U.S. CONSUMER PRODUCT SAFETY COMMISSION

OFFICE OF THE INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

April 1, 2007 - September 30, 2007

EXECUTIVE SUMMARY

This semiannual report summarizes the major activities performed by the Office of the Inspector General during the reporting period, April 1, 2007 through September 30, 2007. During the reporting period, this office completed 3 audits or reviews and closed 4 investigations. At the end of the reporting period, 1 audit and 2 investigations were in progress.

The Office of the Inspector General received four (4) complaints during the reporting period; two (2) of which resulted in the initiation of formal investigations. Four (4) investigations were closed during the reporting period. Management officials acted on the recommendations made in the completed investigations from the previous reporting period.

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. It has field personnel stationed throughout the country. The CPSC has a budget of $62.37 million and 420 authorized full-time equivalent positions for Fiscal Year 2007.

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 2007: the Inspector General and one auditor.

AUDIT PROGRAM

During this period, the Office of the Inspector General completed work on three 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 2007.

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 2007 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, as noted above, the CPSC's system lost its certification and accreditation. However, corrective action has been taken in FY 07 and the system should regain certification and accreditation during the first quarter of FY 08.

Efforts are also still being made to bring the CPSC into full compliance with all other FISMA and OMB requirements, including those relating to privacy and the protection of personally identifiable information, and to address the remaining lower priority information security requirements.

ASSESSMENT OF CPSC'S INFORMATION SYSTEM'S SECURITY CONTROLS

The FY 06 Federal Information Security Management Act evaluation found that although improvements continued to be made in the CPSC's IT Security, these improvements did not keep pace with the pace of the new requirements mandated by Federal law and regulations. As noted above, funding was not available in FY 06 to complete the testing of system security controls mandated by NIST SP 800-53A and OMB policy. As a result the CPSC's system lost its certification and accreditation.

In order to allow the CPSC's IT system to regain certification and accreditation, the Office of Inspector General carried out the testing of system security controls mandated by NIST SP 800-53A. This was accomplished through the use of the National Institute of Standards and Technology's Guide for Assessing the Security Controls in Federal Information Systems. The results of this review were one factor used in conducting the FY 07 FISMA evaluation of the information security of the CPSC.

Corrective actions have been initiated and it appears that the system will regain certification and accreditation.

AUDIT OF CPSC's USE OF SERVICE CONTRACTS

Access to commercial products and services through the Government contracting process is often the most effective, and sometimes the only, way that Federal agencies can achieve their missions. Procurements of commercial goods and services by the Consumer Product Safety Commission (CPSC) totaled $8.8 million in FY 06 and was the CPSC's second largest expenditure after payroll.

Like all Federal agencies, the legal environment in which the CPSC's procurement personnel must operate is shaped by often contradictory Federal policies and goals. Federal procurement law strives to take into account principles of economic and administrative efficiency by emulating successful commercial practices and using "simplified" acquisition procedures for low dollar value procurements. However, at the same time it seeks to promote social goals by promoting the use of small and disadvantaged businesses regardless of whether or not these businesses are in fact the lowest cost providers of goods or services.

Given the increasing reliance across the Federal Government on contractor personnel to carry out work vital to the Federal mission; the increasingly high percentage of the procurement budget being directed to service type contracts, and the operational complexities caused by having contractor personnel perform their duties "on-site" within the CPSC Headquarters building, this audit focused on contracts for services rather than products.

The objectives of this audit were to determine whether the CPSC complies with Government policies regarding the use of service contracts and to ascertain what improvements could be made in the service contracting process.

On the whole, the audit found that the CPSC generally complies with the Federal Acquisition Regulation (FAR) and the Commission's procurement directives. There is, however, room for improvement, corrective action is needed to: promote competition; strengthen the distinctions between Government and

contractor personnel to avoid the potential legal liability inherent in treating contractor personnel as Government employees; develop and employ standard contract clauses pertaining to contractor ethics, cooperation with Government audits and investigations, and the protection of Government information; better utilize common commercial practices; and better utilize performance-based acquisition principles to promote efficiency and innovation. Corrective action has already been initiated.

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. Four (4) of the individuals lodged complaints alleging waste, fraud, abuse, or mismanagement of CPSC resources. All of these complaints resulted in investigations being initiated. Several investigations were closed after initial investigation determined that no action was required.

Investigations

	No. of Cases
- Beginning of period	2
- Opened, Investigations	4
- Closed, Investigations	4
- Transferred/Incorporated into existing investigations	0
- Ongoing, Investigations	2

REPORTABLE INVESTIGATIONS

Alleged Violation of Standards of Conduct for Government Employees - A complaint was received alleging that a current employee at the CPSC had inappropriately used information that was available to him because of his position in the Federal Government. The investigation of this allegation is complete, it is anticipated that the report will be issued in November.

Alleged False Official Statements by Government Employee - An anonymous complainant alleged that a CPSC employee had made a series of false official statements related to his official duties in violation of 18 USC 1001. This investigation is ongoing.

Alleged Violations of Federal Labor Relations Act - A complaint was received alleging that a CPSC employee had violated provisions of the Federal Labor Relations Act. This allegation was investigated and found to be without merit.

Alleged Improper Conversion of Political Appointees to Career Civil Service Positions - An allegation was made that the CPSC had failed to properly apply merit hiring principles in the selection of two former political appointees for career civil service positions. As merit hiring principles did not apply to the two positions in question, this allegation was found to be without merit.

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:

Training of Managers and Supervisors
Release of Information
Conflict of Interest
Agency Chain of Command Issues
Nepotism
Time and Attendance
Equal Employment Opportunity Program
Federal Information Security Management Act
Privacy Program

Adoption of Mandatory Training for Supervisors - With the assistance of the office of Inspector General the agency crafted and implemented a program of mandatory training for supervisors in a variety of areas related to leadership and management. This training program is coupled with a program requiring the tracking of the supervisors' progress in their training regimes.

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	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)	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