



Management Alert: Agency Employees May Have Received Improper Locality Payments



OIG-O-25-03
January 8, 2025

Office of Inspector General
Export-Import Bank of the United States



Management Alert

To: Courtney Chung
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Subject: Management Alert: Agency Employees May Have Received Improper Locality Payments (OIG-O-25-03)

Date: January 8, 2025

Executive Summary

The Office of Inspector General (OIG) for the Export-Import Bank of the United States (EXIM) identified instances in which agency employees may have received improper locality payments,¹ resulting in up to \$95,196 in annual overpayments to agency employees.² Specifically, OIG identified 13 EXIM employees authorized for telework³ who received Washington, D.C. locality pay but listed their official residence in a different locality pay area. In addition to these 13 employees, it appears EXIM did not process a personnel action to correct an employee's locality pay after the agency approved a remote work arrangement in August 2021. OIG is unable to confirm the total amount of any improper locality payments due to data limitations associated with the agency's timekeeping and access control systems. In addition, OIG found that EXIM lacked a clear policy on remote work⁴ and that telework agreements were not regularly updated.

¹ Locality-based comparability payments are authorized under 5 U.S.C. 5304. Locality pay increases the employee's "scheduled annual rate of pay" by the locality pay percentage authorized by the President for the locality pay area in which the employee's official worksite is located. Locality pay areas are defined in 5 C.F.R. 531.603.

² In addition, an improper application of locality pay rates would likely result in additional costs to the agency, including in the form of overpayments for retirement benefits (e.g., Federal Employee Retirement System and Thrift Savings Plan contributions) and Social Security and Medicare taxes paid by the agency.

³ The Telework Enhancement Act of 2010, codified at 5 U.S.C. § 6501 et seq., defines the term 'telework' or 'teleworking' as a work flexibility arrangement under which an employee performs the duties and responsibilities of such employee's position from an approved worksite other than the location from which the employee would otherwise work. This includes any arrangement where employee conducts work activities during any regular, paid hours, from an alternative location mutually agreeable to the employee and the agency (e.g., the employee's home).

⁴ According to the Office of Personnel Management, remote work is defined as a flexible work arrangement in which an employee, under a written remote work agreement, is scheduled to perform work at an alternative worksite and is not expected to perform work at an agency worksite on a regular and recurring basis. A remote worker's official worksite may be within or outside the local commuting area of an agency worksite. See Office of Personnel Management, [2021 Guide to Telework and Remote Work in the Federal Government](#) (November 2021).

OIG's findings are based on a proactive review of EXIM records. Specifically, OIG requested employee records to identify potentially fraudulent activity. OIG also reviewed agency policies related to telework. OIG's work on this matter was completed under the *Quality Standards for Federal Offices of Inspector General*, which requires OIG to follow procedures that ensure the accuracy of the information as well as adhere to the professional standards of independence, due professional care, and quality assurance.⁵ OIG is issuing this management alert consistent with the Inspector General Act of 1978, as amended, which requires OIGs to report when they become aware of serious deficiencies related to the administration of agency programs and operations.⁶ Similarly, the *Quality Standards for Investigations* as issued by the Council of the Inspectors General for Integrity and Efficiency requires that systematic weakness or management problems disclosed in an investigation should be reported to agency officials as soon as practicable.⁷

OIG is referring these findings to the agency for any action it deems appropriate. OIG requests that EXIM provide a written update within 90 days describing any actions taken by the agency, and any cost savings achieved as a result of this referral.

Agency Policy Lacks Clarity on Remote Work

EXIM's telework program is guided by the agency's telework policy, which the agency last updated in March 2021. The telework policy outlines employee eligibility criteria and defines different types of telework arrangements available to employees, including regular, situational, and distance telework. EXIM's telework policy does not consistently define distance telework or remote work. Section 6.1 of the policy states that distance telework is "also referred to as remote work." However, Section 7 of the policy defines distance telework and remote work separately. The policy also explicitly states that remote work is not covered by the telework policy, yet EXIM does not have a separate remote work policy even though it reported having 14 additional employees serving on remote work agreements.

Consistent with 5 CFR part 531, subpart F § 531.605(d)(1), EXIM's telework policy requires that employees covered by a telework agreement work at least twice each biweekly pay period from their regular worksite. Specifically, the policy states:

"To maintain original duty station, employee must report to the duty station at least 2 days per pay period (at their cost) [...] If an employee's official duty station is located at EXIM, it would not change as long as the employee regularly commutes into the office at least twice each biweekly pay period on a regular and recurring basis. If the employee

⁵ Council of the Inspectors General on Integrity and Efficiency, [Quality Standards for Federal Offices of Inspector General](#) (August 2012).

⁶ See 5 U.S.C. §405(e).

⁷ Council of the Inspectors General for Integrity and Efficiency, [Quality Standards for Investigations](#) (November 15, 2011).

does not regularly commute into the office at least twice each biweekly pay period, the official duty station must be changed to the alternative worksite.”⁸

Section 6.3.1 in EXIM’s telework policy further states:

“All employees must have an approved telework agreement in place to participate in telework [...] The telework agreement documents the terms and conditions of the telework arrangement, including the type of telework arrangement approved and the particular days for which the employee is approved to telework, if applicable [...] A new telework agreement form must be initiated when the employee is assigned a new supervisor or new position.”

Potentially Improper Locality Payments

OIG identified instances in which agency employees may have received improper locality payments, resulting in up to \$95,196 in annual overpayments to agency employees. Consistent with OIG’s oversight mission, OIG requested records to identify potential fraud and assess the agency’s compliance with applicable law, policy, and regulation governing locality payments to EXIM employees. OIG identified 13 employees under a routine telework agreement who had residential addresses outside of the Washington, D.C. locality pay area, but still had EXIM Headquarters in Washington, D.C. as their duty station.⁹ In addition to these 13 employees, it appears EXIM did not process a personnel action to correct an employee’s locality pay after the agency approved a remote work arrangement in August 2021. As shown in Table 1, below, the 13 employees OIG identified may be receiving up to \$95,196 in annual salary overpayments. In addition, an improper application of locality pay rates would likely result in additional costs to the agency, including in the form of overpayments for retirement benefits (e.g., Federal Employee Retirement System and Thrift Savings Plan contributions) and Social Security and Medicare taxes paid by the agency.

OIG is unable to confirm the total amount of any improper locality payments due to data limitations associated with the agency’s timekeeping and access control systems. OIG attempted to verify whether the identified employees reported to EXIM’s Washington, D.C. headquarters twice per pay period, as required by the agency’s policy. Specifically, OIG reviewed the timecard records for the 13 individuals and found that nine of the employees reported that they teleworked for at least one full pay period during the period reviewed by OIG.¹⁰ However, OIG observed that individuals recorded their hours in the timekeeping system inconsistently and, accordingly, has little confidence in the accuracy of the data.¹¹ OIG also obtained badge swipe records for the identified individuals to determine whether they reported to their Washington, D.C. duty station. Several employees did not badge in or out at

⁸ EXIM, *Telework Policy* (effective July 14, 2021). See sections 6.2.4 and 6.5.

⁹ The agency also produced a listing of 14 additional employees with remote work agreements. As previously noted, EXIM’s policies related to remote work are unclear.

¹⁰ OIG reviewed timecard records for pay periods 1-19 in calendar year 2024.

¹¹ For example, employees appeared to utilize codes “F” (employee teleworks 1-2 days per pay period) and “C” (employee teleworks 3+ days per pay period) in the timecard system interchangeably.

any point during the period under review. However, as previously reported by OIG, EXIM headquarters does not have adequate building controls to track when employees enter or exit the building.¹² Accordingly, OIG cannot determine whether these individuals failed to come to headquarters, as required, or merely failed to swipe in and out using the electronic turnstiles.

Table 1: Possible Cases of Improper Locality Payments

Employee	Current Salary	Residence (Locality Pay Area)	Residence Locality Salary	Potential Overpayment
Individual A	\$163,964	Harris County, TX (Houston-The Woodlands)	\$165,761	(\$1,797)
Individual B	\$191,900	Union County, NJ (NY, Newark NJ)	\$191,900	\$ -
Individual C	\$121,894	Atlanta, GA (Atlanta)	\$112,921	\$8,973
Individual D	\$121,894	Strafford County, NH (Boston-Worchester)	\$120,714	\$1,180
Individual E	\$163,964	Lee County, FL (Rest of U.S.)	\$143,736	\$20,228
Individual F	\$171,923	Jackson County, MS (Rest of U.S.)	\$150,713	\$21,210
Individual G	\$153,336	New Castle County, DE (Philadelphia)	\$147,916	\$5,420
Individual H	\$75,245	Duval County, FL (Rest of U.S.)	\$65,962	\$9,283
Individual I	\$191,900	New Castle County, DE (Philadelphia)	\$191,900	\$ -
Individual J	\$191,900	Sussex County, DE (Philadelphia)	\$191,900	\$ -
Individual K	\$171,923	Wake County, NC (Raleigh Durham)	\$157,267	\$14,656
Individual L	\$117,962	Tarrant County, TX (Dallas-Ft. Worth)	\$112,341	\$5,621
Individual M	\$99,200	Iredell County, NC (Charlotte-Concord)	\$88,778	\$10,422
Total				\$95,196

Source: Generated by OIG from data provided by EXIM.

Telework Agreements Not Regularly Updated

OIG also reviewed the most recent telework agreements for the identified employees and found that the agreements were not regularly updated. Four of the telework agreements OIG reviewed went into effect in 2021, and seven agreements were established in 2022. Additionally, the agreements for two individuals were approved under situational telework

¹² OIG, [Review of Access Control Measures at EXIM Headquarters](#) (OIG-SR-24-01, November 13, 2023).

agreements, which is described by EXIM's policy to occur "on an occasional or non-routine basis."¹³

OIG noted that EXIM's telework policy does not explicitly require telework agreements to be updated for changes in telework status. Additionally, EXIM's policy does not require an annual review by supervisors or recertification by employees.¹⁴ However, the lack of regular review of the telework agreements may have contributed to any potential locality pay overpayments.

Conclusion

EXIM should conduct a comprehensive review of its telework policy and complete a review of its staff work agreements, home of record, and locality pay to ensure compliance with the policy. Within 90 days, EXIM should advise OIG of the results of its review, including any findings of intentional misrepresentations or potential fraud by employees as well as any cost savings achieved as a result of this referral.

Thank you in advance for your attention to these matters and your continued support of efficient governance in EXIM. If you have any additional questions, please contact me at (202) 565-3238 or Jason.Metrick@exim.gov.

¹³ EXIM, *Telework Policy* (effective July 14, 2021). See Section 7.

¹⁴ Such annual actions are not required by law or regulation. However, such actions are a requirement at other federal departments and agencies and may be considered a good practice and internal control to promote the agency's compliance with applicable law, policy, and regulation. For example, the Office of Personnel Management states that managers should at least annually, review and as needed update written telework agreements. See Office of Personnel Management, [2021 Guide to Telework and Remote Work in the Federal Government](#) (November 2021).

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