



U.S. Consumer Product Safety Commission OFFICE OF INSPECTOR GENERAL



Report on the Evaluation of the CPSC's Compliance with the PIIA for FY 2021

May 4, 2022

22-A-05



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 4, 2022

TO: Alexander Hoehn-Saric, Chair
Dana Baiocco, Commissioner
Peter A. Feldman, Commissioner
Richard Trumka, Jr., Commissioner

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Report on the Evaluation of the CPSC's Compliance with the PIIA for FY 2021

The objective of this evaluation was to determine whether the U.S. Consumer Product Safety Commission (CPSC) was in compliance with the Payment Integrity Information Act of 2019 (PIIA) for the fiscal year (FY) ended September 30, 2021. The Office of Inspector General retained the services of Kearney & Company, P.C. (Kearney), an independent public accounting firm, to evaluate the CPSC's FY 2021 PIIA compliance. This evaluation was performed in accordance with Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Overall, Kearney found that for FY 2021, the CPSC complied with the PIIA. In accordance with the Office of Management and Budget, all elements must be complied with to result in overall compliance. The CPSC complied with all applicable elements of the PIIA.

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 Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Should you have any questions, please contact me.



United States Consumer Product Safety Commission

*Report on the Evaluation of the CPSC's Compliance with the PIIA
for FY 2021*

Contract Number: 613206-19-F0012

April 15, 2022

**KEARNEY &
COMPANY**

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Kearney & Company, P.C.'s TIN is 54-1603527, DUNS is 18-657-6310, CAGE Code is 1SJJ4

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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. As requested by the United States Consumer Product Safety Commission (CPSC) Office of Inspector General (OIG), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) evaluated the CPSC’s Fiscal Year (FY) 2021 PIIA Program using a combination of the requirements in Office of Management and Budget (OMB) Circular A-123, Appendix C (Memorandum [M]-21-19, March 2021), OMB Circular A-136 (August 2021), OMB Annual Data Call Instructions, OMB Payment Integrity Question and Answer Platform, and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) guidance required under the PIIA. In accordance with our contract, the objective of the evaluation was to determine whether the CPSC complied with the PIIA¹ for the FY ended September 30, 2021.

CONCLUSION

The CPSC complied with the PIIA reporting requirements for FY 2021 based on our evaluation of the CPSC’s Agency Financial Report and risk assessments. OMB M-21-19 sets forth 10 requirements that agencies must meet to comply with the PIIA. Non-compliance with any one element results in overall non-compliance. As indicated in *Table 1* below, the CPSC met all applicable criteria in FY 2021 and is in compliance with the PIIA.

Table 1: Summary of PIIA Compliance for FY 2021

| Item No. | Criteria | Payroll | Non-Payroll |
|----------|---|---------|-------------|
| 1 | Published payment integrity information with the annual financial statement | Yes | Yes |
| 2 | Posted the annual financial statement and accompanying materials on the agency website | Yes | Yes |
| 3 | Conducted improper payment (IP) risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years | Yes | Yes |
| 4 | Adequately concluded whether the program is likely to make IPs and unknown payments (UPs) above or below the statutory threshold | Yes | Yes |
| 5 | Published IP and UP estimates for programs susceptible to significant IPs in the accompanying materials to the annual financial statement | NA* | NA* |
| 6 | Published corrective action plans for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement | NA* | NA* |
| 7 | Published IP and UP reduction targets for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement | NA* | NA* |
| 8 | Has demonstrated improvements to payment integrity or a tolerable IP and UP rate | NA* | NA* |
| 9 | Has developed a plan to meet the IP and UP reduction target | NA* | NA* |
| 10 | Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement | NA* | NA* |

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

¹ Kearney was initially contracted to evaluate the CPSC’s compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for the FY ended September 30, 2018. However, since the contract also requires Kearney to evaluate against current criteria, this evaluation was performed under the 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 the Improper Payments Elimination and Recovery Act of 2010 (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 Inspectors General 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 FY 2020, Kearney was engaged by the CPSC OIG to issue an evaluation report regarding the CPSC's compliance with IPERA for the FY ended September 30, 2019. Based on the evaluation results, Kearney concluded that the CPSC's FY 2019 IPERA Program was in compliance with IPERA and with OMB M-18-20.

In March 2021, OMB modified its guidance for improper payments in OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (OMB M-21-19). The guidance defines the protocols for determination of programs and payments that agencies must assess for the risk of improper payments and provides requirements for determining the type of risk and 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 quantitative or qualitative risk factors that are likely to contribute to a susceptibility of significant improper payments. The revised guidance states that beginning in FY 2021, agencies should use quantitative evaluations for programs or activities with outlays exceeding \$10 million. Qualitative evaluations of programs employ techniques used to quantify and prioritize risks associated with IPs and UPs using a pre-defined rating scale. Risks are scored based on their probability or likelihood of occurring and the impact on IPs and UPs in the program should they occur, such as whether the reviewed program is new to the agency or the complexity of the program. It is the agency's responsibility to determine the risk factors and the associated scoring or risk factor weighting methodology that should be considered for each individual program and risk. As specified in OMB M-21-19, 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 3321 note

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

In FY 2021, Kearney was engaged by the CPSC OIG to issue an evaluation report regarding the CPSC's compliance with the PIIA for the FY ended September 30, 2020. Because final OMB guidance related to the PIIA was not issued until March 2021, the FY 2020 annual compliance evaluation was initiated using a combination of the requirements in OMB Circular A-123, Appendix C (M-18-20, June 2018); OMB Circular A-136 (August 2020); OMB Annual Data Call Instructions; OMB Payment Integrity Question and Answer Platform; and CIGIE guidance required under the PIIA. Based on the evaluation results, Kearney concluded that the CPSC's FY 2020 PIIA program was in compliance with the PIIA and with the OMB M-21-19.

CURRENT-YEAR FINDINGS

Overall, Kearney found that for FY 2021, the CPSC complied with the 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 the PIIA, as shown in *Table 1* above.

APPENDIX A – SCOPE AND METHODOLOGY OF THE EVALUATION

Scope

This report contains the results of our evaluation of the CPSC’s compliance with the requirements of the PIIA and OMB M-21-19 for FY 2021. The scope of this evaluation included transactions identified by the CPSC as meeting the OMB M-21-19 definition of a payment made during FY 2021. The CPSC, in its internal review, identified approximately \$123 million in payments that met the definition of a payment as found in OMB M-21-19. Kearney conducted its evaluation from January through March 2022.

Methodology

Kearney conducted this evaluation in accordance with the CIGIE’s *Quality Standards for Inspection and Evaluation*, which require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. The evaluation was not conducted in accordance with United States Government Accountability Office *Government Auditing Standards* for review engagements or American Institute of Certified Public Accountants standards for accounting and review services. The CIGIE 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 evaluation 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 evaluation 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 |
|----------------|---|
| CIGIE | Council of the Inspectors General on Integrity and Efficiency |
| CPSC | United States Consumer Product Safety Commission |
| FY | Fiscal Year |
| IP | Improper Payment |
| 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 |
| PIIA | Payment Integrity Improvement Act of 2019 |
| UP | Unknown Payment |



For more information on this report please contact us at CPSC-OIG@cpsc.gov

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OIG.CPSC.GOV or call (301) 504-7906

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