



Office of Inspector General

U.S. Consumer Product Safety Commission

Report on the Review of the CPSC's Compliance with the PIIA for FY 2020

May 17, 2021

Report 21-A-09

Vision Statement

We are agents of positive change striving for continuous improvements in our agency's management and program operations, as well as within the Office of Inspector General.

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.

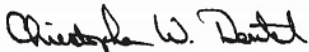
Strive to continually improve the quality and usefulness of our products.

Work together to address government-wide issues.



May 17, 2021

TO: Robert S. Adler, Acting Chairman
Elliot F. Kaye, Commissioner
Dana Baiocco, Commissioner
Peter A. Feldman, Commissioner

FROM: Christopher W. Dentel, Inspector General 

SUBJECT: Report on the Review of the CPSC's Compliance with the PIIA for FY 2020

The objective of this review was to determine whether the U.S. Consumer Product Safety Commission (CPSC) is in compliance with the Payment Integrity Information Act of 2019 (PIIA) for the fiscal year (FY) ended September 30, 2020. The PIIA requires that I annually review the CPSC's improper payment reporting in the CPSC's Agency Financial Report. The PIIA replaces the Improper Payment Elimination and Recovery Improvement Act and Improper Payment Elimination and Recovery Act, which were the standards used in the previous report dated May 7, 2020. The Office of Inspector General retained the services of Kearney & Company (Kearney), an independent public accounting firm, to evaluate the CPSC's FY 2020 PIIA Program. This review was performed in accordance with Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Overall, Kearney found that for FY 2020, the CPSC complied with PIIA. In accordance with OMB, all applicable elements must be complied with in order to result in overall compliance. The CPSC complied with all applicable elements of PIIA. There are no findings or recommendations associated with this report

In connection with our contract, 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 Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Should you have any questions, please contact me.



THE U.S. CONSUMER PRODUCT SAFETY COMMISSION

Report on the Review of the CPSC's Compliance with the Payment Integrity Information Act for FY 2020

Report Date: May 7, 2021

**KEARNEY &
COMPANY**

*Point of Contact:
Kenneth Naugle, Partner
1701 Duke Street, Suite 500
Alexandria, VA 22314
703-931-5600, 703-931-3655 (fax)
knaugle@kearneyco.com*

Kearney & Company, P.C.'s TIN is 54-1603527, DUNS is 18-657-6310, Cage Code is 1SJ14.

TABLE OF CONTENTS

	<u>Page #</u>
OBJECTIVE	3
CONCLUSION	3
BACKGROUND	4
PRIOR YEAR RESULTS	5
CRITERIA	5
CURRENT YEAR RESULTS	6
APPENDIX A – SCOPE AND METHODOLOGY OF THE REVIEW	7
SCOPE	7
METHODOLOGY	7
APPENDIX B – MANAGEMENT’S VIEWS ON CONCLUSIONS AND FINDINGS	8
APPENDIX C – ACRONYMS	9

OBJECTIVE

On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117) amended and reorganized the existing improper payment statutes and set forth similar improper payment reporting requirements, including an annual compliance report by the Inspector General (IG). Because final Office of Management and Budget (OMB) guidance related to PIIA was not issued until March 2021, we initiated our Fiscal Year (FY) 2020 annual compliance review using a combination of the requirements in OMB Circular A-123, Appendix C (Memorandum (M)-18-20, June 2018), OMB Circular A-136 (August 2020), OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the Counsel of the Inspectors General on Integrity and Efficiency (CIGIE) guidance required under PIIA. In accordance with our contract, the objective of the review was to determine whether the U.S. Consumer Product Safety Commission (CPSC) is in compliance with the PIIA¹ for the FY ended September 30, 2020. As requested by the CPSC Office of Inspector General (OIG), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) evaluated the CPSC’s FY 2020 PIIA Program.

CONCLUSION

Based on the review results, Kearney concludes that the CPSC’s FY 2020 PIIA review is in compliance with PIIA and with the OMB M-18-20, as illustrated in **Table 1** below:

Table 1: Summary of PIIA Compliance for FY 2020

Summary of PIIA Compliance by Criteria and Program		
Criteria	Payroll	Non-Payroll
Publish Agency Financial Report (AFR)	Yes	Yes
Complete Risk Assessment	Yes	Yes
Estimate Improper Payments	NA*	NA*
Develop Corrective Action Plan	NA*	NA*
Publish and Meet Reduction Goals	NA*	NA*
Have < 10% Improper Payments	Yes	Yes

*CPSC did not have programs that were susceptible to significant improper payments based on statutory thresholds listed in OMB Circular A-123, Appendix C, Part 1.

¹ Kearney was contracted to review CPSC compliance with the Improper Payments Elimination and Recovery Act (IPERA). However, since the contract also requires Kearney to review against current criteria, this review was performed under PIIA requirements.

BACKGROUND

In March 2020, the PIIA was enacted, which amended and reorganized the existing improper payment statutes. The initial statute was the Improper Payments Information Act of 2002² (IPIA). IPIA was initially amended by IPERA in July 2010 to further reduce improper payments. IPERA clarified the programs to be reviewed and expanded improper payments recapture activities. IPERA also required IGs to determine whether an agency complies with IPERA and established additional requirements for agencies that were deemed noncompliant. In January 2013, the Improper Payment Elimination and Recovery Improvement Act³ was enacted and further amended the IPIA by requiring, among other things, that OMB identify high-priority Federal programs for greater levels of oversight and review, provide guidance to agencies for improving estimates of improper payments, and establish a working system for pre-payment and pre-award review.

In June 2018, OMB revised its guidance for improper payments in OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (OMB M-18-20). The guidance defines the programs and payments that agencies must assess for the risk of improper payments and provides requirements for determining whether the risk of improper payments is significant. Specifically, there is direction for developing an estimate of improper payments, performing recapture review activities, and reporting improper payment activities. OMB directs agencies to take into account those risk factors that are likely to contribute to a susceptibility of significant improper payments. The revised guidance also states that beginning in FY 2020, agencies should use quantitative evaluations for programs or activities with outlays exceeding \$5 billion. As specified in OMB M-18-20, the end goal of this systematic method of reviewing all programs, whether qualitative or quantitative, is to determine whether a program is susceptible to significant improper payments.

² 31 United States Code (U.S.C.) 3321 note

³ Public Law No. 112-248, 126 Statute 2390

PRIOR YEAR RESULTS

In FY 2019, Kearney was engaged by the CPSC OIG to issue a review report regarding the CPSC's compliance with IPERA. Based on the review results, Kearney concluded that the CPSC's FY 2019 IPERA review was in compliance with IPERA and with the OMB M-18-20.

In FY 2018, Kearney was engaged by the CPSC OIG to issue a review report regarding the CPSC's compliance with IPERA. Kearney found that the CPSC was not compliant with IPERA. In accordance with OMB guidance, non-compliance with any one element results in overall non-compliance. For its non-payroll payments for FY 2018, the CPSC took a number of corrective actions to include implementing procedures to annually review the vendor payment service provider's Statements on Standards for Attestation Engagements-18 report, identifying Complementary User Entity Controls, and implementing those controls. However, Kearney determined that the CPSC had already incurred a significant number of improper payments before the corrective actions were identified and implemented.

CRITERIA

PIIA and OMB M-18-20 require federal agencies to fulfill the following six criteria in order to achieve full compliance. Non-compliance with any one element results in overall non-compliance. The criteria are:

1. Publish and post an AFR or Performance Accountability Report (PAR) for the most recent FY and any accompanying materials required by OMB on the agency website.
2. Conduct a program-specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 of the U.S.C.
3. Publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.
4. Publish programmatic corrective action plans in the AFR or PAR, if required.
5. Publish and meet annual reduction targets for each program assessed to be at risk and estimated for improper payments, if required and applicable.
6. Report a gross improper payment rate of less than 10% for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.

CURRENT YEAR RESULTS

Overall, Kearney found that for FY 2020, the CPSC complied with PIIA. In accordance with OMB, all applicable elements must be complied with in order to result in overall compliance. The CPSC complied with all applicable elements of PIIA, as shown in ***Table 1*** above.

APPENDIX A – SCOPE AND METHODOLOGY OF THE REVIEW

Scope

This report contains the results of our evaluation of the CPSC’s compliance with the requirements of PIIA and OMB M-18-20 for FY 2020. The scope of this review included transactions identified by the CPSC as meeting the OMB M-18-20 definition of a payment made during FY 2020. The CPSC, in its internal review, identified approximately \$115 million in payments that met the definition of a payment as found in OMB M-18-20. Kearney conducted its evaluation from January through April 2021.

Methodology

Kearney conducted this review in accordance with the CIGIE’s *Quality Standards for Inspection and Evaluation*, which require that we obtain sufficient data to provide a reasonable basis for reaching conclusions. These standards also require that Kearney 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 data needed and tests of evidence varied based on the review objectives, findings, and conclusions. Kearney designed the evaluation to obtain insight into the CPSC’s current processes and procedures, as well as to assess compliance with PIIA requirements. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our review objectives.

APPENDIX B – MANAGEMENT’S VIEWS ON CONCLUSIONS AND FINDINGS

Management has no comments and concurs with the conclusions of the report.

APPENDIX C – ACRONYMS

Acronym	Definition
AFR	Agency Financial Report
CPSC	U.S. Consumer Product Safety Commission
FY	Fiscal Year
IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPIA	Improper Payments Information Act of 2002
Kearney	Kearney & Company, P.C.
M	Memorandum
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance Accountability Report
PIIA	Payment Integrity Information Act of 2019
U.S.C.	United States Code

CONTACT US

If you want to confidentially report or discuss any instance of fraud, waste, abuse, misconduct, or mismanagement involving the CPSC's programs and operations, please contact the CPSC Office of Inspector General.



Call:

301-504-7906
1-866-230-6229



On-line complaint form:

Click [here](#) for complaint form.
Click [here](#) for CPSC OIG Website.



Write:

Office of Inspector General
U.S. Consumer Product Safety Commission
4330 East-West Highway, Room 702
Bethesda MD 20814