



# Office of Inspector General

U.S. Consumer Product Safety Commission

## Audit of the CPSC's Directives System

March 21, 2019

19-A-05

## **Vision Statement**

We are agents of positive change striving for continuous improvements in our agency's management and program operations, as well as within the OIG.

## **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

March 21, 2019

TO: Ann Marie Buerkle, Acting Chairman  
Robert S. Adler, Commissioner  
Elliot F. Kaye, Commissioner  
Dana Baiocco, Commissioner  
Peter A. Feldman, Commissioner

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Audit of the CPSC's Directives System

I am pleased to present this report containing the results of our Audit of the U.S. Consumer Product Safety Commission's (CPSC or Commission) Directives System.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. The objectives of this audit were to determine whether the Directives System was compliant with federal and Commission regulations and was effective in helping staff accomplish the CPSC's mission. Overall, we concluded that the CPSC's Directives System is not fully compliant with government-wide requirements, its own policies, or fully effective. We note that during the audit period the agency has initiated a number of improvements to the Directives System and its management.

In our report, we make two recommendations which when implemented will provide management tools to improve internal controls over the Directives System and provide a more effective program. In the next 30 calendar days, in accordance with the Office of Management and Budget's Circular A-50, *Audit Followup*, the CPSC is required to provide me with management's Corrective Action Plan describing the specific actions they anticipate taking to implement each recommendation.

Thank you for the courtesy and cooperation extended to my staff during this audit.



## Audit of the CPSC's Directives System Summary

March 21, 2019

Objective	Findings
<p>The objectives of our audit were to determine whether the U.S. Consumer Product Safety Commission's (CPSC or Commission) policies and procedures for the CPSC Directives System comply with federal regulations regarding written agency policies and procedures and are effective in helping the agency staff meet the CPSC's mission.</p> <p><b>Background</b></p> <p>The CPSC's mission is to keep consumers safe. The CPSC was created in 1972. The oldest of the current directives was published in 1973 and has no indication of having been reviewed since. The Directives System contains the policies and procedures that govern the internal CPSC functions necessary for the Commission to accomplish its safety mission.</p> <p>The Directives System is an important component of internal control intended to allow the Commission to communicate quality information timely to internal and external stakeholders. These stakeholders rely on the information communicated in the Directives System to provide guidance on Commission operations.</p>	<p>Overall, we found that the CPSC's Directives System was not fully compliant with government-wide requirements, its own policies, or fully effective in helping staff to meet the CPSC's mission.</p> <p>Directives and standard operating procedures are foundational documents for stakeholders to learn about an organization's policies, procedures and programs. Comprehensive and current directives assist an organization, its employees, and external stakeholders to effectively achieve its mission. The Commission appropriately established a Directives System starting in 1973. However, in recent years, the Directives System has not been a priority which has limited its effectiveness and accessibility.</p> <p>We note that during the audit period the agency has initiated a number of improvements to the Directives System and its management. The CPSC has new guidance requiring directives be publicly available on CPSC.gov and extending the review period from every two to every five years. However, more work needs to be accomplished.</p>
<p>The report addresses:</p> <p><b>CPSC Cross-Cutting Strategic Goal #4:</b></p> <p><i>Communication: Communicate useful information quickly and effectively to better inform decisions</i></p> <p><b>OIG Management Challenge #2:</b></p> <p><i>Adequacy of Internal Controls</i></p>	<p><b>Recommendations</b></p> <p>This report makes two recommendations to improve the Directives System. These recommendations will provide more current information and improve stakeholder access.</p>

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## Abbreviations and Short Titles

C.F.R.	Code of Federal Regulation
Commission	U S. Consumer Product Safety Commission
CPSC	U.S. Consumer Product Safety Commission
OIG	Office of Inspector General
Order 0661.1	Order 0661.1, <i>CPSC Policies and Procedures for Directives</i>

## Objective

The objectives of our audit were to determine whether the U. S. Consumer Product Safety Commission's (CPSC or Commission) policies and procedures for the CPSC Directives System comply with federal regulations regarding written agency policies and procedures and are effective in helping the agency staff meet the CPSC's mission.

## Background

The CPSC was created as an independent federal regulatory agency in 1972 by the Consumer Product Safety Act with a vision of a nation free from unreasonable risks of injury and death from consumer products. The Commission has a strategic plan to set agency direction and enable staff to effectively accomplish the mission of keeping consumers safe.

According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, organizations rely on a system of internal controls to support the effectiveness and efficiency of operations and compliance with applicable laws and regulations. Directives and standard operating procedures are foundational documents for stakeholders to learn about an organization's policies, procedures and programs. Comprehensive and current directives assist an organization, its employees, and external stakeholders to effectively achieve its mission.

The Administrative Procedure Act, enacted June 11, 1946, requires federal agencies to keep the public informed of their organization, procedures, and rules. To meet this requirement, the Commission published a regulation concerning directives in Section 1000.13 of Title 16 Code of Federal Regulations (C.F.R.). This requires the CPSC to establish a Directives System and make a complete set of directives available to the public.

The CPSC's Directives System contains the agency's delegations of authority as well as descriptions of agency programs, policies, and procedures. As of March 27, 2018, there were 165 signed directives published in the CPSC intranet and available internally to assist staff and contractors in performing their duties. The oldest directive is dated November 19, 1973, while the newest directive was signed January 19, 2018. In addition to the signed directives, there were 54 appendices and 30 regulations.

## Recent Changes in the Directives System

The Office of the Secretary and the Office of General Counsel assumed management of the Directives System as of March 28, 2018. Since that time they have begun to make changes to the management and oversight of the Directives System. The actual content of directives remains the responsibility of the drafter under the direction of the cognizant Office Director or Assistant Executive Director. They have issued directive D100, *System of Internal Directives, Delegations of Authority, Implementing Procedures, and External Forms and Manuals*, which provides new guidance for the Directives System and rescinded Order 0661.1, *Policies and Procedures for CPSC Directives* (Order 0661.1), last reviewed on April 30, 2003. The new guidance, issued on November 20, 2018, added the requirement that directives be publicly available and maintained on CPSC.gov and extended the review period from every two to every five years. The findings below should further assist management in enhancing and updating the Directives System.

## Findings

### Finding 1: CPSC Directives Are Not Fully Available to the Public

Federal regulations require the Commission to maintain and make publicly available a complete set of directives. The Commission maintains directives on an intranet site available to employees and contractors with intranet access. Some directives are available on the Commission's public website, but not all. The Commission closed its physical public reading room and has not made creating an electronic public reading room a priority. Therefore, the public does not have access to all directives related to Commission programs, policies, and procedures.

In 16 C.F.R. §1000.13 the requirements are as follows:

The Commission maintains a Directives System which contains delegations of authority and descriptions of Commission programs, policies, and procedures. A complete set of directives is available for inspection in the public reading room at Commission headquarters.

The CPSC has a Directives System in place. However, most directives are not publicly available. The Commission no longer maintains a physical public reading room at Commission headquarters and has not completed a virtual public reading



room via its website, CPSC.gov. Several directives are available through the website, but most are not.

This occurred because the Commission has not made creating a virtual public reading room a priority.

The public is not able to access important information concerning Commission programs, policies, and procedures. Thus, the Commission is not fully communicating useful information quickly and effectively to all concerned stakeholders. Further, without public access to its directives, the CPSC is in violation of 16 C.F.R. §1000.13.

### **Recommendation:**

We recommend CPSC management:

1. Complete the online directives reading room currently under construction at CPSC.gov.

## **Finding 2: CPSC's Directives System Is Not Effective**

The purpose of the Commission's Directives System is to communicate accurate information about the Commission's programs, policies, and procedures. The Commission's Directives System has not been routinely maintained and contains information that is significantly outdated and inaccurate. Therefore, staff and contractors with access to the Directives System may not receive reliable guidance about Commission programs, policies, and procedures thereby possibly impacting operations.

The CPSC relied on Order 0661.1 to manage the Directives System. Order 0661.1 stated the policy goal for the Directives System is to "provide all employees with information about CPSC operations." Order 0661.1 states directives are issued to:

- establish or change Commission policy
- establish or change Commission organizational structure
- change another directive

The Directives System was managed by a Directives Manager whose duties included:

- coordinating a biennial review of directives

- requesting responsible managers to update directives
- establishing a schedule for directives

On March 27, 2018, 73 percent of all directives had no evidence of review in more than ten years. Over 91 percent were out of compliance with the Commission’s own guidance which required a biennial review of directives and updates as the Commission’s organizational structure changed.

**Table 1: Age of Directives on March 27, 2018**

Date of Last Review	Number	Percent
0-2 years ago	14	8.48%
>2-5 years ago	12	7.27%
>5-10 years ago	18	10.91%
>10-20 years ago	66	40.00%
>20-30 years ago	19	11.52%
>30 years ago	36	21.82%
	<b>165</b>	<b>100.00%</b>

Source: OIG analysis of CPSC data

Agency management states that the CPSC Directives System became outdated because the agency was focused on the mission of the agency rather than management activities.

The effect is that CPSC staff and management do not have adequate and current guidance to help the agency perform its safety mission in the most efficient and effective manner.

**Recommendations:**

We recommend CPSC management:

2. Ensure directives are updated to align with the current directives system policies and procedures as well as reflect the current CPSC organizational structure and operations.

## Consolidated List of Recommendations

1. Complete the online directives reading room currently under construction at CPSC.gov.
2. Ensure directives are updated to align with the current directives system policies and procedures as well as reflect the current CPSC organizational structure and operations.

# Appendix A: Scope and Methodology

## Scope

The scope of this audit is the CPSC Directives System and its management process through March 27, 2018. The audit was performed from April through September 2018 at the CPSC headquarters in Bethesda, Maryland.

## Methodology

To accomplish the audit objectives we reviewed and gained an understanding of:

- applicable laws and regulations
- CPSC directives, appendices, and regulations through March 27, 2018
- Government Accountability Office's *Standards of Internal Control in the Federal Government*
- confirmed with OIG investigative staff that there were no allegations or investigations involving the Directives System
- interviewed the CPSC personnel responsible for program management and oversight to gain an understanding of the program

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We discussed our observations and conclusions with management at an exit conference on March 7, 2019, and included their comments where appropriate.

## Appendix B: Internal Controls

The Government Accountability Office's *Standards of Internal Control in the Federal Government* is the primary criteria used for internal control testing purposes. These are the standards federal agencies must follow to maintain effective internal controls for both financial and non-financial programs. Internal Control is a process used by management to help a program achieve its goals. There are five internal control components and 17 principles.

**Table 2: Results of Internal Control Review**

	Internal Control Components and Principles	Met	Partially Met	Not Met
<i>Control Environment</i>				
1	The oversight body and management should demonstrate a commitment to integrity and ethical values.	X		
2	The oversight body should oversee the entity's internal control system.		X	
3	Management should establish an organizational structure, assign responsibilities, and delegate authority to achieve the entity's objectives.			X
4	Management should demonstrate a commitment to recruit, develop and retain competent individuals.		X	
5	Management should evaluate performance and hold individuals accountable for their internal control responsibilities.		X	
<i>Risk Assessment</i>				
6	Management should define objectives clearly to enable the identification of risks and define risk tolerances.			X
7	Management should identify, analyze and respond to risks related to achieving the defined objectives.			X
8	Management should consider the potential for fraud when identifying, analyzing and responding to risks.		X	
9	Management should identify, analyze and respond to significant changes that could impact the internal control system.		X	
<i>Control Activities</i>				
10	Management should design control activities to achieve objectives and respond to risks.		X	
11	Management should design the entity's information system and related control activities to achieve objectives and respond to risks.	X		
12	Management should implement control activities through policies.		X	
<i>Information and Communication</i>				
13	Management should use quality information to achieve the entity's objectives.		X	
14	Management should internally communicate the necessary quality information to achieve the entity's objectives.		X	
15	Management should externally communicate the necessary quality information to achieve the entity's objectives.			X
<i>Monitoring</i>				
16	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.		X	
17	Management should remediate identified internal control deficiencies on a timely basis.		X	
<b>Totals</b>		<b>2</b>	<b>11</b>	<b>4</b>

Source: CPSC OIG analysis based on interviews and document reviews.

## **Appendix C: Agency Response**

The OIG presented agency management with the Notice of Findings and Recommendations on February 14, 2018. Management stated their agreement with each of these in their response on February 25, 2018. An exit conference was held with the agency on March 7, 2018 where a draft was discussed. The management-provided comments were incorporated into this report, as appropriate.

## CONTACT US

If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving the 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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