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.

Cc: reports @hsgac.senate.gov
oversight.democrats@mail.house.gov
IPcompliancereports@gao.gov.

David Gillers, Chief of Staff
Bruce Fekrat, Chief Counsel
Joseph R. Cisewski, Chief of Staff and Senior Counsel
Christopher Lucas, Chief of Staff and Counsel
Meghan Tente, Chief of Staff
Robert Schwartz, General Counsel
Jeffrey Sutton, Executive Director
Joel Mattingley, Chief Financial Officer
Keith A. Ingram, Accounting Officer
John L. Rogers, Senior Advisor
A. Roy Lavik, Inspector General
Judith A. Ringle, Deputy Inspector General and Chief Counsel
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 Generals (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

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

### PIIA Checklist Table

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Reference to where the Requirement is published</th>
<th>Compliance Met?</th>
<th>Whistleblower</th>
<th>Payroll</th>
<th>NonPayroll</th>
<th>IG Evaluation of Accuracy</th>
<th>IG Evaluation of Completeness</th>
<th>Specific Recommendations to Meet Compliance</th>
<th>Agency Response</th>
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<tbody>
<tr>
<td>1. (OMB M-21-19 Appendix C-IV-A-1a) 1a. Published Payment Integrity information with the annual financial statement.</td>
<td>Agency Financial Report</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Tables</td>
<td>See Tables</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>2. (OMB M-21-19 Appendix C-IV-A-1b) 1b. Posted the annual financial statement and accompanying materials on the agency website.</td>
<td>Agency Financial Report</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Tables</td>
<td>See Tables</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Agency Financial Report</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Tables</td>
<td>See Tables</td>
<td>N/A</td>
<td></td>
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<tr>
<td>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.</td>
<td>Agency Financial Report</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Tables</td>
<td>See Tables</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Agency Financial Report</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>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.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>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.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>N/A</td>
<td>N/A</td>
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<tr>
<td>8. (OMB M-21-19 Appendix C-IV-A-5b) 5b. Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>9. (OMB M-21-19 Appendix C-IV-A-5c) 5c. Developed a plan to meet the IP and UP reduction target.</td>
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<td>N/A</td>
<td>N/A</td>
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<tr>
<td>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.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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### Summary: FY 2022 Potential PIIA Anomalies (Absolute Values)

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<tr>
<th>obj_desc</th>
<th>Je Category / Je Source</th>
<th>Payments</th>
<th>Payroll</th>
<th>Treasury Confirmation</th>
<th>Budgetary Transaction</th>
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<tr>
<td>Credit Card Interface Default</td>
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<td>Federal Employees Group Life Insurance (FE..</td>
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<tr>
<td>Federal Employees Retirement System (FERS)</td>
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<td>Full-Time Permanent Appointments</td>
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<td>Health Insurance – Federal Employees Health..</td>
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<tr>
<td>Hospital Insurance Tax (HIT)</td>
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<td>OASDI FICA – FERS – Full Contribution</td>
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<td>Retention Allowance</td>
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<td>Temporary Appointments</td>
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<td>Thrift Savings Plan (TSP) Basic</td>
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<tr>
<td>Thrift Savings Plan (TSP) Matching</td>
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<tr>
<td>Time-Off Awards</td>
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<tr>
<td>Grand Total</td>
<td></td>
<td>$1,505,668</td>
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<td>$424,006</td>
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</table>

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)

- Full-Time Permanent Appointments
- Federal Employees Retirement System (FERS)
- Federal Employees Group Life Insurance (FEGLI)
- Credit Card Interface Default
- Health Insurance - Federal Employees Health Benefits Act (FEHB)
- National Insurance - Federal
- OASDI FICA - Full Contribution
- Time-Off Awards
- Thrift Savings Plan (TSP) Basic
- Thrift Savings Plan (TSP) Matching
- Hospital Insurance Tax (HIT)
- Temporary Appointments
Appendix E

Management Response

U.S. COMMODITY FUTURES TRADING COMMISSION
Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5521
www.cftc.gov

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