

U.S. CONSUMER PRODUCT SAFETY COMMISSION



OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

April 1, 2016 - September 30, 2016



UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
BETHESDA, MD 20814

Memorandum

Date: October 30, 2016

TO : Elliot F. Kaye, Chairman
Robert S. Adler, Commissioner
Marietta S. Robinson, Commissioner
Ann Marie Buerkle, Commissioner
Joseph P. Mohorovic, Commissioner

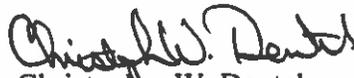
FROM : Christopher W. Dentel
Inspector General

SUBJECT : Semiannual Report, April 1, 2016 through September 30, 2016

I hereby submit the Semiannual Report for the Office of the Inspector General for the period April 1, 2016 through September 30, 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,


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 April 1, 2016 through September 30, 2016. During the reporting period, this office worked on 9 audits or reviews. At the end of the reporting period, 5 audits or reviews and 2 investigations were in progress.

The OIG received a number of complaints during the reporting period, one of which resulted in the initiation of formal investigation. Five investigations were closed or transferred during the reporting period. One complaint is still being reviewed in order to determine what action is appropriate.

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, an Attorney-Investigator, an Information Technology (IT) auditor, two line auditors and an office manager.

AUDIT PROGRAM

During this period, the OIG worked on 9 audits and reviews. A summary of each follows:

FY 16 AUDIT OF THE FINANCIAL STATEMENTS (ongoing)

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 requires CLA to perform an independent audit of the CPSC's financial statements to ascertain whether the financial statements are presented fairly, in all material respects, for the periods ended September 2016 and 2015.

Throughout the performance of the audit, the OIG is responsible for monitoring CLA's performance of the audit to ensure compliance with:

- *Government Auditing Standards (GAS)*
- Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*
- The *Financial Audit Manual*, issued jointly by the Government Accountability Office (GAO) and the President's Council on Integrity and Efficiency

This audit commenced June 20, 2016 and is scheduled for completion by November 15, 2016.

FY 16 FEDERAL INFORMATION SECURITY MODERNIZATION ACT REVIEW (ongoing)

The Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014 (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 this annual report to Congress on agency compliance with FISMA. The OIG is performing this review in accordance with the *Quality Standards for Inspection and Evaluation* (QSIE), established by the CIGIE and not the GAS issued by GAO.

This review commenced June 9, 2016 and is scheduled for completion November 10, 2016.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014 READINESS REVIEW (ongoing)

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires that agency Inspectors General review statistical samples of the data submitted by the agency under the DATA Act and report on the completeness, timeliness, quality and accuracy of the data sampled and the use of the data standards by the agency. To assist in future assessments of the DATA Act, the OIG is conducting a readiness review to assess the CPSC's implementation of the act. The OIG is performing this review in accordance with the QSIE, established by the CIGIE.

The DATA Act requires that Federal agencies report financial and payment data in accordance with data standards established by the Department of Treasury and OMB. Making federal spending data accessible, searchable, and reliable provides opportunities not only to have an open, public-facing dialogue on how federal dollars are spent, but also to serve as a tool for better oversight, management decision-making, and innovation both inside and outside of government. When implemented, the DATA Act will provide better opportunities to understand how federal programs and investments can improve the lives of the American public and make program delivery more effective.

This review commenced August 22, 2016 and is scheduled for completion November 30, 2016.

FY 16 AUDIT ACQUISITIONS OF GOODS AND SERVICES (ongoing)

This audit will assess the CPSC's contract management process in acquiring goods and services for the CPSC. The primary objective of this audit will be to ascertain whether the CPSC's has established and implemented effective internal controls to guide its contract/acquisitions management process for firm fixed price and indefinite delivery, indefinite quantity contracts. In conjunction with the audit objective, the audit will determine whether the contract monitoring process utilized by the CPSC adheres to applicable federal laws and regulations.

To conduct this audit, the OIG contracted with Kearney & Company (Kearney), an independent accounting firm. The contract requires that the audit be performed in accordance with GAO's GAS.

The audit commenced October 18, 2016 and is scheduled for completion March 2017.

CYBERSECURITY INFORMATION SHARING ACT OF 2015 REVIEW

The CPSC OIG completed a review and issued a report to management on August 14, 2016 to comply with the Cybersecurity Information Sharing Act of 2015, Title IV, Section 406 (the Cybersecurity Act). The performance of the review was in accordance with CIGIE, QSIE.

The Cybersecurity Act requires Federal Agencies to establish policies, procedures, and practices to protect Federal computer systems that house personally identifiable information (PII). The CPSC OIG's sole objective was to evaluate and report on the CPSC's establishment of information security policies, procedures, and practices that protect agency systems that provide access to PII, as set forth in the Cybersecurity Act.

Specifically, the OIG evaluated the CPSC's established policies and procedures regarding logical access, multifactor authentication, software inventory/licensing, data exfiltration detection and other threat identification capabilities. The OIG was required to include the information collected from CPSC management for each of these topics and evaluate if the CPSC had followed the appropriate standards for the logical access policies, procedures, and practices.

Overall, the OIG found that the CPSC had established policies, procedures, and practices for logical access, contractor oversight, forensics, and software inventory. However, based on the review of information provided by management, the CPSC had not achieved all the requirements set forth in the act to include:

- Development of logical access policies and procedures for all agency systems that permit access to PII;
- Universal enforcement of smartcard authentication across all functions;
- Implementation of a standard software inventory methodology; and
- Development of formal procedures and automated practices for software license management.

Agency management generally concurred with our findings and recommendations.

IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT REVIEW

The OIG contracted with Kearney to perform a review of 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 (IPERIA), for the FY 2015. The CPSC OIG issued a report to management on May 15, 2016. 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.

The enactment of IPERIA provided an opportunity for OMB to issue new implementing guidance to agencies, while also updating existing guidance. Essentially, OMB Circular A-123 was revised through the issuance of the OMB Memorandum (M)-15-02 - *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*. The revision of Appendix C also modifies OMB M-11-16, which specifically requires that IGs annually review their agency's improper payment reporting in their agency's Agency Financial Report (AFR) or Performance and Accountability Report (PAR) against six explicit elements that determine compliance.

In summary, the FY 2015 review found that the CPSC had remediated the findings that resulted in noncompliance with IPERIA for FY 2014 and the CPSC was determined IPERIA compliant for FY 2015. Therefore, no findings or recommendations were issued to management in this report. The following highlights the issues identified during the FY 2014 review that were remediated by the CPSC:

In FY 2014, Kearney found that the CPSC had performed a program-specific risk assessment for activities identified as susceptible to significant improper payments; however, the risk assessment performed was not consistent with the conclusions of the risk assessment itself, as required by OMB M-15-02. Inconsistencies were also found between the documentation of the Standard Operating Procedure (SOP) for the IPERIA review and the actual procedures performed for the risk assessment. In addition, the CPSC based the FY 2014 improper payment estimate on FY 2013 data, instead of FY 2014 data as required by OMB M-15-02. Finally, Kearney noted that the CPSC's AFR did not include all of the relevant OMB required disclosures.

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 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

The OIG contracted with Kearney, to conduct an audit of CPSC Travel Charge Card Program. The CPSC OIG issued a report to management on May 4, 2016. The contract required that the audit be performed in accordance with GAO's GAS. The OIG was responsible for monitoring the performance of the audit in accordance with the applicable standards.

The purpose of the audit was to assess whether the CPSC had 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; to determine whether internal controls were operating effectively to prevent illegal, improper, and/or erroneous transactions.

The results of the audit identified exceptions related to adherence to travel policies and procedures and an inadequate level of control for individually billed accounts (IBAs) and the centrally billed account (CBA). Specially, Kearney cited the following: (1) lack of training for authorizing and approving officials; (2) inadequate documentation to support the authorization of travel prior to travel initiation, approval for travel expenses and the retention of receipt documentation for expenses over \$75 for IBA and CBA transactions; and (3) inadequate travel authorization and voucher documentation through the use of non-CPSC travel system for a CPSC employee working abroad. As a result of these findings, Kearney issued two recommendations to the CPSC to strengthen and enhance internal controls over IBA and CBA transactions regarding these issues.

Agency management generally concurred with Kearney's findings and recommendations.

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.

At the time of this semiannual report, the audit is in the reporting phase and a report will be issued by November 2016.

FLEET CHARGE CARD PROGRAM REVIEW (Terminated)

The review was to assess the design of the CPSC's internal controls governing the operations of its Fleet Charge Card Program. The OIG terminated the evaluation, effective April 30, 2016, due to a lack of resources in the OIG and the higher priority placed on those resources by other, statutorily required, audits or reviews.

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. In one case, an investigation that was completed in a prior reporting period is still "open" pending final agency action and will be reported on in the next semiannual report.

Investigations

	No. of Cases
Beginning of period	3
Opened	4
Closed	3
Transferred/Incorporated into existing investigation	2
End of the period	2

REPORTABLE INVESTIGATIONS

16-02 Complaint alleging EEO violations closed due to lack of jurisdiction. Employee aware of opportunity to file with EEO office.

16-03 Complaint requesting monetary reimbursement due to perceived CPSC change in position regarding the safety of a consumer product. Complaint outside of jurisdiction of this office, case transferred to OGC.

16-04 Complaint raising landlord tenant issues involving a CPSC employee. Complaint dismissed for lack of jurisdiction.

16-05 Complaint alleging EEO violations closed due to lack of jurisdiction. Employee aware of opportunity to file with EEO office.

16-07 Complaint alleging unsafe manufacturing of a consumer product. Complaint transferred to agency management for action.

ONGOING INVESTIGATIONS

Two 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:

Accountability of Tax Dollars Act
Agency Privacy Program
Anti-Deficiency Act
Changes in Agency Financial Management Policies
Conflict of Interest
Consumer Product Safety Act
Consumer Product Safety Improvement Act
Cybersecurity Information Sharing Act
Digital Accountability and Transparency Act
Federal Acquisition Regulations
Federal Information Security Modernization Act
Government Charge Card Abuse Prevention Act
Hatch Act
Improper Payments Elimination and Recovery Improvement Act
Inspector General Act
Merit System Principles
Prohibited Personnel Practices
Federal Travel Regulations
Telework Policies
Training of Managers and Supervisors
Whistle Blower Protection Act
Whistle Blower Protection Enhancement 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.....	12
Section 5(a)(1)	Significant Problems, Abuses, Deficiencies.....	4-12
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies.....	4-12
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.....	4-11
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.....	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). No deficiencies were noted and no formal recommendations were made in that review. A letter of comment was issued to the NCUA OIG.