U.S. CONSUMER PRODUCT SAFETY COMMISSION

OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

October 1, 2006 - March 31, 2007

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EXECUTIVE SUMMARY

This semiannual report summarizes the major activities performed by the Office of the Inspector General during the reporting period, October 1, 2006 through March 31, 2007. During the reporting period, this office completed 2 audits and 3 investigations. At the end of the reporting period, 2 audits and 2 investigation were in progress.

The Office of the Inspector General received five (5) complaints during the reporting period; two (2) of which resulted in the initiation of formal investigations. Three (3) investigations were closed during the reporting period. Management officials acted on the recommendations made in the completed investigations from the previous reporting period.

The Office of the Inspector General continues to be involved with the Executive Council on Integrity and Efficiency, and the Council of Counsels to the Inspectors General.

INTRODUCTION

U. S. CONSUMER PRODUCT SAFETY COMMISSION

The U.S. Consumer Product Safety Commission (CPSC) is an independent regulatory agency created in 1973, under the provisions of the Consumer Product Safety Act (P.L. 92-573), to protect the public against unreasonable risks of injuries associated with consumer products. Under the Consumer Product Safety Act, Congress granted the CPSC broad authority to issue and enforce standards prescribing performance requirements, warnings, or instructions regarding the use of consumer products. The CPSC also regulates products covered by four other acts: the Flammable Fabrics Act, the Federal Hazardous Substances Act, the Poison Prevention Packaging Act, and the Refrigerator Safety Act.

The CPSC is headed by three Commissioners appointed by the President with the advice and consent of the Senate. The Chairman of the CPSC is designated by the President. The CPSC's Headquarters is located in Bethesda, Maryland. It has field personnel stationed throughout the country. The CPSC has a budget of $62.37 million and 420 authorized full-time equivalent positions for Fiscal Year 2007.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General is an independent office established under the provisions of the Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988 (P.L. 100-504). The Inspector General Act gives the Inspector General the authority and responsibility to:

- Conduct and supervise audits and investigations of CPSC programs and operations;

- Provide leadership, coordination, and recommend policies for activities designed to: (i) promote economy, efficiency, and effectiveness in the administration of CPSC's programs and operations and (ii) prevent and detect fraud, waste, and abuse of CPSC programs and operations; and

- Keep the Chairman and Congress fully and currently informed about problems and deficiencies relating to the administration of CPSC programs and operations, and the need for progress or corrective action.

The Office of the Inspector General investigates complaints and information received concerning possible violations of laws, rules, and regulations, mismanagement, abuse of authority, and waste of funds. These investigations are in response to allegations, complaints, and information received from CPSC employees, other government agencies, contractors, and other concerned individuals. The objective of this program is to ensure the integrity of the CPSC and ensure individuals fair, impartial, and independent investigations.

The Office of the Inspector General also reviews existing and proposed legislation and regulations relating to the programs and operations of the CPSC concerning their impact on the economy and efficiency in the administration of such programs and operations.

The Office of the Inspector General was authorized two full-time equivalent positions for Fiscal Year 2007: the Inspector General and one auditor.

AUDIT PROGRAM

During this period, the Office of the Inspector General worked on 5 audits and reviews. A summary of each follows:

AUDIT OF FINANICAL STATEMENTS

The Accountability of Tax Dollars Act of 2002 requires that the CPSC and other smaller agencies, which had not been required in the past to perform annual financial audits, begin performing annual audits of their financial statements. This audit was performed to meet this statutory requirement.

The objectives of this audit were to ensure that the CPSC was meeting its responsibilities for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met; (3) ensuring that the CPSC's financial management systems substantially comply with statutory requirements; and (4) complying with other generally applicable laws and regulations.

This audit found that the financial statements, including the accompanying notes, presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the CPSC's assets, liabilities, and net position as of September 30, 2006 and for the year then ended.

The Consumer Product Safety Commission maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) as of September 30, 2006. CPSC's internal controls provided reasonable assurance that misstatements, losses, or noncompliant material in relation to the Balance Sheet would be prevented or detected on a timely basis.

The CPSC was found to be in compliance with all relevant laws and regulations. Financial transactions were properly recorded, processed, and summarized so as to permit the preparation of financial statements in conformity with generally accepted accounting principles, and assets were safeguarded against loss

from unauthorized acquisition, use, or disposition. Transactions were executed in accordance with laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the financial statements and any other laws, regulations, and government-wide policies identified by OMB audit guidance.

ASSESSMENT OF CPSC'S INFORMATION SYSTEM'S SECURITY CONTROLS (Ongoing)

The FY 06 Federal Information Security Management Act evaluation found that although improvements continued to be made in the CPSC's IT Security, these improvements did not keep pace with the pace of the new requirements mandated by Federal law and regulations. In particular, funding was not available in FY 06 to complete the testing of system security controls mandated by NIST SP 800-53A and OMB policy. As a result the CPSC's system lost its certification and accreditation.

In order to allow the CPSC's IT system to regain certification and accreditation, the Office of Inspector General is currently assessing the security controls in the CPSC's information systems. This is being accomplished through the use of the National Institute of Standards and Technology's Guide for Assessing the Security Controls in Federal Information Systems. The results of this review will be one factor used in conducting the FY 07 FISMA evaluation of the information security of the CPSC.

Corrective actions have been initiated and it appears that the system will regain certification and accreditation.

REVIEW OF CPSC's USE OF SERVICE CONTRACTS (Ongoing)

Over the last decade, a number of trends have affected government contracting. Services now comprise a greater percentage of the government's acquisition budget. Between 1990 and 1995 the government began spending more on services than goods. Currently, procurement spending on services accounts for more than 60% of total procurement dollars.

Changes in the laws and regulations governing government contracting now allow the Government to take advantage of many approaches used in the commercial market. The combination of

competitive market forces and the adoption of commercial practices can foster effective and efficient access to products and services, although doing so requires greater effort and creativity from acquisition professionals.

However, complicating efforts to implement new acquisition strategies is that there are fewer acquisition professionals in the government to award and administer contracts as the government's contracting workforce has reduced in size over the last decade. The federal acquisition workforce has declined by nearly 50 percent since personnel reductions in the mid-1990s. Despite recent efforts to hire acquisition personnel, there is an acute shortage of federal procurement professionals with between five and 15 years of experience. This shortage will become more pronounced in the near term because roughly half of the current workforce is eligible to retire in the next four years.

An ongoing survey of the CPSC's use of service contracts is being conducted. Depending on the results of this survey, a more comprehensive audit may be conducted.

OFFICE OF MANAGEMENT AND BUDGET (OMB) REQUESTED REVIEW OF THE CPSC'S USE OF OMB EXHIBIT 300

The Office of Management and Budget (OMB) uses a capital asset plan and business case known as the Exhibit 300 to coordinate the collection of agency information required by the Federal Acquisition Streamlining Act and the Clinger-Cohen Act. The Government Accountability Office has raised questions about the accuracy and reliability of the Exhibit 300s. The OMB Administrator for Electronic Government and Information Technology requested that the Inspector General community ascertain the validity of their respective agency's Exhibit 300s.

This office's review determined that no violations of OMB or GAO protocols regarding the use of the Exhibit 300 had occurred. The Office of Inspector General is continuing to work with CPSC management to ensure that future use of Exhibit 300s (which will be increasing due to a change in OMB policy) will meet both OMB and GAO guidelines.

REVIEW OF CPSC'S PROCESSES TO IMPLEMENT PERSONAL IDENTITY VERIFICATION CREDENTIALS REQUIRED BY HSPD-12

In support of Homeland Security Presidential Directive 12 (HSPD-12), agencies are required to complete background checks on most current employees and contractors and issue personal identity verification (PIV) credentials by October 27, 2007. (Employees with over fifteen years of service may delay completion of investigation until October 27, 2008). Identity credentials are required to meet the standards outlined in Federal Information Processing Standard (FIPS) 201 and associated technical specifications.

By October 27, 2006, agencies were to begin issuing compliant credentials either through the services of the General Services Administration (GSA) and Department of Interior (Interior) or by performing this function internally.

On January 11, 2007, the Office of Management and Budget (OMB) requested that Offices of Inspectors General review their respective agencies' processes and help ensure they are consistent with HSPD-12 and FIPS 201.

The CPSC is ensuring that its new agency credentials meet FIPS 201 requirements by utilizing the shared service program offered by GSA. A compliant credential was issued by January 19, 2007 in compliance with regulatory guidelines. In March of 2007, the CPSC posted on its public website a report on the number of PIV credentials issued. The appropriate, OMB approved, template was used.

INVESTIGATIVE PROGRAM

A number of individuals contacted the Office of the Inspector General during the reporting period to discuss their concerns about matters involving CPSC programs and activities. Four (4) of the individuals filed formal complaints alleging waste, fraud, abuse, or mismanagement of CPSC resources. All of these complaints resulted in investigations being initiated. Several cases were transferred to CPSC officials (management or EEOC) or other government agencies for final disposition after initial investigation indicated that these cases would be more appropriately dealt with outside of IG channels. Several investigations were closed after initial investigation determined that no action was required.

Investigations

	No. of Cases
Beginning of period	0
Opened	5
Closed	2
Transferred/Incorporated into existing investigation	1
End of the period	2

REPORTABLE INVESTIGATIONS

Misuse of Jury Duty Fee - An allegation that the CPSC's policies regarding the receipt of jury duty fees by Government employees were not in compliance with Federal law and/or were not uniformly applied was investigated. It was determined that the policies in question were in compliance with Federal law and were uniformly applied.

Mismanagement of Government Resources - An allegation of mismanagement was investigated and referred to agency officials for action.

Research Fraud - An allegation of research fraud was referred to the Department of Justice for prosecution.

ONGOING INVESTIGATIONS

Two investigations are ongoing at the end of the period. These case involves allegations of violations of various Agency or Federal regulations and/or statutes relating the civilian personnel system; the ongoing investigations are not criminal in nature.

OTHER ACTIVITIES

LEGISLATION AND REGULATIONS

The Office of the Inspector General reviews internal and external legislation and regulations that affects the Office of the Inspector General in specific or CPSC's programs and activities in general. Procedures applicable to the following subjects were reviewed and commented on during the reporting period:

Training of Managers and Supervisors
Release of Information
Political Activities of Employees
Conflict of Interest
Agency Chain of Command Issues
Nepotism
Time and Attendance
Equal Employment Opportunity Program
Rural Development Act
Federal Information Security Management Act
Electronic Signatures

Adoption of Anti-Nepotism Policy - With the assistance of the Office of the Inspector General the agency crafted and adopted a policy governing the employment of relatives. Specifically the new policy deals with situations in which family members serve within the same supervisory chain. The adoption of this policy addresses long standing concerns raised to management by the Office of Inspector General and brought to the attention of the Office of Inspector General by both individual agency employees and the union.

Adoption of Policy Framework to Address the Risks of Workplace Violence - The Office of Inspector General played a lead role in the drafting and adoption of a framework to deal with the risks of workplace violence in the CPSC's Headquarters Building. This framework both sets out the criteria to be considered in determining the potential dangers posed by a potentially violent employee or situation and establishes the framework within which the agency determines what action is appropriate.

EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Inspector General, as a member of the Executive Council on Integrity and Efficiency (ECIE), maintains active membership with the Council and its associated activities. The Council identifies, reviews, and discusses issues that are of interest to the entire IG community. The Inspector General attended regular meetings held by the ECIE and joint meetings of the President's Council on Integrity and Efficiency and ECIE. The Office of the Inspector General's staff attended seminars and training sessions sponsored by the PCIE/ECIE and its associated activities.

COUNCIL OF COUNSELS TO THE INSPECTORS GENERAL

The Counsel to the Inspector General is a member of the Council of Counsels to the Inspectors General. The Council considers legal issues of interest to the Offices of Inspectors General. During the review period, the Council reviewed existing and pending laws affecting the CPSC in general and the Office of the Inspector General in specific and provided other support as needed to the Inspector General.

REPORTING REQUIREMENTS SUMMARY

Reporting requirements specified by the Inspector General Act of 1978, as amended, are listed below:

Citation	Reporting Requirements	Page
Section 4(a)(2)	Review of Legislation and Regulations	10
Section 5(a)(1)	Significant Problems, Abuses, Deficiencies	4-9
Section 5(a((2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	4-9
Section 5(a)(3)	Recommendations Included in Previous Reports on Which Corrective Action Has Not Been Taken	NA
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	8
Section 5(a)(5)	Summary of Instances Where Information Was Refused	NA
Section 5(a)(6)	Reports Issued	4-8
Section 5(a)(7)	Summary of Significant Reports	4-8
Section 5(a)(8)	Questioned Costs	NA
Section 5(a)(9)	Recommendations That Funds Be Put to Better Use	NA
Section 5(a)(10)	Summary of Audit Report Issued Before the Start of the Reporting Period for Which No Management Decision Has Been Made	NA
Section 5(a)(11)	Significant Revised Management Decisions	NA
Section 5(a)(12)	Management Decisions with Which the Inspector General is in Disagreement	NA