



# Office of Inspector General

U.S. Consumer Product Safety Commission

## Top Management Challenges For Fiscal Year 2018

November 15, 2017

## **Vision Statement**

We are agents of positive change striving for continuous improvements in our agency's management and program operations.

## **Statement of Principles**

We will:

Work with the Commission and the Congress to improve program management;

Maximize the positive impact and ensure the independence and objectivity of our audits, investigations, and other reviews;

Use our investigations and other reviews to increase Government integrity and recommend improved systems to prevent fraud, waste, and abuse;

Be innovative, question existing procedures, and suggest improvements;

Build relationships with program managers based on a shared commitment to improving program operations and effectiveness;

Strive to continually improve the quality and usefulness of our products; and

Work together to address Government-wide issues.



**Office Of Inspector General  
U.S. Consumer Product Safety Commission**

Via Electronic Transmission

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

FROM : Christopher W. Dentel, Inspector General

SUBJECT : Top Management Challenges for Fiscal Year 2018

The Reports Consolidation Act of 2000 requires that the Office of Inspector General identify annually the most serious management and performance challenges facing the agency and assess the agency's progress in addressing the challenges. The attached report fulfills this requirement.

Please feel free to contact me if you or your staff has any questions or concerns.

Sincerely,

Christopher W. Dentel



Office of Inspector General  
U. S. Consumer Product Safety Commission

The Reports Consolidation Act requires that the Office of Inspector General (OIG) identify the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission (CPSC) and the agency's progress toward meeting these challenges. These challenges may be grouped into the following categories and, although there is some change in emphasis and focus, they are little changed from those reported last year:

Budget and Staffing Uncertainty

Adequacy of Internal Controls

Information Technology Security

### **1. Budget and Staffing Uncertainty**

As of the drafting of this document, the CPSC as well as the entire Federal government is operating under the shadow of another potential government shutdown and another potential failure to raise the debt ceiling.

Again, the CPSC spent a portion of fiscal year (FY) 2017 operating under a continuing resolution (CR); and as of this writing, no budget has been passed for FY 2018. It is highly likely that the CPSC will again in FY 2018 operate for some portion of the year under a CR. When an agency operates under a CR, it is unclear what resources the agency will have available to meet its statutory responsibilities over the course of the entire year. Because CRs only provide funding for the period of the CR, they create uncertainty for agencies about both when they will receive their full appropriation and what level of funding ultimately will be available.

The budget uncertainty described above can result in agency management delaying hiring or contracting actions, potentially reducing the level of services provided to the American people and increasing costs. If the CPSC is forced to operate under CRs for a prolonged time, agency management could be faced with additional challenges in executing the CPSC's final budget as they rush to spend funds in a compressed timeframe. At a minimum, agency management will be required to perform additional work to manage within CR constraints.

In addition to the budgetary uncertainty detailed above, the CPSC has been working under resource constraints related to human capital and with a workforce that is concerned about a reduction in force or a government shutdown.

On January 23, 2017, the President issued a Memorandum imposing a Federal hiring freeze. The stated reason for this memorandum was to halt the growth of the Federal workforce until a “long-term plan to reduce the size of the Federal Government’s workforce” was put in place.

On March 13, 2017, an Executive Order was issued directing the Office of Management and Budget (OMB) to submit a comprehensive plan to reorganize executive branch departments and agencies. OMB issued implementing guidance in the form of OMB Memorandum 17-22 (M-17-22). Both the Executive Order and M-17-22 made it clear that the reorganization was to include long-term work force reductions.

The question of the “right size” for the Federal Government is clearly a political one. Arguments can be made on either side of the issue. It is, however, inarguable that the threatened reduction in the size of the Federal workforce has had an impact on the morale and efficiency of the workforce at the CPSC and the government as a whole.

To her credit, the acting Chairman has addressed these issues head-on. She has informed all CPSC staff of her position that the mission of the agency and the relevant statutes governing same remain unchanged and that the work of the CPSC is critically important to the safety of the American people. Early in her tenure, she reinforced this message by visiting each of the offices at the CPSC to assure employees that she appreciated the importance of their work and giving them the opportunity to voice their concerns to her directly.

This management challenge aligns with the CPSC’s Strategic Goal 1: Cultivate the most effective consumer product safety workforce. It also supports all four agency strategic goals by addressing the cross-cutting priority of Operational Excellence, which focuses on enabling a high-performing workforce and enhancing financial stewardship.

Recent OIG work to support these CPSC goals include: [Audit](#) of FY 2016 Financial Statements Report, [DATA](#) Act Readiness Review, FY 16 Improper Payments and Elimination and Recovery Act (IPERA) [Report](#).

## **2. Adequacy of Internal Control**

Internal controls are processes designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) Effectiveness and

efficiency of operations; (b) Reliability of financial reporting; and (c) Compliance with laws and regulations.

The Federal Managers' Financial Integrity Act (FMFIA) Statement provides the Chairman's assertion that the CPSC has effective internal controls over all programs and complies with applicable laws and regulations. Historically the CPSC, as did most other Federal agencies, put far greater effort on establishing formal internal controls over its financial programs than it did over its non-financial programs. However, the Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, 2014 edition (Green Book)<sup>1</sup>, makes explicit that the same internal control standards designed to ensure accurate financial reporting also apply to nonfinancial programs. OMB Circular A-123 establishes that the Green Book is the standard that Federal government agencies must follow to maintain effective internal control. Beginning in 2016, the FMFIA requires Federal executive branch entities to establish internal control in accordance with the Green Book. It also includes specific and heightened documentation requirements.

The current Green Book utilizes the 17 underlying principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) revision of its Internal Control – Integrated Framework, adapting them for the Federal government environment. These 17 principles have been introduced to support the five overarching components of internal control carried over from the previous Green Book standards: control environment; risk assessment; control activities; information and communication; and monitoring activities. Successful application of the 17 underlying COSO principles introduced in the Green Book can help the CPSC achieve effective internal control and obtain reasonable assurance that mission objectives are achieved.

The Green Book provides managers criteria for designing, implementing, and operating an effective internal control system. The Green Book defines the standards through components and principles and explains why they are integral to an entity's internal control system. The Green Book clarifies what processes are considered part of internal control.

The CPSC, as well as most other Federal agencies, has a great deal of work before it. This is due to the raised standards and the explicit requirement that the same standards apply to internal controls over nonfinancial and financial programs. Non-financial programs will start from behind the curve and take some time to catch-up because historically, these programs were not held to the same standards of internal control as financial programs. Thus, at least some deficiencies of internal control in these areas are to be expected, especially relatively early in the implementation process.

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<sup>1</sup> <http://www.gao.gov/greenbook/overview>

This is particularly true in the area of risk management. The CPSC's weaknesses in applying the principles of Enterprise Risk Management have been repeatedly noted in past Federal Information Security Modernization Act (FISMA) reviews. The following are actions and considerations that can help CPSC managers responsible for implementing and overseeing an internal control program over operations, reporting, and compliance, to comply with the Green Book:

- Assess and document whether the 17 principles are already incorporated within the relevant existing internal control framework.
- Consider how principles not already part of the existing internal control framework should be designed and implemented by reviewing the attributes of the specific principles described in the Green Book.
- Review the application material included in the Green Book that further explains the principles and attribute requirements. In some cases, the Green Book also clarifies what each requirement means and is intended to cover; in others, it includes examples of procedures that may be appropriate.

To date, comparisons of programs' internal control systems to the Green Book requirements have yielded decidedly mixed results. For example, the internal controls in place over the Travel Card, Import Surveillance, and the Fast Track programs were unexpectedly good. Those internal controls in place for the Improper Payment Elimination and Reduction Act (IPERA) program and those governing the monitoring of contract performance were not.

Internal control deficiencies are of greatest concern when they occur in the course of the financial operations of the agency; such as the CPSC's failure to comply with the IPERA in 2016 and 2014.<sup>2</sup> Here, the standards have been in place longer and the stakes are potentially higher. This is particularly true when internal control deficiencies involve not only the failure to comply with laws and regulations but unwillingness by senior agency management to acknowledge the existence of said deficiencies.

After both IPERA violations, when it was clear to an objective observer that the CPSC was not in compliance with a number of laws and regulations, senior agency management continued to deny that any violation of laws or regulations had occurred while at the same time addressing the problem.<sup>3</sup> This conduct calls into question the ultimate effectiveness of the agency's internal controls to ensure compliance with laws and regulations.

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<sup>2</sup> Although the IPERA review covering FY 2017 has not yet taken place, based on the results of the FY 16 review, it appears that the CPSC may again be found out of compliance with IPERA in 2017.

<sup>3</sup> Although acknowledging their obligation to report to Congress that the OIG had determined that they were not in compliance with IPERA, CPSC management officials indicated that they were taking the recommended corrective actions only out of a desire to adopt "best practices" while maintaining that they had not violated either IPERA or any of the relevant statutes or regulations.

No matter how effectively designed internal controls are, they are ultimately only effective if senior agency management creates a tone at the top that reflects the principles and ethical values expected throughout the agency. Without a strong tone at the top to support an internal control system, staff may be reluctant to communicate the existence of internal control deficiencies to senior management.

This office acknowledges management's work to: quickly correct the problems that led to the most recent IPERA violation, conduct comprehensive assessments of internal controls over financial management, develop cycle memos and control matrices, test and evaluate key controls; and develop and implement corrective actions to address some identified control gaps, including developing procedures to bring the CPSC into compliance with IPERA in 2015. As a result, the CPSC has made progress in resolving internal control findings from this office, and has resolved a number of significant deficiencies from earlier audits.

This management challenge addresses the CPSC's Cross-cutting Priority 1, Operational Excellence which supports all four agency strategic goals.

Recent OIG work to support this CPSC cross-cutting priority include: [Audit](#) of the Government Purchase Card, [Audit](#) of Internal Controls over Contract Management and Administration, [Audit](#) of the Fast Track Recall Program, and the FY 2016 IPERA [Review](#).

### **3. Information Technology Security**

In information technology (IT), there is an inherent tension between mission related demands and security requirements. Historically, the CPSC, along with many other government agencies, has expanded IT services rather than addressing security concerns. As this office has expressed before, and the agency also noted, the CPSC will not be able to meet current and future demands without adequate IT resources to leverage limited staff. However, this support should not come at the expense of adequate IT security. As with the other challenges discussed here, this challenge is not unique to the CPSC.

The most recently completed Federal Information Security Modernization Act (FISMA) evaluation found that management continues to make progress in implementing the FISMA requirements, although much work remains.<sup>4</sup> The accomplishments in implementing FISMA requirements included:

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<sup>4</sup> This is based on the FY 2016 FISMA Review; the FY 2017 FISMA Review had not been completed at the time this document was drafted.



- The maintenance of the General Support System, Consumer Product Safety Risk Management System, the International Trade Data System/Risk Automation Methodology System application, and the CPSC public website ([cpsc.gov](http://cpsc.gov)) security accreditation.
- The implementation of a new cloud-based website solution to replace cpsc.gov and the completion of this solution's security accreditation.
- The improvements Computer Security Incident Response Team continues to make to its processes as it matures by refining Standard Operating Procedures (SOPs), implementing new solutions, and improving existing solutions to facilitate the identification of security incidents.

We reported 35 findings in the FY 2016 FISMA review. The IT challenges identified in that review are particularly relevant, as the agency continues to deal with the impacts on its IT operations resulting from the implementation of the Consumer Product Safety Improvement Act. Among others, we identified the following areas for improvement:

- Configuration Management
- Identity and Access Management
- Risk Management
- Security Training
- Contingency Planning

The CPSC has taken proactive steps in addressing its existing security weaknesses by adding cybersecurity resources to the agency staff. In addition, the CPSC has improved its policies and procedures, implemented new cybersecurity solutions, and is actively working toward standardizing its risk documentation. The OIG is also aware that the agency has dedicated targeted resources and has been working to address many of the issues identified in the 2016 FISMA review. These efforts demonstrate management's commitment to improving the agency's IT security. However, the OIG identified several security weaknesses in the CPSC's information security internal control policies, procedures, and practices that remain. These conditions could result in the modification or destruction of data, disclosure of sensitive information, or denial of services to users who require the information to support the mission of the CPSC.

This management challenge addresses the CPSC's Cross-cutting Priority 3, Information Technology, which supports all four agency strategic goals.

Recent OIG work to support this CPSC cross-cutting priority include: FY 2016 [FISMA](#) Review, Audit of the [Telework](#) Program.

## CONTACT US

If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving CPSC's programs and operations, please contact the CPSC Office of Inspector General.



### Call:

Inspector General's HOTLINE: 301-504-7906  
Or: 1-866-230-6229



Click [here](#) for complaint form.

Click [here](#) for CPSC OIG website.



### Or Write:

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