U.S. CONSUMER PRODUCT SAFETY COMMISSION

OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

April 1, 2006 - September 30, 2006

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EXECUTIVE SUMMARY

This semiannual report summarizes the major activities performed by the Office of the Inspector General during the reporting period, April 1, 2006 through September 30, 2006. During the reporting period, this office completed 2 audits or reviews and closed 3 investigations. At the end of the reporting period, 1 audit and 0 investigations were in progress. Management took action on all recommendations made during previous reporting periods.

The Office of the Inspector General received three (3) complaints during the reporting period; one (1) of which resulted in the initiation of a formal investigation. Three (3) investigations were closed during the reporting period. Management officials acted on the recommendations made in the completed investigations from the previous reporting periods.

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 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. The CPSC has a budget of $62.37 million and 440 authorized full-time equivalent positions for Fiscal Year 2006.

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 (P.L. 100-504). 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 two full-time equivalent positions for Fiscal Year 2006: the Inspector General and one auditor. Both positions are currently filled.

AUDIT PROGRAM

During this period, the Office of the Inspector General completed work on two audits or reviews; work continues on a third. A summary of each follows:

AUDIT OF FINANICAL 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, 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 2006.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT REPORTING REQUIREMENTS

To meet the requirements of the Government Information Security Reform Act (GISRA), and its successor, the Federal Information Security Management Act (FISMA), the Consumer Product Safety Commission's (CPSC) Office of the Inspector General (IG) contracted with Grant Thornton, LLP to perform an independent audit of CPSC's automated information security control procedures and practices in Fiscal Year 2001. The audit included tests of entity-wide controls and six of CPSC's 49 application systems and their underlying elements. Grant Thornton used the National Institute of Standards and Technology Special Publication (SP) 800-XX, Draft Self-Assessment Guide for Information Technology Systems, March 9, 2001 to test security controls. The results of the Audit of Automated Information System Security, August 16, 2001, and the

follow-ups to it in each succeeding year, in conjunction with the independent reviews required by FISMA and audits with information technology aspects (CFO Act Audit, etc.) served as the basis for the IG's Fiscal Year 2006 evaluation.

This years FISMA evaluation found that although improvements continued to be made in the IT Security area, these improvements did not keep pace with the pace of the new requirements mandated by NIST. In particular, funding was not available in FY 06 to complete the testing of system security controls mandated by NIST SP 800-53 and OMB policy. As a result the CPSC's system lost its certification and accreditation. Corrective actions have been initiated and the system should regain certification and accreditation in FY 07.

REVIEW OF CPSC'S EFFORTS TO PROTECT SENSITIVE INFORMATION

On June 23, 2006, following numerous incidents throughout the Federal Government involving the compromise or loss of sensitive personal information, the Office of Management and Budget (OMB) issued memorandum M-06-16. The memorandum stressed that Federal Agencies needed to take all necessary/reasonable measures to swiftly eliminate significant vulnerabilities to the sensitive personally identifiable information entrusted to them. It required Agencies to take certain actions to ensure that safeguards were in place and appropriately reviewed within 45 days (August 7, 2006) from the issuance of the memorandum and it required Inspectors General to report on their Agency's compliance with OMB requirements for securing sensitive data identified in OMB Memorandum M-06-16.

Sensitive Personally Identifiable Information is defined broadly by OMB and includes "any information about an individual maintained by an agency, including, but not limited to, education, financial transactions, medical history, and criminal or employment history and information which can be used to distinguish or trace an individual's identity, such as their name, social security number, date and place of birth, mother's maiden name, biometric records, etc., including any other personal information which is linked or linkable to an individual."

The objective of the review was to determine the CPSC's compliance with OMB Memorandum M-06-16, *"Protection of Sensitive Agency Information"*. Criteria established by OMB were taken into account during the conduct of this review, as were the results of recent audits dealing with related topics (FISMA, etc).

The CPSC, along with most other agencies, was found to not be in compliance with OMB criteria. Of the four steps required by OMB (confirm Identification of PII protection needs, verify the adequacy of organizational policy, implement protections for PII being transported offsite, implement protection for remote access to PII) none were fully implemented.

The CPSC has initiated action to address the shortcomings found during this review. However, the success of implementing these correction actions will depend greatly on the availability of funds and resources in FY 07.

INVESTIGATIVE PROGRAM AND RELATED ACTIVITES

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. None of these individuals filed formal complaints alleging waste, fraud, abuse, or mismanagement of CPSC resources. 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.

Investigations

	No. of Cases
- Beginning of period	0
- Opened, Investigations	3
- Closed, Investigations	3
- Transferred/Incorporated into existing investigations	0
- Ongoing, Investigations	0

REPORTABLE INVESTIGATIONS

Alleged Violation of 18 USC 207 - A complaint was received alleging that a former political appointee at the CPSC had inappropriately represented a third party before the CPSC in violation of 18 USC 207. Investigation revealed that the appointee had represented a third party before the CPSC regarding a matter which had arisen during the time he worked at the CPSC. However, he had not had any direct or substantive involvement in the matter in question while he served at the CPSC. Thus, no violation of 18 USC 207 had occurred.

OTHER ACTIVITIES

LEGISLATION AND REGULATIONS

The Office of the Inspector General reviews, proposes, and provides guidance on the implementation of internal and external legislation and regulations that affect the Office of the Inspector General in specific or CPSC's programs and activities in general. Procedures and programs applicable to the following subjects were reviewed and/or proposed during the reporting period:

Search and Seizure Issues Related to Agency IT Resources
Implementation of a Training Program for Supervisors
Protection of Personally Identifiable Information
Policy Regarding the Employment of Relatives
Acquisitions Programs
Federal Information Security Management Act
Travel Card Program
Report of Survey Process
Adoption of Electronic Signatures
Implementation of Privacy Program

EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY

The Inspector General, as a member of the Executive Council on Integrity and Efficiency (ECIE), 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 ECIE and joint meetings of the President's Council on Integrity and Efficiency and ECIE. The Office of the Inspector General's staff attended seminars and training sessions sponsored by the PCIE/ECIE 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.

Appendix A

REPORTING REQUIREMENTS SUMMARY

Reporting requirements specified by the Inspector General Act of 1978, as amended, are listed below:

Citation	Reporting Requirements	Page
Section 4(a)(2)	Review of Legislation and Regulations	11
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 Actions 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