

U.S. CONSUMER PRODUCT SAFETY COMMISSION



OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

October 1, 2008 - March 31, 2009

EXECUTIVE SUMMARY

This semiannual report summarizes the major activities performed by the Office of the Inspector General during the reporting period, October 1, 2008 through March 31, 2009. During the reporting period, this office completed 1 audit or review. At the end of the reporting period, 3 audits or reviews and 2 investigations were in progress.

The Office of the Inspector General received four (4) complaints during the reporting period; three (3) of which resulted in the initiation of a formal investigation. Four (4) investigations were closed during the reporting period. Management officials acted on the recommendations made in the completed investigations from the previous reporting period.

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

INTRODUCTION

U. S. CONSUMER PRODUCT SAFETY COMMISSION

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

The CPSC is headed by three Commissioners appointed by the President with the advice and consent of the Senate. The Chairman of the CPSC is designated by the President. The CPSC's Headquarters is located in Bethesda, Maryland. It has field personnel stationed throughout the country. The CPSC has a budget of \$105.404 million and 483 authorized full-time equivalent positions for Fiscal Year 2009.

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 five full-time equivalent positions at the beginning of Fiscal Year 2009: the Inspector General, an office manager, and three auditors. Two other full-time equivalent positions have recently been authorized, but have not yet been filled.

AUDIT PROGRAM

During this period, the Office of the Inspector General worked on 3 audits and reviews. A summary of each follows:

AUDIT OF FINANCIAL STATEMENTS

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

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

This audit found that the financial statements, including the accompanying notes, presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the CPSC's assets, liabilities, and net position as of September 30, 2008 and for the year then ended.

The Consumer Product Safety Commission maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) as of September 30, 2008. CPSC's internal controls provided reasonable assurance that misstatements, losses, or noncompliant material in relation to the Balance Sheet would be prevented or detected on a timely basis.

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

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

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.

AUDIT OF CPSC PRIVACY PROGRAM (ongoing)

Recent losses of Personally Identifiable Information by Federal agencies have highlighted the importance of protecting such information. The Office of Management and Budget (OMB) has spearheaded ongoing efforts by the Federal Government to ensure that agencies protect personally identifiable information - including names, Social Security numbers, and addresses. OMB has requested that Inspectors General ensure compliance with

these standards as well as those promulgated under the Federal Information Security Management Act (FISMA) regulatory framework.

An evaluation of the CPSC's Information System Security Program was recently performed to meet the requirements of FISMA, and to determine whether timely and appropriate corrective actions had been taken to correct the material weaknesses identified during prior reviews. The evaluation found that although substantial improvements have been made, much work remains to be done. The majority of agency efforts to date have focused on information technology (IT) security issues.

Although the majority of the challenges facing the agency regarding IT security may be addressed through technical improvements, in many ways the non-IT information security challenges facing the agency are more complex and will require the adoption and implementation of new policies and methodologies impacting the way the agency manages information. This area has been the subject of numerous new statutory and regulatory requirements (recent guidance has called for implementation plans to eliminate unnecessary use of Social Security Numbers and review and reduce the agency's holdings of personally identifiable information, etc.). The agency has recently implemented a number of new policies designed to improve information security and implement the new regulatory requirements in this area. This audit seeks to measure the implementation and effectiveness of these policies.

REVIEW OF CPSC GIFT TRAVEL PROGRAM (ongoing)

The CPSC OIG is currently reviewing the acceptance of travel benefits through the agency's former Gift-Travel Program. The program in place at the time in question allowed the agency to accept gifts of travel expenses from non-Federal sources for the purpose of allowing agency personnel to attend meetings or similar functions relating to their official duties which take place away from their duty station (Gift Travel).¹

¹ With the enactment of the 2008 Omnibus Appropriations Act, all Federal agencies subject to the act were prohibited from accepting gift travel from regulated, for profit entities.

The operations of the Gift-Travel Program were governed by both statutory (31 USC 1353) and regulatory guidelines (41 CFR 304). These guidelines covered both the value and form that the gifts in question could take and when it was or was not appropriate to accept such gifts.

The program did not authorize the acceptance of travel benefits directly by agency personnel. (This is prohibited by statute.) All proposed gifts of travel benefits were required to be made to the agency and all proposed gifts were subjected to an agency review process prior to their acceptance. There have been no allegations that agency personnel directly solicited or received gift travel benefits. However, there have been allegations that the agency failed to follow both its own and general Federal regulatory guidelines in the operation of its Gift-Travel Program and its acceptance of travel benefits.

INVESTIGATIVE PROGRAM

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

Investigations

	No. of Cases
Beginning of period	2
Opened	4
Closed	2
Transferred/Incorporated into existing investigation	2
End of the period	2

REPORTABLE INVESTIGATIONS

Alleged Waste of Government Resources - A complaint was received alleging that a current employee at the CPSC had inappropriately expended training funds on an employee who was in the process of being separated from government service. This investigation was transferred to EEOC where it was incorporated into an ongoing investigation.

Alleged False Official Statements by Government Employee - An anonymous complainant alleged that a CPSC employee had made a series of false official statements related to his official duties in violation of 18 USC 1001. This investigation is ongoing.

ONGOING INVESTIGATIONS

Two investigations are 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
- Agency Chain of Command Issues
- Security Clearance and Background Check Procedures
- Equal Employment Opportunity Program
- Federal Information Security Management Act
- Morale of Employees
- Property Management System
- Changes in Agency Ethics Program

EXECUTIVE COUNCIL 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.....	9
Section 5(a)(1)	Significant Problems, Abuses, Deficiencies.....	4-8
Section 5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies.....	4-8
Section 5(a)(3)	Recommendations Included in Previous Reports on Which Corrective Action Has Not Been Taken.....	NA
Section 5(a)(4)	Matters Referred to Prosecutive Authorities.....	8
Section 5(a)(5)	Summary of Instances Where Information Was Refused.....	NA
Section 5(a)(6)	Reports Issued.....	4-8
Section 5(a)(7)	Summary of Significant Reports.....	4-8
Section 5(a)(8)	Questioned Costs.....	NA
Section 5(a)(9)	Recommendations That Funds Be Put to Better Use.....	NA
Section 5(a)(10)	Summary of Audit Report Issued Before the Start of the Reporting Period for Which No Management Decision Has Been Made.....	NA
Section 5(a)(11)	Significant Revised Management Decisions.....	NA
Section 5(a)(12)	Management Decisions with Which the Inspector General is in Disagreement.....	NA
Section 845 of The NDAA of 2008	Significant Contract Audit Reports.....	5