



# Office of Inspector General

U.S. Consumer Product Safety Commission

## Top Management and Performance Challenges for Fiscal Year 2019

October 12, 2018

## **Vision Statement**

We are agents of positive change striving for continuous improvements in our agency's management and program operations as well as within the OIG.

## **Statement of Principles**

We will:

Work with the Commission and the Congress to improve program management;

Maximize the positive impact and ensure the independence and objectivity of our audits, investigations, and other reviews;

Use our investigations and other reviews to increase Government integrity and recommend improved systems to prevent fraud, waste, and abuse;

Be innovative, question existing procedures, and suggest improvements;

Build relationships with program managers based on a shared commitment to improving program operations and effectiveness;

Strive to continually improve the quality and usefulness of our products; and

Work together to address Government-wide issues.



Office of Inspector General  
U.S. Consumer Product Safety Commission

October 12, 2018

TO: Ann Marie Buerkle, Acting Chairman  
Robert S. Adler, Commissioner  
Elliot F. Kaye, Commissioner  
Dana Baiocco, Commissioner  
Peter A. Feldman, Commissioner

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Top Management and Performance Challenges for Fiscal Year 2019

In accordance with the Reports Consolidation Act of 2000, I am providing you information on what I consider to be the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission for fiscal year 2019. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. Serious management and performance challenges are defined as mission critical areas or programs that have the potential to be a significant weakness or vulnerability that would seriously impact agency operations or strategic goals if not addressed by management.

Please feel free to contact me if you or your staff has any questions or concerns.

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## **Introduction**

The fiscal year (FY) 2019 management and performance challenges directly relate to the Consumer Product Safety Commission's (CPSC) mission of "Keeping Consumers Safe" and address both the strategic goals and cross-cutting priorities which support the CPSC's mission. Our work in these areas indicates that while improvements are needed, the CPSC is making progress toward implementing Office of Inspector General (OIG) recommendations and improving the efficiency and effectiveness of its programs. The FY 2019 management and performance challenges are:

1. Internal Control System
2. Enterprise Risk Management
3. Resource Uncertainty
4. Information Technology Security

These four topics represent what the Inspector General considers to be the most important and continuing challenges to agency operations. Some are likely to remain challenges from year to year, while others may be removed from the list as progress is made toward resolution. Challenges do not necessarily equate to problems; rather, they should be considered areas of continuing focus for CPSC management and staff.

These challenges center on a theme of change and how uncertainty impacts CPSC operations. Change brings both challenges and opportunities. The challenges we identified speak to both the foundation of agency operations – internal controls – as well the ability of the CPSC to manage risk and respond to changes in resources and information technology security concerns.

Attached is a brief discussion of each management and performance challenge along with examples of management's efforts to address each, as well as summaries of the OIG's completed and planned work related to this assessment of the CPSC's management and performance challenges.

### **1. Internal Control System**

An agency's internal control system is a process used by management to help the agency achieve its objectives. A strong internal control system provides stakeholders with reasonable assurance that operations are effective and efficient,

the agency uses reliable information in decision-making, and the agency is compliant with applicable laws and regulations.

Federal standards for internal control are established in Office of Management and Budget's (OMB) Circular A-123 (A-123), *Management's Responsibility for Enterprise Risk Management and Internal Control*.<sup>1</sup> In 2016, A-123 was updated to reflect the most recent edition of Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*<sup>2</sup> (Green Book), and the internal control requirements of the Federal Manager's Financial Integrity Act (FMFIA).

The Green Book provides managers criteria for designing, implementing, and operating an effective internal control system. The Green Book defines controls and explains how components and principles are integral to an agency's internal control system.

The CPSC reports its overall compliance with the requirements of A-123 and FMFIA through the Chairman's Statement of Assurance published annually in the Agency Financial Report. As of FY 2017, the Chairman asserted that the CPSC had effective internal controls over all programs and complied with applicable laws and regulations.

The CPSC has made progress in resolving internal control findings from this office, and has implemented a number of significant recommendations from earlier audits. The OIG acknowledges management's work to:

- reassign responsibility for managing the agency's directives program to the Office of General Counsel
- quickly correct the problems that led to the Improper Payments and Elimination and Recovery Act (IPERA) violations<sup>3</sup>
- conduct comprehensive assessments of internal controls over financial management
- develop cycle memos and control matrices
- test and evaluate key controls

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<sup>1</sup> <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf>

<sup>2</sup> <https://www.gao.gov/products/GAO-14-704G>

<sup>3</sup> <https://www.cpsc.gov/s3fs-public/Review-of-the-CPSCs-Compliance-with-IPERA-for-FY-2017.pdf?YH7HtiLHdOpyBBHwydz5pTYwGBIxzO6V>

This management challenge aligns with the CPSC's cross-cutting priority, Operational Excellence, which supports all four agency strategic goals by developing a solid administrative management foundation to support effective agency operations.

Recently completed OIG work related to this CPSC cross-cutting priority includes: [Evaluation of CPSC's Implementation of the Federal Information Security Modernization Act](#); [CPSC Compliance with the Digital Accountability and Transparency Act](#); [Audit of the Consumer Product Safety Commission's Fiscal Year's 2017 Financial Statements](#); [Review of the CPSC's Compliance with IPERA for FY 2017](#); and [Review of Vendor Payments in FY 2017](#).

The OIG is currently reviewing the CPSC's directive system. Although this office's audit of that program is not yet complete, it appears that only 28 of 165 directives had been updated within the time period specified by the CPSC's own regulations. More current directives would provide CPSC staff with better guidance for meeting the agency's mission. The OIG also plans to conduct audits or reviews of the agency's records management system and internal control implementation in FY 2019.

## **2. Enterprise Risk Management**

CPSC management needs to integrate risk management into their existing business operations to meet changing risks and new priorities. Risk is the effect of uncertainty on agency operations. Enterprise risk management (ERM) is an effective approach to address the impact of risks on the agency's overall strategic goals and objectives. As entities strive to improve operational processes and implement new technology, management should continually evaluate its internal control system so that it meets the agency's needs and is updated as necessary.

ERM will help the CPSC to effectively respond to both expected and unexpected events. Risk management practices should be forward-looking and designed to help the organization alleviate threats and take advantage of opportunities. Management is responsible for creating a robust enterprise risk management process.

The July 15, 2016 update to A-123 emphasized the importance of having an appropriate risk assessment process. The guidance includes a requirement that agencies annually develop a risk profile which is coordinated with their strategic plan. The June 29, 2018 update to OMB Circular A-11 requires that the CPSC's risk

assessment in the risk profile be discussed each year as part of the agency's strategic review and used to inform planning efforts.

We note that the CPSC uses a risk-based method in its research and inspection operations. Further, the Office of Financial Management, Planning, and Evaluation has begun work on a risk assessment process for the agency. We encourage the agency to expand its risk-based management to its support operations and help the agency allocate resources to the areas of greatest opportunities for improvement in agency programs.

This management challenge aligns with the CPSC's cross-cutting priority, Data Collection and Analysis, which supports all four agency strategic goals by focusing on the collection and use of high-quality data to shape program strategies and prioritize program activities.

The CPSC's weaknesses in applying the principles of ERM have been repeatedly noted in past FISMA reviews, including the most recent [Evaluation of CPSC's Implementation of the Federal Information Security Modernization Act](#)

The OIG will address ERM as part of its statutory audits and reviews and its planned audits or reviews of internal control implementation and enterprise architecture.

### **3. Resource Uncertainty**

Currently the CPSC, as well as the entire federal government, is operating under the shadow of another potential government shutdown.

The CPSC spent a portion of FY 2018 operating under continuing resolutions (CR); and presently no budget has been passed for FY 2019. It is highly likely that the CPSC will operate under a CR for some portion of FY 2019. When an agency operates under a CR, staff are unclear what resources the agency will have available to meet its statutory responsibilities over the course of the entire fiscal year. Because CRs only provide funding for a limited period, they create uncertainty for agencies about both when they will receive their full appropriation and what level of funding ultimately will be available.

This budget uncertainty can result in agency management delaying hiring or contracting actions. The resulting increase in costs and decrease in agency staffing potentially reduces the level of services provided to the American people. If the CPSC is forced to operate under CRs for a prolonged time, agency management



could be faced with additional challenges in executing the CPSC's final budget as they rush to spend funds in a compressed timeframe. At a minimum, agency management will be required to perform additional work to manage within CR constraints.

On March 13, 2017, the President issued Executive Order (EO) 13781: Comprehensive Plan for Reorganizing the Executive Branch, directing OMB to submit a comprehensive plan to reorganize executive branch departments and agencies. OMB issued implementing guidance via OMB Memorandum 17-22. Both the EO and Memorandum made it clear that reorganization includes long-term workforce reductions.

On May 4, 2018, the Director of the Office of Personnel Management proposed legislation which would "bring Federal benefits more in line with the private sector" by reducing them. This legislation follows the March 20, 2018, President's Management Agenda which proposed a pay freeze for civilian employees.

On May 25, 2018, the President issued three EOs, EO 13839: Promoting Accountability and Streamlining Removal Procedures Consistent With Merit System Principles; EO 13837: Ensuring Transparency, Accountability, and Efficiency in Taxpayer-Funded Union Time Use; and EO 13836: Developing Efficient, Effective, and Cost-Reducing Approaches To Federal Sector Collective Bargaining. All of these EOs have required an immediate agency response and may change the way the CPSC manages its workforce.

The questions of the "right size" for the federal government and the right compensation package for federal employees are clearly political ones. However, the threatened reduction in the size of the federal workforce and benefits has had an impact on the morale and efficiency of the workforce at the CPSC and the government as a whole.

This management challenge aligns with the CPSC's Strategic Goal 1: Cultivate the most effective consumer product safety workforce. It also supports all four agency strategic goals by addressing the cross-cutting priority of Operational Excellence, focused on enhancing financial stewardship.

Recently completed OIG work related to this CPSC goal and cross-cutting priority include: [CPSC Compliance with the Digital Accountability and Transparency Act](#); [Audit of the Consumer Product Safety Commission's Fiscal Year's 2017 Financial Statements](#); [Review of the CPSC's Compliance with IPERA for FY 2017](#); [Review of](#)

[Vendor Payments in FY 2017](#); and [Audit of the Occupant Emergency Program for FY 2017](#).

The statutory audits and reviews related to financial statements, FISMA, and IPERA address this challenge annually. In addition to the statutorily required audits and reviews, OIG plans work related to this CPSC cross-cutting priority in the areas of grants management, the reasonable accommodation program under the Office of Equal Employment Opportunity and Minority Enterprise, and contractor onboarding.

#### **4. Information Technology Security**

In information technology (IT), there is an inherent tension between the need to provide services to meet mission-related demands and the need to meet information security requirements in a rapidly changing environment. Historically, the CPSC, along with many other government agencies, has used its resources to expand IT services rather than addressing security concerns. As this office has expressed before, and the agency also noted, the CPSC will not be able to meet current and future demands without adequate IT resources. However, this support should not come at the expense of adequate IT security. This challenge is not unique to the CPSC.

The FY 2017 FISMA evaluation found that management continued to make progress in implementing the FISMA requirements. These accomplishments include:

- allocating resources to define and document a formal organizational risk management plan
- deploying an automated solution to centrally manage the authentication of 49 percent of the CPSC's privileged network users
- establishing a target date for the implementation of the Department of Homeland Security's Continuous Diagnostics and Mitigation program to support the automation of managing software licenses
- beginning the development of a formal Enterprise Architecture based on the concepts described in the Federal Enterprise Architecture
- establishing an Executive Risk function led by the CPSC Chief Financial Officer and attended by the Chief Information Officer, the Chief Information Security Officer, and other mission executives

The IT challenges currently facing the CPSC are particularly relevant as the agency continues to deal with constantly changing and evolving threats, increasingly sophisticated attacks, and new compliance requirements.

The OIG is aware that the agency has dedicated resources and has been working to address many of the issues identified in past FISMA reviews. These efforts demonstrate management's commitment to improving the agency's IT security. However, the OIG has identified several security weaknesses in the CPSC's information security internal control policies, procedures, and practices. These conditions could result in the unauthorized modification or destruction of data, unauthorized disclosure of sensitive information, or inaccessibility of services and information required to support the mission of the CPSC.

This management challenge aligns with the CPSC's cross-cutting priority, Information Technology, which supports all four agency strategic goals by addressing the role of information technology as an integral tool to meet agency objectives.

Recently completed OIG work related to this CPSC cross-cutting priority include: [Evaluation of CPSC's Implementation of the Federal Information Security Modernization Act](#) [CPSC Compliance with the Digital Accountability and Transparency Act](#); and [Audit of the CPSC's FY 2017 Financial Statements](#).

In addition to the statutorily required audits and reviews, OIG plans work related to this CPSC cross-cutting priority in the areas of records management, Privacy Act implementation, enterprise architecture, and the National Electronic Injury Surveillance System (NEISS) program.

## CONTACT US

If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving CPSC's programs and operations, please contact the CPSC Office of Inspector General.



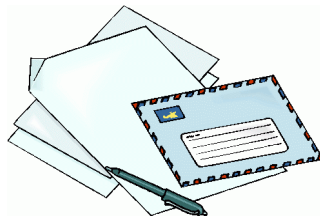
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### Or Write:

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