

The CSB Complied with Improper Payment Requirements in Fiscal Year 2023

October 16, 2024 | Project No. 25-P-0001



Report Contributors

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Abbreviations

CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019

Cover Image

U.S. Chemical Safety and Hazard Investigation Board logo. (CSB Image)

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OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

October 16, 2024

Steve Owens
Board Member and Interim Executive Authority
U.S. Chemical Safety and Hazard Investigation Board
1750 Pennsylvania Avenue NW, Suite 910
Washington, D.C. 20006

Dear Mr. Owens:

This is the U.S. Environmental Protection Agency Office of Inspector General's report on the U.S. Chemical Safety and Hazard Investigation Board's compliance with the Payment Integrity Information Act of 2019 for fiscal year 2023. The project number for this audit was [OA-FY24-0020](#).

The CSB Board chairman is responsible for the issues discussed in this report.

You are not required to respond to this report because this report contains no recommendations. If you submit a response, however, 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 the corresponding justification.

We will post this report to our website at www.epaoig.gov.

Sincerely,

Sean W. O'Donnell
Inspector General

Background

The Payment Integrity Information Act of 2019, known as PIIA, requires government agencies to identify and reduce improper payments in the government's programs and activities. Office of Management and Budget, or OMB, Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, issued July 15, 2016, defines management's responses for internal control to improve accountability and effectiveness of federal programs. Appendix C to Circular A-123, *Requirements for Payment Integrity Improvement*, issued March 5, 2021, contains the implementation requirements for the PIIA.

According to Appendix C:

For purposes of PIIA implementation, all program outlays will fall in one of three possible payment type categories: proper payment; IP [improper payment]; or UP [unknown payment]. At a high level, a payment is "proper" if it was made to the right recipient for the right amount, a payment is "improper" if it was made in an incorrect amount or to the wrong recipient, and for instances where an agency is unable to determine whether the payment falls into the proper or improper category that payment should be considered an "unknown" payment. Programs should use reasonableness when deciding which of the three buckets a payment falls into.

OMB Circular No. A-136, *Financial Reporting Requirements*, issued May 19, 2023, states that agencies subject to reporting requirements are to submit their agency's audited financial statements and agency financial reports to the OMB, U.S. Department of the Treasury, U.S. Government Accountability Office, and Congress by the close of business on November 15, 2023. Each agency must publish its report on the same date and post it on the agency's website with a hyperlink included on the agency homepage. The U.S. Environmental Protection Agency Office of Inspector General reviews the U.S. Chemical Safety and Hazard Investigation Board's payment integrity reporting for compliance with PIIA and Appendix C requirements.

According to Appendix C, OMB Circular No. A-123, improper payments may include overpayments, underpayments, payments that were not properly documented, payments involving other errors, and even fraud. Improper payments resulting in monetary loss are potentially recoverable funds. On the other hand, improper payments that do not result in monetary loss do not involve recoverable funds.

Robust internal controls lead to fewer improper and unknown payments and reduce the need to recover such payments. Appendix C to OMB Circular A-123 stipulates that agencies should prioritize establishing and maintaining effective internal controls. Appendix C also states that at least once every three years, agencies must assess all programs or activities with annual outlays greater than \$10 million for risk of improper payments. A program is considered susceptible to significant improper payments if it exceeds the statutory threshold, which is either (1) both 1.5 percent of program outlays and \$10 million of all program payments made during the fiscal year or (2) \$100 million. According to Appendix C, an agency must meet up to ten PIIA requirements to comply with the PIIA. The number of requirements applicable to an agency for a fiscal year depends on whether it has any programs that exceed the \$10 million annual threshold for conducting risk assessments and whether there are any programs that have been determined to be subject to significant improper payments. As set forth in Table 1, the CSB has complied with all applicable PIIA reporting requirements for FY 2023.

Table 1: OMB PIIA compliance requirements

–	Compliance requirement	CSB compliance
1	Published payment integrity information with the annual financial statement.	✓
2	Posted the annual financial statement and accompanying materials on the agency website.	✓
3	Conducted improper payment risk assessment for each program with annual outlays greater than \$10 million at least once in the last three years.	N/A
4	Adequately concluded whether the program is likely to make improper and unknown payments above or below the statutory threshold.	N/A
5	Published improper and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.	N/A
6	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
7	Published improper and unknown payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
8	Demonstrated improvements to payment integrity or reached a tolerable improper and unknown payment rate.	N/A
9	Developed a plan to meet the improper and unknown payment reduction target.	N/A
10	Reported an improper and unknown payment estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement.	N/A

Source: OIG analysis of PIIA and OMB compliance requirements for the CSB. (EPA OIG table)

As noted above, agencies with annual program outlays over \$10 million are required to conduct periodic reviews, referred to as an **improper payment risk assessment**. According to OMB Circular A-123, an improper payment risk assessment is to be performed once every three years to identify, evaluate, and prioritize risks that could affect the agency's ability to achieve its goals to ensure effective governance. However, agencies with programs whose outlays fluctuate or are below the \$10 million threshold over time will not necessarily perform an improper payment risk assessment every three years. If the agency is performing risk assessments, 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. CSB management decided to perform an improper payment risk assessment for FY 2023 even though it was not required to do so because none of its programs had outlays exceeding \$10 million.

On August 9, 2023, the U.S. Government Accountability Office, in response to a request from the CSB for a decision on the matter, determined that the CSB had violated the Antideficiency Act when it entered into real-property lease for space in a privately owned building. Pending the report issuance, the OMB granted the CSB extensions beyond the November 15, 2023 deadline to publish the CSB's performance and accountability report, which also contained the agency's financial statements for FY 2023. On March 29, 2024, the CSB published its FY 2023 performance and accountability report, to include the prescribed OMB PIIA compliance requirements, as noted in the first two rows of Table 1. The Antideficiency Act violation did not affect our assessment of the CSB's compliance with the PIIA since the CSB was under the \$10 million outlay threshold and was only required to comply with the first two requirements of the PIIA.

To meet PIIA requirements for an annual review of agency improper payment programs, we reviewed the CSB's payment integrity information reporting for compliance with the PIIA and OMB requirements.

Responsible Office

The CSB is an independent federal agency that investigates industrial chemical incidents and hazards. The Clean Air Act Amendments of 1990 established the CSB, which began operations in 1998. The CSB’s mission is to investigate serious incidents and hazards involving the production, processing, or handling of chemical substances. It is a nonregulatory, independent agency, and its investigations may review the effectiveness of regulations and regulatory enforcement. The CSB’s investigations focus on a wide range of industries, including oil and gas, manufacturing, and transportation, with the intent of improving safety and preventing chemical incidents. It makes recommendations to entities such as facilities, regulatory agencies such as the EPA, industry organizations, and labor groups.

The board is composed of five members who are appointed by the president and confirmed by the Senate; however, there are only three sitting board members. The CSB is considered a microagency with a budget of \$14.4 million and an authorized staff of 49 for FY 2023.

Scope and Methodology

We conducted this performance audit from November 2023 to October 2024 in accordance with generally accepted government auditing standards. 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective, which was to determine whether the CSB complied with the PIIA in FY 2023.

We assessed the internal controls necessary to satisfy our audit objective.¹ In particular, we assessed the internal control components—as outlined in the Government Accountability Office’s *Standards for Internal Control in the Federal Government*—significant to our audit objective. Any internal control deficiencies we found are discussed in this report.

To address the audit objective, we focused on improper payment and unknown reporting at the CSB for FY 2023. The audit was designed to ensure compliance with the law, review improper payments and unknown payments, and identify any discrepancies or internal control deficiencies. We reviewed federal statute requirements, related legislation, and guidance for improper payment and unknown payment reporting for FY 2023. This included examining the PIIA, OMB Circular A-123 Appendix C, and OMB Circular A-136.

As part of our audit and to determine whether the CSB reported its total outlays and improper payments or unknown payments for FY 2023, we reviewed the CSB’s FY 2023 performance and accountability report, which contained its financial statements and its internal review report. We interviewed key personnel, including the director of financial operations and the financial specialist. We reviewed the CSB’s risk assessment and financial statements and a series of communications, such as emails, document transmittals, and virtual meetings.

¹ An entity designs, implements, and operates internal controls to achieve its objectives related to operations, reporting, and compliance. The Government Accountability Office sets internal control standards for federal entities in GAO-14-704G, *Standards for Internal Control in the Federal Government*, issued September 10, 2014.

Our review included an analysis of the CSB's net outlays for all programs and activities in FY 2023 and the total improper payments made under payroll, compensation, employee benefits, travel payments, and charge card payments.

Impediments and Scope Limitations

As previously noted, in FY 2023, the Government Accountability Office investigated the CSB regarding its lease of real property in Washington, D.C., finding that the CSB had violated the Antideficiency Act. As the inquiry was ongoing, the OMB granted the CSB several extensions beyond the November 15, 2023 deadline to publish the agency's performance and accountability report, which also contained the CSB's FY 2023 financial statements. After the Government Accountability Office's report was issued, the CSB published its performance and accountability report and financial statements on March 29, 2024.

Because of these extensions, we could not conduct sufficient fieldwork and we suspended our audit until the CSB published its performance and accountability report. On April 3, 2024, we lifted our suspension, and reopened the audit to continue our fieldwork.

Results

In FY 2023, the CSB complied with improper payment requirements pursuant to the PIIA. The CSB's combined outlays for all programs totaled \$8.988 million. The CSB management decided to perform an improper payment risk assessment for FY 2023 even though it was not required to do so, as none of its programs or activities exceeded the \$10 million threshold. The risk assessment revealed no unknown payments and a gross improper payment totaling \$23,651, or 0.26 percent of total outlays, in the following expense categories: payroll, lodging taxes, sales taxes, and purchases. Under OMB requirements, the CSB only needed to (1) "[p]ublish any applicable payment integrity information in the annual financial statement" and (2) "[post] the annual financial statement ... on the agency website." On March 29, 2024, the CSB posted its annual financial statements as part of its performance and accountability report. The CSB also made this information available on its [website](#). We confirmed the CSB completed both requirements.

Status of Prior Year Findings and Recommendations

Table 2 provides the status of all recommendations in the Report No. [23-P-0018](#), *The CSB Complied with Improper Payments Requirements in Fiscal Year 2022 but Should Improve Internal Controls for Improper Payments Reporting*, issued May 17, 2023.

Table 2: Status of prior year findings and recommendations

FY 2022 finding	Recommendations	Corrective action status
<p>The CSB did not account for the improper payments related to payroll transactions when determining the total value of its improper payments. For instance:</p> <ul style="list-style-type: none"> • The CSB did not accurately record its improper payments related to sales tax. • The CSB erroneously included amounts paid according to interagency agreements when determining its program outlays. • The CSB misidentified the improper payments statute in its payment integrity-related reporting. 	<p>The CSB chairperson should:</p> <ol style="list-style-type: none"> 1. Establish and implement written procedures on the PIIA and improper payments reporting, including an internal review to prevent or detect inaccurately reported improper payment amounts, a process for making corrections to errors, and a process for updating improper payment citations in applicable documents. 2. Provide training to applicable CSB staff about the PIIA, improper payments, and associated procedures. 	<p>Corrective action for both recommendations were completed December 2023.</p>

Source: EPA OIG Report No. 23-P-0018. (EPA OIG table)

Conclusions

We found that the CSB complied with improper payment requirements pursuant to the PIIA for FY 2023. The CSB fulfilled its obligations to publish payment integrity information with the annual financial statement for the most recent fiscal year and to post the yearly financial statement and accompanying materials required under the OMB's guidance on the CSB's website. We made no recommendations in this report. While we did not provide a draft of this report to the CSB prior to issuance, we discussed the findings and the CSB did not offer any comments.

cc: Steve Owens, Chairperson, CSB

Sylvia Johnson, Board Member, CSB

Catherine Sandoval, Board Member, CSB

Chris Lyon, Acting Senior Advisor and General Counsel, CSB

Sabrina Morris, Acting Director of Administration/Board Affairs, CSB

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U.S. Environmental Protection Agency

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