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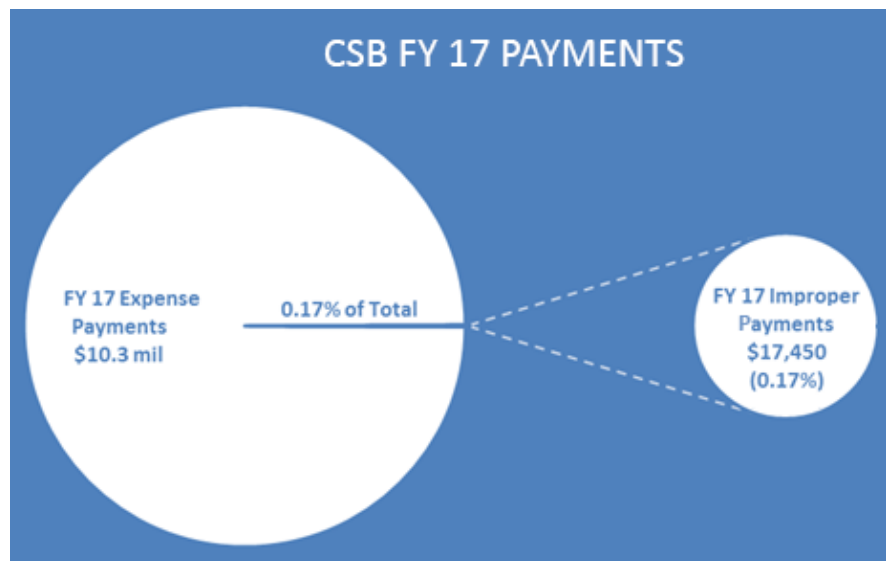
OFFICE OF INSPECTOR GENERAL

*U.S. Chemical Safety Board*

# CSB Complied With Improper Payments Legislation Requirements for Fiscal Year 2017

Report No. 18-P-0175

May 9, 2018



## Report Contributors:

Michael D. Davis  
Randy Holthaus  
Neven Soliman

## Abbreviations

CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
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 chart illustrating approximate CSB-provided expenses and improper payment amount for FY 2017.

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# At a Glance

## Why We Did This Project

Office of Management and Budget guidance outlines 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's Office of Inspector General undertook this audit of CSB's compliance with improper payments legislation.

### This report addresses the following CSB goal:

- *Create and maintain an engaged, high-performing workforce.*

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## CSB Complied With Improper Payments Legislation Requirements for Fiscal Year 2017

### What We Found

The CSB was fully compliant with legislation for improper payments during fiscal year 2017. As required, the CSB published its Performance and Accountability Report and posted that report and accompanying materials on the agency website.

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

In addition, we determined that the 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, the CSB determined that it is not cost-effective to conduct a recapture audit.

Based on the above, this report contains no recommendations.



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

THE INSPECTOR GENERAL

May 9, 2018

The Honorable Vanessa Allen Sutherland  
Chairperson and 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 2017. This report represents the opinion of the Office of Inspector General and does not necessarily represent the final CSB position.

You are not required to respond to this report because this report contains no recommendations. However, if you submit a response, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at [www.epa.gov/oig](http://www.epa.gov/oig).

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Elkins Jr." The signature is fluid and cursive.

Arthur A. Elkins Jr.

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## Purpose

Our audit objective was to determine the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) compliance with improper payments legislation during fiscal year (FY) 2017.

## Background

The 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. The 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*, 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, in Part I, Section A(2), 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, 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. Pursuant to OMB Memorandum M-15-02, Part II, Section A(3), an agency is compliant if it has:

- a) Published an AFR [Agency Financial Report] or PAR [Performance and Accountability Report]<sup>1</sup> 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); and
- 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.

The memorandum notes that if an agency does not meet one or more of these requirements, the agency is not compliant with the improper payments legislation.

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 Inspector 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, Section 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 December 2017 to April 2018 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

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<sup>1</sup> CSB FY 2016 PAR, published November 15, 2016.

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether the CSB is compliant with improper payments legislation requirements, we reviewed the CSB's FY 2017 PAR, improper payments and supporting documentation. To determine whether the CSB's internal controls for improper payments were adequate, we relied on the CSB management assurances, prior years' IPERIA reports, and the FY 2017 CSB financial statements. We exchanged emails with CSB personnel about CSB actions in several areas. We also reviewed the 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 for human resources functions.

## Results

The CSB was compliant with reporting requirements of improper payments legislation during FY 2017. As required, the CSB published and posted its PAR on its website. We determined that the CSB conducted a risk assessment and did not identify any programs and activities susceptible to significant improper payments. The 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 its programs. Additionally, the CSB determined that it was not cost-effective to conduct a recapture audit.

### ***CSB Complied With Requirement to Publish a PAR***

OMB Memorandum M-15-02, Part II, Section A(3)(a), requires that an agency publish a PAR for the most recent fiscal year and post that report and any accompanying materials required by the 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 2017 PAR, page 14, which the CSB posted on its website in November 2017, the CSB stated:

The CSB has not identified any significant risk of improper payments. In order to maintain adequate internal controls to ensure proper payments, the CSB renewed its 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. OMB Memorandum M-15-02, Part I, Section A(9)(a), defines “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 the CSB’s FY 2017 risk assessment and determination that it does not have any programs susceptible to significant risk of improper payments. We concluded that the CSB is compliant with the requirement to conduct a program-specific risk assessment. CSB identified 35 improper payments, totaling \$17,450. We found that CSB’s FY 2017 expense payments totaled \$10,302,194, as shown in Table 1.

**Table 1: CSB payments**

<b>Activity</b>	<b>Amount</b>	<b>Percentage</b>
FY 2017 expense payments	\$10,302,194	93.66%
Interagency and unobligated balance	697,806	6.34
<b>Total</b>	<b>\$11,000,000</b>	<b>100.00%</b>

Source: Office of Inspector General (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. The CSB did not have significant improper payments identified and, therefore, is not required to publish improper payment estimates. The 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, the CSB was not required to report improper payment rates for any of its programs and activities. OMB Memorandum M-15-02, Part I, Section A(9), Step 3(b), states that 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. The CSB was not required to implement

a programmatic corrective action plan or set and publish reduction targets because it 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.

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

OMB Memorandum M-15-02, Part I, Section 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. OMB Memorandum M-15-02, Part I, Section D(1)(b), 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 defined in OMB Memorandum M-15-02, Part I, Section D(1)(c), as “an agency’s overall plan for risk analysis and the performance of payment recapture audits and recovery activities.”

According to OMB Memorandum M-15-02, Part I, Section D(1)(d), 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 from OMB Memorandum M-15-02, Part I, Section D(5)(a) and (b), 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 and recover the overpayments.

In February 2012, the 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. The CSB updated its analysis by inputting the FY 2017 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. The CSB provided this analysis to the OIG but not to the OMB, as there was no change from the prior year’s analysis.

OMB Memorandum M-15-02, Part I, Section D(6), states that if an agency determines that a payment recapture audit would not be cost-effective, agencies must notify the OMB and the agency’s Inspector General of its decision. In FY 2016, the OIG and CSB confirmed with OMB personnel that the CSB is not required to repeat and resubmit the cost-effectiveness analysis to the OMB and the

agency Inspector General unless circumstances change within the program that might make a payment recapture audit cost-effective.

## **CSB Response**

The CSB agreed with our report and did not provide written comments.

## ***Distribution***

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