

U.S. CONSUMER PRODUCT SAFETY COMMISSION



OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

October 1, 2015 - March 31, 2016



**UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
BETHESDA, MD 20814**

Memorandum

Date: April 29, 2016

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 : Semiannual Report, October 1, 2015 through March 31, 2016

I hereby submit the Semiannual Report for the Office of the Inspector General for the period October 1, 2015 through March 31, 2016. 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,

A handwritten signature in black ink that reads "Christopher W. Dentel".

Christopher W. Dentel
Inspector General

EXECUTIVE SUMMARY

This semiannual report summarizes the major activities performed by the Office of the Inspector General (OIG), during the reporting period October 1, 2015 through March 31, 2016. During the reporting period, this office worked on 8 audits or reviews. At the end of the reporting period, 5 audits or reviews and 3 investigations were in progress.

The OIG received a number of complaints during the reporting period, three of which resulted in the initiation of formal investigations. Two investigations were closed or transferred during the reporting period. Management officials acted on the recommendations made in the completed investigation.

The OIG continues to be involved with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) 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 federal regulatory agency created in 1972, under the provisions of the Consumer Product Safety Act (CPSA) (P.L. 92-573) to protect the public against unreasonable risks of injuries associated with consumer products. Under the CPSA and the Consumer Product Safety Improvement Act of 2008 (CPSIA), 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 has a budget of \$125 million and 567 authorized full-time equivalent positions for fiscal year (FY) 2016.

OFFICE OF THE INSPECTOR GENERAL

The OIG 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 the CPSC's 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 the CPSC's programs and operations; and

- keep the Chairman and Congress fully and currently informed about problems and deficiencies relating to the administration of the CPSC's programs and operations and the need for progress or corrective action.

The OIG 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 the CPSC's 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 OIG 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 OIG was authorized seven full-time equivalent positions for FY 2016: the Inspector General, a Deputy Inspector General for Audits, an Attorney-Investigator, an Information Technology (IT) auditor, two line auditors and an office manager.

AUDIT PROGRAM

During this period, the OIG worked on 8 audits and reviews. A summary of each follows:

FY 15 AUDIT OF THE FINANCIAL STATEMENTS

The CPSC 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. To conduct this audit, the CPSC OIG contracted with CliftonLarsonAllen (CLA), an independent public accounting firm. The contract required CLA to perform an independent audit of the CPSC's financial statements for the period ended September 30, 2015. The OIG was responsible for:

- Evaluating the qualifications and independence of the auditors;
- reviewing the audit approach and planning;
- monitoring the work of the auditors;
- examining audit workpapers and draft report/management letter to ensure compliance with *Government Auditing Standards (GAS)*, Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, and the *Financial Audit Manual*, issued jointly by the Government Accountability Office (GAO) and the President's Council on Integrity and Efficiency; and
- executing other procedures deemed necessary to oversee the audit.

CLA issued an unmodified opinion on the CPSC's financial statements as of and for the fiscal years ended September 30, 2015 and 2014. CLA's testing of internal control did not identify any material weaknesses or significant deficiencies in financial reporting and the results of tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance required to be reported under GAS or OMB Bulletin 15-02. CLA also reviewed the status of the CPSC's corrective actions regarding the Anti-Deficiency Act (ADA) violations identified and reported in FY 2014. CLA found that the CPSC has resolved the ADA violations.

FY 15 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.

As such, 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 OMB. OMB uses this data to assist in its oversight responsibilities and to prepare an annual report to Congress on agency compliance with FISMA. The OIG performed this review in accordance with the *Quality Standards for Inspection and Evaluation* (QSIE), established by the CIGIE and not the GAS issued by GAO.

The review found that the CPSC continues to make progress in implementing the requirements of FISMA. The CPSC has continued to show improvement in system reporting and monitoring capabilities; this, combined with the CPSC's maturing incident handling process, has positioned the agency to take proactive steps to address known and potential vulnerabilities. However, substantial work remains. The OIG identified several security weaknesses in the CPSC's management, operational, and technical controls policies, procedures, and practices. For example, the CPSC still faces IT challenges regarding implementation of the CPSIA and the CPSIA's impacts on IT operations. The OIG issued 49 findings and 122 recommendations to CPSC management. These findings and recommendations cut across all 10 FISMA metrics. When the report was issued, the CPSC's management did not concur with all of the recommendations provided. However, follow-up discussions between the OIG and CPSC management resulted in management's concurrence to the OIG's reported findings and recommendations. The CPSC's management now reports that it is actively conducting required corrective action(s).

IMPORT SURVEILLANCE PROGRAM REVIEW

The objective of this review was to assess: a) the CPSC's compliance with the provisions of the CPSIA Section 222; and b) to review the design of internal controls to meet the objectives of the CPSC's Import Surveillance Program. The OIG contracted with Kearney & Company (Kearney), an independent public accounting firm. The contract required that the review be performed in accordance with the CIGIE, QSIE. The OIG was responsible for monitoring the performance of the review in accordance with the applicable standards.

In summary, Section 222 of the CPSIA requires the CPSC to design and implement a Risk Assessment Methodology (RAM) for the identification of shipments of consumer products that are:

- Intended for import into the U.S.
- Likely to include consumer products in violation of Section 17(a) of the CPSA.

In addition, the legislation requires a significant level of collaboration between the CPSC and the Department of Homeland Security's Customs and Border Protection (CBP).

The review identified one significant deficiency in internal control regarding the CPSC's ability to respond to high-risk shipments identified by the RAM; and the CPSC's partial noncompliance with aspects of Section 222 of the CPSIA.

Specifically, Kearney found that the CPSC has developed a RAM to target import shipments with potential to be in violation of consumer product safety standards or otherwise harmful to consumers. However, due to resource constraints, the CPSC is unable to adequately respond and examine all shipments identified as high-risk by the RAM system. As such, there is a clear and present risk that shipments identified as high-risk are unexamined by the CPSC, and possibly released into the U.S..

Further, Kearney identified that the CPSC is partially compliant with the provisions of Section 222. Section 222 includes four specific requirements that do not necessarily provide a direct link to the import surveillance program and/or are not within the control of the CPSC. For example, CPSC import surveillance program

staff were unable to document that the RAM had been incorporated into the CPSC's IT Modernization Plan, maintained by CPSC's Office of Information Technology Services. Further, due to CBP's security restrictions to its Automated Targeting System, the CPSC has been unable to achieve direct access, as mandated by Section 222.

CPSC Management concurred with all findings and recommendations issued.

CYBERSECURITY INFORMATION SHARING ACT OF 2015 REVIEW (ongoing)

The Cybersecurity Information Sharing Act of 2015 (Cybersecurity Act), requires the OIG to report on Federal systems that contain Personally Identifiable Information (PII). This review will evaluate CPSC's established policies and procedures regarding logical access, multifactor authentication, software inventory/licensing, data exfiltration detection and other threat identification capabilities against Title IV, Section 406 of the Cybersecurity Act. The performance of the review will be in accordance with CIGIE, QSIE.

This review is scheduled for completion by August 2016.

IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT REVIEW (ongoing)

This review will assess the CPSC's compliance with the reporting requirements contained in the Improper Payment Elimination and Recovery Act of 2010, as amended by the Improper Payment Elimination and Recovery Improvement Act of 2012, for the fiscal year 2015. The OIG has contracted the performance of this review to Kearney. Performance will be in accordance with CIGIE, QSIE.

The review is scheduled for completion by May 2016.

AUDITS AND REVIEWS OF GOVERNMENT CHARGE CARDS

Enacted on October 5, 2012, the Government Charge Card Abuse Prevention Act of 2012 (the Act) reinforces efforts to prevent waste, fraud, and abuse in Government charge card programs. Specifically, the Act requires that OIG's periodically perform periodic risk assessments over government charge cards to determine

the scope, frequency, and number of OIG audits, or reviews of these programs. Due to the risk assessment, the OIG has initiated audits of the Travel and Purchase Charge Program and a review the Fleet Charge Card Program. The results and/or status of each audit and review are as follows:

AUDIT OF TRAVEL CHARGE CARD PROGRAM (ongoing)

This audit will assess whether the CPSC has designed and implemented internal controls properly to monitor and manage the use of the travel charge card, as required by OMB A-123, Appendix B *Improving the Management of Government Charge Card Programs* and; determine whether internal controls are operating effectively to prevent illegal, improper, and/or erroneous transactions.

To conduct this audit, the OIG contracted with Kearney. The contract requires that the audit be performed in accordance with GAO's GAS.

This audit is scheduled for completion by May 2016.

PURCHASE CHARGE CARD PROGRAM AUDIT (ongoing)

This audit will assess the CPSC's compliance with Federal statutes and regulations governing the operations of its Purchase Card Program. The performance of the audit will be in accordance with GAO's GAS.

This audit is scheduled for completion by September 2016.

FLEET CHARGE CARD PROGRAM REVIEW (ongoing)

This review will assess the design of the CPSC's internal controls governing the operations of its Fleet Charge Card Program. The Fleet Charge Card program involves the use of a Government charge card to pay for gas and related expenses related to the operation of Government Owned Vehicles. The performance of the review will be in accordance with CIGIE, QSIE.

This review is scheduled for completion by September 2016.

INVESTIGATIVE PROGRAM

A number of individuals contacted the OIG, directly or anonymously, during the reporting period to discuss their concerns about matters involving CPSC programs and activities. These complaints resulted in the initiation of three investigations.

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

REPORTABLE INVESTIGATIONS

15-04 Alleged Misuse of Government Resources and Official Time - An allegation was received indicating that a CPSC management official was using official time and office equipment to engage in an otherwise authorized outside activity. Preliminary investigation indicated that this matter did not rise to a level requiring OIG involvement and the case was transferred to agency management.

16-001 Allegation of Misconduct by an Agency Employee - An allegation was received regarding an agency FOIA response which was stored on cpsc.net in such a way that it was accessible (and searchable) by agency employees who did not have a need to know about the PII it contained. A preliminary investigation determined that the pdf file did contain PII, that the method in which the PII was stored allowed it to be accessed by agency staff that did not have a legitimate reason to access the PII, and that this particular circumstance did not fit the traditional jurisdiction of "fraud, waste, abuse, or mismanagement" as applied to OIG operations. In light of the above, OIG transferred this matter to agency management, but worked with the agency Office of General Counsel to ensure that the breach was appropriately reported and that the circumstances that led to the breach were addressed.

ONGOING INVESTIGATIONS

Three investigations were ongoing at the end of the period.

OTHER ACTIVITIES

LEGISLATION AND REGULATIONS

The OIG reviews internal and external legislation and regulations that affect the OIG specifically, or the CPSC's programs and activities, generally. Procedures applicable to the following subjects were reviewed and commented upon during the reporting period:

- Whistle Blower Protection Act
- Whistle Blower Protection Enhancement Act
- Federal Transit Benefit Program
- Consumer Product Safety Improvement Act
- Consumer Product Safety Act
- Training of Managers and Supervisors
- Agency Privacy Program
- Hatch Act
- Conflict of Interest
- Federal Information Security Management Act
- Purchase Card Program
- Travel Card Program
- Changes in Agency Financial Management Policies
- Anti-Deficiency Act
- Merit System Principles
- Prohibited Personnel Practices
- Telework Policies
- Improper Payments Elimination and Recover Act
- Inspector General Act
- Government Charge Card Abuse Prevention 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 OIG'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, specifically. Also, the Council provided additional support to the Inspector General, as needed.

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.....	10
Section 5(a) (1)	Significant Problems, Abuses, Deficiencies.....	4-9
Section 5(a) (2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies.....	4-9
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.....	4-9
Section 5(a) (7)	Summary of Significant Reports.....	4-9
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 March 14, 2014, and it is available on the CPSC OIG's Web page. No deficiencies were noted, no recommendations for improvement were made, no letter of comment was issued, and this office received a peer review rating of pass.

The last peer review conducted by the CPSC's OIG on another Office of Inspector General occurred on March 15, 2016, and it involved the National Credit Union Administration Office of Inspector General (NCUA OIG). They received a peer review rating of pass. No deficiencies were noted and no formal recommendations were made in that review. A letter of comment was issued to the NCUA OIG.