



Office of Inspector General

U.S. Consumer Product Safety Commission

Review of Vendor Payments in FY 2017

May 25, 2018

Vision Statement

We are agents of positive change striving for continuous improvements in our agency's management and program operations.

Statement of Principles

We will:

Work with the Commission and the Congress to improve program management;

Maximize the positive impact and ensure the independence and objectivity of our audits, investigations, and other reviews;

Use our investigations and other reviews to increase Government integrity and recommend improved systems to prevent fraud, waste, and abuse;

Be innovative, question existing procedures, and suggest improvements;

Build relationships with program managers based on a shared commitment to improving program operations and effectiveness;

Strive to continually improve the quality and usefulness of our products; and

Work together to address Government-wide issues.



Office of Inspector General
U. S. CONSUMER PRODUCT SAFETY COMMISSION

May 25, 2018

TO: Ann Marie Buerkle, Acting Chairman
Robert S. Adler, Commissioner
Elliot F. Kaye, Commissioner
Dana Baiocco, Commissioner

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Review of Vendor Payments in FY 2017

In 2016, the CPSC OIG was responsible for an audit related to the CPSC's management of firm-fixed price contracts. This engagement identified risks in the CPSC's receipt, approval, and payment processes. Subsequently, the CPSC OIG retained the services of Kearney & Company, P.C. (Kearney) to formally review the vendor payment process at the CPSC in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation (CIGIE's QSIE). This review was designed to assess the risks in the receipt, approval, and payment processes for contracted goods and services.

Kearney found that the CPSC had not implemented sufficient internal controls over its vendor payment process to ensure that payments met all statutory and regulatory requirements prior to disbursement. Additionally, the CPSC had not recorded vendor payment adjustments in a timely manner. Management concurred with all of the findings and recommendations made in the attached report. In accordance with OMB A-50, CPSC management has thirty days to provide us with a corrective action plan specifying the actions necessary to implement each recommendation.

In connection with our contract with Kearney, we reviewed Kearney's report and related documentation and inquired of its representatives. Our review was not intended to enable us to express, and we do not express, an opinion on the matters contained in the report. Kearney is responsible for the attached report. However, our review disclosed no instances where Kearney did not comply, in all material respects, with CIGIE's QSIE.

Thank you for the courtesy and cooperation extended to my contractor during the audit. If you have any questions please feel free to contact me.



THE U.S. CONSUMER PRODUCT SAFETY COMMISSION

Review of Vendor Payments in FY 2017

Report Date: April 6, 2018

**KEARNEY &
COMPANY**

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OBJECTIVE

The objective of the review was to evaluate the U.S. Consumer Product Safety Commission's (CPSC) vendor payment compliance with applicable financial management and contracting regulations. As requested by the CPSC Office of the Inspector General (OIG), Kearney & Company, P.C. (defined as "Kearney," "we," and "our" in this report) reviewed the CPSC's vendor payments recorded during the first three quarters of fiscal year (FY) 2017.

BACKGROUND

The Office of Financial Management, Planning, and Evaluation's (EXFM) Division of Procurement Services (FMPS) administers the CPSC's acquisition of goods and services. EXFM's Division of Financial Management Service (FMFS) is responsible for the monitoring of Enterprise Services Center (ESC), a shared service provider, which processes the CPSC's accounts payable for disbursement.

The Contracting Officer's Representatives (CORs) work under the direction of FMPS and are responsible for the receipt and acceptance of goods and services, as well as the subsequent approval of vendor invoices for payments. The directors of FMPS and FMFS report to the Chief Financial Officer in EXFM. There are eight staff in FMFS, and nine in FMPS, along with CORs located throughout the CPSC.

In 2016, the CPSC OIG was responsible for an audit related to the CPSC's management of firm-fixed price contracts. This engagement identified risks in the receipt, approval, and payment processes. Subsequently, the OIG requested an independent review of the vendor payment process at the CPSC. The scope of this review covered all vendor payments recorded during the first three quarters of FY 2017. This review was designed to assess the risks in the receipt, approval, and payment processes for contracted goods and services.

CPSC contracts with the Department of Transportation's ESC to process all financial and accounting transactions. ESC uses [REDACTED], a web-based Oracle system, as the CPSC's primary accounting system. ESC contracted with KPMG to perform an examination of its internal controls to provide its customers with assurance regarding the quality of its internal controls. The results of this review are documented in a Statement on Standards for Attestation Engagements No. 18 (SSAE-18) report. KPMG report provides an opinion over the sufficiency of ESC's internal controls and describes the controls that are the responsibility of the CPSC.

CRITERIA

Kearney used criteria established by the federal government set out in *Exhibit 1* below for testing the CPSC’s FY 2017 vendor payments.

Exhibit 1: Federal Government Criteria

| Criteria | Description |
|---|--|
| 5 Code of Federal Regulations (CFR) 1315.9 | Establishes payment documentation requirements to support payment of invoices and interest penalties |
| Federal Acquisition Regulation (FAR) | Establishes uniform policies and procedures for acquisition by all executive agencies |
| Treasury Financial Manual (TFM), Volume 1, Part 4, Chapter 2000 | Provides guidance to agencies on the overall disbursing rules |

Based on these criteria, Kearney identified 38 elements required for a proper payment. These 38 elements represented the minimum requirements that are mandated by financial management and contracting criteria to be present at the time the payment is made. They are identified in [Appendix B](#).

REVIEW RESULTS

Kearney found that the CPSC did not implement sufficient internal controls over its vendor payment process to ensure that payments met all statutory and regulatory requirements prior to disbursement. Specifically, the CPSC did not include 37 of the 38 elements required for a proper payment in its vendor packages before disbursing funds. [Appendix B](#) contains the number of exceptions by each of the 38 elements.

Additionally, the CPSC did not record vendor payment adjustments in a timely manner. This occurred because the CPSC did not have effective monitoring and remediation processes in place to oversee disbursement data entered by ESC into [REDACTED]

FINDINGS

Finding 1: Lack of Complementary Controls

Kearney determined that the CPSC did not implement sufficient internal controls over its vendor payment process. The CPSC did not adequately review the SSAE-18 of its third-party service provider, ESC, to identify the agency’s control responsibilities and implement sufficient complementary controls.

As a result, the CPSC did not include 37 of the 38 elements required for a proper payment in its vendor packages before disbursing funds. These 38 elements represented the minimum

requirements that are required by financial management and contracting criteria to be present at the time the payment is made.

Based on our review of 46 unique voucher packages selected as part of a statistical sample, every package contained at least one error. Specifically:

- Forty-six of 46 packages had insufficient, missing, and/or inaccurate documentation
- Forty-three of 46 invoices were approved by CORs without the authority to approve the invoice for payment
- Twenty-two of 46 invoice descriptions did not include the Contract Line Item Number (CLIN) referenced and rates recorded were inconsistent with award
- Twenty-two of 46 invoice lines of accounting were incomplete or inaccurate

According to Office of Management and Budget's (OMB) Circular A-123, *Appendix C*, an improper payment includes any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, and payments that are for the incorrect amount. In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or missing documentation, this payment must also be considered an error.

5 C.F.R. 1315.9, *Required Documentation*, identifies specific contract, invoice, and receiving data documentation to support the payment of invoices and interest payments.

The FAR provides uniform acquisition policies and procedures for use by all executive agencies. FAR Part 32.905, *Payment Documentation and Process*, states: "payment will be based on receipt of a proper invoice and satisfactory contract performance." The regulation also identifies the content of invoices and specifies that "all invoice payments, with the exception of interim payments on cost-reimbursement contracts for services, must be supported by a receiving report or other government documentation authorizing payment (e.g., government certified voucher)."

The TFM, Volume 1, Part 4A, Chapter 2000, *Overall Disbursing Rules for all Federal Agencies*, stated that the principle control related to disbursements is "to ensure that all disbursements are legal, proper, and correct, and that all disbursements are accurately recorded, reported, and reconciled in a timely, efficient manner." It emphasizes the need to provide "accurate and reliable payment data in advance of payments being made."

The CPSC relied on a third-party service provider to process vendor invoice packages for payment and did not dedicate the resources required to review ESC's SSAE-18 and mitigate any control gaps identified in that review. Without adequate controls, the CPSC is at increased risk for making improper payments.

We recommended CPSC management:

1. Create and implement policies and procedures for FMFS personnel to annually review the ESC SSAE-18 report, identify complementary user entity controls as recommended by ESC, and implement those controls.
2. Develop a checklist to assist invoice approvers in ensuring the completeness and accuracy of vendor packages prior to payment disbursement. This checklist should include all of the CPSC-required elements for a proper payment.
3. Provide training to EXFM personnel on requirements for proper payments.

Finding 2: Insufficient Receipt and Acceptance Process

Kearney determined that CORs did not properly evidence the receipt and acceptance of goods and services provided to the CPSC.

Based on our review of 46 unique voucher packages selected as part of a statistical sample, every package contained at least one error that impacted the propriety of the payment.

Exhibit 2: Evidence of Receipt and Acceptance

| | Compliant | Non-Compliant | Total |
|------------------------|-----------|---------------|-------|
| Receipt | 6 | 40 | 46 |
| Acceptance | 25 | 21 | 46 |
| Receipt AND Acceptance | 0 | 46 | 46 |

5 C.F.R. 1315.9, *Required Documentation*, identifies required documentation to support the payment of invoices and interest payments. Documentation requirements include specific contract, invoice, and receiving data.

The FAR provides uniform acquisition policies and procedures for use by all executive agencies. FAR Part 32.905, *Payment Documentation and Process*, states: “payment will be based on receipt of a proper invoice and satisfactory contract performance.” The regulation also identifies the content of invoices and specifies that “all invoice payments, with the exception of interim payments on cost-reimbursement contracts for services, must be supported by a receiving report or other government documentation authorizing payment (e.g., government certified voucher).” The receiving report or other government documentation authorizing payment must, as a minimum, include the following:

- Contract number or other authorization for supplies delivered or services performed
- Description of supplies delivered or services performed
- Quantities of supplies received and accepted or services performed, if applicable
- Date supplies delivered or services performed
- Date that the designated government official: 1) accepted the supplies or services or 2) approved the progress payment request

- Signature, printed name, title, mailing address, and telephone number of the designated government official responsible for acceptance or approval functions

This condition occurred because the CPSC did not have an effective process in place to receive and document the receipt and acceptance of the deliverables associated with the acquisition. Instead, the CPSC relied on either receipt forms supplied by vendors or the invoice approval form provided by ESC, which included an acceptance date.

Without an adequate process to document receipt and acceptance, the CPSC does not have assurance that it has actually received and properly paid for the goods and services for which it contracted.

We recommend that CPSC management:

4. Develop and implement a process for the receipt and acceptance of goods and services which ensures compliance with all applicable regulatory requirements. This process should include developing or adjusting an existing government form (e.g., Department of Defense [DD] Form 250) that meets these requirements to standardize the receipt and acceptance of goods and services at the CPSC.
5. Provide training to CPSC personnel on the revised receipt and acceptance process.

Finding 3: Untimely Recording of Vendor Payment Adjustments

Kearney determined that FMFS did not record vendor payment adjustments in a timely manner. We tested a statistical sample of 46 vendor payments, valued at about \$3.7 million (absolute value). Of those payments, 10 transactions (valued at \$637,441) were adjustments to the original payment recorded. In all but two instances, these adjustments were not recorded in [REDACTED] in a timely manner. The untimely adjustments occurred between approximately three months and three years after the initial approval of the payment.

According to the Government Accountability Office, *Standards for Internal Control in the Federal Government*, Principle 13.05, “[q]uality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis.”

The TFM, Volume 1, Part 4A, Chapter 2000, *Overall Disbursing Rules for all Federal Agencies*, states that the principal control related to disbursements is “to ensure that all disbursements are legal, proper, and correct and that all disbursements are accurately recorded, reported, and reconciled in a timely, efficient manner.” The TFM emphasizes the need to provide “accurate and reliable payment data in advance of payments being made.”

This condition occurred because CPSC did not have an effective monitoring and remediation process in place to oversee disbursement data entered into [REDACTED] by ESC.

We recommend CPSC management:

6. Develop and implement policies and procedures for timely monitoring and remediating the quality of data. These procedures should include the use of data to realize efficiencies in the contract management process and ensure the timely deobligation of undelivered orders.
7. Provide training to EXFM personnel related to evaluating the accuracy of the data.

Finding 4: Lack of Synchronization

Kearney determined that CORs did not ensure that the vendor invoice description (i.e. what it paid for) was consistent with the CLIN description (i.e. what it ordered) prior to approving the invoice for payment.

We tested a statistical sample of 46 vendor payments. At a minimum, each vendor payment package should consist of an invoice, voucher, and contract. Twenty-three of 46 payments (50%) did not have an invoice description consistent with the contract included in the payment package. In one instance, the invoice billed for services related to “Deliverable #3-9” for \$48,530.77. However, the contract included no such reference.

5 CFR 1315.9, *Required Documentation*, identifies required payment documentation to support the payment of invoices and interest payments. Documentation includes specific contract, invoice, and receiving data.

The FAR provides uniform acquisition policies and procedures for use by all executive agencies. FAR Part 32.905, *Payment Documentation and Process*, states that “payment will be based on receipt of a proper invoice and satisfactory contract performance.” The regulation also identifies the required content of invoices and specifies that “all invoice payments, with the exception of interim payments on cost-reimbursement contracts for services, must be supported by a receiving report or other government documentation authorizing payment (e.g., government certified voucher).” It requires that the invoice include the following:

- Contract number or other authorization for supplies delivered or services performed (including order number and CLIN)
- Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed

The description identified on the invoice should be consistent with the CLIN description identified in the award.

This condition occurred because the working relationship between FMFS and FMPS was not fully synchronized. Inconsistencies between the CLIN description and invoice not only impact the propriety of the vendor payment but also create challenges in the oversight and monitoring of

contract performance and execution of awarded funds. This also increases the risk of improper payments.

We recommend that CPSC management:

8. Develop and implement procedures to ensure that the CLIN description (i.e., schedule of supplies/services, quantity, unit, unit price, and amount) is consistent with what is being purchased and how it is being purchased.
9. Incorporate these procedures into the requisition package review and approval process.

Finding 5: Insufficient Evidence to Support a Binding Contract

Kearney determined that CPSC Contracting Officers (COs) did not always obtain the appropriate signatures required to execute a binding contract or provide copies of that contract to the paying office within 10 working days of execution.

Thirty out of the 46 voucher packages sampled did not contain contracts signed by both the CO and the vendor. In 26 of these 30 voucher packages, agency policy only required the signature of the CO on the contract. However, in the other four voucher packages with missing signatures, both agency and federal regulations required signatures by both the CO and the vendor.

31 United States Code (U.S.C.) 1501, *Documentary Evidence Requirement for Government Obligations*, states:

[A]n amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of – (1) a binding agreement between an agency and another person (including an agency) that is (A) in writing, in a way and form, and for a purpose authorized by law; and (B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.

U.S. Government Accountability Office (GAO) GAO-06-382SP, *Appropriations Law – Vol. II, GAO Principles of Federal Appropriations*, defines a binding agreement as an agreement that “must be legally binding (offer, acceptance, consideration, made by authorized official).” As stated in a 1991 decision, “the primary purpose of section 1501(a)(1) is to ‘require that there be an offer and acceptance imposing liability on both parties’ in 39 Comp. Gen. 829, 831 (1960). Hence, the government may record an obligation under section 1501 only upon evidence that both parties to the contract willfully express the intent to be bound.”

FAR Part 4.2, *Contract Distribution*, states that “contracting officers shall distribute copies of contracts or modifications within 10 working days after execution by all parties.”

This condition occurred because the CPSC did not have effective procedures in place to ensure that, when required, COs obtained the appropriate signatures necessary to execute a binding contract and provide copies of that contract to the paying office within 10 working days of execution. Similarly, in those circumstances when signatures were not required to execute a binding contract, there were no procedures in place to ensure that the contracting and payment files reflected this fact.

Without evidence of a binding agreement between the Commission and the vendor, the CPSC does not have assurance that the contract was properly executed and that the government's interests are protected. The CPSC also risked not being in compliance with the above-cited statute and FAR regulations.

We recommend that CPSC management:

10. Develop and implement procedures to ensure that contracts are properly executed and provided to the paying office in accordance with the FAR.
11. Determine whether ratification or other procedures need to be performed to ensure that the government has a binding agreement in place, the commitment was authorized, and statutory or programmatic funding limitations have not been exceeded.

CONCLUSION

Based on the review results previously noted, Kearney concludes that the CPSC's vendor payments for the first three quarters of FY 2017 did not comply with applicable statutory and regulatory requirements prior to disbursement. Instead, the CPSC relied on ESC to process its vendor payments and to ensure that these payments met applicable federal requirements without exercising appropriate government oversight. Kearney discussed our results with the CPSC's management (see [Appendix D](#)).

APPENDIX A – SCOPE AND METHODOLOGY OF THE REVIEW

Scope

This report contains the results of our review of the CPSC’s vendor payments for compliance with applicable laws and regulations for the first three quarters of FY 2017. The scope of this review consisted of vendor payments recorded in [REDACTED] between October 1, 2016 and June 30, 2017. Kearney identified approximately \$27.4 million (absolute value) in payments. We conducted our review from August 2017 through April 2018 at CPSC’s headquarters in Bethesda, Maryland.

Methodology

Kearney conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency’s Quality Standards for Inspection and Evaluation, which requires that we obtain sufficient data to provide a reasonable basis for reaching conclusions. These standards also require Kearney to ensure that the evidence supporting findings, conclusions, and recommendations is sufficient, competent, and relevant, such that a reasonable person would be able to sustain the findings, conclusions, and recommendations. Sufficiency of the data and tests of evidence varied based on the review objective, findings, and conclusions. Kearney designed the review to obtain insight into CPSC’s current processes and procedures, as well as to assess compliance with vendor payment requirements. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objective.

APPENDIX B – FINANCIAL AND CONTRACTING CRITERIA

| Exceptions | Criteria | Statutory/Regulatory Requirement |
|------------------------------|---|---|
| 43 | Certified Voucher | TFM Vol 1 Part 4 Chapter 2000 |
| 46 | Receiving Report (i.e., proof of receipt of goods or services) | FAR 32.905, TFM Vol 1 Part 4 Chapter 2000 |
| 5 | Invoice | FAR 32.905, TFM Vol 1 Part 4 Chapter 2000 |
| 4 | Contract (i.e., complete contract that is signed by all parties) | FAR 32.905, TFM Vol 1 Part 4 Chapter 2000 |
| 46 | Dollar Value Match (i.e., invoice, contract, payment, receiving report, and automated data) | TFM Vol 1 Part 4 Chapter 2000 |
| 0 | Payee Match (i.e., invoice, contract, and automated data) | TFM Vol 1 Part 4 Chapter 2000 |
| 22 | Complete Line of Accounting | TFM Vol 1 Part 4 Chapter 2000 |
| Contract Requirements | | |
| 4 | Payment Due Dates | 5 CFR 1315.9(a) |
| 4 | Notation that partial payments are prohibited, if applicable | 5 CFR 1315.9(a) |
| 4 | For contract payments, specific due dates for approved progress or milestone payments | 5 CFR 1315.9(a) |
| 4 | If applicable, a statement that the special payment provisions of the Packers and Stockyard Act of 1921 (7 U.S.C. 182(3)), or the Perishable Agricultural Commodities Act of 1930 (7 U.S.C. 499a(4)), or Fish and Seafood Promotion Act of 1986 (16 U.S.C. 4003(3)) shall apply | 5 CFR 1315.9(a) |
| 4 | Where considered appropriate by the agency head, the specified acceptance period following delivery to inspect and/or test goods furnished or to evaluate services performed is stated | 5 CFR 1315.9(a) |
| 4 | Name (where practicable), title, telephone number, and complete mailing address of officials of the government's designated agency office, and of the vendor receiving the payments | 5 CFR 1315.9(a) |
| 4 | Reference to requirements under the Prompt Payment Act, including the payment of interest penalties on late invoice payments (including progress payments under | 5 CFR 1315.9(a) |

| Exceptions | Criteria | Statutory/Regulatory Requirement |
|-----------------------------|--|----------------------------------|
| | construction contracts) | |
| 4 | Reference to requirements under the Debt Collection Improvement Act (Pub. L. 104-134, 110 Stat. 1321), including the requirement that payments must be made electronically except in situations where the Electronic Funds Transfer requirement is waived under 31 CFR 208.4. Where electronic payment is required, the contract will stipulate that banking information must be submitted no later than the first request for payment | 5 CFR 1315.9(a) |
| 4 | If using Fast Payment, the proper FAR clause stipulating Fast Payment is required | 5 CFR 1315.9(a) |
| Invoice Requirements | | |
| 1 | Name of vendor | 5 CFR 1315.9(b), FAR 32.905(b) |
| 1 | Address of vendor | FAR 32.905(b) |
| 3 | Invoice date | 5 CFR 1315.9(b), FAR 32.905(b) |
| 7 | Government contract number, or other authorization for delivery of goods or services | 5 CFR 1315.9(b), FAR 32.905(b) |
| 1 | Vendor invoice number, account number, and/or any other identifying number agreed to by contract | 5 CFR 1315.9(b), FAR 32.905(b) |
| 23 | Description (including, for example, contract line/subline number), price, and quantity of goods and services rendered | 5 CFR 1315.9(b), FAR 32.905(b) |
| 1 | Shipping and payment terms (unless mutually agreed that this information is only required in the contract) | 5 CFR 1315.9(b), FAR 32.905(b) |
| 1 | Name and address of contractor official to whom payment is to be sent (must be the same as that in the contract or in a proper notice of assignment) | FAR 32.905(b) |
| 14 | Taxpayer Identifying Number (TIN), unless agency procedures provide otherwise | 5 CFR 1315.9(b), FAR 32.905(b) |
| 1 | Banking information, unless agency procedures provide otherwise, or except in situations where the EFT requirement is waived under 31 CFR 208.4 | 5 CFR 1315.9(b), FAR 32.905(b) |
| 1 | Contact name (where practicable), title and telephone number | 5 CFR 1315.9(b), FAR 32.905(b) |

| Exceptions | Criteria | Statutory/Regulatory Requirement |
|--|--|---|
| 1 | Other substantiating documentation or information required by the contract | 5 CFR 1315.9(b), FAR 32.905(b) |
| Certified voucher or receiving report must include at a minimum: | | |
| 46 | Name of vendor | 5 CFR 1315.9(c) |
| 46 | Contract number or other authorization for supplies delivered or services performed | 5 CFR 1315.9(c), FAR 32.905(c), TFM Vol 1 Part 4 Chapter 2000 |
| 46 | Description of supplies delivered or services performed (should be consistent with CLIN description) | 5 CFR 1315.9(c), FAR 32.905(c), TFM Vol 1 Part 4 Chapter 2000 |
| 46 | Quantities of supplies received or services performed, as applicable | 5 CFR 1315.9(c), FAR 32.905(c), TFM Vol 1 Part 4 Chapter 2000 |
| 40 | Date supplies delivered or services performed | 5 CFR 1315.9(c), FAR 32.905(c), TFM Vol 1 Part 4 Chapter 2000 |
| 21 | Date that the designated government official accepted (received) the supplies or services | 5 CFR 1315.9(c), FAR 32.905(c) |
| Government official responsible for acceptance (received) or approval (certifying) functions: | | |
| 43 | Signature | FAR 32.905(c) |
| 43 | Printed name | FAR 32.905(c) |
| 43 | Telephone number | 5 CFR 1315.9(c), FAR 32.905(c), |
| 46 | Mailing address | 5 CFR 1315.9(c), FAR 32.905(c), |

APPENDIX C – CONSOLIDATED LIST OF RECOMMENDATIONS

| Finding | Recommendation |
|-----------|--|
| Finding 1 | <ol style="list-style-type: none"> 1. Create and implement policies and procedures for FMFS personnel to annually review the ESC SSAE-18 report, identify complementary user entity controls as recommended by ESC, and implement those controls. 2. Develop a checklist to assist invoice approvers in ensuring the completeness and accuracy of vendor packages prior to payment disbursement. This checklist should include all of the CPSC-required elements for a proper payment. 3. Provide training to EXFM personnel on requirements for proper payments. |
| Finding 2 | <ol style="list-style-type: none"> 4. Develop and implement a process for the receipt and acceptance of goods and services which ensures compliance with all applicable regulatory requirements. This process should include developing or adjusting an existing government form (e.g., Department of Defense [DD] Form 250) that meets these requirements to standardize the receipt and acceptance of goods and services at the CPSC. 5. Provide training to CPSC personnel on the revised receipt and acceptance process. |
| Finding 3 | <ol style="list-style-type: none"> 6. Develop and implement policies and procedures for monitoring and remediating the quality of data. These procedures should include the use of data to realize efficiencies in the contract management process and ensure the timely deobligation of undelivered orders. 7. Provide training to EXFM personnel related to evaluating the accuracy of the data. |
| Finding 4 | <ol style="list-style-type: none"> 8. Develop and implement procedures to ensure that the CLIN description (i.e., schedule of supplies/services, quantity, unit, unit price, and amount) is consistent with what is being purchased and how it is being purchased. 9. Incorporate these procedures into the requisition package review and approval process. |
| Finding 5 | <ol style="list-style-type: none"> 10. Develop and implement procedures to ensure that contracts are properly executed and provided to the paying office in accordance with the FAR. 11. Determine whether ratification or other procedures need to be performed to ensure that the government has a binding agreement in place, the commitment was authorized, and statutory or programmatic funding limitations have not been exceeded. |

APPENDIX D – MANAGEMENT’S VIEWS ON CONCLUSIONS AND FINDINGS

The CPSC concurred with the findings presented in this report.



UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207

Memorandum

Date: April 10, 2018

TO: Nichole Gable
Kearney and Company

From: Patricia H. Adkins
Executive Director

SUBJECT: Notification of Finding and Recommendation NFR No 2018-1.2 Lack of
Complementary Controls

Management generally agrees with the finding and recommendations.

Management dedicates resources to have an independent public accounting firm conduct internal control mapping of our process cycles each year, including the mapping of compensating user end controls (CUEC) as identified in the SSAE 18 from our third party accounting service provider. This information supports the agency's OMB Circular A-123 Appendix A program. In response to this audit recommendation, Management will revise the assessment of the SSAE 18 to include a complete, consolidated mapping of the CUEC controls, replacing the existing process that is focused on mapping only the controls tested in any given year.

Management will develop an invoice approval checklist to assist invoice approvers. Management will also assess applicable policies for the required criteria pertaining to payment packages, contract requirements, certified vouchers/ and or government receiving reports to include acceptance and approval of receipt.

Management will provide necessary training in response to this finding.

Cc: Chris Dentel, OIG
Mary Meier, OIG
DeWane Ray, OEX
Monica Summitt, OEX
Jay Hoffman, EXFM
Katherine McGuinness, FMFS
Eddie Ahmad, FMPS



**UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207**

Memorandum

Date: April 10, 2018

TO: Nichole Gable
Kearney and Company

From: Patricia H. Adkins
Executive Director

SUBJECT: Notification of Finding and Recommendation
NFR No 2018-2.2
Exceeded Federal Improper Payment Threshold

Management agrees with the finding and the auditor's statement that the underlying cause of the improper payments has been addressed by the corrective actions implemented in the third quarter of FY 2017.

Payments subsequent to the corrective action implementation should be proper with respect to contracting officer representatives having the proper designation and authority to approve invoices as delegated from the contracting officers.

Cc: Chris Dentel, OIG
Mary Meier, OIG
DeWane Ray, OEX
Monica Summitt, OEX
Jay Hoffman, EXFM
Katherine McGuinness, FMFS
Eddie Ahmad, FMPS



**UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207**

Memorandum

Date: April 10, 2018

TO: Nichole Gable
Kearney and Company

From: Patricia Adkins
Executive Director

SUBJECT: Notification of Finding and Recommendation NFR No 2018-3.2 Lack of Timely Recording of Vendor Payment Adjustments

Management generally agrees with the finding and recommendations.

Management believes that the cause of the finding stated by the auditor should be expanded. Specifically, the untimely adjustments referenced in the finding were related to DATA Act compliance. These adjustments generally took place in January and February 2017 as part of the initial DATA Act reporting milestone that occurred in April 2017. CPSC had contracts that had been recorded with a numbering scheme and these contracts included tasks that did not align with the new DATA Act schema. To comply with DATA Act reporting, these contracts were de-obligated and re-obligated with the new numbering schemes. The adjustments were not untimely, rather, they were in response to new U.S. government data reporting requirements. The adjustments process was identified by the OIG in the CPSC DATA Act Audit in FY 2017, as well as schema warnings in the Q1 and Q2 DATA Act submissions. Management subsequently developed standard operating procedures (SOPs) to review the accuracy of award data via FPDS, [REDACTED] and the DATA Act Broker (SOP FR.18 Data Act Reporting). In reference to the first part of recommendation #6, Management believes that the adjustment issues have already been corrected by the SOPs implemented in response to the DATA Act audit.

In reference to the second part of recommendation #6, Management understands the importance of timely de-obligations of undelivered orders. FMFS will work with the Budget Office (FMPB) to follow up on undelivered order balances, review quarterly the UDO report for prior years, and identify undelivered orders with significant balances and no recent payment activity for follow-up.

Management will provide necessary training in response to this finding.

Cc: Chris Dentel, OIG
Mary Meier, OIG
DeWane Ray, OEX
Monica Summitt, OEX
Jay Hoffman, EXFM
Katherine McGuinness, FMFS
Eddie Ahmad, FMPS

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**UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207**

Memorandum

Date: April 10, 2018

TO: Nichole Gable
Kearney and Company

From: Patricia Adkins
Executive Director

SUBJECT: Notification of Finding and Recommendation NFR No 2018-4.2 Lack of Coordination Between Invoices and Contracts

Management generally agrees with the finding and recommendations.

While CLINS for supplies should match invoices for quantity, unit, and amount, to be consistent with the recommendation, Management proposes adding a payment schedule on the contract for all service contracts so that there is a clear understanding of what CPSC will be invoiced for on service contracts.

Recommendation #9 is appropriate for supplies and is most appropriately implemented through the contract rather than the requisition. Management will accomplish the intent of the recommendation by training FMPS staff on requisition package review to emphasize the structuring of contract CLIN descriptions for service contracts.

Cc: Chris Dentel, OIG
Mary Meier, OIG
DeWane Ray, OEX
Monica Summitt, OEX
Jay Hoffman, EXFM
Katherine McGuinness, FMFS
Eddie Ahmad, FMPS



**UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207**

Memorandum

Date: April 11, 2018

TO: Nichole Gable
Kearney and Company

FROM: Patricia Adkins
Executive Director

SUBJECT: Notification of Finding and Recommendation
NFR No 2018-5.1
Insufficient Evidence to Support a Binding Contract

Management generally agrees with the finding and recommendations. FMPS will implement procedures to ensure contracts are properly executed and provided to the payments office in accordance with the Federal Acquisition Regulation. For the four contracts noted in the finding, FMPS, in consultation with FMPB and OGC, will determine whether ratification or other procedures need to be performed to ensure that the government has a binding agreement in place.

Cc: Chris Dentel, OIG
Mary Meier, OIG
DeWane Ray, OEX
Monica Summitt, OEX
Jay Hoffman, EXFM
Katherine McGuinness, FMFS
Eddie Ahmad, FMPS

APPENDIX E – ACRONYMS

| Acronym | Definition |
|----------------|---|
| CFR | Code of Federal Regulations |
| CLIN | Contract Line Item Number |
| CO | Contracting Officer |
| COR | Contracting Officer's Representative |
| CPSC | U.S. Consumer Product Safety Commission |
| ESC | Enterprise Services Center |
| EXFM | Office of Financial Management, Planning, and Evaluation |
| FAR | Federal Acquisition Regulation |
| FMFS | Division of Financial Management Service |
| FMPS | Division of Procurement Services |
| FY | Fiscal Year |
| GAO | U.S. Government Accountability Office |
| Kearney | Kearney & Company, P.C. |
| OIG | Office of Inspector General |
| SSAE-18 | Statement on Standards for Attestation Engagements No. 18 |
| TFM | Treasury Financial Manual |
| U.S.C. | United States Code |

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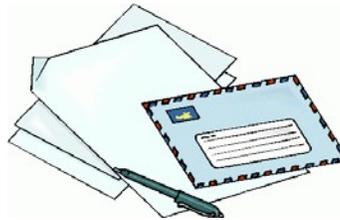
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Or: 1-866-
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Office of Inspector General
Consumer Product Safety Commission
4330 East-West Highway, Room 702
Bethesda MD 20814