



**WithumSmith+Brown
A Professional Corporation
Certified Public Accountants and Consultants**

U.S. CONSUMER PRODUCT SAFETY COMMISSION

**Performance Audit
of**

**CPSC's Compliance with the Government Performance and Results Act, as amended,
and the Reliability of Its Published FY2013 Performance Data**

November 11, 2014



U.S. CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207

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Inspector General

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Date: December 15, 2014

TO : Elliot F. Kaye, Chairman
Robert S. Adler, Commissioner
Marietta S. Robinson, Commissioner
Ann Marie Buerkle, Commissioner
Joseph P. Mohorovic, Commissioner

FROM : Christopher W. Dentel, Inspector General

SUBJECT: Performance and Incentive Awards and Within-Grade Increase Program Audit

The purpose of the Government Performance and Results Act of 1993 (GPRA) was to improve government performance management. It required agencies to prepare a five-year strategic plan, an annual performance plan that established performance goals, and an annual performance report to review agency results in meeting targeted performance goals. The Government Performance and Results Modernization Act of 2010 (GPRAMA) amended and strengthened the original law by creating a more defined performance framework and better connecting plans, programs and performance information. It also requires more frequent reporting to increase the use of performance information in program decision-making.

The CPSC OIG retained the services of Withum, Smith & Brown (WS+B) an independent certified public accounting firm, to assess the CPSC's compliance with GPRA and GPRAMA and to determine whether the performance data published in CPSC's FY2013 Annual Performance Report (APR) complies with established guidance and is reliable.

Under a contract monitored by the Office of Inspector General, WS+B concluded that the CPSC made significant progress in its implementation of GPRAMA requirements, especially in making changes to comply with revised reporting requirements. The agency is currently planning to develop a new strategic plan to replace the current 2011-2016 Strategic Plan and has hired an outside firm to assist in this project. The CPSC performance measures will be reviewed as a part of the upcoming strategic plan development process and are expected to be revised as needed. In FY 2013 the CPSC elected to prepare an Annual Performance Report instead of a consolidated Performance and Accountability Report as in previous years. Forty key performance measures were selected across the agency's five strategic goals and the results were reported in the APR.

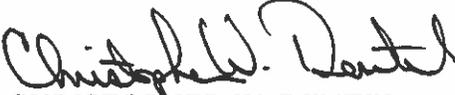
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GPRAMA also included new reporting requirements for agency's Annual Performance Plans (APP). The CPSC issues two reports that together address GPRAMA's APP reporting requirements: the CPSC's Performance Budget Request and the Operating Plan (which implements the Performance Budget Request). WS+B found the CPSC to be in compliance with the new APP requirements.

However, while they found some policies and procedures had been developed, WS+B also found the policies and procedures lack of full implementation hindered the agency's ability to verify and validate the accuracy and reliability of the performance data reported in the CPSC's FY2013 APR. WS+B found that reported amounts were generally accepted at face value at both the agency and office levels. Verification and validation techniques were not clearly defined or implemented to ensure the consistency, accuracy and reliability of performance data across the agency. This occurred because the CPSC focused its resources on implementing a new Performance Management Database (PMD) system which was designed to facilitate compliance with GPRAMA performance reporting requirements when fully implemented. Without adequate procedures to verify and validate performance data, WS+B found that the agency could not ensure the completeness and reliability of the information being reported.

In connection with the contract, we reviewed WS+B's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the matters contained in the report. WS+B is responsible for the attached report. However, our review disclosed no instances where WS+B did not comply, in all material respects, with generally accepted government auditing standards.

If you have any questions please feel free to contact me at (301) 504-7644.


CHRISTOPHER W. DENTEL
Inspector General

Attached: Audit Report

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November 11, 2014

Mr. Elliot F. Kaye
Chairman, Consumer Product Safety Commission
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EXECUTIVE SUMMARY

We were engaged by the Consumer Product Safety Commission (CPSC), Office of Inspector General (OIG), to conduct a performance audit of CPSC's Compliance with the Government Performance and Results Act, as amended, and the Reliability of Its Published FY2013 Performance Data. The purpose of the Government Performance and Results Act of 1993 (GPRA) was to improve government performance management. It required agencies to prepare a five-year strategic plan, an annual performance plan that established performance goals, and an annual performance report to review agency results in meeting targeted performance goals. The Government Performance and Results Modernization Act of 2010 (GPRAMA) amended and strengthened the original law by creating a more defined performance framework and better connecting plans, programs and performance information. It also requires more frequent reporting to increase the use of performance information in program decision-making.

This report presents the results of our work conducted to address the performance audit objectives as specified by the OIG. The objectives of our audit were to assess CPSC's compliance with the GPRAMA and to determine whether the performance data published in CPSC's FY2013 Annual Performance Report (APR) complies with established guidance and is reliable.

We found CPSC made significant progress in its implementation of GPRAMA requirements, especially in making changes to comply with revised reporting requirements. The agency is currently planning to develop a new strategic plan to replace the current 2011-2016 Strategic Plan and has hired an outside firm to assist in this project. CPSC performance measures will be reviewed as a part of the upcoming strategic plan development process and are expected to be revised as needed. In FY2013 CPSC elected to prepare an Annual Performance Report instead of a consolidated Performance and Accountability Report as in previous years. Forty key performance measures were selected across the agency's five strategic goals and the results were reported in the APR. GPRAMA also included new reporting requirements for agency's Annual Performance Plans (APP). CPSC issues two reports that together address GPRAMA APP reporting requirements: CPSC's Performance Budget Request and its Operating Plan (which implements the Performance Budget Request). We found CPSC to be in compliance with new APP requirements.

However, while we found some policies and procedures had been developed, their lack of full implementation hindered the agency's ability to verify and validate the accuracy and reliability of the performance data reported in CPSC's FY2013 APR. Based on our testing, reported amounts were generally accepted at face value at both the agency and offices levels. Verification and validation techniques were not clearly defined or

implemented to ensure the consistency, accuracy and reliability of performance data across the agency. This occurred because CPSC focused its resources on implementing a new Performance Management Database (PMD) system which was designed to facilitate compliance with GPRAMA performance reporting requirements when fully implemented. Without adequate procedures to verify and validate performance data, the agency cannot ensure the completeness and reliability of the information being reported.

Our work was performed during the period April 2014 to September 2014. We conducted this performance audit 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of Financial Management, Planning, and Evaluation concurred that CPSC made significant progress in its implementation of the GPRAMA requirements and also concurred that it will work with CPSC program offices to put in place verification and validation techniques to ensure the completeness and reliability of performance data included in CPSC's annual performance plans and reports. However, CPSC did not concur that verification and validation techniques were not clearly defined or implemented. The Office of Financial Management, Planning, and Evaluation stated that CPSC had put in place several processes and procedures, but those processes were not yet fully implemented in FY 2013. Management's complete response to our report is in Appendix D.

OBSERVATIONS

Introduction

Annual performance reporting was first required by the Government Performance and Results Act of 1993. GPRA was intended to improve the efficiency and effectiveness of federal programs through the establishment of specific goals and reporting for program performance. The Act required that agencies prepare a five-year strategic plan to provide direction for its programs, a performance plan to link long-term goals with program activities, and an annual report on performance results based on its progress in achieving its strategic objectives. The law was amended and strengthened by the Government Performance and Results Modernization Act of 2010 (P.L. 111-352) by revising strategic and performance planning requirements, emphasizing priority setting and cross-collaboration to achieve shared goals and the use and analysis of goals and measurement to improve outcomes.

GPRAMA also created a more defined performance framework by defining a governance structure and by better connecting plans, programs, and performance information. It requires more frequent (quarterly) performance reporting and reviews and requires agencies to post their performance plans to a centralized web site, Performance.gov (<http://www.performance.gov>). In FY2013, smaller agencies could continue to update performance information annually and post the information on agency web sites rather than Performance.gov. A link was provided on Performance.gov to CPSC's FY2013 Annual Performance Report on its web site.

Results

We found CPSC made significant progress in its implementation of CPRAMA requirements, especially in making changes to comply with revised reporting requirements. In FY2012, the agency initiated a review of its current Strategic Plan (2011-2016) to begin the revision process and has hired an outside firm to assist in this project. CPSC performance measures will be reviewed as a part of the upcoming strategic plan development process and are expected to be revised as needed.

In FY2013 CPSC elected to prepare an Annual Performance Report (APR) instead of a consolidated Performance and Accountability Report as in previous years. The Office of Financial Management, Planning, and Evaluation met with CPSC offices to identify key performance measures from among over 180 agency goals and measures to identify the measures that most effectively assess progress toward CPSC's strategic objectives and goals. Forty key measures were selected across the agency's five strategic goals. CPSC reported on 39 of these key measures in the FY2013 APR, eleven of which were new in FY2013. Implementation of the fortieth measure is planned for FY2014.

GPRAMA new reporting requirements for Annual Performance Plans include linking agency performance goals in the plan with the goals in the Strategic Plan, describing the strategies and resources the agency will use to implement its plan, and requires the plan cover a 2-year period. CPSC issues two reports which together comply with GPRAMA APP reporting requirements, CPSC's Performance Budget Request and its Operating Plan which implements the Performance Budget Request. Annual milestones and internal operating performance measures were also identified out of over 180 agency goals and measures and reported in CPSC's Operating Plan. Both documents are available on the CPSC web site. We found CPSC to be in compliance with these new requirements.

However, while we found some policies and procedures had been developed, their lack of full implementation hindered the agency's ability to verify and validate the accuracy and reliability of the performance data reported in CPSC's FY2013 APR. Based on our testing, reported amounts were generally accepted at face value at both the agency and offices levels. Verification and validation techniques were not clearly defined or implemented to ensure the consistency, accuracy and reliability of performance data across the agency. In its FY2013 APR, CPSC indicated it applied general procedures (clearance procedures for information provided to the public and managements' annual letters of assurance) to conclude that CPSC performance data was "reasonably complete and reliable." However,

specific policies and procedures that address performance data collection, quality, limitations, or integrity had not yet been developed.

The GPRAMA states:

Each update [of the APR] shall –

- (6) describe how the agency ensures the accuracy and reliability of the data used to measure progress towards its performance goals, including an identification of –*
- (A) the means used to verify and validate measured values;*
 - (B) the sources for the data;*
 - (C) the level of accuracy required for the intended use of the data;*
 - (D) any limitations to the data at the required level of accuracy; and*
 - (E) how the agency has compensated for such limitations if needed to reach the required level of accuracy....*

OMB Circular A-11, Section 260.9 defines verification as *a process of checking or testing performance information to assess other types of errors, such as errors in keying data*. Validation is defined as *an effort to ensure that data are free of systematic error or bias and that what is intended to be measured is actually measured*.

In the absence of an agency approach for verifying and validating performance information, we found the program offices collected and reported the results of its key performance measures based on what each office deemed to be sufficient for that purpose. Documentation supporting the actual results reported in the FY2013 APR included but was not limited to personal knowledge of the information (no support), various data system extracts, lists supporting item counts, and spreadsheet rate calculations. We also found in some or all of the reporting offices:

- Historical support records not maintained after the data was reported;
- No evidence of review and approval of the data entered into the PMD, especially where individuals summarizing or calculating results were also responsible for data entry into PMD;
- Limited written procedures to document data queries and calculations supporting rate calculations reported; and
- Lack of adequate controls to address the risk of intentional misrepresentation of program results.

In January 2013, CPSC implemented the PMD, which is a Microsoft SharePoint product, to collect agency performance data from its program offices in an organized, timely manner. Prior to this system, information was submitted to the Office of Financial Management, Planning, and Evaluation primarily through emails. In order to improve the quality of the data and facilitate the agency's ability to meet GPRAMA quarterly performance reporting standards, the new system was developed. When fully implemented, the system is designed to store information and links to data sources, collection procedures, notes, and information on data limitations. However, the amount of data input into PMD during FY2013 was limited compared to the vision for its intended use. Management indicated that in its first year the new system improved the efficiency and effectiveness of its performance reporting, but until the new system had been in operation for one year and initial implementation issues resolved, standard operating procedures for system users had not yet been developed.

Cause

FY2013 represented CPSC's first year substantially implementing GPRAMA requirements, so procedures for verification and validation of performance data have not yet been adequately developed or documented at either the agency or office level.

Effect

Without adequate, fully implemented procedures to verify and validate performance data in compliance with GPRAMA, the agency cannot ensure the completeness and reliability of the information being reported.

Recommendation

We recommend that the Office of Financial Management, Planning, and Evaluation work with CPSC program offices to put in place verification and validation techniques that will ensure the completeness and reliability of all performance data included in CPSC's Annual Performance plans and reports as appropriate to the intended use of the data.

We appreciate the cooperation and courtesies that CPSC personnel extended to us during this audit.

Sincerely,

WithumSmith+Brown, PC

Appendices

Appendix A

Background

The Consumer Product Safety Commission was created in 1972 as an Independent Federal Regulatory Agency, whose mission is to protect the public from unreasonable risks of serious injury or death from thousands of types of consumer products under the agency's jurisdiction. CPSC has jurisdiction over more than 15,000 kinds of consumer products. CPSC recalls products that present a significant risk to consumers either because the product may be defective or violates a mandatory standard issued by CPSC.

CPSC is headed by five Commissioners, one of which serves as Chairman of the Commission, who are assisted by an Executive Director and various other executive officials, including a Chief Information Officer (Director of Technology Services), and a Chief Financial Officer (Director of Financial Management, Planning, and Evaluation). CPSC, with approximately 500 employees, is headquartered in Bethesda, Maryland and has laboratories in Rockville, Maryland, as well as about 100 investigators, compliance officers, and consumer information specialists spread throughout the country.

Federal annual performance reporting was first required by the Government Performance and Results Act of 1993. GPRA was intended to improve the efficiency and effectiveness of federal programs through the establishment of specific goals and reporting for program performance. The Act required that agencies prepare a five-year strategic plan to provide direction for its programs, a performance plan to link long-term goals with program activities, and an annual report on performance results based on its progress in achieving its strategic objectives.

Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

The objectives of our audit were to assess CPSC's compliance with GPRAMA and to determine whether the performance data published in CPSC's FY2013 Annual Performance Report complies with established guidance and is reliable.

Scope

We conducted this performance audit 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 objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives. Our performance audit was not designed to, and we did not, perform a financial audit of the amounts obligated or expended by CPSC.

We conducted our fieldwork at the CPSC Headquarters in Bethesda, Maryland between April 2014 and September 2014. The scope of the audit included examining CPSC's policies, procedures, and program processes designed for FY2013 to ensure CPSC effectively complied with the GPRAMA. The audit also evaluated procedures used by CPSC that address performance data collection, quality, limitations, and reporting to determine whether FY2013 CPSC performance data as reported in its Annual Performance Report was accurate and reliable.

This performance audit did not constitute an audit of financial statements in accordance with Government Auditing Standards. WithumSmith+Brown was not engaged to, and did not, render an opinion on CPSC's internal controls over financial reporting or over financial management systems (for purposes of OMB's Circular No. A-127, Financial Management Systems). WS+B cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

Methodology

To accomplish our audit objectives, we obtained an understanding of CPSC's five programs and thirty-nine reported performance measures by conducting interviews, performing observations, and reviewing supporting documentation. This included gaining an understanding of GPRAMA requirements as they specifically applied to CPSC, including what verification and validation procedures were applied to FY2013 performance results.

We selected all non-baseline performance measures reported in CPSC's FY2013 APR for testing to determine whether procedures were adequate to ensure the reliability of published performance data and results were documented. We also evaluated CPSC reports in light of the revised planning and reporting requirements under GPRAMA to determine if the Commission is in compliance with federal legislation and OMB guidance. For other GPRAMA requirements directly applicable to CPSC, we conducted interviews and obtained supporting documentation to determine the status of any implementation changes not yet completed and the design and effectiveness of CPSC's current performance processes.

Appendix B (cont.)

Objectives, Scope, Methodology, and Criteria

Criteria

We used the following criteria to perform our audit:

- Government Performance and Results Act, 1993
- Government Performance and Results Modernization Act of 2010
- OMB Circular A-11 *Preparation, Submission and Execution of the Budget, Part 6 Strategic Plans, Annual Performance Plans, Performance Reviews, and Annual Program Performance Reports*
- GAO/GGD-10.1.20 Guide to Assessing Agency Annual Performance Plans
- GAO/GGD-99-139 Verification and Validation of Performance Data

Appendix C

Acronyms and Abbreviations

APP	Annual Performance Plan
APR	Annual Performance Report
CPSC	Consumer Product Safety Commission
GPRA	Government Performance and Results Act, 1993
GPRAMA	Government Performance and Results Modernization Act of 2010
OMB	Office of Management and Budget
OIG	Office of Inspector General
PMD	Performance Management Database
WS+B	WithumSmith+Brown PC

Appendix D

Consumer Product Safety Commission Response



**UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
4330 EAST WEST HIGHWAY
BETHESDA, MD 20814**

Memorandum

November 25, 2014

TO: Christopher Dentel
Inspector General
Office of the Inspector General

THROUGH: Jay Hoffman
Director and Chief Financial Officer
Office of Financial Management, Planning and Evaluation

FROM: James Baker
Director and Budget Officer
Division of Planning, Budget and Evaluation

SUBJECT: Management Response to Performance Audit of CPSC's Compliance with the GPRAs, as Amended, and the Reliability of its Published FY 2013 Performance Data

Thank you for the opportunity to respond to the FY 2013 Performance Audit.

The Office of Financial Management, Planning and Evaluation (EXFM) concurs with the report's conclusion that the CPSC has made significant progress in its implementation of the GPRAs Modernization Act requirements.

EXFM also concurs with the audit recommendation that EXFM work with CPSC program offices to put in place verification and validation techniques that will ensure the completeness and reliability of performance data included in CPSC's annual performance plans and reports.

EXFM does not concur with the statement that verification and validation techniques were not clearly defined or implemented to ensure the consistency, accuracy and reliability of performance data across the agency. The CPSC had put in place several processes and policies designed to try to ensure the consistency, accuracy, and reliability of performance data, but those processes were not yet fully implemented in FY 2013. The controls that were in place to increase consistency, accuracy and reliability of performance data are:

- 1) Established and implemented standards pertaining to validity and verification of data, including the requirements that a performance indicator be objective and practical in order to contribute to enhanced validity and accuracy/reliability of performance data.

- 2) Created eight specific data fields to collect and store information directly relevant to validation and verification of data in the Performance Management Database (PMD).
- 3) Assigned individuals responsibility for performance measures as a means to increase accountability and improve accuracy and reliability of performance data.
- 4) Reviewed and cleared by agency managers, the executive office, and the general counsel's office through the CPSC's 6b6 clearance procedures for performance data to help ensure that performance data are reasonably complete and reliable.

In addition to the controls above, EXFM will continue to implement and improve its existing policies and procedures to address performance data collection, quality, limitations, and integrity such that the consistency, accuracy, and reliability of performance data can be enhanced.

I appreciate the efforts and leadership of the Office of the Inspector General (OIG) and of the auditors under contract to the OIG who audited the CPSC's compliance with GPRA requirements. Please convey my appreciation to your team for the professionalism and cooperation exhibited during this audit.