

U.S. CONSUMER PRODUCT SAFETY COMMISSION



OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

April 1, 2009 - September 30, 2009

EXECUTIVE SUMMARY

This semiannual report summarizes the major activities performed by the Office of the Inspector General during the reporting period, April 1, 2009 through September 30, 2009. During the reporting period, this office completed 1 audit or review and closed 2 investigations. At the end of the reporting period, 6 audits or reviews and 4 investigations were in progress.

The Office of the Inspector General received six (6) complaints during the reporting period; four (4) of which resulted in the initiation of a formal investigation. Two (2) investigations were closed during the reporting period.

The Office of the Inspector General continues to be involved with the Council of 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 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 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 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 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 completed work on one review; work continues on six audits and or 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 was 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 2009.

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 2009.

REVIEW OF FEDERAL TRANSIT BENEFIT PROGRAM (ongoing)

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.

This audit is scheduled for completion in November of 2009.

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.

Field work has been completed on this audit and it is anticipated that the report will be issued in November.

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.

Work on this audit has been suspended while the auditor assigned works on the CFO Act audit.

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

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

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 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 AND RELATED ACTIVITIES

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 lodged complaints alleging waste, fraud, abuse, or mismanagement of CPSC resources. Four of these complaints resulted in an investigation being initiated. Several complaints were closed after initial investigation determined that no action was required.

Investigations

	No. of Cases
- Beginning of period	2
- Opened, Investigations	4
- Closed, Investigations	1
- Transferred/Incorporated into existing investigations	1
- Ongoing, Investigations	4

REPORTABLE INVESTIGATIONS

Two of the investigations involved contractor personnel. One involved allegations of misconduct by the company in question that fell outside of the scope of the Inspector General Act. This case was referred to the appropriate contracting officer for action. The second investigation involved alleged misconduct by a contractor's employee. It was referred to agency management for appropriate action.

ONGOING INVESTIGATIONS

Four 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 and one of the investigations is being conducted as an administrative investigation outside of the scope of the Inspector General Act².

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:

Chief Financial Officers Act
Federal Information Security Management Act
Training of Managers and Supervisors
Protection of Personally Identifiable Information
Consumer Product Safety Improvement Act
Inspector General Reform Act
Anti-Deficiency Act
Morale of Employees
Property Management
Privacy Act
Federal Acquisition Regulation
Government Employees Incentive Award Act

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 by the Council and its associated activities.

² The investigation in question is being carried out at the request of agency management.

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.....	NA
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