U.S. CONSUMER PRODUCT SAFETY COMMISSION

OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

October 1, 2012 - March 31, 2013

UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
BETHESDA, MD 20814

Memorandum

Date: Apr 30, 2013

TO : Inez Moore Tenenbaum, Chairman
Nancy A. Nord, Commissioner
Robert S. Adler, Commissioner

FROM : Christopher W. Dentel
Inspector General

SUBJECT : Semiannual Report, October 1, 2012 through March 31, 2013

I hereby submit the Semiannual Report for the Office of the Inspector General for the period October 1, 2012 through March 31, 2013. The report, which is required by the Inspector General Act of 1978, as amended, summarizes the activities of this office during this six-month period. Section 5 of the Act requires that the head of the agency transmit this report to the appropriate Congressional committees within 30 days of its receipt.

I appreciate the cooperation and support received from the Commission staff during the reporting period.

Sincerely,

Christopher W. Dentel
Inspector General

EXECUTIVE SUMMARY

This semiannual report summarizes the major activities performed by the Office of the Inspector General during the reporting period, October 1, 2012 through March 31, 2013. During the reporting period, this office worked on nine audits or reviews. At the end of the reporting period, five audits or reviews and two investigations were in progress.

The Office of the Inspector General received two complaints during the reporting period, each of which resulted in the initiation of a formal investigation. Three investigations were closed or transferred 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, MD. The agency has field personnel stationed throughout the country. The CPSC had a budget of $108.6 million and 548 authorized full-time equivalent positions for FY 2013.

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 the 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 related 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 concerned individuals. The objective of this program is to ensure the integrity of the CPSC and guarantee individuals fair, impartial, and independent investigations.

The Office of the Inspector General also reviews existing and proposed legislation and regulations related 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 FY 2013: the Inspector General, a Deputy Inspector General for Audits, an office manager, an Information Technology auditor, and three line auditors.

AUDIT PROGRAM

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

AUDIT OF FINANICAL STATEMENTS

The Consumer Product Safety Commission is required to submit audited financial statements in accordance with the Accountability of Tax Dollars Act of 2002, which retroactively implements the Chief Financial Officers Act of 1990. The Office of the Inspector General audited the CPSC's financial statements as of September 30, 2012; related notes for the year then ended, and considered internal control over financial reporting and the CPSC's compliance with laws and regulations.

The financial statements for FY 2012 and 2011, as restated, were presented fairly and were in all material respects in conformity with the U.S. generally accepted accounting principles.

The audit identified two material weaknesses pertaining to the fiscal year 2011 financial statements. A material weakness is a control deficiency that results in more than a remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements.

The Commission overstated the fiscal year 2011 Cumulative Results of Operations (CRO) balance by approximately $4.9 million. The cause of this material error was the erroneous reporting of earned revenue from the National Electronic Inquiry Surveillance System (NEISS) program in both Direct Funds and Reimbursable Funds. The Commission restated its fiscal year 2011 financial statements to reflect the proper CRO balance.

The Commission materially understated its balance sheet liabilities for fiscal year 2011 through the inadvertent omission of its FECA Actuarial Liability of $1,729,415.50 for fiscal year 2011. At the time of the omission, the Commission did not have adequate internal controls over financial reporting, including management review and oversight controls over their financial service provider in the reporting of FECA actuarial liability. The Commission restated its fiscal year 2011 financial statements to reflect the proper liabilities balance.

The audit also identified the need to improve certain other internal controls. This deficiency in internal control, although not considered to be a material weakness, represented a significant deficiency in the design or operations of internal control, which adversely affected the Commission's ability to meet its internal control objectives.

The audit found reportable noncompliance in FY 2012 with the laws and regulations tested. This noncompliance involved the Anti-Deficiency Act, Prompt Payment Final Rule, and the Debt Collection Improvement Act. The investigation involving the Anti-Deficiency Act was ongoing at the conclusion of the audit and the amount in question was not material to the financial statements.

The material weaknesses from 2011 were corrected prior to the end of the audit. Agency management concurred with the findings and recommendations and stated that they were already taking steps to rectify the other problems found during the audit.

AUDIT OF TRAVEL CHARGE CARD PROGRAM (In progress)

This audit will assess the CPSC's compliance with Federal statutes and regulations governing the operations of its Travel Card Program. The Travel and Transportation Reform Act of 1998 requires Federal employees to use travel charge cards for all payments of expenses related to official Government travel, including hotels, transportation costs, and meals.

The General Services Administration (GSA) issues the Federal Travel Regulation (FTR) that implements the requirements of the Act, and administers government travel cards through its SmartPay program. Each agency selects one of the five banks contracted by GSA as their travel card provider and negotiates its own task order under the SmartPay master contract. The task order identifies the specific charge card services the selected bank will provide the agency, and documents the agreed upon fees, including additional negotiated rebate percentages.

While responsibility for payment rests with the individual, agencies also have a responsibility, as well as a financial incentive, to ensure that accounts are paid timely and in full. GSA's master contract describes the agencies' travel card program responsibilities. These include ensuring that cardholders use the card only for authorized purposes by monitoring account activity; and managing delinquencies and misuse by notifying the employee and management of delinquent accounts, taking appropriate disciplinary action, and, as a last resort, collecting the overdue amount from the employee through salary offsets. Additionally, the negotiated rebate provides a financial incentive for the agency to act to ensure that its employees' overdue balances are paid in full. Because unpaid account balances reduce the amount of the rebate the agency receives, it is important that the agency minimize delinquent accounts. Monitoring and managing delinquencies also helps the agency avoid potential negative publicity that can come from unpaid accounts.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT REVIEW

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 also 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 the Office of Management and Budget (OMB). The OIG conducted this review in accordance with the Quality Standards for Inspections issued by the Council of Inspectors General on Integrity and Efficiency's (CIGIE) Inspection and Evaluation Committee and not the Generally Accepted Government Audit Standards (GAGAS) standards issued by the GAO.

The FY 2012 FISMA evaluation found that, although much work remained, management had made substantial progress in implementing the FISMA requirements. CPSC's General Support

System (GSS LAN) regained its security accreditation on October 1, 2012, and the Consumer Product Safety Risk Management System (CPSRMS) had completed the security accreditation process, and retained its security accreditation. Management successfully mitigated or substantially reduced the risks associated with the three high-risk security weaknesses that prevented the GSS LAN from obtaining an Authorization to Operate (ATO) in FY 11. Multi-factor authentication to access the Virtual Private Network (VPN) is now systematically required for a substantial majority of the CPSC users, management drafted an Information System Contingency Plan (ISCP) for the GSS LAN, and management has documented and implemented baseline security configurations for many of the key agency software components.

Although the review found that much had been accomplished, much remained to be done. Management had not had an independent security assessment performed for the International Trade Data System Risk Assessment Methodology (ITDSRAM) application, nor updated and approved its security documentation, nor accepted the risk with operating the application in FY 12. Management also had not fully implemented the NIST SP 800-37 Risk Management Framework. Management had not accredited the following major CPSC applications: PRISM, FOIAExpress, and Integrated Field System (IFS). Management had not performed an assessment to identify all major agency applications; it is particularly important that management assess the applications associated with the Office of Epidemiology because of the potential of these applications containing Personally Identifiable Information. The review made 65 findings (12 of which were "high risk").

INFORMATION TECHNOLOGY INVESTMENT MANAGEMENT FOLLOW-UP AUDIT

The Consumer Product Safety Improvement Act (CPSIA) calls for upgrades of the Commission's information technology architecture and systems and the development of a database of publicly available information on incidents involving injury or death required under section 6A of the Consumer Product Safety Act, as added by section 212 of the CPSIA. It also calls for the Office of Inspector General to review the agency's efforts in these areas.

In order to objectively assess the CPSC's efforts in this area and to help provide the agency with a road map to meet the goals set out in the CPSIA this office chose to employ the Government Accountability Office's (GAO) Information Technology Investment Maturity (ITIM) model framework. 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. The 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 to assess the maturity of an agency's investment management processes as a tool for organizational improvement.

GAO's ITIM maturity model framework offers organizations a road map for improving their IT investment management processes in a systematic and organized manner. These process improvements are intended to: improve the likelihood that investments will be completed on time, within budget, and with the expected functionality; promote better understanding and management of related risks; ensure that investments are selected based on their merits by a well-informed decision-making body; implement ideas and innovations to improve process management; and increase the business value and mission performance of investments.

In fiscal year 2011, under a contract monitored by the Office of Inspector General, Withum, Smith & Brown (WS+B), an independent certified public accounting firm, issued an audit report regarding the CPSC's Information Technology (IT) investment management processes, using the Government Accountability Office's (GAO) Information Technology Investment Management (ITIM) framework. The contract required that the audit be performed in accordance with generally accepted government auditing standards. This initial ITIM audit found that the CPSC had reached stage 1 of the five-stage IT investment maturity model. WS+B outlined 11 specific actions that in their opinion the CPSC would need to accomplish to achieve maturity Stage 2.

In FY 2012, a Follow-up Performance Audit of the Information Technology Investment Maturity of the Consumer Product Safety Commission was conducted. This audit was also performed by WS+B under a contract monitored by the Office of Inspector General. 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 did not express, an opinion on the matters contained in the report. WS&B is responsible for the report. However, our review disclosed no instances where WS&B did not comply, in all material respects, with U.S. generally accepted government auditing standards.

WS+B found that the CPSC was still at Stage 1 of the five-stage IT investment maturity model as defined by the GAO. They also found that the CPSC had implemented most of the key practices and critical processes that constitute Stage 2. Based on their assessment, they outlined two specific actions that the CPSC needs to perform to achieve maturity Stage 2.

IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT (IPERA) REVIEW

IPERA (Public Law 111-204) was enacted on July 22, 2010, and the Office of Management and Budget (OMB) issued implementing guidance on April 14, 2011—OMB Memorandum M-11-16. M-11-16 requires that Inspectors General review annually their agency's improper payment reporting in their agency's Performance and Accountability Report (PAR).

In 2011, the CPSC acknowledged not being in compliance with IPERA. The agency did not conduct an initial estimate of improper payments or a formal program risk assessment. The PAR did not include any information regarding the agency's efforts to recapture improper payments. The CPSC indicated in their 2011 PAR that in 2012 they planned to refine the risk assessment criteria such that a, ". . . gross estimate is included and to be more substantially compliant with OMB's guidance and IPERA."

To assess agency compliance with IPERA for fiscal year 2012, the CPSC OIG retained the services of Withum, Smith & Brown (WS+B) an independent certified public accounting firm. Under a contract monitored by the Office of Inspector General, WS+B, issued an audit report regarding the CPSC's compliance with the Improper Payment Elimination and Recovery Act (IPERA) of 2010, using P.L. 111-204 and OMB Memorandum M-11-16. The contract required that the audit be performed in accordance with generally accepted government auditing standards.

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 did not express, an opinion on the matters contained in the report. WS&B is responsible for the audit report. However, our review disclosed no instances where WS&B did not comply, in all material respects, with U.S. generally accepted government auditing standards.

WS+B concluded that the CPSC is in compliance with IPERA. They found that the CPSC had taken several steps to identify risk and establish a systematic method to estimate improper payments. However, they also identified certain areas where they believe that the CPSC could improve its process of estimating improper payments and better comply with OMB guidance.

FEDERAL TRANSIT BENEFIT PROGRAM AUDIT (ongoing)

The Federal Transit Benefit Program (FTBP) is a transportation fringe benefit program that offers qualified federal employees the option to exclude, from taxable wages and compensation, employee commuting costs incurred through the use of mass transportation and vanpools, not to exceed the maximum level allowed by law. 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 the use of public transportation.

The Washington, D.C. National Capital Region constitutes the largest part of the FTBP. Inspectors General of various agencies have identified numerous problems related to the transit benefits program, including ineligible employees receiving benefits, and a lack of agency oversight, policies, and procedures to adequately prevent waste, fraud, and abuse. GAO has found instances of fraud and abuse by current and former federal employees.

The objectives of this audit include evaluating if internal controls were adequately designed and properly executed in the management of the FTBP and determining if the CPSC complied with the terms of the FTBP partnership agreement with the Department of Transportation.

AWARDS PROGRAM AUDIT (ongoing)

The goal of the CPSC's Awards program is to motivate employees by recognizing and rewarding those who attain high levels of performance, thereby contributing to the accomplishment of management goals and objectives. The Awards Program was designed to encourage employees, both as individuals and in groups, to increase productivity and improve the efficiency and economy of Federal Government operations.

The objectives of this audit are to ascertain both the program's compliance with laws and regulations and measure the effectiveness of the program.

To conduct this audit, the CPSC OIG contracted with Withum, Smith & Brown (WS+B) an independent certified public accounting firm. The contract requires that the audit be performed in accordance with generally accepted government auditing standards.

FREEDOM OF INFORMATION ACT (FOIA) AUDIT (ongoing)

The Freedom of Information Act (FOIA) provides that any person has a right, enforceable in court, to obtain access to federal agency records, except to the extent that such records (or portions of them) are protected from public disclosure by one of nine exemptions or by one of three special law enforcement record exclusions. A FOIA request can be made for any agency record.

The objectives of this audit are to ascertain both the CPSC's FOIA program's compliance with laws and regulations and measure the effectiveness of the program.

EMPLOYEE CLEARANCE PROCEDURES AUDIT (ongoing)

It is CPSC policy that employees separating from the agency be cleared by appropriate CPSC personnel prior to their departure to assure that the employee has accounted for property entrusted to them, liquidated all debts owed to the Commission, and fulfilled any other outstanding obligation.

The objectives of this audit are to ascertain both the Clearance program's compliance with laws and regulations and measure the effectiveness of the program.

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. Two of the individuals filed formal complaints alleging waste, fraud, abuse, or mismanagement of CPSC resources. These complaints resulted in the initiation of two investigations. Several matters were transferred to CPSC officials (management or the Equal Employment Opportunity Commission (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.

Investigations

	No. of Cases
Beginning of period	3
Opened	2
Closed	2
Transferred/Incorporated into existing investigation	1
End of the period	2

REPORTABLE INVESTIGATIONS

Allegations Regarding Travel Card Abuse

Initial investigation determined that problems were process rather than individual oriented and that an audit of the process was a more appropriate tool to resolve the issues than was an investigation.

Allegations Regarding Selection Process

Initial investigation determined that specifically alleged misconduct had not occurred (complainant's file had been included in selection process). Disputes regarding selection process in general are subject to administrative appeal, which had not occurred to date, so complaint dismissed as not ripe.

ONGOING INVESTIGATIONS

Two investigations were ongoing at the end of the period. These cases involve allegations of violations of various agency or federal regulations and/or statutes.

OTHER ACTIVITIES

LEGISLATION AND REGULATIONS

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

Consumer Product Safety Improvement Act,
Prompt Payment Act,
Improper Payments Elimination and Recovery Act,
Travel Card Program,
Debt Collection Improvement Act,
Conflicts of Interest,
Security Clearance and Background Check Procedures,
Federal Information Security Management Act,
Morale of Employees,
Violence in the Work Place,
National Labor Relations Act,
Purchase Card Program,
Changes in Agency Acquisition Policies,
Anti-Deficiency Act, and
Reception and Representation Funds

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 the 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 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	15
Section 5(a)(1)	Significant Problems, Abuses, Deficiencies	4-14
Section 5(a((2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	4-14
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	NA
Section 5(a)(5)	Summary of Instances Where Information Was Refused	NA
Section 5(a)(6)	Reports Issued	4-14
Section 5(a)(7)	Summary of Significant Reports	4-14
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	NA

PEER REVIEW RESULTS

The last peer review conducted by another Office of Inspector General on the CPSC's OIG was issued on May 23, 2011, and it is available on the CPSC OIG's Web page. All recommendations made in that peer review have been implemented.

The last peer review conducted by the CPSC's OIG on another Office of Inspector General occurred on December 9, 2010, and it involved the National Endowment for the Humanities Office of Inspector General (NEH OIG). No deficiencies were noted, and no formal recommendations were made in that review.