



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

U.S. Chemical Safety Board

CSB Complied With Improper Payment Legislation Requirements for Fiscal Year 2015

Report No. 16-P-0109

March 23, 2016



Report Contributors:

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Abbreviations

CSB	U.S. Chemical Safety and Hazard Investigation Board
FY	Fiscal year
IBC	Department of the Interior's Interior Business Center
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report

Cover image: OIG-created image from CSB and U.S. Environmental Protection Agency photos.

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At a Glance

Why We Did This Review

Office of Management and Budget guidance implements the requirements from improper payments legislation. That guidance requires agencies to report on, reduce and recapture improper payments, and Inspectors General to determine whether agencies comply with the improper payments legislation. As the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB), the U.S. Environmental Protection Agency Office of Inspector General undertook this audit of CSB's compliance with improper payments legislation.

This report addresses the following CSB goal:

- *Preserve the public trust by maintaining and improving organizational excellence.*

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CSB Complied With Improper Payment Legislation Requirements for Fiscal Year 2015

What We Found

CSB was fully compliant with legislation for improper payments during fiscal year 2015. As required, CSB published its Performance and Accountability Report and posted that report and accompanying materials on the agency website.

CSB is fully compliant with the reporting requirements of improper payments legislation.

In addition, we determined that CSB:

- Conducted a risk assessment and did not identify any programs and activities that are susceptible to significant improper payments.
- Was not required to publish improper payment estimates because its programs were not assessed to be at risk for significant improper payments.
- Was not required to publish programmatic corrective action plans.
- Was not required to set reduction targets.
- Was not required to report an improper payment rate for any of its programs and activities.

Also, CSB determined that it is not cost effective to conduct a recapture audit.

Based on the above, this report contains no recommendations. CSB agreed with our findings.

We reviewed the status of open audit recommendations from our prior audits of CSB's compliance with improper payment regulations. There was one recommendation from fiscal year 2013 that remained open pending CSB's corrective actions, and based on our review we concluded that CSB has sufficiently implemented the recommendation. We consider the recommendation closed.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

March 23, 2016

The Honorable Vanessa Allen Sutherland
Chairperson and Board Member
U.S. Chemical Safety and Hazard Investigation Board
1750 Pennsylvania Avenue NW, Suite 910
Washington, D.C. 20006

Dear Ms. Sutherland:

This is our report on the audit of the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) compliance with improper payment acts in fiscal year 2015. This report contains no findings. This report represents the opinion of the Office of Inspector General and does not necessarily represent the final CSB position.

The Improper Payments Elimination and Recovery Act of 2010 and Office of Management and Budget guidance require the Inspector General to distribute this report to the following individuals and organizations, to whom we will provide the report under a separate transmittal:

- Office of Management and Budget.
- Senate Committee on Homeland Security and Government Affairs.
- House Committee on Oversight and Government Reform.
- U.S. Comptroller General.

Because this report contains no recommendations, you are not required to respond to this report.

We will post this report to our website at www.epa.gov/oig.

Sincerely,

A handwritten signature in blue ink that reads "Arthur A. Elkins Jr." with a stylized flourish at the end.

Arthur A. Elkins Jr.

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Purpose

Our audit objectives were to determine the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) compliance with improper payments legislation during fiscal year (FY) 2015 and to follow up on the prior year's improper payment act audit finding and recommendation.

Background

CSB is an independent federal agency charged with investigating industrial chemical incidents and hazards. Headquartered in Washington, D.C., the agency's board members are appointed by the President and confirmed by the U.S. Senate. CSB is authorized by the Clean Air Act Amendments of 1990 and became operational in 1998.

The Improper Payments Information Act of 2002 (IPIA) required federal agencies to provide for estimates and a report of improper payments. The Improper Payments Elimination and Recovery Act of 2010 (IPERA) specified agency and Inspector General responsibilities. The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) intensified efforts to identify, prevent and recover payment error, waste, fraud and abuse within federal spending.

Office of Management and Budget (OMB) Memorandum M-15-02, issued October 20, 2014, modified OMB Circular No. A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (OMB Memorandum M-15-02), so as to create a more unified, comprehensive and less burdensome set of requirements for assessment of improper payments. The guidance outlines the requirements from improper payments legislation, including the three acts noted in the paragraph above. The memorandum defines an improper payment as:

...any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative or other legally applicable requirements. Incorrect amounts are overpayments or underpayments made to eligible recipients.... An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received.... [W]hen an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

OMB Memorandum M-15-02, Part II, Section (A)(3), requires Inspectors General to determine whether the agency complies with the improper payments legislation and submit its results to Congress. The report should also clearly state the

agency's compliance status and indicate which of the six requirements the agency did or did not comply with. Compliance, according to the memorandum at Part II, Section (A)(3), means that the agency:

- a) Published a Performance and Accountability Report (PAR) for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website.
- b) Conducted a program-specific risk assessment for each program or activity (if required).
- c) Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).
- d) Published programmatic corrective action plans in the PAR (if required).
- e) Published and is meeting annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable).
- f) Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR.

If an agency does not meet one or more of these requirements, it is not compliant with the improper payment legislation, according to OMB Memorandum M-15-02, Part II, Section (A)(3).

OMB Memorandum M-15-02, Part II, Section (A)(4), states that Inspectors General may evaluate the accuracy and completeness of agency reporting, and agency performance in reducing and recapturing improper payments. As part of its report, the Inspectors General may include its evaluation of agency efforts to prevent and reduce improper payments and any recommendations for actions to further improve the agency's or program's performance in reducing improper payments, including corrective actions and internal controls.

OMB Memorandum M-15-02, Part I D, implements the requirements of IPERA Section 2(h) that requires each agency to conduct payment recapture audits for each program and activity of the agency that expends \$1 million or more annually, if conducting such audits would be cost effective.

Scope and Methodology

We conducted this audit from November 2015 to March 2016 in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether CSB is compliant with improper payment legislation requirements, we reviewed CSB's FY 2015 PAR, improper payments, and supporting documentation. We reviewed internal controls relating to CSB's improper payments for FY 2015. We interviewed, held discussions with, and exchanged emails with CSB personnel. We reviewed CSB's interagency agreements with the U.S. Department of the Treasury's Bureau of the Fiscal Service for financial services and the U.S. Department of the Interior's Interior Business Center (IBC) for human resources functions. We also followed up on an FY 2013 open audit recommendation from a prior audit of CSB's improper payment efforts.

Results of Audit

CSB was compliant with reporting requirements of improper payments legislation during FY 2015. As required, CSB published and posted its PAR on its website. We determined that CSB conducted a risk assessment and did not identify any programs and activities susceptible to significant improper payments. CSB was not required to publish and report improper payment estimates, publish programmatic corrective action plans, or set reduction targets based on the risk for their programs. Additionally, CSB determined that it was not cost effective to conduct a recapture audit.

In 2014, when we audited and reported on the CSB's FY 2013 improper payments, we made three recommendations. Two recommendations were subsequently closed. For this current audit, we reviewed the status of the remaining open recommendation. The corrective action plan noted that IBC planned to modify the Service Level Agreement for FY 2016 to include language that describes responsibility for improper payments. Also, CSB stated it will keep a log to track its improper payments. Both corrective actions are complete, and the recommendation is considered closed.

CSB Complied With Requirement to Publish a PAR

OMB Memorandum M-15-02, Part II, Section (A)(3)(a), states that compliance means an agency published a PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website. The PAR, as described by OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Section 200.21, is an annual report of agency performance. The report contains the agency's audited financial statements and detailed information on efforts to achieve goals during the past fiscal year.

In its FY 2015 PAR, CSB stated:

The CSB has not identified any significant risk with improper payments. However, we recognize the importance of maintaining adequate internal controls to ensure proper payments, and our commitment to the continuous improvement in the overall

disbursement management process remains strong. In FY 2015, the CSB continued our agreement with the Bureau of the Fiscal Service (BFS) to process financial transactions, make administrative payments, and prepare various financial reports. This agreement promotes the accuracy of our financial records and payments.

Based on our audit, we determined that CSB was compliant with this requirement.

CSB Conducted a Risk Assessment

OMB Memorandum M-15-02, Part II, Section (A)(3)(b), states that an agency has to conduct a program-specific risk assessment for each program or activity that conforms with IPIA, if required. IPIA requires each agency to review all programs and activities that it administers and identify all such programs and activities that may be susceptible to significant improper payments. The Memorandum, Part I, Section (A)(9)(a), defined “significant improper payments” as gross annual improper payments in the program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported, or (2) \$100 million regardless of the percentage of total program outlays.

We reviewed and analyzed CSB’s FY 2015 risk assessment and determination that it does not have any programs susceptible to significant risk of improper payments. We concluded that CSB is compliant with the requirement to conduct a program-specific risk assessment. CSB identified six improper payments totaling \$26,139.02. We found that CSB’s FY 2015 payments totaled \$10,288,009, as shown in Table 1.

Table 1: CSB estimated payments

Activity	Amount	Percentage
FY 2015 estimated payments	\$10,288,009	93.53%
Interagency and unobligated balance	711,991	6.47%
Total	\$11,000,000	100.00%

Source: OIG analysis of CSB data.

CSB Not Required to Publish Estimates, Report on Agency Actions, and Publish Annual Reduction Targets

OMB Memorandum M-15-02, Part II, Section (A)(3)(c), states that agencies have to publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment, if required. CSB did not have significant improper payments identified and, therefore, is not required to publish improper payment estimates. CSB did not meet the threshold of \$10 million of all program or activity payments made during the fiscal year reported and 1.5 percent of program outlays. As a result, CSB was not required to report a gross improper payment rate of less than

10 percent. When compiling plans to reduce improper payments, agencies are to set and publish reduction targets for future improper payment levels and a timeline within which the targets will be reached. CSB was not required to implement a programmatic corrective action plan or set and publish reduction targets.

CSB Determined It Is Not Cost Effective to Conduct a Payment Recapture Audit

OMB Memorandum M-15-02, Part I D, implements the requirements of Section 2(h) of IPERA. Agencies are required to conduct recapture audits with respect to each program and activity of the agency that expends \$1 million or more annually, if conducting such audits would be cost effective. The OMB memorandum defines a payment recapture audit (also known as a recovery audit) as "...a review and analysis of an agency's or program's accounting and financial records, supporting documentation, and other pertinent information supporting its payments that is specifically designed to identify overpayments." A payment recapture audit program is "an agency's overall plan for risk analysis and the performance of payment recapture audits and recovery activities."

According to OMB, a cost-effective payment recapture audit "is one in which the benefits (i.e., recaptured amounts) exceed the costs (e.g., staff time and resources, or payments to an audit contractor) associated with implementing and overseeing the program." Agencies may consider the following criteria in determining whether a payment recapture audit is cost effective:

- The likelihood that identified overpayments will be recaptured.
- The likelihood that the expected recoveries will be greater than the costs incurred to identify the overpayments.

In February 2012, CSB provided us with an analysis to determine the cost effectiveness of performing a recapture audit on all activities with annual outlays in excess of \$1 million. CSB updated its analysis by inputting the FY 2015 data into the FY 2012 calculations model and concluded that a recapture audit program would not be cost effective because its costs are likely to be higher than any amounts recovered.

OMB guidance also states that if an agency determines a payment recapture audit would not be cost effective, agencies must notify OMB and the agency's Inspector General of its decision. CSB asked OMB about this requirement, and OMB stated that the cost-effectiveness analysis only needs to be repeated and resubmitted to OMB and the agency Inspector General if circumstances change within the program that might make a payment recapture audit cost effective.

Prior-Year Recommendation Status

In 2014, we audited and reported on CSB's FY 2013 improper payments. In our audit report, *U.S. Chemical Safety and Hazard Investigation Board Did Not Comply With the Do Not Pay Requirements for Improper Payments*, Report No. [14-P-0172](#), issued April 10, 2014, we made three recommendations. Corrective actions taken on those three recommendation were examined in the next year's audit of improper payments, *CSB Complied With Reporting Requirements for Improper Payments Elimination and Recover Act for Fiscal Year 2014*, Report No. [15-P-0153](#), issued May 1, 2015. Two of those recommendation were closed, while Recommendation 2 remained open pending CSB's corrective actions.

Recommendation 2 recommended that CSB:

Ensure CSB's payroll and benefits go through the [U.S. Department of Treasury's Do Not Pay] portal to comply with IPERIA of 2012. Also, track and document reviews of improper payments to help prevent or eliminate future improper payments.

We discussed the status of the open recommendation with CSB during our FY 2015 audit. CSB stated:

IBC system and payroll staff confirmed all IBC client salary payment files are run through Treasury's Do Not Pay portal. IBC plans to modify the Service Level Agreement with CSB for FY 2016 to include language that describes responsibility for improper payments. Also, CSB informed us it will keep a log to track its improper payments.

In this current audit, we reviewed the implementation of the corrective actions for the open recommendation. We reviewed CSB's tracking of its improper payments and the FY 2016 Service Level Agreement with IBC, noting language that describes IBC's responsibility for improper payments. We confirmed CSB's implementation of the corrective actions. Therefore, we consider this recommendation closed.

CSB Response

CSB stated that it agrees with our findings and will not provide written comments.

Distribution

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Board Members, U.S. Chemical Safety and Hazard Investigation Board
Director of Administration and Audit Liaison, U.S. Chemical Safety and Hazard
Investigation Board