



OFFICE OF INSPECTOR GENERAL

U.S. Department of Energy

SPECIAL REPORT

DOE-OIG-25-18

March 2025

**REMOTE WORKERS RECEIVED
INCORRECT LOCALITY PAY
ADJUSTMENTS AT
THE DEPARTMENT OF ENERGY**



Department of Energy
Washington, DC 20585

March 31, 2025

MEMORANDUM FOR THE SECRETARY

SUBJECT: Special Report: *Remote Workers Received Incorrect Locality Pay Adjustments at the Department of Energy*

The Office of Inspector General received a Congressional inquiry to review the Department of Energy's remote work practices. Specifically, the request expressed concern regarding the accuracy of official worksites reflected in remote employees' records and their locality pay adjustments. We initiated this inspection to determine the facts and circumstances pertaining to the concerns regarding locality pay implementation at the Department.

We found that the Department did not implement locality pay adjustments accurately for five remote workers in our judgmental sample. The five employees identified each worked remotely from one location while receiving a locality pay adjustment for another location. For three employees, the pay they were receiving was higher than the locality pay adjustment for their working location. The other two employees were receiving pay that was lower than the locality pay adjustment for their working location. Locality pay adjustments are determined by the cost of living in defined locality areas and should be made based on an employee's official worksite. Further, during our inspection, the Department identified eight additional employees that were receiving incorrect locality pay adjustments. In total, those identified in our inspection were less than one percent of all remote employees in the Department. Our report contains three recommendations that management implemented and completed. Management fully concurred with our recommendations.

We acknowledge that the Department is in the process of rescinding remote work agreements or has rescinded them already by bringing remote staff back to the office. However, this inspection was conducted prior to the President signing the Return to In-Person Work memorandum. We conducted this inspection from October 2023 through October 2024 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* (December 2020). We appreciated the cooperation and assistance received during this inspection.

A handwritten signature in cursive script that reads "Sarah Nelson".

Sarah Nelson
Assistant Inspector General
for Management and Administration
Performing the Duties of the Inspector General
Office of Inspector General

cc: Chief of Staff



Department of Energy Office of Inspector General

Remote Workers Received Incorrect Locality Pay Adjustments at the Department of Energy (DOE-OIG-25-18)

WHY THE OIG PERFORMED THIS INSPECTION

The Office of Inspector General received a Congressional inquiry to review the Department of Energy's remote work practices. Specifically, the request expressed concern regarding the accuracy of official worksites for remote employees and their locality pay adjustments.

We initiated this inspection to determine the facts and circumstances pertaining to the concerns regarding locality pay implementation at the Department.

What Did the OIG Find?

We found that the Department did not implement locality pay adjustments accurately for five remote workers in our judgmental sample. The five employees identified each worked remotely from one location while receiving a locality pay adjustment for another location. Locality pay adjustments are determined by the cost of living in defined locality areas and should be made based on an employee's official worksite. Further, during our inspection, the Department identified eight additional employees that were receiving incorrect locality pay adjustments. In total, those identified in our inspection were less than one percent of all remote employees in the Department.

We attributed these issues to insufficient internal controls regarding the determination of remote workers' official worksites and locality pay adjustments. In particular, prior to our inspection, the Department did not: (1) fully implement data analytics to identify discrepancies between official worksites and locality pay adjustments; (2) specifically assign oversight responsibility for continued monitoring to ensure official worksites remained accurate; (3) require a periodic review of official worksites and recertification of Remote Work Agreements; (4) and require documentation to verify official worksites.

What Is the Impact?

If remote workers receive locality pay adjustments that are higher than appropriate, the Department is not fully achieving the cost savings that can be provided by remote work arrangements.

What Is the Path Forward?

To address the issues identified in this report, we have made three recommendations that, if fully implemented, should help ensure that the issues identified are corrected.

BACKGROUND

Remote work is a flexible work arrangement that allows employees to perform work at a location other than the regular agency worksite. Remote workers do not work at an agency worksite on a regular and recurring basis; therefore, the remote worksite, typically the employee's home, is the employee's official worksite.

Salaries for most Department of Energy employees are based on their official worksite. Specifically, the Office of Personnel Management has identified 58 distinct locality areas, each providing a locality pay adjustment to employees' base salaries. These adjustments are determined by the cost of living in these locality areas. The locality pay adjustment to which each employee is entitled is based on their official worksite. As such, a remote worker's locality pay adjustment is determined by their remote worksite.

The Office of Inspector General Hotline received a Congressional inquiry to review the Department's remote work practices. Specifically, the request expressed concern regarding the accuracy of official worksites and locality pay adjustments for remote employees. In response, we initiated an inspection to determine the facts and circumstances pertaining to the concerns regarding locality pay implementation at the Department.

LOCALITY PAY

We found that the Department did not implement locality pay adjustments accurately for five remote workers in our judgmental sample. Specifically, some employees worked remotely from one location while receiving a locality pay adjustment for another location. According to 5 Code of Federal Regulations § 531.605, Determining an Employee's Official Worksite, the official worksite is the location where the employee regularly performs their duties, as indicated on the employee's Notification of Personnel Action (Standard Form 50). An agency must determine an official worksite for any employee covered by a Remote Work Agreement and provide the appropriate locality pay salary adjustment. While Department employees with a Remote Work Agreement generally received locality pay adjustments consistent with their Standard Form 50, the city, county, and state listed on Standard Form 50 was not always the location from which the employee worked.

The Department's Office of the Chief Human Capital Officer (Human Capital) provided a list of 2,756 Department employees who were identified as remote workers as of November 2023. Using data analytics based on inconsistencies between employee addresses and worksite locations in Department databases, we developed a list that included 94 Department employees¹ who potentially received incorrect locality pay adjustments. From the initial list of 94 Department employees, we conducted an in-depth review of documentation and system data from a judgmental sample of 20 Department employees from 4 Department Elements to determine whether the city, county, and state listed on the employee's Standard Form 50 was, in fact, the address from which the employee regularly performed their duties.

¹ The focus of our review was on Headquarters Department Elements and did not include employees with the National Nuclear Security Administration or the Power Marketing Administration.

From the judgmental sample of 20 Department employees, we identified 5 employees who were receiving incorrect locality pay adjustments. For three of the employees, the locality pay adjustment they were receiving was higher than the locality pay adjustment for their working location. For example, one employee's home address and Remote Work Agreement address, where they regularly performed their duties, was in the locality pay area defined as "Rest of U.S." with an adjustment of 16.5 percent. However, the Department was paying the individual based on the locality pay area defined as Denver-Aurora, Colorado, which is an adjustment of 29.05 percent. The other two² employees were receiving a locality pay adjustment that was lower than the adjustment to which they were entitled. Additionally, based on our discussions with Department officials, they utilized our list of 94 employees and other analytical methods initiated prior to the start of our inspection to identify eight additional remote workers that were receiving incorrect locality pay. The 13 employees identified in this report represent less than one percent of the 2,756 employees identified as remote workers, and because we did not use statistical sampling, our findings cannot be projected to the Department's entire population of remote workers.

INTERNAL CONTROLS

The discrepancies between employees' official worksites and their locality pay adjustments occurred because the Department had not established sufficient internal controls to ensure remote workers' official worksites and locality pay adjustments remained accurate. Specifically, we identified the following concerns:

- Prior to our inspection, the Department had not fully implemented a method, including the use of data analytics, to identify potential discrepancies between the employees' official worksites and their locality pay adjustments.
- The Department had not issued official guidance identifying the roles and responsibilities to ensure official worksites and locality pay areas remained accurate. Human Capital told us it does not have the responsibility to manage oversight procedures to ensure that official worksites and locality pay areas were accurate and consistent. According to Human Capital officials, this responsibility lies with each employee's supervisor. However, Department Order 314.1A, *Telework and Remote Work Program*; and Human Capital Policy Memorandum #106, the guidance in place when we started our inspection; did not assign oversight responsibilities to supervisors relating to ensuring locality pay remained accurate nor did we identify any other official Department guidance that addressed this concern.
- The Department had not established a process to periodically review official worksites, locality pay adjustments and recertify Remote Work Agreements. Rather, Human Capital Policy Memorandum #106, which was in effect when we started the inspection, specifically stated annual certification of a Remote Work Agreement was not required.

² According to Human Capital, one of the two receiving lower locality pay has separated from the Department, and they ensured the locality pay was corrected before their departure.

- Department Elements did not require documentation to verify the official worksite listed on Standard Forms 50 or Remote Work Agreements. Rather, Human Capital told us that the Department relied on employees to provide accurate addresses.

While the controls mentioned are not required, their implementation may have prevented inaccurate locality pay adjustments to remote workers' salaries.

ACTIONS TAKEN BY THE DEPARTMENT

While we identified internal controls that had not been implemented, the Department stated it was continuously working to address issues as they were identified to mitigate the potential for employees to receive incorrect locality pay. For example, prior to the start of our inspection, Human Capital:

- Provided information on determining remote employees' official worksites, including personnel actions to update locality pay areas via management meetings and fact sheets.
- Implemented a system for Departmental Elements to more easily update large batches of personnel actions such as updating official worksites, duty stations, and worksite locations.
- Developed the Telework & Remote Work Automated Collection System (TRACS), a centralized system to track remote worker data. While TRACS cannot compare data across Department systems, Human Capital and the Office of the Chief Financial Officer were in the process of implementing data analytic tools similar to those used by the Office of Inspector General to identify potential discrepancies between official worksites and locality pay adjustments.

Further, during our inspection, Human Capital updated Human Capital Policy Memorandum #106 to #106B so that it now requires the following:

- Departmental elements must routinely review the TRACS, the Position Allocation Report, and the Corporate Human Resources Information System and request updates as needed to ensure accuracy for both position and employee Tele/Remote work designations. Also, Departmental elements must advise remote employees of the location (i.e., city and state) they need to record as their official Department worksite in TRACS.
- Employees must initiate a new Remote Work Agreement in TRACS if the employee is approved to change their official remote worksite, even if that change does not modify the locality pay. Further, employees are responsible for updating their mailing address in the payroll system, monitoring their leave and earnings statement, and notifying their supervisor and their servicing human resources if their duty station change is needed or not processed timely.

Finally, Human Capital told us that it has taken actions to correct the payroll discrepancies identified in this report.

We believe these actions will assist in decreasing instances of remote employees receiving incorrect locality pay. However, as previously identified, the Department could benefit from implementing the use of data analytics, requiring annual recertification of Remote Work Agreements, and requiring the use of documentary evidence to verify official worksites.

EFFICIENT USE OF DEPARTMENT RESOURCES

Accurate determination of remote workers' official worksites contributes to the economy and efficiency of the Department's operations. Specifically, if remote workers receive locality pay adjustments that are higher than appropriate, the Department is not fully achieving the cost savings that can be provided by flexible work arrangements.

RECOMMENDATIONS

We recommend that the Secretary direct Human Capital in coordination with the Office of the Chief Financial Officer to:

1. Continue to perform a comprehensive review to ensure that remote workers' official worksites have been accurately identified and employees are receiving the correct locality pay adjustment;
2. Determine if restitution of overpayments in salaries resulting from incorrect locality pay adjustments for remote workers is warranted; and
3. Implement appropriate internal controls to mitigate the potential for future discrepancies between remote workers' official worksites and locality pay adjustments.

MANAGEMENT RESPONSE

Management fully concurred with our recommendations. For each of the recommendations, management stated actions have been taken and completed. Human Capital stated it has implemented a biweekly tracking system by providing reports on data inconsistencies to Departmental Elements' Telework Coordinators for their review and action. Also, Human Capital stated for any locality pay errors found, they made corrections, ensured letters of indebtedness were issued, and the debts were collected from employees who were overpaid. Further for an employee who was underpaid, Human Capital said they made corrections to ensure the employee received the locality pay for which they were entitled.

Management comments are included in Appendix 2.

INSPECTOR COMMENTS

We found that management was generally responsive to our recommendations, but they contested certain elements of our report. Specifically, management asserted that our report did not consider: (1) the Department's remote work program as a whole, (2) employee and supervisor requirements in the 2021 Policy Memorandum #106, (3) meetings and briefings

Human Capital held with Resource Managers, (4) the Department's implementation of data analytics and Telework & Remote Work Automated Collection System, (5) and the continued evolution of the Department's remote work policies and procedures. Finally, management raised concerns about our sampling methodology employed. We disagree with management's assertions.

While management states the Department's remote work program was robust, as stated in the report, we identified internal control weaknesses that may have contributed to allowing some employees to receive incorrect locality pay. Further, our inspection scope was not focused on the program, but rather on the controls in place to reduce the likelihood of an employee receiving incorrect locality pay.

Management implied that employee and supervisor responsibilities laid out in Human Capital's 2021 Policy Memorandum #106 and the 2021 Remote Work Agreement was sufficient to ensure that employees received the correct locality pay. Our position is that those actions will assist in the initial establishment of an employee's locality pay; however, it relies on employees to notify their supervisor of their intent to move and does not require active monitoring to ensure the employee's locality pay remains correct. Specifically, as stated in the report, the 2021 Policy Memorandum #106 specifically stated that annual recertification of remote work agreements is not required.

As for management's implication that our report did not provide the Department with credit for actions taken, we disagree. These actions relate to the following: (1) meetings and briefings Human Capital held with Resource Managers, (2) the Department's implementation of data analytics and the Telework & Remote Work Automated Collection System, and (3) the continued evolution of the Department's remote work policies and procedures. In the section titled "Actions Taken by the Department," we address providing information via meetings and fact sheets, data analytics, Telework & Remote Work Automated Collection System, and the updates made to Human Capital's Policy Memorandum #106.

Further, management asserts that our sampling methodology was limited, inaccurate, mischaracterizes, and overinflates the findings. Our sample was limited and focused for us to determine if there were employees who were receiving incorrect locality pay and what internal control weakness may have contributed to those errors. In our report, we provided our methodology and stated the 13 employees identified in this report represent less than one percent of the 2,756 employees identified as remote workers, and because we did not use statistical sampling, our findings cannot be projected to the Department's entire population of remote workers. Our report identified internal control weaknesses; therefore, we believe there could potentially be other employees who received incorrect locality pay.

Appendix 1: Objective, Scope, and Methodology

OBJECTIVE

We initiated this inspection to determine the facts and circumstances pertaining to the concerns regarding locality pay implementation at the Department of Energy.

SCOPE

The inspection was performed from October 2023 through October 2024 at Department Headquarters in Washington, DC. The scope was limited to the facts and circumstances related to the Department's implementation of locality pay for remote workers. The inspection was conducted under Office of Inspector General project number S24OR003.

METHODOLOGY

To accomplish our inspection objective, we:

- Reviewed Federal and Department regulations, policies, procedures, and guidance;
- Held discussions with Department personnel with knowledge and experience in the inspection areas;
- Reviewed data containing employee information including addresses and work locations; and
- Compared employees' reported work location with locality pay locations.

We conducted our inspection in accordance with the *Quality Standards for Inspection and Evaluation* (December 2020) as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions.

We held an exit conference with management officials on March 18, 2025.

Appendix 2: Management Comments



Department of Energy

Washington, DC 20585

February 24, 2025

MEMORANDUM FOR SARAH NELSON
ASSISTANT INSPECTOR GENERAL FOR MANAGEMENT
AND ADMINISTRATION

FROM: ERIN MOORE 
CHIEF HUMAN CAPITAL OFFICER

SUBJECT: Special Report: *Remote Workers Received Incorrect Locality Pay Adjustments at the Department of Energy* (S24OR003)

Thank you for the opportunity to review and comment on the subject report. The Office of the Chief Human Capital Officer (HC) appreciates the auditors' audit work and provides the following comments below.

The report states the Congressional inquiry was to review the Department of Energy's remote work practices and the accuracy of official worksites and locality pay for remote employees. However, I do not think the report addressed this question fully. The report does not explain the robustness of DOE's remote work program which was established months before DOE was out of its COVID-19 maximum telework posture, which ended in March 2022.

In December 2021, DOE established procedures through Policy Memorandum (PM) #106, *DOE's Telework and Remote Work Policy*. PM #106 which provided the requirements, expectations, and responsibilities for remote work and assigned the employee and supervisor as responsible for ensuring their duty stations were updated and correct. It specifically stated employees are required to obtain supervisory approval for changes in their Official Remote Worksite at least 60 days in advance of their move becoming effective. The PM required management to notify the Office of the Chief Human Capital Officer (HC) at least 1 pay period in advance before a change in duty station personnel action is required.

PM #106 further codified this responsibility in the 2021 DOE Remote Agreement, which stated the employee and supervisor are responsible for initiating personnel actions to change duty stations. DOE's Remote Agreement requires both the employee and supervisor to sign acknowledging they understand their responsibilities. The supervisor must submit a signed Remote Agreement to HC when requesting the personnel action to change the employee's duty station. PM #106 also stated failure to do so could result in disciplinary action.

Prior to ending our COVID-19 maximum telework posture in March 2022, HC made significant efforts on training workforce on the requirements of changing locality pay for remote workers. In March 2022, HC created a new mass process to decrease the administrative burden for

Enclosure

Management Response

OIG Draft Report: Special Report: Remote Workers Received Incorrect Locality Pay Adjustments at the Department of Energy (S24OR003)

organizations to submit requests for personnel actions for changes in duty stations along with fact sheets highlighting key requirements while in remote work. The processes and resources were briefed to more than 200 people across the Department who attend HC's biweekly Resource Managers (RM) meeting. In 2022, HC held three formal meetings with RMs and nine formal meetings in 2023 to reiterate their roles and responsibilities with remote work and walked through the requirements for updating duty stations; 66 percent of these meetings occurred before the IG initiated their investigation.

At the time the IG began its review, DOE was in the process of implementing the use of data analytics to identify potential discrepancies between employees' Official Remote Worksites and their locality pay adjustments. Historically, tele/remote work agreements were completed manually through PDFs. DOE recognized the limitations of this approach and, in 2022, began development of the Department's new Telework & Remote Work Automated Collection System (TRACS). DOE also modified its CHRIS personnel system to capture tele/remote work status by employee and position to ensure better data integrity and more stringent oversight. TRACS eased the administrative burden to employees and supervisors, while adding a simpler way for the Tele/Remote Work Coordinators (TWC) to monitor and provide oversight of the program within their organization. The information in TRACS directly feeds into DOE's CHRIS personnel system which eliminated another manual step for TWCs.

DOE has continued to evolve tele/remote work policies and procedures, including the use of data analytics and oversight of the program. An updated DOE Order was issued in October 2023, and PM #106 was updated in February and April 2024 to codify TRACS and expand on tele/remote work coding requirements and duty station changes. HC also provides an Exceptions report each pay period to TWCs that identifies any data inconsistencies and missing information for their review and action.

Further, I am concerned a limited and inaccurate sample was used to determine DOE's error percent which mischaracterizes and overinflates the findings. The sample assessed is not based within statistics nor can be used to make to an inference about DOE's entire remote population. DOE had approximately 2,800 remote workers when the IG's inspection started. In contrast, the IG's sample included only those employees who had differing home addresses in MyPay as compared to their duty station. This sample represented the potential for the most errors to be found and represented less than 1 percent of DOE's remote workforce. The report also does not clearly state HC made corrections as any locality pay errors were found, ensured letters of indebtedness were issued, and the debts were collected from employees.

Overall, I appreciate the IG's recommendations and insights provided. HC will implement them to continue to improve the execution and oversight of its program. If you have any questions regarding this response, please contact Kendra Burnette, Deputy Director, Office of Business Operations in HC.

Appendix 2: Management Comments

Enclosure

Management Response

OIG Draft Report: Special Report: Remote Workers Received Incorrect Locality Pay Adjustments at the Department of Energy (S24OR003)

Recommendation # 1: We recommend that the Deputy Secretary direct Human Capital in coordination with the Office of the Chief Financial Officer to continue to perform a comprehensive review to ensure that remote workers' official worksites have been accurately identified, and employees are receiving the correct locality pay adjustment.

DOE Response: Concur. HC provides an exceptions report each pay period to TWCs that identifies any data inconsistencies and missing information for their review and action.

Estimated Completion Date: Complete

Recommendation # 2: We recommend that the Deputy Secretary direct Human Capital in coordination with the Office of the Chief Financial Officer to determine if restitution of overpayments in salaries resulting from incorrect locality pay adjustments for remote workers is warranted.

DOE Response: Concur. For any locality pay errors found, HC made corrections, ensured letters of indebtedness were issued, and the debts were collected from employees who were overpaid. Similarly, if an employee was underpaid, HC made corrections to ensure the employee received the locality pay for which they were entitled.

Estimated Completion Date: Complete

Recommendation # 3: We recommend that the Deputy Secretary direct Human Capital in coordination with the Office of the Chief Financial Officer to implement appropriate internal controls to mitigate the potential for future discrepancies between remote workers' official worksites and locality pay adjustments.

DOE Response: Concur

HC has implemented biweekly tracking each pay period and provides a report to TWCs identifying any data inconsistencies and missing information for their review and action. As these are provided biweekly, HC can monitor when actions have been taken.

Estimated Completion Date: Complete

FEEDBACK

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