

U.S. CONSUMER PRODUCT SAFETY COMMISSION



OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

April 1, 2010 - September 30, 2010

EXECUTIVE SUMMARY

This semiannual report summarizes the major activities performed by the Office of the Inspector General during the reporting period, April 1, 2010, through September 30, 2010. During the reporting period, this office worked on seven (7) audits or reviews. Two audits or reviews were completed shortly after the end of the reporting period and two more are scheduled to be completed by the end of the calendar year. At the end of the reporting period, seven (7) audits or reviews and five (5) investigations were in progress.

The Office of the Inspector General received six (6) complaints during the reporting period, all of which resulted in the initiation of a formal investigation. Five (5) 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 Council of the Inspectors General 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 1972, 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 and the Consumer Product Safety Improvement 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 a variety of other acts such as the Virginia Graeme Baker Pool and Spa Safety Act, the Children's Gasoline Burn Prevention Act, the Flammable Fabrics Act, the Federal Hazardous Substances Act, the Poison Prevention Packaging Act, and the Refrigerator Safety Act.

The CPSC is headed by five 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 had a budget of \$118 million and 530 authorized full-time equivalent positions for Fiscal Year 2010.

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, and the Inspector General Reform Act of 2008. 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 seven full-time equivalent positions for Fiscal Year 2010: the Inspector General, a Deputy Inspector General for Audits, an office manager, an Information Technology auditor, and three line auditors. A vacancy announcement has been placed for one of the line auditor positions, but it has not yet been filled.

AUDIT PROGRAM

During this period, the Office of the Inspector General worked on seven (7) audits and reviews. A summary of each follows:

AUDIT OF FINANCIAL STATEMENTS (ongoing)

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, perform annual audits of their financial statements. This audit is being performed to meet this statutory requirement.

The objectives of this audit are to ensure that the CPSC is 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 is scheduled for completion in November of 2010.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT REPORTING REQUIREMENTS (ongoing)

The Federal Information Security Management Act of 2002 ("FISMA) requires each federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

FISMA requires agency program officials, chief information officers, and inspectors general to conduct annual reviews of the agency's information security program and report the results to Office of Management and Budget (OMB). OMB uses this data to assist in its oversight responsibilities and to prepare this annual report to Congress on agency compliance with the act. In FY 2008, federal agencies spent \$6.2 billion securing the government's total

information technology investment of approximately \$68 billion or about 9.2 percent of the total information technology portfolio.

FISMA assigns specific responsibilities to federal agencies, the National Institute of Standards and Technology (NIST) and the Office of Management and Budget (OMB) in order to strengthen information system security. In particular, FISMA requires the head of each agency to implement policies and procedures to cost-effectively reduce information technology security risks to an acceptable level.

This audit is scheduled for completion in November of 2010.

AUDIT OF FEDERAL TRANSIT BENEFIT PROGRAM (not issued but complete)

This audit was completed prior to the issuing of this report, but had not been issued prior to the end of this reporting period. The Federal Transit Benefit Program (FTBP) offers qualified federal employees a subsidy to use mass transportation. The value of this subsidy is excluded from the taxable wages and compensation of the employees who receive it. In subsidizing the federal employees' cost of using public transportation to commute to and from work, the FTBP sought to reduce federal employee's contribution to traffic congestion and air pollution and to expand their use of public transportation.

The objectives of this review were to evaluate the adequacy of CPSC's internal controls in the management of the FTBP and to assess whether CPSC implemented internal controls efficiently and effectively within the program.

At the end of the reporting period, the fieldwork had been completed for this audit and a draft report issued to management for comment. Many of the recommendations contained in this draft report have already been implemented by management.

INFORMATION TECHNOLOGY INVESTMENT MANAGEMENT AUDIT (not issued but complete)

This audit was completed prior to the issuing of this report but had not been issued prior to the end of this reporting period. A contract was awarded to Withum, Smith, and

Brown (WS&B) to review the CPSC's Information Technology Architectures with a special emphasis on the public database. The Consumer Product Safety Improvement Act of 2008 requires that, "The Inspector General of the Commission shall conduct reviews and audits to assess . . . the Commission's capital improvement efforts, including improvements and upgrades of the Commission's information technology architecture and systems and the development of the database of publicly available information on incidents involving injury or death" This audit is intended to fulfill this requirement.

Given that the CPSC is still in the process of implementing the required database and other IT architecture systems, this audit focuses on the maturity of the investment management process being used to make the acquisitions rather than the, as of yet, nonexistent final products of that process. The database and other aspects of the IT architecture will be the focus of future audits and reviews as they come online. This review is being conducted using the GAO's Information Technology Investment Management (ITIM): A Framework for Assessing and Improving Process Maturity, GAO-04-394G.

The ITIM framework is a maturity model composed of five progressive stages of maturity that an agency can achieve in its IT investment management capabilities. These maturity stages are cumulative; that is, in order to attain a higher stage of maturity, the agency must have institutionalized all of the requirements for that stage in addition to those for all of the lower stages. The framework can be used both to assess the maturity of an agency's investment management processes and as a tool for organizational improvement. For each maturity stage, the ITIM describes a set of critical processes that must be in place for the agency to achieve that stage.

It is this office's intent that the results of this audit will serve as a roadmap for the agency in its efforts to develop the public database and other IT systems.

PURCHASE CARD AUDIT(ongoing)

A contract has been awarded to Withum, Smith, and Brown (WS&B) to review the CPSC's Purchase Card Program. The CPSC utilizes GSA's purchase card program, which is intended to

streamline federal agency acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. The CPSC, which is subject to the general guidance found in the Federal Acquisition Regulations (FAR), has also set forth agency specific purchase card policies and procedures. The CPSC has approximately 148 employees who have been issued purchase cards and whom make approximately 7,700 purchases each year. This audit will review both a sample of these transactions as well as assess both the effectiveness of the existing policies and procedures as well as the agency's actual compliance with same.

The Government Accountability Office (GAO) has been repeatedly reviewing purchasing card programs for many years and issuing reports highlighting weaknesses that expose agencies to fraudulent, improper, and abusive purchases and losses of assets. Some of the common deficiencies cited by GAO include:

- purchases not properly authorized,
- lack of independent receipt and acceptance, and
- lack of accountability over easily pilferable goods purchased with purchase cards.

In building on the work previously done by the GAO, WS&B will draw on a number of sources in conducting their review. The GAO has produced an audit guide: "Auditing and Investigating the Internal Control of Government Purchase Card Programs" (November 2003), which will constitute a major portion of this review. Four other sources of guidance that will be relevant to this review include the following GAO publications: 1) Standards for Internal Control in the Federal Government; 2) Internal Control Management and Evaluation Tool; 3) Guide for Evaluating and Testing Controls Over Sensitive Payments; and 4) Executive Guide: Strategies to Manage Improper Payments.

In addition, this audit will utilize OMB Circular A-123, Appendix B, Revised (January 15, 2009) Improving the Management of Government Charge Card Programs, which provides consolidated government-wide charge card program requirements and guidance issued by OMB, GSA, Treasury, and other federal agencies; and establishes standard minimum requirements and suggested best practices for government charge card programs.

It is this office's intent that the results of this audit will serve as a roadmap for the agency in its efforts to improve its purchase card program.

REVIEW OF THE ADEQUACY OF PROCEDURES FOR ACCREDITING CONFORMITY ASSESSMENT BODIES AND OVERSEEING THIRD PARTY TESTING (ongoing)

This review will assess the adequacy of procedures for accrediting conformity assessment bodies as authorized by section 14(a)(3) of the Consumer Product Safety Act (15 U.S.C. 2063(a)(3)), as amended by this Act, and overseeing the third party testing required by such section.

In implementing these requirements the CPSC faced challenges created by both the requirement that it promulgate rules within mandatory timelines and the complex scientific, technical, and procedural issues surrounding said rules. These difficulties are compounded by the CPSC's lack of institutional experience in dealing with these types of issues.

This review will attempt to both assess the procedures currently in place and provide guidance about ways to improve those procedures moving forward.

AUDIT OF ON-SITE CONTRACTOR ACTIVITY (ongoing)

This audit will assess the Commission's policies, procedures, and internal controls over on-site contractors. Over the past decade the amount of work performed by contractor personnel who work on-site in federal facilities has increased. The government's increasing reliance on contractor personnel to perform duties that would otherwise be performed by government personnel creates a number of potential issues. This audit will attempt:

- To determine the adequacy of the training provided to the government personnel who are responsible for ensuring that the contracts are performed in accordance with federal regulations and meet the Commission's needs. These personnel are generally not contracting office personnel and carry out their duties related to contracting as "additional duties" on top of their normal responsibilities.

- To determine if on-site contractor personnel are receiving appropriate background checks prior to being granted access to

government facilities and if they are being appropriately in-processed and out-processed at the beginning and end of their service on-site at the CPSC.

- To determine if the decision to conduct the work contracted for on-site rather than off-site was appropriately made and if the agency is properly monitoring on-site contractor performance to prevent fraud, waste, and abuse of federal funds.

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. Six (6) of the individuals filed formal complaints alleging waste, fraud, abuse, or mismanagement of CPSC resources. These complaints resulted in five (6) investigations being initiated. Several matters 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	4
Opened	6
Closed	5
Transferred/Incorporated into existing investigation	0
End of the period	5

REPORTABLE INVESTIGATIONS

Alleged Misconduct by a Government Employee - Complainant alleged Subject embezzled from agency. Subject and Complainant had long history of mutual animosity. Allegations were not substantiated by the evidence available.

Alleged Misconduct by a Government Employee - Complainant alleged that Subject arranged for the hiring of a relative. Allegation was not substantiated by the evidence available.

Alleged Violation of Agency's Personnel Policies regarding Time and Attendance and Maternity Leave - An anonymous complaint alleged that a manager failed to properly apply the agency's maternity and time and attendance policies and procedures. Investigation determined that no violation had occurred.

ONGOING INVESTIGATIONS

Five investigations were ongoing at the end of the period. These cases involve allegations of violations of various agency or federal regulations and/or statutes; one of the ongoing investigations has been accepted by the Department of Justice for criminal prosecution.

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:

- Consumer Product Safety Improvement Act
- Implementation of Inspector General Reform Act
- Training of Managers and Supervisors
- Agency Privacy Program
- Holding of Outside Positions by Employees
- Conflict of Interest
- Security Clearance and Background Check Procedures
- Equal Employment Opportunity Program
- Federal Information Security Management Act
- Morale of Employees
- Purchase Card Program
- Changes in Agency Acquisition Policies
- Anti-Deficiency Act
- Federal Service Labor-Management Relations Statute

COUNCIL OF INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

The Inspector General, as a member of the Council of Inspectors General on Integrity and Efficiency (Council), 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 Council and joint meetings of the Council and GAO. The Office of the Inspector General's staff attended seminars and training sessions sponsored or approved by the Council 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:

<u>Citation</u>	<u>Reporting Requirements</u>	<u>Page</u>
Section 4(a)(2)	Review of Legislation and Regulations.....	11
Section 5(a)(1)	Significant Problems, Abuses, Deficiencies.....	4-11
Section 5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies.....	4-11
Section 5(a)(3)	Significant Recommendations Included in Previous Reports on Which Corrective Action Has Not Been Taken.....	NA
Section 5(a)(4)	Matters Referred to Prosecutive Authorities.....	11
Section 5(a)(5)	Summary of Instances Where Information Was Refused.....	NA
Section 5(a)(6)	Reports Issued.....	4-11
Section 5(a)(7)	Summary of Significant Reports.....	4-11
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
Section 845 of The NDAA of 2008	Significant Contract Audit Reports.....	6-8

PEER REVIEW RESULTS

The last peer review conducted by another Office of Inspector General on the CPSC's Office of Inspector General was issued on April 28, 2008, and is available on the CPSC OIG's webpage. All recommendations made in that peer review have been implemented.

The last peer review conducted by the CPSC OIG of another Office of Inspector General occurred on September 28, 2007, and involved the National Endowment for the Humanities Office of Inspector General (NEH OIG). According to the NEH OIG all recommendations made at that time have been implemented.