



OFFICE OF INSPECTOR GENERAL

U.S. ENVIRONMENTAL PROTECTION AGENCY

CUSTOMER SERVICE ★ INTEGRITY ★ ACCOUNTABILITY

U.S. Chemical Safety Board

The CSB Complied with Improper Payments Requirements in Fiscal Year 2022 but Should Improve Internal Controls for Improper Payments Reporting

Report No. 23-P-0018

May 17, 2023

\$11,914
Improper
payments
made by the
CSB

Report Contributors: Stacey Banks
Ryan Dzakovic
LaTanya Furdge
Gloria Taylor-Upshaw
Khadija Walker

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: The CSB's total improper payments for fiscal year 2022. (EPA OIG image)

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Office of Inspector General U.S. Environmental Protection Agency **At a Glance**

23-P-0018
May 17, 2023

The CSB Complied with Improper Payments Requirements in Fiscal Year 2022 but Should Improve Internal Controls for Improper Payments Reporting

Why We Did This Audit

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this audit to determine whether the U.S. Chemical Safety and Hazard Investigation Board complied with the Payment Integrity Information Act of 2019 in fiscal year 2022.

The Payment Integrity Information Act aims to improve efforts to identify and reduce governmentwide improper payments. The Office of Management and Budget directs agencies to identify all programs and activities they administer that expend more than \$10 million annually and perform a risk assessment to determine whether they are susceptible to significant improper payments. Office of Management and Budget Circular A-123, Appendix C, requires each agency to publish payment integrity information with its annual financial statements. Agency inspectors general are to review payment integrity reporting for compliance and issue an annual report.

To support this CSB mission-related effort:

- *Creating and maintaining an engaged, high-performing workforce.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG_WEBCOMMENTS@epa.gov.

[List of OIG reports.](#)

What We Found

In fiscal year 2022, the CSB complied with the requirements of the Payment Integrity Information Act of 2019, or PIIA, and the applicable Office of Management and Budget guidance. Because the CSB had less than \$10 million in annual program outlays for FY 2022, the Board was only required to publish its performance and accountability report and post the report on its website. Additionally, the CSB performed an improper payments risk assessment for FY 2022, even though it was not required to do so because none of its annual program outlays exceeded \$10 million.

Effective internal controls reduce the risk of improper payment inaccuracies and increase confidence in the CSB's ability to achieve its mission.

Despite the CSB's overall compliance with the PIIA, we identified deficiencies in its processes for determining and recording improper payments. In FY 2022, the CSB made \$1,036 in improper payments related to sales tax and \$10,878 in improper payments related to payroll transactions, for a total of \$11,914 in improper payments. The CSB, however, did not account for the improper payments related to payroll transactions when determining the total value of its improper payments. It also did not accurately record its improper payments related to sales tax. Furthermore, the CSB erroneously included amounts paid pursuant to interagency agreements when determining its program outlays, and it misidentified the improper payments statute in its payment integrity-related reporting.

Inadequate controls, including a lack of written guidance, insufficient supervisory reviews, and no training on PIIA requirements, contributed to these inaccuracies. These inaccuracies did not impact our conclusion that the CSB is compliant with the PIIA, but without improvements in internal controls, the CSB may continue to make similar mistakes. Accurate improper payments reporting is important for the CSB to demonstrate its commitment to financial integrity and transparency.

Recommendations and Planned CSB Corrective Actions

We recommend that the CSB establish and implement written procedures on the PIIA and improper payments reporting, including an internal review for errors and a process for making corrections. Additionally, we recommend that the CSB provide training to applicable CSB staff about the PIIA, improper payments, and the associated procedures. The CSB agreed with our recommendations. All recommendations are resolved with corrective actions pending.



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

THE INSPECTOR GENERAL

May 17, 2023

Steve Owens
Chairperson
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 in fiscal year 2022 with the Payment Integrity Information Act of 2019. The project number for this audit was [OA-FY23-0039](#). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by CSB managers in accordance with established audit resolution procedures.

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

The CSB provided acceptable planned corrective actions and estimated completion dates in response to OIG recommendations. All recommendations are resolved, and no final response to this report is required. 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 corresponding justification

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

Sincerely,

A handwritten signature in blue ink that reads "Sean W. O'Donnell".

Sean W. O'Donnell

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency Office of Inspector General [initiated](#) this audit to determine whether the U.S. Chemical Safety and Hazard Investigation Board, or CSB, complied with the Payment Integrity Information Act of 2019, or PIIA, in fiscal year 2022.

Background

Congress enacted the PIIA on March 2, 2020, to improve efforts to identify and reduce governmentwide improper payments. The PIIA requires agencies to implement the Act in accordance with guidance from the Office of Management and Budget, or OMB. Specifically, Appendix C of OMB Circular A-123, *Requirements for Payment Integrity Improvement*, which was issued March 5, 2021, sets forth requirements for agencies and OIGs to comply with the PIIA. According to Appendix C, an agency must meet ten PIIA requirements to comply with the Act. We detail these ten requirements in Chapter 2 (Table 1) of this report. OMB Circular A-136, *Financial Reporting Requirements*, states that agencies are to submit their agency financial report or performance and accountability report to the OMB, the U.S. Treasury, the U.S. Government Accountability Office, and Congress by close of business on November 15, 2022. Each agency must also publish its report by the same date. The report's location must be clearly identified on the agency's homepage.

The PIIA directs the head of each executive branch agency to periodically review all programs and activities—hereafter referred to collectively as **programs**—with annual outlays greater than \$10 million and to identify those that may be susceptible to significant improper payments. Agency heads must conduct these periodic reviews, referred to as **risk assessments**, at least once every three years. As described in Appendix C to OMB Circular A-123, these risk assessments must reasonably determine whether a program is susceptible to significant improper payments.

Appendix C to OMB Circular A-123 defines a payment as “any transfer of Federal funds ... to any non-Federal person or entity or a Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a Governmental or other organization administering a Federal program or activity.” According to the OMB, any disbursement of federal funds between two federal agencies would not be considered a payment for purposes of reporting under the PIIA. According to OMB guidance, all program payments fall into one of three payment categories: proper, improper, or unknown. A **proper payment** is a payment made to the right recipient for the right amount; an **improper payment** is a payment made in an incorrect amount or to the wrong recipient; and an **unknown payment** is a payment made without sufficient documentation, so that the agency cannot determine whether the payment is proper or improper. Unknown payments must eventually be determined to be proper or improper, and an agency may be required to report those payments determined to be improper in future years. According to Appendix C, improper payments may or may not result in monetary loss. Improper payments resulting in a monetary loss are considered overpayments that should be recovered. In contrast, improper payments not resulting in a monetary loss, including underpayments, do not involve excess funds that can be recovered.

Appendix C to OMB Circular A-123 provides that agencies should prioritize establishing and maintaining effective internal controls. Robust internal controls contribute to fewer improper and unknown payments by preventing them from occurring in the first place and thus preventing the need to recover improper payments after they are made. Also, Appendix C to OMB Circular A-123 states that a program is susceptible to significant improper payments if the total improper and unknown payment amount exceeds the statutory threshold. The statutory threshold for a program 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.

The PIIA requires each agency's inspector general to annually determine the agency's compliance with the PIIA and issue a report on that determination. Furthermore, Appendix C to OMB Circular A-123 requires that each inspector general evaluate the accuracy and completeness of the agency's improper payments reporting, evaluate the risk assessments to determine if they adequately conclude whether the programs are likely to make improper and unknown payments above or below the statutory threshold, and recommend changes to the agency's improper payments risk-assessment methodology if the OIG determines that a risk assessment incorrectly identified whether a program or activity was likely to make improper and unknown payments above or below the statutory threshold. Such recommendations may include that the agency conduct an off-cycle risk assessment.

Responsible Office

Headquartered in Washington, D.C., the CSB is an independent federal board charged with investigating industrial chemical accidents. The CSB's mission is to drive chemical safety excellence through independent investigations to protect people and the environment. The CSB accomplishes its mission by conducting root cause investigations of chemical accidents at fixed industrial facilities. While the Board does not issue fines or citations, it does make recommendations to plants; regulatory agencies, such as the Occupational Safety and Health Administration and the EPA; industry organizations; and labor groups.

Scope and Methodology

We conducted this performance audit from November 2022 to May 2023 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We reviewed federal statute requirements and other related legislation and guidance on improper payments reporting requirements for FY 2022. Specifically, we reviewed the PIIA; OMB Circular A-123, Appendix C, "Requirements for Payment Integrity Improvement;" and OMB Circular A-136, *Financial Reporting Requirements*. We contacted the OMB to discuss specific compliance requirements for the CSB improper payments reporting for FY 2022. 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.

To determine whether the CSB reported its total outlays and improper payments for FY 2022 and performed any required risk assessments, we reviewed both the CSB's FY 2022 performance and accountability report and the CSB's report summarizing its internal review of programs and activities,

Audit of CSB's Compliance with Improper Payments Legislation CSB Review of Programs & Activities Susceptible to Significant Improper Payments – FY 2022. Additionally, we interviewed the CSB's director of Financial Operations and the CSB's financial specialist to learn about internal procedures and processes in reporting improper payments. We also reviewed and analyzed applicable background documents and prior reports to gain further understanding of the CSB.

Prior Reports

In OIG Report No. [22-N-0056](#), *Special Review of the U.S. Chemical Safety and Hazard Investigation Board Capabilities to Effectively Administer Its Programs and Operations*, issued September 7, 2022, we summarized how operations at the CSB were challenged by vacancies in mission-critical positions and an inability to fully use the resources Congress allocated to the CSB. Further, the report detailed that CSB staff are concerned that leadership, internal review processes, and reporting backlogs are impeding the CSB's ability to accomplish its mission. We made no recommendations in this report.

In OIG Report No. [22-E-0020](#), *U.S. Chemical Safety and Hazard Investigation Board's Compliance in Fiscal Year 2021 with Improper Payments Legislation and Guidance*, issued March 15, 2022, we reported to the OMB that the CSB was in compliance with improper payments legislation and guidance for FY 2021. We found that the CSB made approximately \$7.2 million in payments during the fiscal year that were subject to improper payments requirements and reported improper payments totaling \$345. We made no recommendations in this report.

Chapter 2

The CSB Complied with Improper Payments Requirements in FY 2022

In FY 2022, the CSB complied with improper payments requirements, pursuant to the PIIA and OMB guidance. Because the CSB reported less than \$10 million total for all program and activity payments made in FY 2022, it needed to satisfy only two of the ten requirements outlined in OMB Circular A-123, Appendix C. The CSB did satisfy those two requirements: it published its performance and accountability report for FY 2022, and it posted the report on its website. Additionally, the CSB performed an improper payments risk assessment for FY 2022, even though it was not required to do so because its program outlays were under the \$10 million reporting threshold.

The PIIA and OMB Circulars Detail Requirements for Improper Payments Reporting

Federal legislation and OMB Circular A-123 set forth requirements for agencies to identify, review, and report on improper payments. Appendix C to OMB Circular A-123 outlines the requirements agencies must follow to comply with improper payments assessments and payment integrity improvements. Appendix C requires agencies to identify and review all programs and activities they administer with annual outlays in excess of \$10 million to determine whether they are susceptible to significant improper payments.

As described in OMB Circular A-136, an agency's performance and accountability report includes the annual report of the agency's performance. The report contains an audited financial statement, other reports such as assurances on internal controls, and the inspector general's assessment of the most serious management and performance challenges facing the agency.

The CSB Complied with Improper Payments Requirements

The CSB is compliant with the improper payment requirements for FY 2022. The CSB published and submitted its performance and accountability report to the OMB and posted the report on its website on November 16, 2022. Although the OMB directed agencies to submit and publish the report by close of business on November 15, 2022, we determined that the CSB was compliant with reporting requirements because it notified the OMB of the one-day delay and mitigated any potential negative impact.

As required by Appendix C to OMB Circular A-123, Table 1 identifies the ten PIIA compliance requirements, the ones that the CSB complied with, and the ones that were not applicable to the CSB because it was under the reporting threshold.

Table 1: Summary of the CSB’s overall compliance status with PIIA requirements

No.	PIIA compliance requirement	CSB compliance
1a	Publish payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the agency for the most recent fiscal year in accordance with OMB guidance.	yes
1b	Post the annual financial statement and accompanying materials required under guidance of the OMB on the agency website.	yes
2a	Conduct improper payments risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years.	n/a
2b	Adequately conclude whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.	n/a
3	Publish improper payments and unknown payments estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.	n/a
4	Publish 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
5a	Publish an improper payments and unknown payments reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	n/a
5b	Demonstrate improvements to payment integrity or reach a tolerable improper payments and unknown payments rate.	n/a
5c	Develop a plan to meet the improper payments and unknown payments reduction target.	n/a
6	Report an improper payments and unknown payments estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.	n/a

Note: n/a = Not applicable.

Source: OIG analysis of OMB A-123 Appendix C and the CSB’s performance and accountability report. (EPA OIG table)

The CSB performed an improper payments risk assessment in FY 2022, although it was not required to do so because its total program outlays were \$7,992,332. We reviewed the risk assessment and agreed that the CSB’s program outlays were under the \$10 million reporting threshold.

Chapter 3

The CSB Should Improve Internal Controls for Improper Payments Reporting

The CSB's total value of improper payments for FY 2022 was \$11,914, which consisted mostly of underpayments associated with payroll transactions. However, in contrast to OMB Circular A-123 guidance, the CSB did not accurately record its total improper payments amount in its internal report, *CSB Review of Programs & Activities Susceptible to Significant Improper Payments—FY 2022*, which summarized the results of its review of programs and activities. In FY 2022, the CSB made \$1,036 in improper payments related to sales tax and \$10,878 in improper payments related to payroll transactions, for a total of \$11,914 in improper payments. The CSB, however, did not account for the improper payments related to payroll transactions when determining the total value of its improper payments. It also did not accurately record its improper payments related to sales tax. The CSB also included amounts paid from interagency agreements as part of its program outlays, even though the OMB specifies that any disbursement of federal funds between two federal agencies would not be considered a payment for PIIA reporting purposes. Further, the CSB misidentified the improper payments statute in both its FY 2022 performance and accountability report and its *CSB Review of Programs & Activities*. Inadequate controls, including a lack of written guidance and training, as well as limited supervisory reviews, contributed to these inaccuracies. The CSB's inaccuracies did not impact our conclusion that the CSB is compliant with the PIIA. However, if the CSB does not improve its internal controls, it may continue to make similar improper payments mistakes. Accurate improper payments reporting is important for the CSB to demonstrate its commitment to financial integrity and transparency.

Federal Requirements for Reporting Improper Payments

As previously mentioned, the CSB is required to follow PIIA and OMB requirements when performing annual improper payments reporting. Appendix C to OMB Circular A-123 informs agencies about the various types of payments to account for when reporting improper payments and highlights the importance of internal controls. Appendix C explains that the improper amount for an overpayment is the difference between the amount paid and the amount actually due, while the improper amount for an underpayment is the difference between the amount due and the amount actually paid. For example, federal agency transactions that use a government charge card are exempt from state taxes, including sales taxes, per OMB Circular A-123, Appendix B, "Risk Management Framework for Government Charge Card Programs." Any sales tax paid would be considered an overpayment, and agencies are to work with vendors to reclaim improperly paid taxes.

Control activities are an effective component of internal controls, and management can design them to develop policies, procedures, and techniques to meet its objectives. Internal control standards should be applied to an agency's operations and programs to ensure that all transactions are completely and accurately recorded.

Even when agencies are in overall compliance with the PIIA, it is appropriate for OIGs to make recommendations to improve improper payments reporting. Appendix C of OMB Circular A-123 states, "A recommendation for improvement should be considered any time an OIG identifies an action that if

taken would improve the program as it relates to a specific evaluation criterion, however, overall, the OIG determines that the program itself is compliant with the criterion.”

The CSB Recorded Incorrect Amounts for Total Improper Payments and Total Outlays, as well as Misidentified the Federal Statute

The CSB recorded an incorrect total amount of improper payments and an incorrect total amount of outlays subject to the PIIA in its *CSB Review of Programs & Activities*. It also misidentified the improper payments reporting statute in both its *CSB Review of Programs & Activities* and performance and accountability report for FY 2022.

Improper Payments for Payroll Transactions and Sales Taxes

During FY 2022, the CSB made a series of underpayments primarily associated with payroll transactions; these underpayments totaled \$9,830. Additionally, the CSB recorded overpayments associated with payroll transactions; these overpayments totaled \$1,048. The improper payments associated with payroll transactions, which were ultimately corrected, totaled \$10,878. The CSB did not record any improper payments associated with payroll transactions in its *CSB Review of Programs & Activities*, however.

The improper payments that the CSB did record in its *CSB Review of Programs & Activities* were associated with sales tax charged to the CSB by vendors. The CSB paid \$1,036 in sales tax in FY 2022, but it recovered \$159 of those overpayments, leaving \$877 that was not recovered. According to the CSB, it should have recorded the unrecovered \$877 as the total improper payments amount throughout its *CSB Review of Programs & Activities*. As previously stated, per Appendix B to OMB Circular A-123, federal agency transactions made with a government charge card are exempt from state taxes, including sales taxes. Therefore, the CSB should record all improper payments that occurred, regardless of any recoveries or corrections. This means that the CSB should have recorded \$1,036 as the improper payments amount associated with sales tax.

Ultimately, the total improper payments amount that the CSB recorded in its *CSB Review of Programs & Activities* should not have consisted solely of sales tax overpayments but should have also included the payroll underpayments and overpayments. The total amount that the CSB should have recorded as its FY 2022 improper payments is the sum of the \$10,878 associated with payroll transactions and the \$1,036 associated with sales tax, for a total of \$11,914.

Total Outlays

The CSB concluded in its *CSB Review of Programs & Activities* that its outlays in FY 2022 totaled approximately \$9.6 million. The CSB determined this amount by adding the total program outlays of \$7,992,332 and interagency agreement outlays of \$1,597,359, which equals \$9,589,691. However, according to the OMB, disbursement of federal funds between two federal agencies is not considered a “payment” in the context of the PIIA. The CSB’s total outlays are too low to have any individual programs or activities with annual outlays exceeding the \$10 million threshold. In the future, when the CSB reviews its annual outlays, it should note that payments to other federal agencies would not be included in the total program outlays.

Improper Payments Statute

In its *CSB Review of Programs & Activities*, the CSB concluded that it was in full compliance with the Improper Payments Elimination and Recovery Act for FY 2022. Additionally, the CSB noted in its FY 2022 performance and accountability report that improper payments reporting was required under the Improper Payments Information Act of 2002, as amended by the 2010 Improper Payments Elimination and Recovery Act and the Improper Payments Elimination and Recovery Improvement Act of 2012. However, these statutes were repealed when Congress enacted the PIIA. Furthermore, the CSB's FY 2022 performance and accountability report does not include any mention of the PIIA, which is the current statute under which the CSB is required to conduct annual improper payments reporting.

Although the CSB misidentified the improper payments reporting statute in both its *CSB Review of Programs & Activities* and its performance and accountability report for FY 2022, the cited statutes and the effective statute contain similar reporting requirements and do not substantially change the CSB's improper payments reporting obligations. While it did not affect CSB operations in this case, misidentifying a statute could call into question whether an agency is operating under the most recent requirements.

Inadequate Internal Controls Contributed to Errors

The CSB lacks written procedures that identify the requirements for annually determining its total improper payments and its compliance with the PIIA and Appendix C to OMB Circular A-123. Written procedures should include processes to review and validate identified improper payments before they are reported, to correct misreported improper payments, and to update its performance and accountability report for applicable statutory citations.

The CSB relies on institutional knowledge to conduct its internal review of programs and activities for improper payments reporting in the performance and accountability report. In addition, CSB staff stated that there is no training for and limited supervisory review of improper payments reporting. The CSB said that a lapse in oversight caused the CSB to misidentify its total improper payments for FY 2022.

We previously reported in OIG Report No. [22-N-0056](#), *Special Review of the U.S. Chemical Safety and Hazard Investigation Board Capabilities to Effectively Administer Its Programs and Operations*, issued September 7, 2022, that the CSB is challenged by vacancies. The impact of these vacancies is evident in the CSB's inability to properly oversee improper payments reporting.

Future Reporting May Be Impacted If the CSB Does Not Improve Internal Controls

When the CSB conducts its internal review of total improper payments, it should take steps to ensure that the reported information is correct, including citing to the appropriate statute. Additionally, establishing effective internal controls, such as written procedures and training to facilitate compliance with the PIIA will help the CSB report information accurately. Without improvements in internal controls, the CSB may continue to make improper payments and report errors in the *CSB Review of Programs & Activities*, which could cause the CSB to report inaccurate information to the OMB and the public.

Conclusions

Despite the inaccuracies in the *CSB Review of Programs & Activities*, we agree with the CSB's assessment in its FY 2022 performance and accountability report that there is no significant risk of improper payments. However, the CSB needs effective controls to accurately record its improper payments and total outlays.

Recommendations

We recommend that the CSB chairperson:

1. Establish and implement written procedures on the Payment Integrity Information Act of 2019 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 Payment Integrity Information Act of 2019, improper payments, and the associated procedures.

CSB Response and OIG Assessment

The CSB agreed with our recommendations and stated that it has taken steps to ensure more efficient reviews for conducting internal assessments, minimizing improper payments, and ensuring proper reporting. Appendix A includes the CSB's response to our draft report. In a separate email, the CSB provided its Office of Financial Operations' PIIA corrective action plan. The plan contains action items that address our recommendations.

For Recommendation 1, the CSB will create an improper payments standard implementation guidance to address its lack of written procedures on the PIIA. The CSB said it will continually update this guidance with the most current changes to regulations. Additionally, the Board will create a template delineating the specific categories applicable to program and activities to determine how outlays should be calculated. The CSB has drafted a checklist that must be completed, reviewed, and approved prior to any PIIA information being referenced in financial documents, including the performance and accountability report.

For Recommendation 2, the CSB will provide training on reporting improper payments using the newly created improper payments standard implementation guidance.

We agree with the CSB's planned corrective actions. All recommendations are resolved with corrective actions pending.

Status of Recommendations

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date
1	9	Establish and implement written procedures on the Payment Integrity Information Act of 2019 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.	R	Chairperson of the U.S. Chemical Safety and Hazard Investigation Board	12/31/23
2	9	Provide training to applicable CSB staff about the Payment Integrity Information Act of 2019, improper payments, and the associated procedures.	R	Chairperson of the U.S. Chemical Safety and Hazard Investigation Board	12/31/23

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

CSB Response to Draft Report

U.S. Chemical Safety and Hazard Investigation Board

1750 Pennsylvania Avenue NW, Suite 910 | Washington, DC 20006
Phone: (202) 261-7600 | Fax: (202) 261-7650
www.csb.gov

Steve Owens
Chairperson

Sylvia E. Johnson, Ph.D.
Board Member

Catherine J.K. Sandoval
Board Member



May 8, 2023

Gloria Taylor-Upshaw
Office of Audit
Office of Inspector General
U.S. Environmental Protection Agency
Washington, DC 20004

Dear Ms. Taylor-Upshaw:

The Chemical Safety and Hazard Investigation Board (CSB) appreciates the opportunity to comment on the EPA Office of Inspector General's (OIG) draft report entitled, *The CSB Complied with Improper Payments Requirements in Fiscal Year 2022 but Should Improve Internal Controls for Improper Payments Reporting* (Project No. OA-FY23- 0039).

As the OIG report states, the CSB has complied with all requirements applicable to the agency under the Payment Integrity Information Act of 2019 (PIIA). As the report also states, the CSB has complied with other provisions in the PIIA even though the agency is not required to do so.

Although the CSB has complied with the applicable PIIA requirements, the OIG report identifies deficiencies in the agency's processes for determining and recording improper payments in two areas: (i) payments related to sales tax and (ii) payments related to payroll transactions.

Most of the payments noted by the OIG relate to payroll transactions. As the CSB has explained to the OIG, because the CSB is a micro-agency, the CSB does not have direct control over payroll transactions. The CSB is dependent on an outside Shared Service Provider at a separate federal agency – the Interior Business Center (IBC) in the Department of the Interior – to handle the CSB's payroll transactions. All CSB payroll transactions are conducted by the IBC.

The CSB has notified the IBC on several occasions about payroll-related errors made by the IBC, as well as the CSB's concerns about the quality of service provided by the IBC in this and other areas. As the CSB told the OIG, it is only because the CSB conducts a regular after-the-fact review of the IBC payroll transactions that the payroll-related errors in question were identified in the first place. The CSB Office of Financial Operations (OFO) and Office of Human Resources (HR) have met with the payroll managers and staff at IBC to discuss the excessive payroll errors made by the IBC. The IBC has provided its

internal control processes to the CSB for review and comment, and the CSB is attempting to work with the IBC to improve the IBC's processes to ensure that payroll errors do not continue to occur. Additionally, because of these errors and other challenges that the CSB has faced with the quality of service provided by the IBC, the CSB is working to identify another Shared Service Provider as a potential alternative to the IBC if necessary.

The report makes two recommendations to the CSB: (i) establish and implement written procedures on the Payment Integrity Information Act of 2019 and improper payments reporting, including an internal review to prevent or detect payment errors, a process for making corrections to errors, and a process for updating improper payment citations in applicable documents; and (ii) provide training to applicable CSB staff about the Payment Integrity Information Act of 2019, improper payments, and the associated procedures. The CSB agrees with these recommendations.

The CSB already has taken steps to ensure more efficient reviews for conducting internal assessments, minimizing improper payments, and ensuring proper reporting. For example, the CSB will not include total net outlays in their internal risk assessments, but will only acknowledge the net outlays disbursed for non-federal agencies, in accordance with OMB A-123 Appendix C. The CSB OFO has also created a PIIA checklist that must be completed by the CSB financial management specialist and approved and signed by the Director of Financial Operations. Additionally, the CSB is continuing to review the IBC's payroll transactions.

The CSB OFO also plans to conduct refresher training for CSB Government Purchase Card (GPC) holders, and the OFO already has created additional GPC guidance that will be distributed to all GPC holders. Further, when conducting internal risk assessments for PIIA, the CSB will no longer exclude recoveries in the improper payment totals and will report the cumulative dollar amount of any improper payments.

Sincerely,



Steve Owens
Chairperson

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