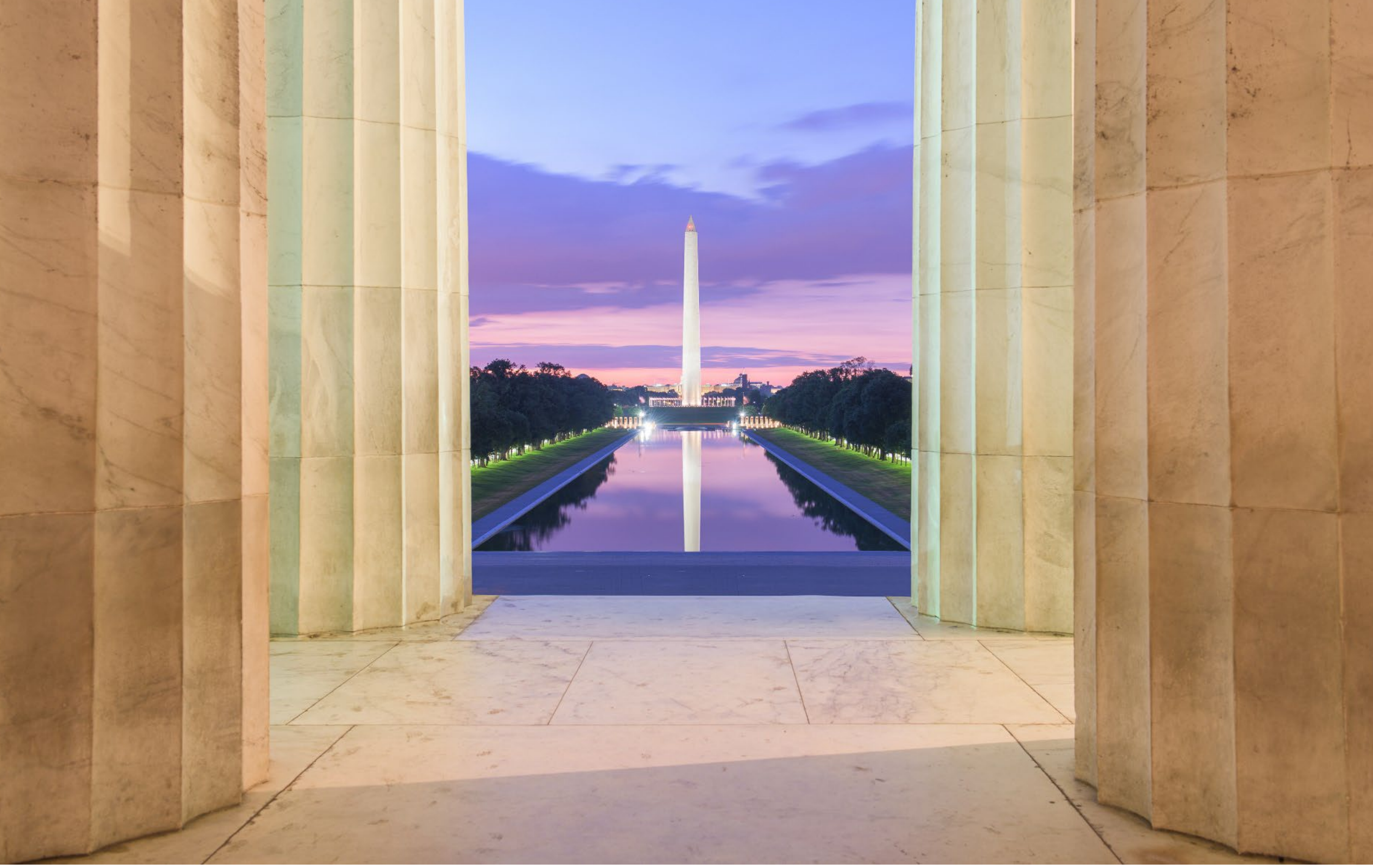
U.S. Consumer Product Safety Commission
OFFICE OF INSPECTOR GENERAL

Report on the Evaluation of the CPSC's Compliance with the PIIA for FY 2022

May 4, 2023

23-A-04



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, 2023

TO: Alexander D. Hoehn-Saric, Chairman
Peter A. Feldman, Commissioner
Richard Trumka Jr., Commissioner
Mary T. Boyle, Commissioner

FROM: Christopher W. Dentel, Inspector General Christopher W. Dentel Digitally signed by Christopher W. Dentel Date: 2023.05.04 07:44:18 -04'00'

SUBJECT: Report on the Evaluation of the CPSC's Compliance with the PIIA for FY 2022

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, 2022. 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 2022 PIIA compliance. This evaluation was performed in accordance with the Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Overall, Kearney found that for FY 2022, 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. Management concurred with Kearney's findings.

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 2022

Contract Number: 613206-19-F0012

March 24, 2023

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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) 2022 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 PIIA[1] for the FY ended September 30, 2022.

CONCLUSION

The CPSC complied with the PIIA reporting requirements for FY 2022 based on our evaluation of the CPSC's Agency Financial Report and risk assessments. OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (OMB M-21-19) sets forth 10 requirements that agencies must meet to comply with the PIIA. In accordance with OMB, all applicable elements must be complied with in order to result in overall compliance. Kearney noted that the CPSC identified approximately $8,400 of improper purchases with a government purchase card, of which $1,263 also resulted in violations of the Antideficiency Act. The improper purchase card purchases, including the Antideficiency Act violations, have no material effect on the Commission's improper payment risk assessment or compliance with the PIIA. As indicated in the table below, the CPSC met all applicable criteria in FY 2022 and is in compliance with the PIIA.

Summary of PIIA Compliance for FY 2022

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

[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.

Item No.	Criteria	Payroll	Non-Payroll
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.

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 2002[2] (IPIA). IPIA was initially amended by the 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 Act[3]) 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 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

[2] 31 United States Code 3321 note

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

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 of IP and UP incidents 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.

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.

In FY 2022, 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, 2021. Based on the evaluation results, Kearney determined that all applicable elements in the OMB guidance were complied with and concluded that the CPSC's FY 2021 PIIA program was in overall compliance with the PIIA and with the OMB M-21-19.

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 2022. 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 2022. The CPSC, in its internal review, identified approximately $141 million in payments that met the definition of a payment, as found in OMB M-21-19. Kearney conducted our 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

Please find attached the signed Management Representation Letter.

Also, management concurs with the report and has no comments.

Thanks.
James

James D. Baker
Chief Financial Officer
U.S. Consumer Product Safety Commission | Office of Financial Management, Planning, and Evaluation
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Office: (301) 504-7575

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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

To report fraud, waste, or abuse, mismanagement, or wrongdoing at the CPSC go to
OIG.CPSC.GOV or call (301) 504-7906

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