



U.S. COMMODITY FUTURES TRADING COMMISSION

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TO: Rostin Behnam, Chairman
Kristin Johnson, Commissioner
Christy Goldsmith Romero, Commissioner
Summer Mersinger, Commissioner
Caroline Pham, Commissioner

FROM: Miguel A. Castillo, *CPA, CISA, CRMA*

DATE: May 12, 2023

SUBJECT: Management Letter: FY2022 Compliance with Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) requires federal agencies including the Commodity Futures Trading Commission (CFTC) to estimate the risk of improper payments (IP) and unknown payments (UP) for its programs. See [Appendix A](#) for PIIA background. Programs that are not likely to have an annual amount of IP plus UP above a statutory threshold (which is either (1) both 1.5 percent of program outlays and \$10,000,000 of all program payments made during the FY, or (2) \$100,000,000) are referred to as being in “Phase 1.” CFTC historically has determined it is a “Phase 1” agency, and did so again this year. This makes sense as CFTC is a smaller agency, and does not administer a benefit program.

The PIIA requires the Inspector General of each executive agency to determine whether the agency is in compliance with the PIIA, and to submit a report on the determination to the head of the executive agency, the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Accountability, and the Comptroller General of the United States.

To fulfill our obligations under the PIIA, the Office of the Inspector General (OIG) completed a review of the CFTC’s PIIA compliance for FY2022. The objectives of our review were to:

1. Determine whether CFTC was compliant with the PIIA for FY2022.
2. Perform an independent risk assessment of CFTC payments to determine whether CFTC improper payments remain below improper payment thresholds (Phase 1 agency).

See [Appendix B](#) for scope and methodology.

To answer objective 1, we obtained and reviewed the CFTC's FY2022 AFR. Our previous PIIA [review](#) had recommended inclusion of a discussion of PIIA compliance in the CFTC FY2021 AFR. CFTC has since included such discussion in the FY2022 AFR. We also closed an additional FY2021 recommendation based on CFTC performance and performed further actions to evaluate PIIA compliance during FY2022. See [Appendix C](#) for further details.

To answer objective 2, the OIG independently assessed CFTC's improper payment risk for FY 2022 and concluded that the CFTC is a Phase 1 agency because payment risk is well below the established OMB threshold (i.e., improper payments are not greater than \$10 million or 1.5% of outlays). See [Appendix D](#) for further analysis.

We find that CFTC demonstrated compliance with PIIA for FY2022. Management concurs. See [Appendix E](#) for management's comments in its entirety. The management letter will be posted on the Office of the Inspector General's webpage and included in the September 2023 *Semiannual Report to Congress*.

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Appendix A

Background

The [*Improper Payments Elimination and Recovery Act of 2010*](#) (IPERA) (Public Law 111-204) amended the [*Improper Payments Information Act of 2002*](#) (Public Law 107-300) and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments (based on guidance provided by the Office of Management and Budget (OMB)). For programs or activities with estimated improper payments above a certain threshold, each agency was required to prepare a report on actions it has taken or plans to take to recover improper payments and prevent future improper payments. In addition, section 3 of IPERA required Inspectors General to review each agency's improper payment reporting and issue an annual report.

On March 2, 2020, the [*Payment Integrity Information Act of 2019*](#) (PIIA) (Public Law 116-117) repealed IPERA (and other laws) but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General.

One of the primary changes made by the PIIA relates to new risk factors that are to be embedded into federal entities' improper payment risk assessments. These factors are:

- Similarities to other programs that have reported improper and unknown payment estimates or have been deemed susceptible to significant improper payments.
- Accuracy and reliability of improper and unknown payment estimates previously reported for the program or other indicators of potential susceptibility to improper payments.
- Whether the program lacks information or data systems to confirm eligibility or provide for other payment integrity needs.
- Risk of fraud as assessed by the federal entities under the Standards for Internal Control in the Federal Government issued by the Government Accountability Office, also referred to as the Green Book.

The PIIA established responsibilities for the Office of Management and Budget (OMB) to issue guidance and to establish an interagency working group on payment integrity. OMB thereafter issued [OMB M-21-19](#), *Requirements for Payment Integrity Improvement* (March 5, 2021), Appendix C to OMB Circular A-123. The goal of Appendix C is to transform the payment integrity compliance framework and create a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future improper payments. We followed [OMB](#) and [CIGIE](#) guidance in the completion of this report.

Appendix B

Scope and Methodology

The objectives of our FY 2022 review were to:

1. Determine whether the CFTC is compliant with the PIIA; and
2. Perform an independent risk assessment of CFTC payments to determine whether CFTC improper payments remains below improper payment thresholds (Phase 1 agency).

To answer objective 1, we performed a follow-up evaluation to our [FY 2021 report](#) to determine FY 2022 compliance. We obtained and reviewed the CFTC's 2022 Agency Financial Report (AFR). We also monitored the required audit of the FY2022 financial statements audits (payroll and nonpayroll) and Customer Protection Fund (for the whistleblower payments), both performed by an Independent Public Accounting firm. During our fieldwork we reviewed internal controls, looked at key cycle memos and reviewed tests of controls. We also met with relevant CFTC personnel to understand the business environment and key planning meetings. We evaluated payment risk reporting in CFTC's 2022 AFR under [OMB M-21-19](#) and under the Counsel of Inspectors General (CIGIE) [Guidance for Payment Integrity Information Act Compliance Reviews](#), dated November 8, 2022.

To answer objective 2, we independently assessed improper payment risk for FY 2022. We obtained and analyzed payment/accounting data for quality; contracted analytic experts to perform tests of normality by object class and/or CT series using SAS and evaluated payment outliers set at 3z (standard deviations) from averages; and examined extreme values. See [Appendix D](#) for further analysis.

Appendix C

Previous Recommendations

Prior Year Recommendations	Current Year Status
Include payment integrity analysis with relevant links and estimates in future AFRs as required by OMB M-21-19	Closed. This was added to the CFTC 2022 AFR.
Seek counsel for interpreting general law matters such as PIIA compliance	Closed. A response was provided from OFM, that they seek and will continue to seek general law interpretations from OGC as deemed appropriate.

Appendix D

PIIA Checklist Table

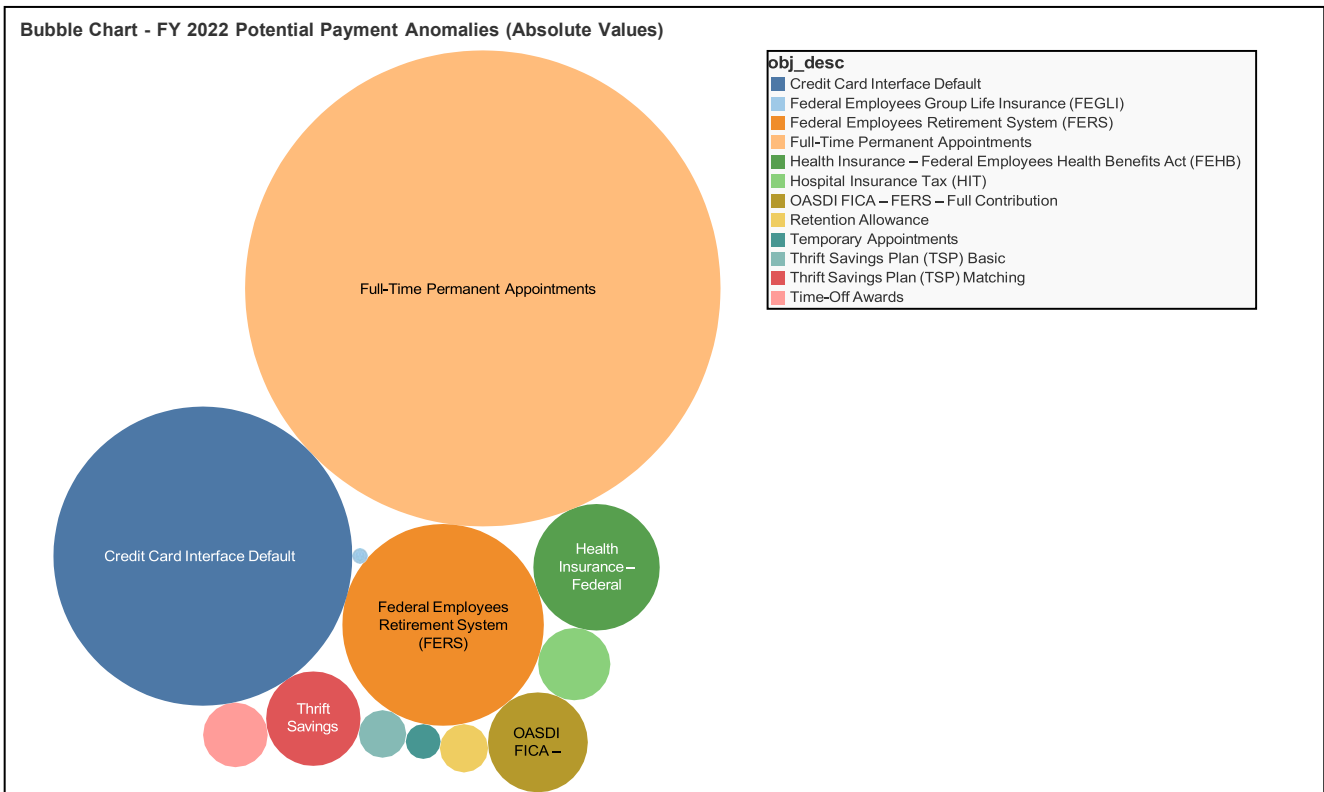
	Reference to where the Requirement is published	Compliance Met? (Yes/No)	Whistleblower	Payroll	NonPayroll	IG Evaluation of Accuracy	IG Evaluation of Completeness	Specific Recommendations to Meet Compliance	Agency Response
1. (OMB M-21-19 Appendix C-IV-A-1a) 1a. Published Payment Integrity information with the annual financial statement.	Agency Financial Report	Yes	Yes	Yes	Yes	See Tables	See Tables	N/A	No Response Needed
2. (OMB M-21-19 Appendix C-IV-A-1b) 1b. Posted the annual financial statement and accompanying materials on the agency website.	Agency Financial Report	Yes	Yes	Yes	Yes	See Tables	See Tables	N/A	
3. (OMB M-21-19 Appendix C-IV-A-2a) 2a. Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.	Agency Financial Report	Yes	Yes	Yes	Yes	See Tables	See Tables	N/A	
4. (OMB M-21-19 Appendix C-IV-A-2b) 2b. Adequately concluded whether the program is likely to make Improper Payments (IPs) and Unknown Payments (UPs) above or below the statutory threshold.	Agency Financial Report	Yes	Yes	Yes	Yes	See Tables	See Tables	N/A	
5. (OMB M-21-19 Appendix C-IV-A-3) 3. Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement.	Agency Financial Report	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
6. (OMB M-21-19 Appendix C-IV-A-4) 4. 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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
7. (OMB M-21-19 Appendix C-IV-A-5a) 5a. Published an IP and UP 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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
8. (OMB M-21-19 Appendix C-IV-A-5b) 5b. Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
9. (OMB M-21-19 Appendix C-IV-A-5c) 5c. Developed a plan to meet the IP and UP reduction target.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
10. (OMB M-21-19 Appendix C-IV-A-6) 6. Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Summary: FY 2022 Potential PIIA Anomalies (Absolute Values)

obj_desc	Je Category / Je Source	
	Payments	Treasury Confirmation
	Payroll	Budgetary Transaction
Credit Card Interface Default		\$424,006
Federal Employees Group Life Insurance (FE..	\$1,078	
Federal Employees Retirement System (FERS)	192,899	
Full-Time Permanent Appointments	1,073,760	
Health Insurance – Federal Employees Health..	75,911	
Hospital Insurance Tax (HIT)	24,861	
OASDI FICA – FERS – Full Contribution	47,371	
Retention Allowance	11,081	
Temporary Appointments	5,734	
Thrift Savings Plan (TSP) Basic	10,737	
Thrift Savings Plan (TSP) Matching	42,360	
Time-Off Awards	19,875	
Grand Total	\$1,505,668	\$424,006

Under statutory thresholds (\$10million and 1.5% of payments); therefore, no further action by CFTC required.

Bubble Chart - FY 2022 Potential Payment Anomalies (Absolute Values)



Appendix E

Management Response

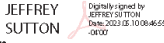


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MEMORANDUM

TO: Miguel A. Castillo
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Jeffrey Sutton 
Executive Director
Division of Administration

DATE: May 10, 2023

SUBJECT: Management's Response to draft OIG Management Letter: FY2022
Compliance Review with Payment Integrity Information Act of 2019 (PIIA)
Report

Thank you for the opportunity to comment on the Office of the Inspector General's (OIG) draft FY 2022 PIIA review report. We appreciate the opportunity to review the draft report that expresses the Commission's full compliance with PIIA. Management concurs with the report as written.

We appreciate the dialogue we have had throughout this review. If you require further assistance, please contact Keith Ingram, Accounting Officer at (202) 418-5612.

CC:
Joel Mattingley
Chief Financial Officer
Division of Administration