructuring goals are accomplished. c. When positions vacated under Voluntary Early Retirement Authority–Voluntary Separation Incentive Payment are filled. | C | Assistant Administrator for Administration and Resources Management | 7/16/15 | |
| 2 | 14 | Analyze the information obtained to determine the value of Voluntary Early Retirement Authority–Voluntary Separation Incentive Payment as a workforce restructuring tool. | C | Assistant Administrator for Administration and Resources Management | 9/30/16 | |

¹ C = Corrective action completed.
R = Recommendation resolved with corrective action pending.
U = Recommendation unresolved with resolution efforts in progress.

Agency Response to Draft Report



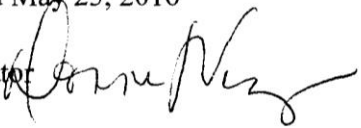
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUN 24 2016

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: EPA Response to the Office of Inspector General Draft Report, *EPA's 2014 Early-Out and Buyout Activities Aided Workforce Restructuring, But Not All Goals Have Been Achieved*, Project No. OPE-FY14-0049, dated May 25, 2016

FROM: Donna J. Vizian, Acting Assistant Administrator 

TO: Carolyn Copper, Assistant Inspector General
Office of Program Evaluation
Office of Inspector General

Thank you for the opportunity to review the draft report. Below is the agency's response to the report recommendations.

BACKGROUND:

On December 12, 2013, the Deputy Administrator announced that EPA offices were planning to use early-outs under Voluntary Early Retirement Authority (VERA) and buyouts under Voluntary Separation Incentive Program (VSIP) to realign their workforces to meet changing mission requirements and move toward new models of work. According to the announcement, over the prior year, due to resource constraints, the EPA had been operating under a series of temporary hiring policies to carefully manage its workforce and payroll by not filling all positions vacated when people left the agency. The December 2013 announcement noted this approach was difficult to manage because of the unpredictable nature of attrition. Furthermore, it challenged the EPA's ability to acquire new talent, build diversity in its staff, develop new skills, and provide all of the necessary tools to achieve the agency's mission of protecting human health and the environment.

AGENCY RESPONSE TO RECOMMENDATIONS:

The agency concurs with the draft report recommendation and provides the following corrective actions and the completion dates.

| No. | Recommendation | High-Level Intended Corrective Action(s) | Estimated Completion Date by Quarter and FY |
|-----|--|---|---|
| 1 | On a quarterly basis, collect information from program offices and regions on: a) Progress toward achievement of VERA-VSIP restructuring goals. b) When VERA-VSIP restructuring goals are accomplished. c) When positions vacated under VERA-VSIP are filled. | <ul style="list-style-type: none">The Office of Human Resources developed Strategic Hiring Templates to monitor progress following VERA-VSIP. On a quarterly basis, program and regional offices update the templates with the status of VERA-VSIP vacated positions. This ensures offices are complying with the goals outlined in their respective business cases. | 7/16/15 |
| 2 | Analyze the information obtained to determine the value of VERA-VSIP as a workforce restructuring tool. | <ul style="list-style-type: none">Following VERA-VSIP, the EPA began using OPM's HRStat initiative to analyze and monitor restructuring of the workforce. This provides an opportunity to show senior leaders how hiring compares to the goals stated through VERA-VSIP.The Office of Human Resources published a VERA-VSIP Impact Report, which details the effects of VERA-VSIP on the agency and provides information on subsequent hiring. | 10/29/14 Q4 FY2016 |

Once the remaining corrective action is implemented, OARM believes the agency has met the intent of the OIG recommendations and no additional follow-up actions are required. Additionally, due to the sensitive nature, OARM recommends eliminating the reference to clerical and administrative support when describing surplus positions on page seven of the report.

Should you or your staff have any questions regarding this response, please have them contact Linda Gray, Director, Office of Human Resources, OARM at (202) 564-4606.

cc: John Showman
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Region 1 Response to Draft Report



MEMORANDUM

FROM: Michael Kenyon, Senior Resource Official
Assistant Regional Administrator, EPA Region 1

TO: Timothy Roach, Project Manager, Office of Inspector General
Eric Lewis, Director, Special Program Reviews

cc: Donna Vizian, Acting Assistant Administrator
Office of Administration and Resources Management

SUBJECT: Draft Report: Workforce Restructuring Under VERA-VSIP
Project No. OPE-FY14-0049

EPA Region 1 appreciates the opportunity to respond to the draft report on the above subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). Our comments pertain to the portions of the report specific to Region 1.

At the onset of the review, the OIG identified their objectives were to determine:

1. What workforce restructuring goals were identified by program and regional offices?
2. How consistent were these goals across the agency?
3. What progress have the offices made in executing their restructuring plan?
4. Did the major offices achieve their goals in restructuring the organization?

We believe that our region was successful in achieving most of our workforce restructuring goals. On December 20, 2013, EPA Region 1, thru the Office of Administration and Resource Management (OARM) at EPA headquarters, submitted a VERA/VSIP plan to OPM. This plan was subsequently approved on January 31, 2014. Region 1 identified its overarching goal was to reshape the workforce by consolidating higher graded positions into a smaller proportion of higher graded staff, reduce the number of supervisory positions in line with a smaller overall workforce, and address the changing nature of the workforce skill requirements due to advances in technology and changing Agency priorities.

Region 1's plan identified that it would allow 20 people to leave and use the VERA/VSIP authority in three areas.

- Administrative Support – reduce the number of staff performing administrative functions (new skill)
- GS14/14 Supervisory - delayer
- GS 14/15 Non-Supervisory – replace higher graded technical staff with lower graded technical staff and introduce new skills (reduce grade; new skill)

While we have only made incremental progress on the delayering goal, we believe otherwise we largely met our goals. We do not believe this is accurately reflected in the report. We provide specific comments below.

Restructuring of Positions: Table 4 in the draft report has identified that Region 1 had 11 positions available for restructuring. It further indicates that Region 1 has “0” positions restructured and filled. As discussed in our conversation with the IG team in March, this is not the case. Attached to this report please find a detailed report of all of the positions vacated in Region 1 as a result of the VERA/VSIP activities.

Region 1 met the target to restructure and fill 11 positions:

9 positions were restructured and filled prior to 09/30/15. 2
more positions were restructured and filled by 11/15/15.

The remaining 9 positions vacated during VERA/VSIP were addressed as follows:

7 positions were eliminated and the resources reallocated to other key areas. 1
GS 15 position was abolished.
1 GS 5 position was abolished.

The reallocation of resources allowed us the opportunity to hire into 15 entry level positions, addressing critical mission work and introducing needed new skills into the organization.

Delayering: The draft report, in Table 3 indicates that Region 1 has not yet achieved its de-layering goal. The shift to date has moved Region 1 from 1.7 to 1.8. Our hiring activity and attrition impacted our results in this area. However, we continue to pursue the development of organizational restructures that we feel will result in our ratio of supervisors to employees moving above 1.8 ratio.

Comment: The Draft Report does not mention how data was captured to calculate the supervisor to employee ratio. For example, we do not know if vacant supervisory positions were used. We would recommend a footnote be added to include the time frame and method used to calculate this ratio.

Thank you for the opportunity to comment on this draft report.

Office of Water Response to Draft Report




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

FEB 27 2017

MEMORANDUM

OFFICE OF WATER

SUBJECT: Draft Report: Workforce Restructuring Under VERA-VSIP
Project No. OPE-FY14-0049

FROM: Michael H. Shapiro 
Senior Resource Official

TO: Timothy Roach, Project Manager, Office of Inspector General
Eric Lewis, Director, Special Program Reviews

Thank you for the opportunity to update the Office of Water's (OW) numbers in *Table 4: Progress on restructuring through new positions* in the draft report referenced above. We have provided our updated information below, but would also like to note that the progress represented in restructuring positions correlates with progress toward each of the other identified goals, requiring a more well-rounded progress update. While the Office of Inspector General's (OIG) report was an accurate depiction of OW's progress in October of 2015, OW has made significant progress since then.

Of the 26 positions identified for restructuring, 21 have been filled at this time. One position went through the recruitment process, though we were unable to find a qualified candidate, 2 positions were eliminated to reallocate resources and the remaining 2 positions remain unfilled due to uncertainty about budget considerations to support new staff. Detailed information about these positions can be found in OW's strategic hiring template.

Specifically, for *Table 4: Progress on restructuring through new positions* on page 11:

| Region/office | Positions available for restructuring | Positions restructured and filled |
|-----------------|---------------------------------------|-----------------------------------|
| Office of Water | 26 | 21 |

Our updated numbers are as follows for the 26 positions OW identified for restructuring:

- 21 have been filled (81%)
- 1 was advertised but we were unable to find a qualified candidate; the position remains unfilled
- 2 were eliminated
- 2 are on hold/pending approval relative to resource constraints

Also, respectfully, the numbers referenced in Table 4 of the report are reflective of both the first and second round of the Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Program (VSIP) while the goals identified for OW in Table 2 are only reflective of the first round. OW would like to note that a significant goal of our second-round VERA/VSIP participation was to reduce the number of higher-graded positions within the AAship. Through restructuring and consolidation of work, OW has been successful in filling new positions at the entry level to meet mission critical needs within the confines of our identified VERA/VSIP goals. OW agrees with the assessment of meeting the surplus and size reduction goals and with the completion of position restructuring, OW has been able to realize the goals of achieving new skill sets in the workforce and reducing the grade level of the overall workforce.

OW continues to make progress in the goal of realigning administrative activities. Vacated administrative positions generally supported one administrative function and have been restructured to address more well-rounded business operations responsibilities. This approach was taken in response to the impact of technology and the changing needs of the workforce. OW continues work on streamlining administrative processes across the AAship.

Thank you for the opportunity to respond to this draft report.

cc: Donna Vizian, Acting Assistant Administrator
Office of Administration and Resources Management

Distribution

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Assistant Administrator for Administration and Resources Management

Assistant Administrator for Enforcement and Compliance Assurance

Assistant Administrator for Water

Agency Follow-Up Official (the CFO)

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Regional Administrator, Region 1

Regional Administrator, Region 4

Regional Administrator, Region 7

Principal Deputy Assistant Administrator for Administration and Resources Management

Director, Office of Resources, Operations, and Management, Office of Administration
and Resources Management

Deputy Director, Office of Resources, Operations, and Management, Office of Administration
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