



United States  
**Consumer Product Safety Commission**



# Agency Financial Report

**FISCAL YEAR 2022** | NOVEMBER 15, 2022

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## About the CPSC

The U.S. Consumer Product Safety Commission (CPSC) is an independent federal regulatory agency, created in 1972, by the Consumer Product Safety Act (CPSA). In addition to the CPSA, as amended by the Consumer Product Safety Improvement Act of 2008 (CPSIA) and by Pub. L. No. 112-28, the CPSC administers other laws, which include the Federal Hazardous Substances Act, the Flammable *Fabrics Act*, the *Poison Prevention Packaging Act*, the *Refrigerator Safety Act*, the *Child Safety Protection Act*, the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act), the Children’s Gasoline Burn Prevention Act, the Labeling of Hazardous Art Materials Act, the Drywall Safety Act, the Child Nicotine Poisoning Prevention Act, the Portable Fuel Container Safety Act of 2020 (15 U.S.C. § 2056d), the Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022, the Safe Sleep for Babies Act, and Reese’s Law (Pub. L. No. 117-171). In October 2022, the CPSC celebrated its 50<sup>th</sup> anniversary of protecting the public from unreasonable risks of injury or death associated with the use of thousands of types of consumer products.

The CPSC has jurisdiction over thousands of types of consumer products used in and around the home. Although CPSC’s regulatory purview is quite broad, a number of product categories fall outside of the CPSC’s jurisdiction.<sup>1</sup> The Chair is the principal executive officer and head of the Commission, which convenes at meetings typically open to the public.



The photograph above shows the five members of the Commission as of the close of the FY 2022 reporting period of October 1, 2021 through September 30, 2022. From left to right, the photograph shows: Commissioner Peter A. Feldman, Commissioner Dana Baiocco, Chair Alexander Hoehn-Saric, Commissioner Richard L. Trumka, Jr., and Commissioner Mary T. Boyle.

At the beginning of FY 2022, Robert S. Adler was serving as CPSC’s Acting Chair. He served as Acting Chair from October 1, 2019 through October 12, 2021, when he completed his tenure at the CPSC. Effective October 13, 2021, Alexander Hoehn-Saric became the new Chair of CPSC. Subsequently, Richard L. Trumka, Jr. became CPSC Commissioner on October 27, 2021, and Mary T. Boyle became CPSC Commissioner on June 30, 2022. By FY 2022 year end, the CPSC had a full slate of Commissioners.

<sup>1</sup> Excluded product categories, such as automobiles and boats; alcohol, tobacco, and firearms; foods, drugs, cosmetics, and medical devices; and pesticides are regulated by other federal agencies.

## About this Report

The purpose of the U.S. Consumer Product Safety Commission's FY 2022 *Agency Financial Report* (AFR) is to assist Congress, the President, and the American people in assessing the agency's stewardship of the resources with which it has been entrusted. This annual report is required by law and complies with the requirements of the Office of Management and Budget (OMB) Circulars No. A-11, *Preparation, Submission, and Execution of the Budget*, and A-136, *Financial Reporting Requirements*.

This AFR is organized into four major sections:

**Management's Discussion and Analysis (MD & A)**—Includes information on the agency's mission and organizational structure, high-level performance results, financial highlights, compliance with pertinent laws and regulations, and management assurances.

**Financial Section**—Includes a Message from the Chief Financial Officer, an independent auditors' report, financial statements and accompanying notes, and Required Supplementary Information (RSI).

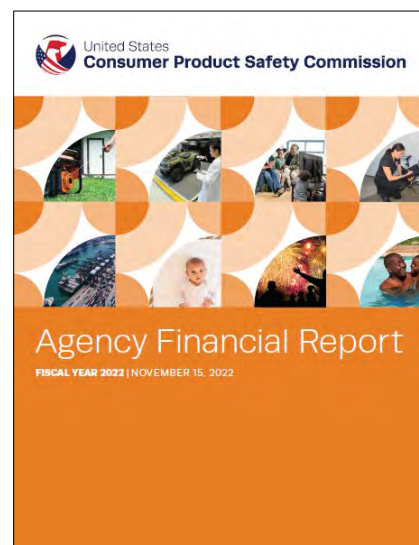
**Other Information**—Provides CPSC's Office of the Inspector General's (OIG) Management Challenges, a summary of the financial statement audit and management assurance, and improper payments reporting details.

**Appendices**—Provides information on CPSC's performance measurement reporting process, a list of federal statutes administered by the CPSC, and a glossary of acronyms and abbreviations.

This report satisfies the reporting requirements of the following statutes:

- *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*
- *Government Management Reform Act of 1994*
- *Federal Financial Management Improvement Act of 1996*
- *Reports Consolidation Act of 2000*
- *Accountability of Tax Dollars Act of 2002*
- *Government Performance and Results Act Modernization Act of 2010 (GPRAMA)*
- *Payment Integrity Information Act of 2019 (PIIA)*

In accordance with OMB Circular No. A-11, Part 6, *The Federal Performance Framework for Improving Program and Service Delivery*, the CPSC produces the AFR, with a primary focus on reporting financial results, and it publishes the Annual Performance Report (APR) the following February,<sup>2</sup> with a primary focus on reporting performance results. Electronic copies will be available at the following website shortly after publication of each report: [www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/](http://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/).



<sup>2</sup> The CPSC's FY 2022 APR is scheduled to be published concurrently with CPSC's FY 2024 President's Budget Request in February 2023. The FY 2022 APR will provide more detailed performance information and analysis of performance results.

## Certificate of Excellence in Accountability Reporting

For the seventh consecutive year, the Association of Government Accountants (AGA) recognized the CPSC with the prestigious Certificate of Excellence in Accountability Reporting (CEAR) award for its FY 2021 AFR. Each year, the AGA conducts a rigorous, independent review against its established financial reporting and presentation standards of federal government agencies that apply to be considered for the CEAR award, after which the AGA would present the award to agencies whose annual financial reports demonstrate the highest standards of accountability and transparency in communicating results.



## Message from the Chair



I am pleased to present the U.S. Consumer Product Safety Commission's (CPSC) FY 2022 Agency Financial Report (AFR). This report provides information on our financial performance and details our use of taxpayer dollars and the resources entrusted to CPSC.

As in previous years, this report represents the work of more than 500 colleagues around the country who do their part every day to keep America's consumers safe from product hazards. We are a small but mighty agency with a critical mission that impacts every American's daily life; and our dedicated and hardworking staff make strides every day to advance our safety mission.

I am especially proud to share this latest report, since it coincides with CPSC's 50<sup>th</sup> anniversary and my first anniversary year as Chair. When I joined CPSC just over a year ago, I identified key priorities that would inform and guide my work during my tenure: putting consumers first, modernizing the agency, and increasing consumer awareness of CPSC and our safety mission. I have kept my attention on those priorities in all the agency's work. It has been a privilege to work alongside my fellow Commissioners and CPSC staff to tackle this essential work.

Over the past year, CPSC has made progress on each of our four key strategic goals: building an effective workforce; preventing hazardous products from reaching consumers; responding quickly to address hazardous products in the marketplace and with consumers; and communicating useful information quickly and effectively to better inform decisions. The progress is discussed briefly below and is highlighted across this report.

### **Goal 1: Workforce**

As one of the smallest federal health and safety agencies, a high-performing and motivated workforce is the key to our success. Over the past year, the Commission has focused on attracting, recruiting, and retaining a talented and diverse workforce. We trained managers in this area, developed a Diversity, Equity, Inclusion and Accessibility (DEIA) Plan, and conducted 34 diversity outreach activities. We have also put effort into strengthening our management; training 100% of managers on effective performance management.

### **Goal 2: Prevention**

The most basic way to protect consumers from hazardous products is to prevent those products from getting into the marketplace and into homes.

During FY 2022, CPSC moved forward with multiple mandatory standards activities designed to ensure that products on the market are safe for consumers. In June, CPSC staff began to enforce the Infant Sleep Products Rule, a rule finalized by the Commission in FY 2021 that ensures all products sold for infant

sleep meet an existing standard for sleep products. CPSC also finalized a safety standard for magnets to prevent ingestion of hazardous magnets by small children and moved forward with proposed rules on furniture stability and window covering safety. These and other rules – along with the many voluntary standards that CPSC staff collaborate on – provide assurances to consumers that the products they purchase are safer and provide clarity to industry.

CPSC also recognizes the vital importance of identifying and stopping hazardous imports. CPSC used American Rescue Plan Act (ARPA) funds in FY 2022 to expand our presence at the ports and to strengthen its systems for monitoring imported goods. In FY 2022, CPSC staff screened more than 60,000 products at our borders for potential violations.

In addition to expanding our port presence and increasing corresponding testing capabilities at the National Product Testing and Evaluation Center, the agency used ARPA to establish a new position of Diversity Risk Manager to focus efforts across program areas to identify and address demographic groups and vulnerable populations that are disproportionately impacted by particular hazards. Furthermore, the agency continued using ARPA on a multiyear modernization of CPSC's National Electronic Injury Surveillance System (NEISS), which collects data from a sample of hospital emergency departments to make national statistical estimates for injuries associated with consumer products. In FY 2022, the CPSC continued its work to move NEISS from a legacy platform to a Web-based system that is more sustainable.

### **Goal 3: Response**

When hazardous consumer products enter the marketplace, CPSC works to keep consumers safe through timely identification and, as needed, removal of those harmful products. In FY 2022, CPSC staff negotiated and implemented 250 recalls and worked to make those recalls easier for consumers to understand and to utilize. This meant pushing companies to provide direct notice to consumers, free shipping, and in home fixes for products like elevators and wall beds.

Where companies were unwilling to voluntarily issue an effective recall, CPSC's compliance staff acted to ensure that the safety of consumers is prioritized. In FY 2022, CPSC issued nine warnings to the public about hazardous products when companies refused to agree to recall, more than it issued in the last four years combined. CPSC also has brought suits against companies that refused to issue a recall and this year, one such case resulted in a settlement and recall. CPSC also assessed \$38 million in civil penalties against companies that did not comply with our safety laws.

In addition, to keep pace with the evolving marketplace, including expansion of the digital marketplace and emerging hazards that consumers are exposed to daily, CPSC continued adapting its compliance and enforcement operations to address changing needs. Over the course of the year, CPSC expanded its eCommerce, Surveillance, Analysis, Field, and Enforcement (eSAFE) Team, which made more than 54,400 internet site takedown requests. These actions also helped CPSC take appropriate enforcement actions to address hazardous products on eCommerce platforms.

### **Goal 4: Communication**

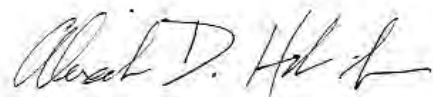
CPSC's mission to protect consumers from hazardous products is underpinned by a strong Communications enterprise. Educating consumers about safe product usage, alerting them to product hazards and notifying them about product recalls helps them make better decisions when purchasing or using products.

The success of CPSC's communications efforts in FY 2022 is highlighted by its achievements in digital advertising and social media activities. CPSC created three original public service announcements (PSA) to highlight baby safety, carbon monoxide (CO) poisoning, and safety for individuals with developmental disabilities (IDD). The PSAs were distributed across multiple platforms, including Over-the-Top Television (OTT)/Connected TV (CTV), YouTube, other social media platforms, and radio, which allowed the campaigns to achieve greater outreach to underserved communities. Combined with our social media activities, more than 27 million consumers engaged with the agency's content in FY 2022 – a nearly three-fold increase from FY 2021.

CPSC's efforts to reach consumers at the grassroots level also saw significant success. The number of subscribers to CPSC's Neighborhood Safety Network (NSN) saw a significant increase – quadrupling from 8,000 in FY 2021 to 34,000 in FY 2022, thanks to enhanced marketing efforts, including a new pop-up on CPSC.gov's website. The NSN is an online service that delivers life-saving safety messages and visual assets – and targets underserved and hard-to-reach communities. CPSC also saw growth in earned media coverage; exceeding its goal of top tier media hits with 24 placements in national news outlets in FY 2022.

In addition to acknowledging our staff's commitment and contributions to the four goals outlined here, I am gratified that CPSC received an unmodified opinion on our FY 2022 financial statements. The audit result reflects favorably on the hard work and dedication of everyone who supports sound financial management of the agency. The unmodified opinion, as described in the Independent Auditors' Report, can be found in the Financial Section. I am also pleased to report that the financial and performance data presented are reasonably complete, accurate, and reliable.

Thank you for taking the time to review our results. As CPSC approaches its next 50 years, I am proud of the work our Agency has done over the past year and look forward to building on it, with the support of my fellow Commissioners, to tackle emerging challenges facing us.



Alexander Hoehn-Saric  
Chair  
November 14, 2022



*Fresh Air Must Come With Safety*

# Prevent Falls from Windows

## Safeguard Your Children

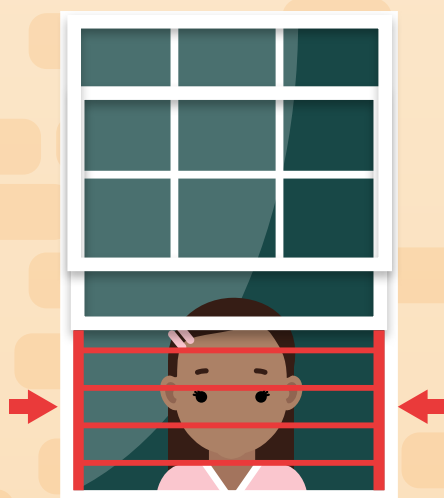
## Use Window Guards or Window Stops



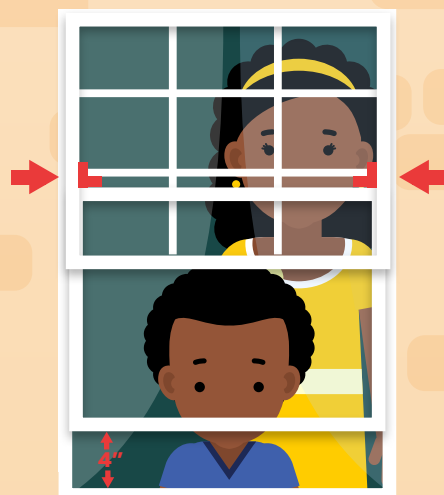
About 9 children die, and thousands are injured in falls from windows each year.

## Safety Tips

- **Never depend on screens to keep children from falling out of windows.**
- **Open windows from the top** – not the bottom, whenever possible.
- **Keep furniture away from windows** to discourage children from climbing near windows.
- **Install window guards to prevent children from falling out of windows** or talk to your landlord about installing window guards. For windows on the 6th floor and below, use window guards that adults and older children can open easily in case of fire.
- **Install window stops so that windows open no more than 4 inches.**



**Window Guards** prevent children from falling out of windows.



**Window Stops** prevent windows from opening more than 4 inches.



United States  
Consumer Product Safety Commission

NSN-07-032022

CPSC.gov  
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USCPSC

**NSN**  
NEIGHBORHOOD SAFETY NETWORK  
A PRODUCT OF THE U.S. CONSUMER PRODUCT SAFETY COMMISSION

This section of the AFR provides information about the agency's mission and organizational structure, its high-level performance results, financial highlights, compliance with laws and regulations, and management assurances.



*Photo above from the Portable Generator & Carbon Monoxide Safety Campaign*

# MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

## CPSC’s Mission and Organizational Structure

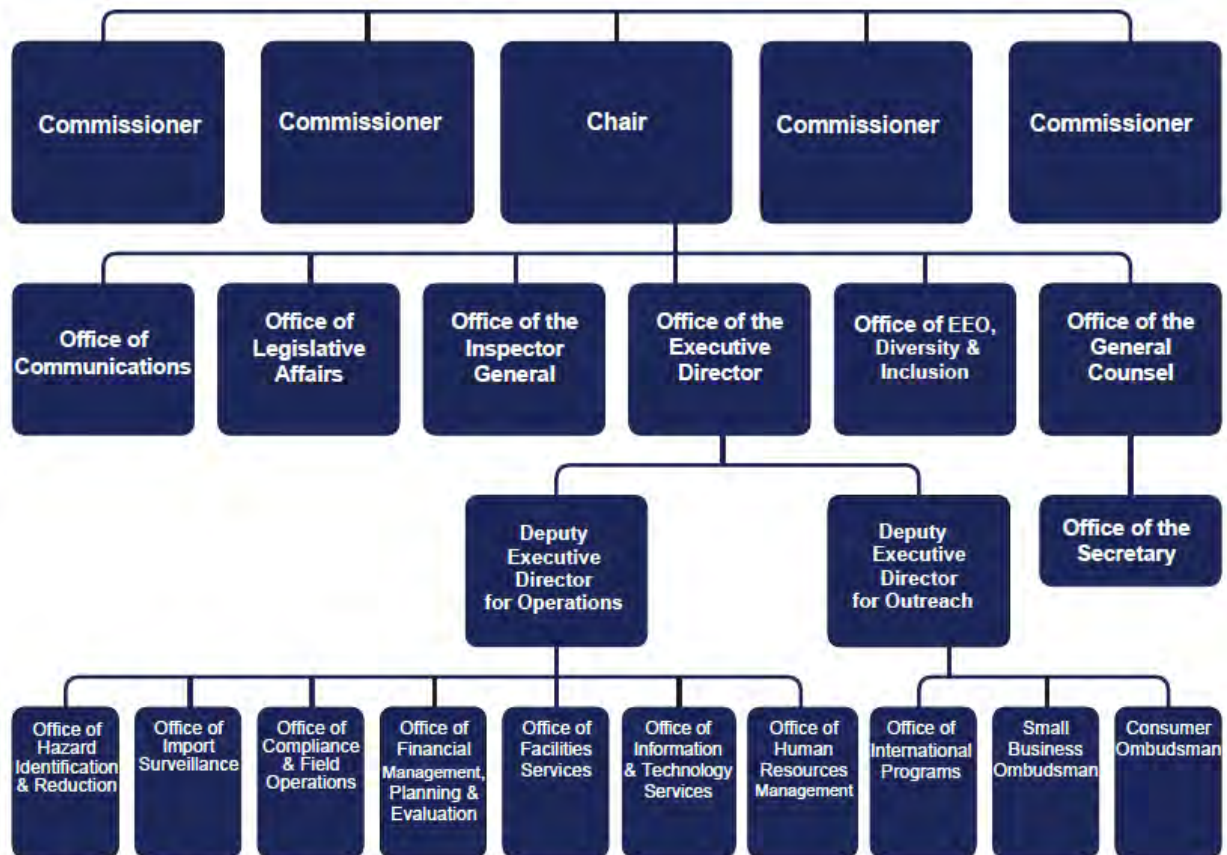
As of the publication of this document, the CPSC is developing the agency’s 2023–2026 Strategic Plan. This FY 2022 AFR is aligned with CPSC’s 2018–2022 Strategic Plan, which was in effect for FY 2022. As stated in the 2018–2022 Strategic Plan, the CPSC’s mission of “Keeping Consumers Safe” is grounded in the statutes that authorize the work of the agency, and the agency’s overarching vision is: “A nation free from unreasonable risks of injury and death from consumer products.” **Figure 1** shows the CPSC’s 2018–2022 Strategic Plan’s four strategic goals that contribute to realizing the agency’s vision and achieving its mission. The strategic goals set the framework for agency planning, communication, management, and reporting, and provide direction for resource allocation, program design, and management decisions. Strategic objectives reflecting the key component outcomes necessary to achieve each of the strategic goals have been identified. Strategic objectives are supported by performance goals and strategic initiatives that are achieved through CPSC-supported programs and activities. Key performance measures (KMs) are identified to monitor and report on progress toward the strategic objectives.

**Figure 1: CPSC’s Strategic Goals**



The Commission is authorized to consist of five members. The Chair is the head and principal executive officer of the Commission. The chart below depicts the organizational structure of the CPSC:

**Figure 2: CPSC’s Organizational Structure**



## Performance Summary: An Overview

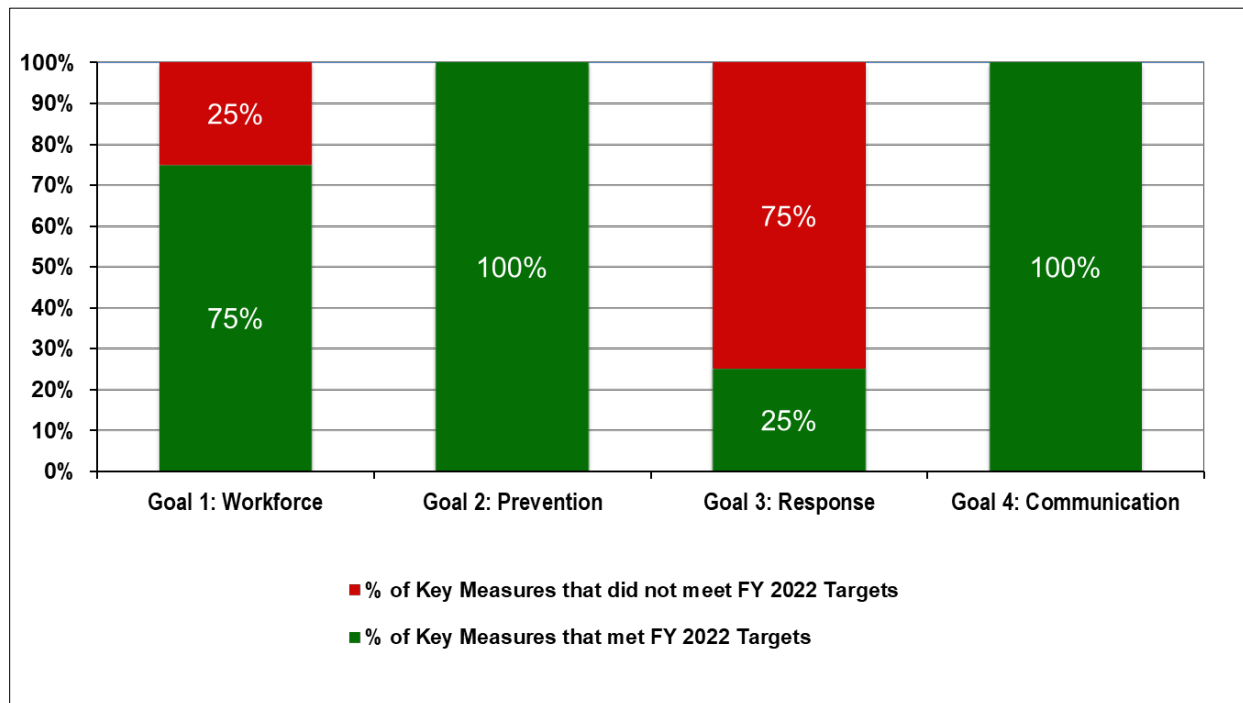
**FY 2022 Resources:** The CPSC’s enacted appropriation for FY 2022 was \$139.05 million, comprised of \$137.05 million in 1-year funds for mission-related salaries and expenses and \$2.0 million for the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act)<sup>3</sup> Grant program (available until expended). Of the resources available for mission-related salaries and expenses, the CPSC obligated \$136.7 million (see **Figure 3**): \$8.4 million (6%) for Goal 1 (Workforce); \$73.6 million (54%) for Goal 2 (Prevention); \$42.2 million (31%) for Goal 3 (Response); and \$12.5 million (9%) for Goal 4 (Communication) (see page 16 for FY 2022 Net Cost of Operations).

**Figure 3:** FY 2022 Obligations by Strategic Goal (\$ in Millions)



**Summary of FY 2022 Results:** In FY 2022, the CPSC monitored 24 KMs, all of which are reported externally. All 24 KMs had established performance targets for FY 2022. The CPSC met performance targets for 17 of the 24 KMs and did not meet FY 2022 performance targets for seven KMs (see pp. 10 - 11 for more information on the missed targets). **Figure 4** below shows the percentages of KMs that met FY 2022 performance targets and KMs that did not meet targets.

**Figure 4:** FY 2022 Results for Key Measures, organized by Strategic Goal



<sup>3</sup> The VGB Act (Pub. L. No. 110-140) became enforceable law on December 9, 2008. The legislation was passed to prevent drain entrapment and child drowning in swimming pools and spas. The VGB Act Grant Program provides state and local governments with assistance to help implement enforcement and education programs, with the goal of preventing drownings and drain entrapments in pools and spas.

## Key Performance Measures (KMs)

As discussed on p. 2, this FY 2022 AFR is aligned with the 2018–2022 Strategic Plan. The table below presents results of CPSC’s FY 2022 KMs. Details on CPSC’s performance measurement reporting and verification and validation (V&V) processes are provided in Appendix A (p. 84) of this report.<sup>4</sup>

Program	Performance Measure Statement	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	Target met?
<b>Strategic Goal 1: Workforce</b>		<i>Cultivate the Most Effective Consumer Product Safety Workforce</i>					
<b>Strategic Objective 1.1: Enhance effective strategic human capital planning and alignment</b>							
Personnel	<b>KM1.1.02</b> Percentage of full-time equivalents (FTEs) utilized	98%	95%	97%	94%	96%	✘
<b>Strategic Objective 1.2: Foster a culture of continuous development</b>							
Personnel	<b>KM1.2.01</b> Percentage of employees satisfied with opportunities to improve their skills (as reported in the Federal Employee Viewpoint Survey)	66%	74%	74%	70%	70%	✔
<b>Strategic Objective 1.3: Attract and recruit a talented and diverse workforce</b>							
Personnel	<b>KM1.3.01</b> Percentage of hiring managers trained on recruitment	86%	90%	97%	89%	85%	✔
<b>Strategic Objective 1.4: Increase employee engagement</b>							
Personnel	<b>KM1.4.01</b> High-performing Federal Workforce - Employee Engagement Index Score	66%	75%	71%	71%	70%	✔
<b>Strategic Goal 2: Prevention</b>		<i>Prevent Hazardous Products from Reaching Consumers</i>					
<b>Strategic Objective 2.1: Improve identification and assessment of hazards to consumers</b>							
Hazard	<b>KM2.1.02</b> Number of hazard characterization annual reports completed on consumer product-related fatalities, injuries, and/or losses for specific hazards	11	11	11	12	12	✔
Hazard	<b>KM2.1.03</b> Percentage of consumer product-related injury cases correctly captured at NEISS* hospitals	90%	91%	91%	91%	90%	✔
<b>Strategic Objective 2.2: Lead efforts to improve the safety of consumer products before they reach the marketplace</b>							
Hazard	<b>KM2.2.01</b> Number of voluntary standards activities in which CPSC staff actively participates	74	78	78	83	83	✔
Hazard	<b>KM2.2.02</b> Number of candidates for rulemaking prepared for Commission consideration	14	14	13	21	8	✔
Import	<b>KM2.2.07</b> Percentage of firms that are engaged with timely establishment inspection after being identified as a repeat offender	90%	83%	100%	100%	75%	✔
International	<b>KM2.2.08</b> Recalls per Billion Dollars in Consumer Product Imports for Top 50 Import Source Countries or Administrative Areas	--	0.21	0.21	0.18	<0.33	✔
<b>Strategic Objective 2.3: Increase capability to identify and stop imported hazardous consumer products</b>							
Import	<b>KM2.3.01</b> Percentage of consumer product imports, identified as high-risk, examined at import	86%	80%	82%	90%	80%	✔
Import	<b>KM2.3.02</b> Percentage of import shipments processed through the Risk Assessment Methodology (RAM) system that are cleared within 1 business day	99.8%	99.9%	99.8%	99.8%	99%	✔
Import	<b>KM2.3.04</b> Number of import examinations completed	39,010	18,561	36,375	62,859	40,000	✔

<sup>4</sup> An asterisk symbol (\*) next to a CPSC-specific term in this table indicates that its definition is provided for the reader in CPSC’s [Supplemental to the FY 2021 APR](https://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget) document, which is available on the agency’s website at: <https://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget>.

Program	Performance Measure Statement	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	Target met?
<b>Strategic Goal 3: Response</b>		<i>Respond Quickly to Address Hazardous Consumer Products Both in the Marketplace and with Consumers</i>					
<b>Strategic Objective 3.1: Rapidly identify hazardous consumer products for enforcement action</b>							
Compliance	<b>KM3.1.01</b> Percentage of cases for which a preliminary determination is made within 85 business days of the case opening (Hazard Priorities A, B, and C*)	13%	83%	64%	<b>80%</b>	<b>70%</b>	✓
Compliance	<b>KM3.1.02</b> Percentage of cases for which a compliance determination of a regulatory violation is made within 35 business days of sample collection (excludes fireworks) <i>Note: Fireworks cases were disaggregated from this measure in FY 2020 and captured by KM3.1.03.</i>	85%	89%*	86%	<b>83%</b>	<b>85%</b>	✗
Compliance	<b>KM3.1.03</b> Percentage of fireworks cases for which a compliance determination of a regulatory violation is made within 70 business days of sample collection	--	43%	100%	<b>72%</b>	<b>85%</b>	✗
<b>Strategic Objective 3.2: Minimize further exposure to hazardous consumer products</b>							
Compliance	<b>KM3.2.02</b> Percentage of cases for which a firm is notified of a regulatory violation within 40 business days from sample collection (excludes fireworks) <i>Note: Fireworks cases were disaggregated from this measure in FY 2020 and captured by KM3.2.05.</i>	86%	86%*	83%	<b>78%</b>	<b>85%</b>	✗
Compliance	<b>KM3.2.03</b> Percentage of Fast-Track* cases with corrective actions initiated within 20 business days of case opening	97%	97%	95%	<b>97%</b>	<b>90%</b>	✓
Compliance	<b>KM3.2.05</b> Percentage of fireworks cases for which a firm is notified of a regulatory violation within 75 business days from sample collection	--	43%	100%	<b>74%</b>	<b>85%</b>	✗
Compliance	<b>KM3.2.06</b> Percentage of cases for which a corrective action plan (CAP) is accepted, or public notice of hazard is issued within 90 business days of a Preliminary Determination (Hazard Priorities A, B, and C*)	--	--	75%	<b>56%</b>	<b>60%</b>	✗
<b>Strategic Objective 3.3: Improve consumer response to consumer product recalls</b>							
Compliance	<b>KM3.3.01</b> Recall effectiveness* rate for all consumer products recalls	21%	33%	32%	<b>16%</b>	<b>25%</b>	✗
<b>Strategic Goal 4: Communication</b>		<i>Communicate Useful Information Quickly and Effectively to Better Inform Decisions</i>					
<b>Strategic Objective 4.1: Improve usefulness and availability of consumer product safety information</b>							
Communications	<b>KM4.1.02</b> Number of engagements* with CPSC safety messaging on social media channels by stakeholders (in millions)	1.5	12.1	9.3	<b>27.2</b>	<b>3.7</b>	✓
<b>Strategic Objective 4.2: Increase dissemination of useful consumer product safety information</b>							
Communications	<b>KM4.2.04</b> Number of national media placements of CPSC stories	--	12	16	<b>24</b>	<b>15</b>	✓
Communications	<b>KM4.2.06</b> Percentage of recall press releases cycled through the Office of Communications in 2 business days or less, once received from the Office of Compliance & Field Operations	--	-	96%	<b>92%</b>	<b>80%</b>	✓
<b>Strategic Objective 4.3: Increase and enhance collaborations with stakeholders</b>							
	(None) <sup>5</sup>						

<sup>5</sup> In FY 2020 (October 2019), the Commission voted to discontinue Key Measure (KM) 4.3.01 (Number of collaboration activities initiated with stakeholder groups). KM 4.3.01 was the only Key Measure under Strategic Objective (SO) 4.3. As such, there were no Key Measures under SO 4.3 from FY 2020 through FY 2022. The agency plans on including a new Key Measure for SO 4.3’s corresponding Strategic Objective in CPSC’s new 2023–2026 Strategic Plan, which is in development as of the publication of this document.

## Selected Performance Results

The CPSC’s selected FY 2022 achievements are listed below:

**Goal 1 – Workforce:** *Cultivate the most effective consumer product safety workforce*

Having a highly trained, diverse, and engaged workforce is critical to meeting the dynamic challenges of the consumer product safety landscape and achieving the CPSC’s life-saving mission. Agency staff’s knowledge about product safety, commitment to the agency’s mission, and “can-do” attitude make achieving the CPSC’s mission possible.



**Strategies for Workforce:** The CPSC’s approach to cultivating an effective workforce involves enhancing human capital planning and alignment, increasing opportunities for professional development, improving recruitment strategies to attract talented, diverse, and committed employees, and increasing employee engagement.

Selected FY 2022 achievements include:

- Trained more than 89 percent of hiring managers on the recruitment process to attract and recruit a talented, diverse, and highly effective workforce. Trained 100 percent of managers on effective performance management to help them retain the best talent, engage and reward top performers, and properly address poor performance. This past year’s training focused on the performance management process that was renegotiated in the new Collective Bargaining Agreement with CPSC’s Union.
- According to the 2022 OPM Federal Employee Viewpoint Survey results, the overall Employee Engagement Index (EEI) remained consistent at 71 percent from 2021 to 2022. Much of the CPSC’s EEI Plan focused on The *Leaders Lead* subindex, which increased by 2 percent. The CPSC continued work on improving the employee’s perception of leadership’s integrity, communication, support of employee development, work-life balance, and overall employee engagement. The agency has piloted

an expanded telework program and works to promote and support employee development. The agency continues to develop annual plans for wellness activities and informational opportunities for work-life issues. In FY 2023, the CPSC plans to hire a Diversity, Equity, Inclusion, and Accessibility (DEIA), Program Specialist in Equal Employment Opportunity (EEO), and a Recruitment & Placement Specialist in CPSC’s Office of Human Resources to assist in implementing CPSC’s DEIA Plan.

**Goal 2 – Prevention:** *Prevent hazardous products from reaching consumers*

The CPSC is charged with protecting the public from unreasonable risks of injury and death from a vast array of consumer products supplied through ever-expanding global markets. Adopting mandatory standards for consumer products, improving mechanisms to identify hazardous products before they enter the marketplace, and working with stakeholders on voluntary standards are the most effective ways to prevent hazardous products from reaching consumers.



**Strategies for Prevention:** The CPSC’s approach to addressing *Prevention* challenges involves taking action to prevent injury or harm from consumer products through: (1) working at the national and international levels to help ensure that hazards are addressed appropriately by mandatory regulations or voluntary standards; (2) allocating effective inspection, surveillance, and enforcement resources to identify hazardous products before they reach the marketplace; and (3) providing technical assistance to industry to support voluntary standards development.

Selected FY 2022 achievements include:

- Published a Final Rule (FR) on Magnets to address ingestion hazards, based on staff briefing package as well as on the Notice of Proposed Rulemaking (NPR) approved earlier in the year. Provided the Commission Draft FR packages for Clothing Storage Units to address

tip-overs and for Window Coverings to address strangulations due to accessible cords.

Published NPRs for off-highway vehicle debris penetration, general wearing apparel rule updates, and adult portable bedrails.

- Actively participated in 83 voluntary standards activities, collaborating with industry leaders, consumer advocates, and other stakeholders to improve consensus voluntary standards across a wide range of consumer products. The 83 activities resulted in finalizing of 35 standards that improved safety. Among the most significant voluntary standards activities work in FY 2022 included: Standard Specification for Flame Mitigation Devices on Portable Fuel Containers, Standard Specification for Portable Gasoline, Kerosene and Diesel Containers for Consumer Use, and the Safety Standard for Infant Sleep Products.
- The agency continued to implement an "Online Clearinghouse" to provide stakeholders with self-service, open access to CPSC incident data. Launched on March 5, 2021, the Clearinghouse provides incident data involving consumer products from various data sources and publishes incident reports involving consumer products that meet eligibility criteria on <http://www.SaferProducts.gov>, which is a CPSC-owned website where the public can file and read safety-related complaints about consumer products within the agency's jurisdiction. In FY 2022, the Online Clearinghouse was visited 2,383 times. Additionally, CPSC's Injury Information Clearinghouse, which collects and disseminates data as required by the Consumer Product Safety Act (CPSA), fulfilled 121 FOIA requests and made 3,525 manufacturer notifications; the notifications are CPSC's means of communicating with manufacturers about information that responds to FOIA requests submitted to CPSC about the manufacturer's product. Furthermore, CPSC's Office of Hazard Identification & Reduction prepared data for 25 standards development organizations (SDO) and/or their committees.
- With funding provided under the American Rescue Plan Act (ARPA), the CPSC continued expansion of the Office of Import Surveillance by co-locating 10 additional investigators at high-volume traditional ports of entry covering multiple modes of transport, which included seaports, airports, and truck ports.
- The CPSC also advanced its eFiling project, which will ultimately enable importers to electronically file certificate of compliance data at the time of importation, by issuing a [Federal Register Notice](#) announcing a Beta Pilot test

and preparing for a public workshop to be held in early FY 2023 to solicit industry feedback on the initiative.

- To address potential emerging hazards, the agency published reports on emerging artificial intelligence (AI) and machine learning (ML) technologies in consumer products and on using AI and ML to strengthen CPSC's data analysis. This included hosting a stakeholder forum on testing consumer products that use AI/ML, and several applications of ML to CPSC data for data coding, data quality assurance, and analytics. For the possible emerging hazard associated with products making use of the Internet of Things (IoT), the CPSC continued to develop capabilities for testing software embedded in consumer products, including connected products, and continued to lead the Interagency Working Group on IoT.
- The CPSC continued a multiyear upgrade to CPSC's National Electronic Injury Surveillance System (NEISS), which collects data from a sample of hospital emergency departments to make national statistical estimates for injuries associated with consumer products. In FY 2022, CPSC continued work to move NEISS from a legacy platform to a Web-based system that is more sustainable. The CPSC also worked to recruit hospitals to a new NEISS sample in response to changes in hospitals and their use, and the agency-initiated work on recruiting hospitals to meet this new plan.
- To address emerging hazards associated with portable electric heaters, the CPSC identified issues with hyperthermia and with connectors on heater plug blades. CPSC sent letters to a leading SDO, urging activity in this key area. Additionally, CPSC has supported subsequent efforts by the SDO to address the hazards, including chairing a task group for the hyperthermia hazard that led to a revised standard.
- Staff maintained compliance testing capabilities throughout FY 2022. This includes 99.4 percent of Priority Import Non-Fireworks samples being tested on-time, compared to the annual target of 85 percent (1,168 samples tested on-time); 100 percent of Import and Domestic Fireworks samples being tested on-time, compared to the annual target of 90 percent (243 samples tested on-time); and 100 percent of Domestic and Non-Priority Import Non-Fireworks samples being tested on time, compared to the annual target of 85 percent (320 samples tested on-time). The agency far exceeded the annual targets for on-time performance in these categories, indicating CPSC's continued success with its testing capabilities.



- During FY 2022, the Office of International Programs, working with relevant subject matter experts throughout the agency, produced or engaged in 19 electronic outreach events, sharing product safety best practices. We reached, in real time, more than 3,250 registered foreign industry and government representatives from 92 countries and administrative areas, as well as others who viewed recorded sessions from our servers and from the U.S. Embassy's media account in China.

**Goal 3 – Response:** *Respond quickly to address hazardous consumer products both in the marketplace and with consumers*

The CPSC learns about potential consumer product hazards from many sources, including incident reports, consumer notifications, the agency's Consumer Hotline (1-800-638-2772), [www.SaferProducts.gov](http://www.SaferProducts.gov), and company reports. Additionally, field staff investigates reports of incidents and injuries; conducts inspections of manufacturers, importers, and retailers; and identifies potential regulatory violations and product hazards. When potential product defects are identified, the CPSC acts quickly to address the most hazardous consumer products that are in the marketplace or that are being used by consumers.

The eCommerce, Surveillance, Analysis, Field and Enforcement (eSAFE) team conducts online surveillance to identify and remove violative products offered for sale online, including banned or recalled products, counterfeit products that present a safety issue, and products that may violate CPSC regulations. The eSAFE team researches companies, websites, and individuals and analyzes online consumer reviews, comments, and trade complaints to support investigative and enforcement action.

**Strategies for Response:** Essential elements of the CPSC's strategies for improving *Response* include investigating incidents involving potentially hazardous products; negotiating with firms to conduct voluntary recalls; seeking mandatory recalls through administrative litigation, as necessary; investigating firms for committing prohibited acts that could subject them to civil penalties, and negotiating civil penalty agreements; and working to improve the effectiveness

of recalls in removing unsafe products from consumer use.

Selected FY 2022 achievements include:

- Negotiated and implemented 250 voluntary recalls of 19 million consumer product units to protect consumers from exposure to harm from consumer products. This was an increase of 12 percent from FY 2021.
- Sent 3,498 notices of regulatory violations to firms to recall or take other action to protect consumers from violative consumer products.
- Completed approximately 975 establishment inspections, surveillance activities, and recall-effectiveness checks at firms for compliance with CPSC's laws and regulations. This was an increase of 8 percent from FY 2021. To remove harmful products from the marketplace and consumer possession, the CPSC conducts establishment inspections of manufacturers, importers, and retailers to identify products that could harm the public; conducts market surveillance activities to identify harmful products for enforcement action; and performs recall-effectiveness checks with firms to help ensure timely implementation of an effective corrective action plan (CAP) negotiated with the firm. Some of the field staff's work included surveillance in underserved communities.
- The CPSC's eSAFE team completed more than 55,800 assignments in support of compliance programs and case work. This included in-depth complex analytical support, the collection of 480 priority samples, and more than 54,400 product listing takedown requests made to platforms and sellers offering banned or previously recalled consumer products for sale. The takedown requests resulted in more than 57,800 units of consumer products removed from eCommerce.
- Conducted more than 4,400 in-depth investigations (IDIs), including 1,500 IDIs in support of defect investigations and more than 2,900 IDIs in support of rulemaking activities and studies. The total number of IDIs conducted in FY 2022 achieved a 10 percent increase from FY 2021. IDIs are critical components of substantial product hazard investigations that result in the removal of defective products from commerce and promoting harm prevention through rulemaking.
- Assessed five civil penalty investigations, with settlements totaling \$38 million. The penalties ranged from \$5 million to \$13 million. The CPSC's pursuit of civil penalties sends out a strong message that the agency is dedicated to holding firms accountable for committing prohibited acts, such as failure to comply with their reporting obligations. Section 15(b) of the



CPSA establishes reporting requirements for a product that could potentially create a substantial product hazard. The reporting requirements apply to manufacturers, importers, distributors, and retailers of consumer products, distributed in commerce, and over which the agency has jurisdiction.

- Referred one case to the U.S. Department of Justice (DOJ) to seek civil penalties for violations of the CPSA.
- Actively litigated two administrative lawsuits and settled a third administrative lawsuit in which a firm agreed to provide a remedy for a product that caused one child’s death and another child’s serious injury. Pursuant to Sections 15(c), (d), and (f) of the CPSA, the Commission may mandate that a firm recall a product that presents a substantial product hazard and require certain actions and remedies in connection with the recall. Complaint counsel in the Office of Compliance and Field Operations initiates litigation by filing a complaint with an Administrative Law Judge, and subsequently, can settle the case, subject to Commission approval, while the matter is pending.

**Goal 4 – Communication:** *Communicate useful information quickly and effectively to better inform decisions*

Consumers, safety advocates, industry, and government regulators need high-quality information about consumer product safety. Consumers need safety information to make better-informed decisions for themselves and their families. Safety advocates rely on accurate data to shape their policy recommendations. Industry needs information to help comply with safety requirements and develop voluntary standards. Foreign regulators and state and local government agencies also need high-quality information to advance consumer safety. These diverse audiences have different information needs, and they respond to different methods of communication.



**Strategies for Communication:** The CPSC uses a wide array of communication channels and strategies to provide timely, targeted information about consumer product safety to the public, industry, and other stakeholders. Central elements of the CPSC’s communications strategy include improving the usefulness and availability of safety messages by collecting and analyzing data, and designing new and innovative communication tools, as well as strengthening collaborations with stakeholder groups, including other government agencies and nonprofit organizations, to improve communication.

Selected FY 2022 achievements include:

- The CPSC’s Small Business Ombudsman (SBO) continued to build out training videos for the CPSC YouTube channel, to increase dissemination and longevity of useful CPSC product safety information. The shift towards more virtual multimedia content has increased the overall total number of viewers of SBO training materials. In FY 2022, SBO’s videos, trainings, and webinars had approximately 15,500 views.
- Expanded the number of followers of its social media channels by more than 18 percent, from 211,200 in FY 2021, to more than 250,000 in FY 2022, enabling the CPSC to deliver safety messaging to a wider audience.
- The SBO also had great success by making inquiries to the CPSC easier for small businesses through improvements to the Regulatory Robot, an interactive online resource to help small businesses identify important safety requirements. The number of Regulatory Robot users increased from 23,000 in FY 2021, to 26,000 in FY 2022, demonstrating an increased interest in the resource for industry stakeholders.
- Conducted two focus groups to inform CPSC’s messaging, including: (1) a *Hispanic Consumer Study*, designed to gather feedback to improve understanding of Hispanic consumers’ preferred communication channels for an optimal media mix moving forward; and (2) a *CPSC Creative Message Testing*, designed to identify what type of social media creative content increases advertising effectiveness (i.e., the consumer’s recall of the safety message) and resonates with consumers.
- Created three new CPSC public service announcements (PSA) on these topics: baby safety; carbon monoxide (CO) safety; and individuals with developmental disabilities. The PSAs were distributed through digital advertising. The PSAs also were distributed through Over-the-Top (OTT)/Connected TV

(CTV),<sup>6</sup> YouTube, other social media platforms, and radio, which allowed the campaigns to achieve greater outreach to underserved communities. The number of subscribers to CPSC's Neighborhood Safety Network<sup>7</sup> (NSN) email messages quadrupled from 8,000 in FY 2021, to 34,000 in FY 2022, due to CPSC's marketing efforts, including a new pop-up on CPSC's website (CPSC.gov), urging consumers to sign up to receive NSN and other safety messaging from CPSC. CPSC's NSN program targets underserved and hard-to-reach consumers with free, lifesaving information in the form of educational posters and messages.

- The Consumer Ombudsman's outreach efforts provided safety materials, explained agency procedures, supported the staff's public education efforts, facilitated interpretation services for citizens with limited English proficiency, promoted [CPSC's Equity Action Plan](#), and addressed inquiries from individual consumers and organizations.

## Crosscutting Priorities

The CPSC's strategic plan identifies four crosscutting strategic priorities that are fundamental to achieving its strategic goals:

- **Operational Excellence:** To achieve operational excellence, the CPSC aspires to develop a high-performing workforce, improve performance management, and enhance financial stewardship.
- **Data Collection & Analysis:** The CPSC is a data-driven agency. Collection, management, and analysis of high-quality data are essential to achieving the CPSC's strategic goals and fulfilling the agency's mission. To achieve its Data Collection & Analysis crosscutting priority, the agency is developing and implementing an Enterprise Data Analytics Strategy to improve the CPSC's ability to identify emerging risks.
- **Information Technology (IT):** To achieve its IT crosscutting priority, the CPSC is considering options to improve the quality, transparency, reliability, and availability of data essential for achieving the agency's strategic goals and mission. The agency will also continue expanding the use of shared services and cloud-based service offerings to improve system availability, accelerate the delivery of new capabilities, and realize efficiencies.

- **Internal & External Collaboration:** To achieve effective internal collaboration, the CPSC strives for transparent communication across all levels of the agency, and endeavors to attain better integration of processes, systems, and resources across the CPSC. The CPSC will also continue its efforts to work effectively and collaboratively with many types of external organizations, including consumer advocacy organizations, manufacturers' associations and trade groups, voluntary standards organizations, federal agencies, state and local governments, and foreign governments.

## Performance: Plans for Improvement

For FY 2022, the CPSC had 24 KMs, all of which had established FY 2022 performance targets. Of the 24 KMs, the agency met 17 FY 2022 targets and did not meet targets for 7 KMs. A summary of information on the 7 KMs with missed targets is provided below, including reason(s) why the target was missed, and CPSC's plans for improving performance under each KM in future years. Additional details on all the KMs and results will be presented in the FY 2022 APR, scheduled to be published concurrently with CPSC's FY 2024 President's Budget Request in February 2023.

- **Key Measure 1.1.02 Percentage of full-time equivalents (FTEs) utilized:** The target was 96 percent; the FY 2022 actual result was 94 percent. The CPSC did not meet the target. With a significant increase in FTEs due to ARPA funding, tremendous efforts to recruit positions during FY 2022 were made across all areas of the agency. The CPSC hired 95 additional FTEs and met the utilization rate goal by the fourth quarter but fell short by 2 percent for the overall year. The agency also saw 79 departures, and 23 percent of those were retirements. In addition to the departures, the remote work environment and applicant pool shortage continued to impact recruiting, interviewing, and onboarding. In future years, the CPSC will strive to improve its performance by: conducting applicant pool analysis and utilizing targeted outreach to expand its a pool of diverse, highly qualified applicants; utilizing the full range of hiring authorities and recruitment flexibilities or incentives available for CPSC's positions; and providing selecting officials with the tools or training to develop applicant assessments that

<sup>6</sup> OTT and CTV advertising are tactics that place CPSC PSAs on advertising-supported live streaming networks. This paid advertising ensures that CPSC PSAs are delivered to a highly specific audience during commercial breaks in their streaming programming.

<sup>7</sup> The Neighborhood Safety Network, or NSN, is a free, online service from the CPSC that provides lifesaving information in the form of educational posters and messages to underserved and hard-to-reach consumers. For more information on NSN, please visit: <https://www.cpsc.gov/Safety-Education/Neighborhood-Safety-Network>.

ensure the best qualified applicants are put forward for certification.

- **Key Measure 3.1.02 Percentage of cases for which a compliance determination of a regulatory violation is made within 35 business days of sample collection (excludes fireworks):** The target was 85 percent; the FY 2022 actual result was 83, falling short of the target by just 2 percent. The CPSC missed this target by 2 percent in part related to a 72 percent increase this FY in the number of samples evaluated for this measure. The CPSC's FY 2023 Operating Plan includes new Key Measures designed to remove variables in the transport and technical analysis of samples that are outside the agency's control.
- **Key Measure 3.1.03 Percentage of fireworks cases for which a compliance determination of a regulatory violation is made within 70 business days of sample collection:** The target was 85 percent; the FY 2022 actual result was 72 percent. The CPSC did not meet the annual target. The CPSC met this target for three of the four quarters in FY 2022. During the fourth quarter, the agency missed the target, and the large number of samples in that quarter impacted the overall outcome. The FY 2023 Operating Plan includes new Key Measures designed to remove variables in the transport and technical analysis of fireworks that are outside the agency's control.
- **Key Measure 3.2.02 Percentage of cases for which a firm is notified of a regulatory violation within 40 business days from sample collection (excludes fireworks):** The target was 85 percent; the FY 2022 actual result was 78 percent. The CPSC did not meet the target. CPSC missed this target in part related to a 74 percent increase this FY in number of samples evaluated for this measure. The FY 2023 Operating Plan includes new Key Measures designed to remove variables in the transport and technical analysis of samples that are outside the agency's control.
- **Key Measure 3.2.05 Percentage of fireworks cases for which a firm is notified of a regulatory violation within 75 business days from sample collection:** The target was 85 percent; the FY 2022 actual result was 74 percent. The CPSC did not meet the target. CPSC met this target for three of the four quarters in FY 2022. During the fourth quarter, CPSC missed the target, and the large number of samples in that quarter impacted the overall outcome. The FY 2023 Operating Plan includes new Key Measures designed to remove variables in the transport and technical analysis of fireworks that are outside the agency's control.

- **Key Measure 3.2.06 Percentage of cases for which a corrective action plan (CAP) is accepted or public notice of hazard is issued within 90 business days of a Preliminary Determination (Hazard Priorities A, B, and C):** The target was 60 percent; the FY 2022 actual result was 56 percent. CPSC missed this goal by 4 percent, such that one case tipped the metric. This measure was recently amended to include public notices, in addition to CAPs. The FY 2023 Operating Plan includes a change to this new criterion to address the fact that the CPSC does not control when hazard notices are "issued," as opposed to initiated.
- **Key Measure 3.3.01 Recall effectiveness rate for all consumer product recalls:** The target was 25 percent; the FY 2022 actual result was 16 percent. The CPSC did not meet the target. Consumer response levels are variable and dependent on numerous factors beyond agency control, even when direct notice is effectuated for all consumer purchasers of a product. Consumer behavior in response to recall notices may be impacted by product price, type, age, and the perceived hazard. For FY 2022, a total of 8,766,145 units of a total of 55,355,421 units were corrected at the manufacturer, distributor, retailer, and consumer levels. The agency will continue working to maximize consumer notification, including through direct notice and social media. Starting with the FY 2023 Operating Plan, the statement of this KM has been revised to "Recall response rate for all consumer product recalls" to better reflect what is being tracked by the Measure.

## Enterprise Risk Management

The CPSC developed an initial Enterprise Risk Management (ERM) framework and organized working groups in FY 2020, in accordance with OMB Circular No. A-123. The ERM approach will improve the agency's ability to manage risks and challenges related to delivering the organization's mission, achieving strategic objectives, and accomplishing performance goals.

Again, in FY 2022 as in FY 2021, due to funding levels, the agency was not able to advance its comprehensive ERM approach. In prior years, working groups were organized, and discussions took place. Efforts to build on those plans have lagged, however, and ERM remains in an early stage at CPSC. Management plans to hire additional staff and contractor support in FY 2023 to implement ERM based on resource availability.

## Analysis of Financial Statements and Stewardship Information

### Financial Performance Overview

As of September 30, 2022, the CPSC's financial condition was sound, with adequate funds to meet planned programs and satisfactory controls in place to provide reasonable assurance that CPSC's obligations did not exceed budget authority. The CPSC prepared its financial statements in accordance with the U.S. Generally Accepted Accounting Principles (GAAP) and with OMB Circular No. A-136, *Financial Reporting Requirements*.

**Sources and Uses of Funds:** The CPSC's total budgetary resources for FY 2022 were \$195.0 million and consisted partially of funds received from these three sources:

- Appropriations from Congress for the current fiscal year and unobligated balances from prior years' budget authority
- American Rescue Plan Act of 2021 (ARPA) (Pub. L. No. 117-2) multiyear funds
- Reimbursable agreements with other federal government agencies

The CPSC's FY 2022 salaries and expenses appropriation was \$139.05 million. Of this amount, \$137.05 million was available for obligation through September 30, 2022. The remaining \$2.0 million was designated for awarding and administering grants under the VGB Act<sup>8</sup> Grant Program; VGB Act grant funds are available until expended.

Other budgetary resources available in FY 2022 included \$51.4 million of unobligated balances from prior years' budget authority, consisting of \$46.4 in unobligated ARPA funds available for use through FY 2026; \$3.0 million from the remaining balance of the appropriated VGB Act grant funds, available for obligation until expended; and a net of \$2.0 million from prior years' expired unobligated balances not available for obligation in FY 2022, but available for upward adjustments, if needed, for obligations incurred in prior years.

Additional budgetary resources available in FY 2022 included spending authority of \$4.6 million from actual offsetting collections received for CPSC's NEISS data collection, which is performed partially on a reimbursable basis with other federal government agencies.

The CPSC made total obligations of \$161.2 million in FY 2022. The amounts obligated are: \$141.0 million for mission-related salaries and expenses; \$0.4 million in upward adjustments from unobligated balances from prior years' budget authority; and \$2.0 million awarded for the VGB Act Grant Program. The CPSC obligated \$17.8 million of ARPA-appropriated funds

#### **ARPA Spending Initiatives**

The FY 2022 Operating Plan directed that \$14.6 million be funded by the 6-year ARPA appropriation. Of the \$14.6 million, \$12.7 million was dedicated for one-time, non-recurring projects, and \$1.9 million was allocated to fund 10 additional FTEs to be located at traditional ports of entry. The Operating Plan also assumed that \$13 million in ARPA funds for 58 FTEs and other recurring contract costs would be absorbed by the annual salaries and expenses appropriation. However, the funding level of the enacted appropriation cannot support this cost shift.

Given the uncertainty of future streams of annual appropriations to support positions funded by ARPA beyond FY 2026, when the ARPA funds expire, staff is recommending that the 68 ARPA-eligible positions (58 positions noted above, plus the 10 additional positions at traditional ports of entry) be adjusted to 46. This number represents the current number of staff who have been hired or are close to being hired in FY 2022, including the 10 additional positions at the ports.

At the staffing levels and proposed projects in FY 2023 and FY 2024 spending plans, the ARPA funds are expected to be depleted in early FY 2025.

<sup>8</sup> The VGB Act (Pub. L. No. 110-140) became enforceable law on December 9, 2008. The legislation was passed to prevent drain entrapment and child drowning in swimming pools and spas. The VGB Act Grant Program provides state and local

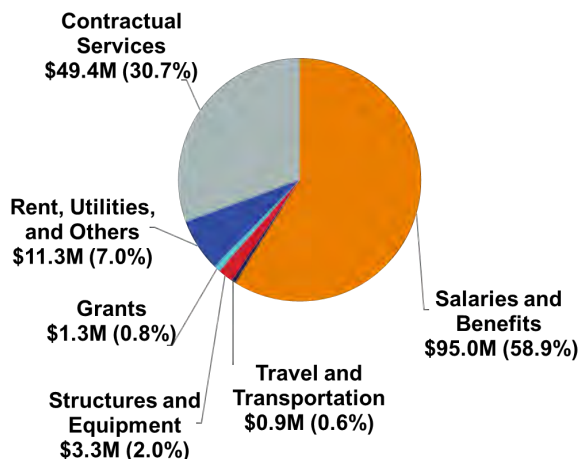
governments with assistance to help implement enforcement and education programs, with the goal of preventing drownings and drain entrapments in pools and spas.

**Spending Levels in FY 2022**

In terms of costs by type, salaries and benefits constitute approximately 59 percent of the FY 2022 total obligations. The remaining 41 percent consists of non-payroll operating expenses, such as services, supplies, and rent.

The following graph provides additional details on the FY 2022 expense categories:

**Figure 5: FY 2022 Spending Level Composition**



Rent, utilities, and other expenses totaled \$11.3 million, an increase of \$2.1 million from the prior year, due to delayed tax billing for the end of the lease term for CPSC’s National Product Testing and Evaluation Center (NPTEC), located in Rockville, MD.

(This section continues on next page.)

Salaries and benefits totaled \$95.0 million, an increase of \$8.4 million or 10 percent from the prior year. This was primarily due to staffing increases in Epidemiology, port surveillance, laboratory testing, and internet surveillance related to ARPA funding initiatives to hire 46 additional FTE positions during FY 2022. The agency had a total of 550 FTEs at the end of the year, compared to 542 at FY 2021 year end. The increase in salary costs was also attributable to resources provided pursuant to the 2.2 percent pay raise enacted, as well as applicable locality and inflation adjustments in FY 2022.

Contractual services totaled \$49.4 million and increased by \$7.5 million or 18 percent from the prior year. The increase is attributable to investment in enterprise analytics platform enhancements related to NEISS and other Epidemiology data collection systems, as well as an increase in the hospital case reporting program (*i.e.*, NEISS hospital recruitment and sample expansion<sup>9</sup>).

The grant awards totaled \$1.3 million, an increase of \$0.4 million or 51 percent from the prior year. The agency awarded five new VGB Act grants in FY 2022.

Travel and Transportation totaled \$0.9 million, an increase of \$0.4 or 68 percent from the prior year. Agency staff resumed a normal course of business travel this fiscal year after the COVID-19 pandemic.

Structures and equipment costs totaled \$3.3 million, a decrease of \$0.7 million or 17 percent, compared to prior year. The decrease is due to reduced investment in technological equipment for CPSC Headquarters (HQ) in FY 2021, related to telework expansion.

In FY 2022, the CPSC began implementation of its FY 2021 hospital sample modernization plan for the NEISS sample.

The table below compares the increase/decrease by significant account for the fiscal years ended September 30, 2022 and September 30, 2021:

<b>Financial and Related Highlights</b> (In dollars)				
	<b>% Change 2022 from 2021</b>	<b>\$ Change 2022 from 2021</b>	<b>FY 2022</b>	<b>FY 2021</b>
Fund Balance with Treasury	(13.22)%	\$ (12,725,226)	\$ 83,527,933	\$ 96,253,159
Accounts Receivable and Advances	1,616.55%	8,969,137	9,523,968	554,831
General Property, Plant, and Equipment, Net	12.94%	877,605	7,657,420	6,779,815
Total Assets	(2.78)%	(2,878,484)	<u>\$ 100,709,321</u>	<u>\$ 103,587,805</u>
Accounts Payable	123.72%	9,190,103	\$ 16,618,099	\$ 7,427,996
Federal Employee Benefits Payable	(5.83)%	(580,003)	9,375,762	9,955,765
Other Liabilities	111.47%	5,571,361	10,569,456	4,998,095
Total Liabilities	63.36%	14,181,461	\$ 36,563,317	\$ 22,381,856
Net Position	(21.01)%	(17,059,945)	64,146,004	81,205,949
Total Liabilities and Net Position	(2.78)%	(2,878,484)	<u>\$ 100,709,321</u>	<u>\$ 103,587,805</u>
Total Earned Revenue	89.91%	(3,144,816)	\$ (6,642,424)	\$ (3,497,608)
Total Program Cost	17.14%	24,357,790	166,488,348	142,130,558
Net Cost of Operations	15.30%	21,212,974	\$ 159,845,924	\$ 138,632,950
Budgetary Resources Available for Spending	0.55%	1,067,306	\$ 194,992,941	\$ 193,925,635
Net (Collections) /Outlays	14.96%	19,666,783	\$ 151,111,633	\$ 131,444,850
Total Custodial Revenue	330.44%	26,295,553	\$ 34,253,269	\$ 7,957,716

**Audit Results:** The CPSC received an unmodified audit opinion on its FY 2022 financial statements.

**Financial Statement Highlights:** The CPSC's financial statements summarize the financial position and financial activities of the agency. The audit report, financial statements, and the notes to the financial statements appear in the Financial Section of this report, beginning on p. 37.

#### ***Analysis of the Balance Sheet***

The CPSC's assets totaled \$100.7 million as of September 30, 2022. The changes in key asset line items as of the fiscal year ended September 30, 2022, compared to September 30, 2021, are as follows:

#### ***Intragovernmental Assets***

The *Fund Balance with Treasury* consists of appropriated funds and other funds maintained at the U.S. Treasury until final disposition. The *Fund Balance with Treasury* represented CPSC's largest asset of \$83.5 million as of September 30, 2022. The balance decreased by \$12.7 million

from the prior year, due to CPSC not receiving additional special ARPA appropriation funds and receiving a minimal increase in the annual appropriation.

*Accounts Receivable (AR), Net* is comprised primarily of reimbursable agreement activity being billed and not yet collected from other Federal agencies. AR had a balance of \$2.2 million as of September 30, 2022, an increase of 100 percent from the prior year. This is due to the expansion of the NEISS program and increased spending authority to work with the Centers for Disease Control and Prevention (CDC) and the National Institute for Occupational Safety and Health (NIOSH) to report on hospital-related injury data collection.

*Advances* represents advances to other federal agencies for interagency services, such as operating services through the U.S. Department of Transportation (DOT) for employee transit benefits. The CPSC acquires services from other federal agencies through interagency agreements. This balance is \$48 thousand, a decrease of \$0.3 million from the prior year as CPSC has not entered into any new agreements for participation in the National Nanotechnology Initiative (NNI) ([Nano.gov](http://Nano.gov)).

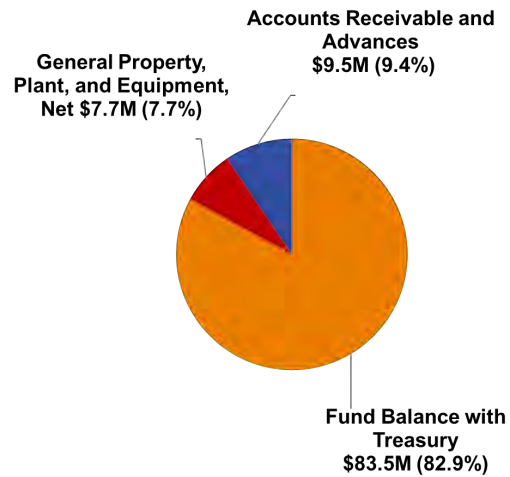
Other than Intragovernmental Assets

*Accounts Receivable, Net* is comprised of year-end uncollected amounts of civil fines and penalties levied by the CPSC, unpaid Freedom of Information Act (FOIA) fees, and debt that amount in \$7.2 million. This amount increased by \$7.2 million for FY 2022 civil penalty assessments that had not been collected as of year end. See further discussion in Statement of Custodial Activity on p. 42.

*General Property and Equipment (GPE), Net*, consists of the net value of CPSC's leasehold improvements, equipment, furniture and fixtures, computer hardware and software, and construction in progress. *General Property and Equipment, Net*, had a balance of \$7.7 million as of September 30, 2022, an increase of \$0.9 million from the prior year. Significant assets in *GPE, Net* represent investments in leasehold improvements, with a net book value of \$1.4 million, in which CPSC did not negotiate additional funds in FY 2022. CPSC also holds property and equipment with a net book value of

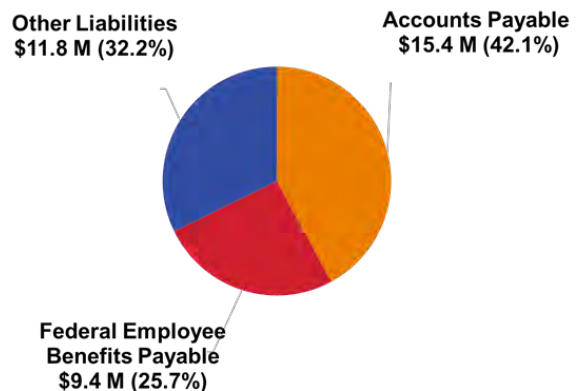
\$6.1 million, which included additions of \$3.6 million in FY 2022. As a result, the increase in total *GPE, Net* is a result of an offset for a decrease in tenant improvement funds and an increase in equipment purchased in FY 2022.

Figure 6: FY 2022 Total Assets Composition



The CPSC's *Total Liabilities* were \$36.6 million and \$22.4 million as of September 30, 2022 and September 30, 2021, respectively, an increase of \$14.2 million. The increase is related to *Other than Intragovernmental* accounts payable in the amount of \$9.0 million for investment in enterprise analytics platform enhancements related to NEISS program and hospital case reporting, and improvement in agency Epidemiology data collection systems. Another increase was related to custodial liability for civil penalty amounts that had not been collected in the amount of \$7.25 million as of September 30, 2022.

Figure 7: FY 2022 Total Liabilities Composition





**Analysis of the Statement of Net Position**

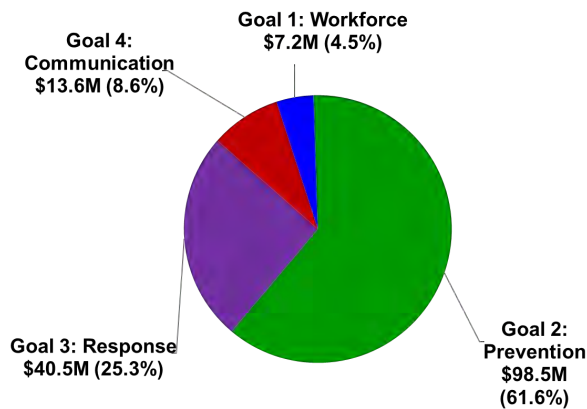
The *Statement of Changes in Net Position* reports the change in net position during the reporting period. The difference between total assets and total liabilities is net position. Net position is affected by two components: Unexpended Appropriations and Cumulative Results of Operations (CRO).

The CPSC’s net position was \$64.1 million as of September 30, 2022, representing a decrease of \$17.0 million from the prior year related to unexpended appropriations transactions. The decrease is a combination of reduced appropriations and increased spending related to ARPA initiatives in FY 2022.

**Analysis of the Statement of Net Cost**

The *Statement of Net Cost* (SNC) represents CPSC’s gross costs less revenue earned for each of the four strategic goals in CPSC’s 2018–2022 *Strategic Plan*. The following graph depicts Net Cost of Operations for FY 2022:

**Figure 8:** FY 2022 Net Cost of Operations



The CPSC’s *Net Cost of Operations* was \$160.0 million for the fiscal year ended September 30, 2022, an increase of \$21.2 million from the prior year.

Strategic Goal 1, *Workforce* has a net cost of \$7.2 million, an increase of \$1.0 million from the prior year. Overall, the increased costs under Goal 1 were attributed to CPSC’s Human Resources program’s personnel services to the agency, in compliance with laws and regulations of the U.S. Office of Personnel Management (OPM). This includes recruitment and placement;

position classification management; employee and labor relations; policy development; executive and management services; and personnel reports.

Strategic Goal 2, *Prevention*, has the highest net cost of operations, totaling \$98.5 million, an increase of \$16.4 million from the prior year. There was a \$7.0 million increase due to the investment in enterprise analytics platform enhancements related to NEISS and other Epidemiology data collection systems, as well as an increase in the hospital case reporting program (i.e., NEISS hospital recruitment and sample expansion). There was also an increase of \$2.0 million related to investment in import surveillance system enhancements. Another significant increase of \$5.0 million is attributed to increased staffing in Epidemiology, port surveillance, laboratory testing, and internet surveillance during FY 2022. Operational program overhead related to ARPA activities was allocated in the amount of \$2.0 million.

Strategic Goal 3, *Response*, costs totaled \$40.5 million in FY 2022, an increase of \$5.5 million from the prior year. The increase was attributed to \$2.0 million for the Office of Compliance and Field Operations’ litigation costs for initiatives to recall harmful products. Also attributing to the increase was the \$1.0 million related to Integrated Field System (IFS) upgrades to collect data. Additionally, costs of the VGB Act Grant Program increased by \$1.3 million, which was related to awarding grants to subrecipients in FY 2022.

Strategic Goal 4, *Communication*, costs totaled \$13.6 million in FY 2022, an increase of \$1.5 million, attributed to information and education (I&E) outreach campaign costs.

The reconciliation of the SNC of Operations to Budgetary Outlays is described in Note 16 of the Notes to Financial Statements, found in the Financial Section of this report.

**Analysis of the Statement of Budgetary Resources**

The *Statement of Budgetary Resources* (SBR) presents the sources of budgetary resources available and the status of the budgetary resources at the end of the period. It represents the relationship between budget authority and budget outlays and reconciles total obligations with total outlays. This statement also includes unobligated balances from prior years’ budget authority.

For the fiscal year ended September 30, 2022, the CPSC had available budgetary resources of \$195.0 million, comprised of the FY 2022 appropriation of \$139.05 million, prior years' unobligated balances of \$50.9 million, and billed offsetting collections of \$4.6 million. The largest fluctuation in the FY 2022 budgetary resources was with our annual appropriation being consistent with funds in the prior years' and no other special funds or ARPA funds appropriated.

The Status of Budgetary Resources, New obligations, and upward adjustments totaled \$161.0 million, an increase of \$18 million from the prior year. The agency has been obligating the ARPA funds for projects outlined in the ARPA spending plan to take place through FY 2026.

#### ***Analysis of the Statement of Custodial Activity***

The *Statement of Custodial Activity* represents the total custodial cash collections and the disposition of collections. Revenue collected is derived from two primary sources: civil penalties paid by regulated entities and fees collected for FOIA requests to the CPSC. This statement excludes

reported revenue billed and collected by the CPSC on behalf of the U.S. government to be duplicated as reported revenue on the federal government's SNC.

Civil penalties make up a significant portion of the custodial collections based on assessments of companies violating CPSC safety statues. The numbers of cases and dollars assessed vary year to year based on the priorities of the Chair and the Commission.

The CPSC assessed approximately \$38.0 million in civil penalty settlement agreements for violative companies. Of the \$38.0 million assessed, an appeal was made by a company to suspend the total assessment by \$3.75 million, which was agreed upon by the Commission. Thus, the civil penalties recorded for receipt in FY 2022 financial statements amounted to \$34.25 million. CPSC made collections on those civil penalties in the amount of \$27.0 million as of September 30, 2022. CPSC had yet to collect \$7.25 million, which remains in accounts receivable pending collection as of September 30, 2022.

## Controls, Systems, and Legal Compliance

This section of the report provides information on the CPSC's compliance with the following:

- Federal Managers' Financial Integrity Act of 1982 (FMFIA) (Pub. L. No. 97-255)
- OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, Revised 2006
- Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208)
- Prompt Payment Act of 1982 (PPA) (Pub. L. No. 97-177)
- Payment Integrity Information Act of 2019 (PIIA) (Pub. L. No. 116-117)
- Debt Collection Improvement Act of 1996 (Pub. L. No. 104-134)
- Digital Accountability and Transparency Act of 2014 (DATA Act) (Pub. L. No. 113-101)
- Federal Information Security Modernization Act of 2014 (FISMA 2014) (Pub. L. No. 113-283)
- Good Accounting Obligation in Government Act (GAO-IG Act) of 2019 (Pub. L. No. 115-414)
- Antideficiency Act (ADA) (31 U.S.C. § 1341) (Pub. L. No. 97-258, 96 Stat. 923)

### Federal Managers' Financial Integrity Act of 1982 (FMFIA) (Pub. L. No. 97-255)

The FMFIA mandates that agencies establish controls to reasonably ensure that: (i) obligations and costs comply with applicable laws; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. The Act encompasses program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires the Chair to provide an annual assurance statement on the adequacy of management controls and conformance of financial systems with government-wide standards.

Annually, senior managers of assessable units (AU) throughout the CPSC are responsible for ensuring that effective controls are implemented in their areas of responsibility. The senior manager of each AU prepares an annual assurance statement that identifies any control weaknesses that may require the attention of the Chair. These statements are based on several inputs, including:

- Management knowledge gained from daily operations of the agency's programs
- Management reviews
- Monitoring results of internal control reviews
- Annual Performance Plans (APP)
- Office of Inspector General (OIG) reports
- Results of the internal controls diagnostic checklists aligned to the 17 principles from the U.S. Government Accountability Office's (GAO) "Standards for Internal Control in the Federal Government" (GAO-14-704G).

In FY 2021, the OIG issued an audit report on CPSC's implementation of FMFIA and determined

that the CPSC's operations did not comply with FMFIA for FY 2018 and FY 2019. EXFM developed a Corrective Action Plan (CAP) to address these findings, and the agency has made progress in implementing them as a part of a phased approach throughout each AU within the agency. CPSC engaged contract support in late FY 2022 to begin risk-assessment mapping for some of its significant AUs. The agency has made strides in addressing issues identified by the IG but was not able to close the IG's recommendations in FY 2022.

#### *FY 2022 Results for the FMFIA*

The CPSC evaluated its management control systems for operations of the fiscal year ended September 30, 2022. Because of the assurance process activities described above, the CPSC was able to provide reasonable assurance that internal controls over operations were operating effectively as of September 30, 2022. (See the Management Assurance Statement on p. 21 for a detailed explanation.)

#### *FY 2022 Results for OMB Circular No. A-123, Appendix A (as described in OMB Memorandum M-18-16)*

The CPSC evaluated its internal controls over reporting for the fiscal year ended September 30, 2022. This included an evaluation of financial risks, enterprise risks, and fraud risks, as well as management's assessment of financial internal controls. The eight financial processes evaluated in FY 2022 included: Disbursement, Financial Reporting, Procurement, Property Management, Budget, Travel Card, Purchase Card, and Fleet Management. Based on results of this evaluation,

the CPSC provided reasonable assurance that its internal controls for reporting were operating effectively as of September 30, 2022.

**Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208)**

The FFMIA requires federal agencies to implement and maintain systems that substantially comply with: (i) federal financial management system requirements; (ii) applicable federal accounting standards; and (iii) the U.S. Government Standard General Ledger, at the transaction level. The FFMIA requires the Chair to determine the agency's financial management system compliance with the FFMIA and to develop CAPs for noncompliant financial systems, as needed.

*FY 2022 Results for the FFMIA and Section 4 of the FFMIA*

The CPSC conducted reviews of its financial management systems in accordance with OMB Circular No. A-123, Appendix D—Compliance with the FFMIA for Financial Management Systems. The CPSC uses a financial system provided by a Shared Services Provider (SSP), operated by the Administrative Resources Center (ARC) within the U.S. Treasury's Bureau of Fiscal Service, for processing financial data. The CPSC reviewed the Independent Auditors' Report Statement on Standards for Attestation Engagements No. 18 (SSAE 18), conducted on behalf of ARC. The independent auditors assessed controls for this financial management system and found that it was in substantial compliance with: the financial management system requirement; applicable federal accounting standards; and the U.S. Government Standard General Ledger, at the transaction level. Management also reviewed the SSAE 18 attestation audit for the Department of Interior's (DOI) Federal Personnel and Payroll system (FPPS) that the CPSC uses for payroll services. There were no material weaknesses nor any major deficiencies identified in the SSAE 18 reports that would negatively affect CPSC's system compliance review. In addition, the CPSC performed tests on complementary end-user controls and determined that controls were operating effectively. The reviewed systems met federal requirements and accounting standards required by the FFMIA and Section 4 of the FFMIA.

Accordingly, the CPSC found that the agency's financial management systems were in substantial compliance with the federal financial management system requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger, at the transaction level.

**Prompt Payment Act (PPA) of 1982 (Pub. L. No. 97-177)**

The PPA requires federal agencies to make timely payments to vendors for supplies and services, pay interest penalties when payments are made after the due date, and take cash discounts when they are economically justified. As of September 30, 2022, 99.5 percent of CPSC's payments that were subject to the PPA were made on time. In FY 2022, the CPSC incurred \$43.90 in interest penalties and made nearly 100 percent of its vendor payments electronically.

**Payment Integrity Information Act of 2019 (PIIA) (Pub. L. No. 116-117)**

In March 2020, when the Payment Integrity Information Act of 2019 (PIIA) became law (Pub. L. No. 116-117), the PIIA reorganized and revised the existing improper payment statutes.

The PIIA requires agencies to report annually on all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of improper payment activities. A detailed report of CPSC's improper payment activities is presented in the "Other Information" section of this document.

**Debt Collection Improvement Act of 1996 (Pub. L. No. 104-134)**

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the federal government to service and collect debts. As of September 30, 2022, delinquent debt was \$22,363. The CPSC pursues the collection of delinquent debt and refers all eligible delinquent debt more than 120 days delinquent to the U.S. Treasury for collection.

**Digital Accountability and Transparency Act of 2014 (DATA Act) (Pub. L. No. 113-101)**

The DATA Act requires agencies to establish common standards for financial data provided by all government agencies and expand the amount of data that agencies must provide to the government website, [USASpending.gov](https://USASpending.gov). The CPSC met the government-wide DATA Act reporting requirements in FY 2022.

**Federal Information Security Modernization Act of 2014 (FISMA 2014) (Pub. L. No. 113-283)**

As mandated by FISMA, the CPSC continues to maintain an information security program to support the confidentiality, integrity, and availability of agency information and information systems.

The CPSC worked diligently throughout FY 2022 to protect agency information and systems. The agency performed routine IT security operations, as well as implemented programmatic and technological improvements, to reduce agency cybersecurity risks.

The CPSC's IT security accomplishments for FY 2022, as related to FISMA, include the following:

- Performed timely independent security assessments of all major information systems and the agency's General Support System (GSS);
- Continued to evolve CPSC's implementation of Continuous Diagnostics and Mitigation System Security Plans (CDM SSP 2.0);
- Provided agency dashboard views of the most critical risks to the CPSC network so they can be addressed first; continued progress towards achieving Event Logging Level 1 (EL1) in accordance with OMB M-21-31, by successfully integrating 21 of 22 critical logging categories into CPSC's centralized Security Information and Event Management (SIEM);
- Achieved initial Authorization to Operate (ATO) for CPSC's GSS Cloud, which included development and implementation of critical logging and security baseline configurations; deployed an Endpoint Detection and Response (EDR) tool to comply with [Executive Order \(EO\) 14028, Improving the Nation's Cybersecurity](#), Section 7 recommendations; implemented Web Application Firewalls (WAF) to protect CPSC's public-facing websites from malicious attacks; began initial planning and implementation of Federal Zero Trust Architecture (ZTA) tasks outlined in EO 14208;
- Developed and implemented dashboards and reporting to quickly identify and address vulnerabilities defined by [Cybersecurity and Infrastructure Security Agency's \(CISA\) BOD 22-01](#), "Reduce the Significant Risk of Known Exploitable Vulnerabilities (KEV)"; and
- Implemented a new patching solution to improve vulnerability remediation efficiency.

### Financial Management Systems Strategy

The CPSC works to maintain and enhance financial management systems to promote operational effectiveness, efficiency, reliability, and timeliness of data, to support requirements for the agency's strategic goals.

The CPSC obtains financial and procurement hosting and application management services from the U.S. Treasury's ARC within the Bureau of

Fiscal Service. ARC uses an Oracle-based financial reporting system for accounting, which interfaces with ARC's travel management system—Concur. The Oracle financial management system is used for general ledger, accounts payable, accounts receivable, and budget execution, as well as Oracle Business Intelligence (OBI) reporting capabilities. The CPSC also uses the Procurement Request Information System Management (PRISM) through ARC's service platform, which is fully interfaced with Oracle for real-time contracting actions and awarding vendor contracts.

CPSC has been working with ARC to implement and meet the October 1, 2022 deadline for G-Invoicing. G-Invoicing is a long-term solution for Federal Program Agencies (FPAs) to manage their intragovernmental (IGT) Buy/Sell transactions. G-Invoicing helps (or will help) agencies and their trading partners with the following:

- Negotiating and accepting General Terms and Conditions (GT&C) agreements
- Broker orders
- Exchanging performance information; and
- Validating settlement requests through Intragovernmental Payment and Collection (IPAC)

CPSC successfully launched the pilot and go-live for G-Invoicing by the statutory date.

### Good Accounting Obligation in Government Act (GAO-IG Act) of 2019 (Pub. L. No. 115-414)

The GAO-IG Act requires each federal agency to include in its annual budget justification to Congress, a report that identifies each public recommendation, issued by the GAO or the agency's OIG, that has not been implemented for 1 or more years since the annual budget justification submission date. In addition, the Act requires a reconciliation between the agency's records and the IGs' Semiannual Report to Congress (SAR). The CPSC provided this information in its [FY 2023 President's Budget Request](#). The CPSC will continue to update and submit these recommendations in future budget requests.

### Antideficiency Act Violations

The agency has identified violations of the Antideficiency Act related to improper purchases that occurred in FY 2022 with the annual appropriation funding. These violations are currently under factual investigation and legal review. The violations do not have a material impact on the financial statements reported as of September 30, 2022.

## Management Assurance Statement



U.S. CONSUMER PRODUCT SAFETY COMMISSION  
BETHESDA, MD 20814

### Management Assurance Statement

The Consumer Product Safety Commission (CPSC) management is responsible for establishing and maintaining effective internal controls and financial management systems to meet objectives of the Federal Managers' Financial Integrity Act (FMFIA).

In accordance with the requirement of OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, CPSC management assessed its FY 2022 internal controls over the effectiveness and efficiency of programmatic operations, reliable reporting, and compliance with applicable laws and regulations. Based on the results of that assessment, I can provide reasonable assurance that internal controls over operations\*, reporting, and compliance\*\* were operating effectively as of September 30, 2022.

In addition, CPSC management assessed the federal financial system requirements in accordance with OMB Circular No. A-123 Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA)*. The results of that assessment demonstrated that the agency was in substantial compliance with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level. Based on that assessment, I can provide reasonable assurance that the CPSC was in compliance with Section 4 of the FMFIA as of September 30, 2022.

Alexander Hoehn-Saric  
Chair  
November 14, 2022

\*In FY 2021, the Inspector General issued an audit report on the [CPSC's Implementation of FMFIA for FYs 2018 and 2019](#). Based on the actions taken in FYs 2020, 2021, and 2022 (see p.19 under FMFIA in the Controls, Systems, and Legal Compliance Section), reasonable assurance can be provided that internal controls over operations were effective as of September 30, 2022.

\*\* The CPSC discovered violations of the Antideficiency Act (ADA) in FY 2022 related to unallowed purchases with a government purchase card. The matter is being further investigated, including legal review by the Office of the General Counsel, to determine the facts and circumstances relating to the matter in order to allow the agency to comply with the ADA requirement of reporting the violations to the President, Congress, and the Comptroller General. The violations identified have no material effect on the financial statements.

## Looking Ahead

The CPSC's mission is to keep consumers safe and work to reduce consumer product-related injury and death rates by using analysis, regulatory policy, compliance and enforcement, and education to identify and address product safety hazards.

In early FY 2022, Alexander Hoehn-Saric became the Chair of the CPSC. Also, during FY 2022, Commissioner Robert S. Adler departed the Commission, and Commissioners Richard L. Trumka, Jr., and Mary T. Boyle were confirmed by the Senate and joined the Commission. In October 2022, Commissioner Data Baiocco departed the Commission leaving one Commissioner position vacant.

The CPSC appreciates the Management Challenges identified by the Inspector General (IG) and agrees that these are four critically important areas to focus on and to improve in FY 2023 as in FY 2022. These include internal control system over operations, Enterprise Risk Management (ERM), resource management, and information technology security.

In the internal control system and ERM areas, CPSC is committed to developing a strong system of internal controls over operations and fully implementing an ERM process, which are integral to and complement each other. In FY 2022 the agency continued addressing findings identified in the IG's audit of the agency's implementation of FMFIA. Specific actions of the agency include building a multi-year plan to focus on the overall management assurance and internal controls program governance, communication, and revising the entity level checklist and consolidation of responses for the Statement of Assurance. A significant portion of work will be focusing on internal control and risk assessments at process level assessable units (AU). As a result of a flat funding level in FY 2022, the agency was not able to advance a comprehensive ERM approach, which would enable the agency to identify and adapt to threats that could affect operations. CPSC acknowledges the needs to fully develop and expand its ERM process across the agency. Both the internal controls over operations and the ERM challenges lack the resources and ongoing funding stream to fully address the FMFIA findings and completely implement ERM. CPSC has requested additional resources in the FY 2023 Budget Request to Congress particularly for these challenges.

The CPSC recognizes that resource management is an ongoing challenge, especially in terms of

funding levels. For the CPSC to adequately address its broad mandate as well as the challenges outlined by the IG, the agency needs a significant increase in its appropriation. The agency has requested additional resources in its FY 2023 Budget Request to Congress, not only for internal controls and ERM capability and capacity as mentioned above but also for increased port surveillance; hazard identification; applied research; compliance efforts; communications; and workforce, information technology, procurement, IG, and legal support. Depending on the FY 2023 enacted appropriation for CPSC, these challenges could potentially carry over from FY 2022 to FY 2023, since the CPSC received only enough of an increase in its annual appropriation for FY 2022 to maintain FY 2021 service levels. (As of the publication of this document, the CPSC's FY 2023 Budget Request is pending before Congress.)

The CPSC also agrees that an ever-evolving IT security environment is a significant challenge to the agency and continues to dedicate resources to improve the agency's IT security posture. In FY 2022, CPSC continued to make IT security improvements. In FY 2023, the agency plans to maintain focus on protection of the CPSC data and systems by continuing improvements on security management practices. Specific initiatives include implementing a Federal Zero Trust Architecture (ZTA) strategy in response to OMB Memorandum M-22-09, expanding security logging, updating security policies, and addressing all [Cybersecurity and Infrastructure Security Agency's \(CISA\) Binding Operational Directive \(BOD\) 22-01](#) Known Exploited Vulnerabilities (KEV).

The CPSC continued to receive financial management services from Treasury's Administrative Resource Center (ARC) during FY 2022. This shared-services agreement includes integrated financial, acquisitions, and travel systems; contracting support personnel; and electronic invoicing. In FY 2022, the CPSC migrated, tested, and implemented G-Invoicing, a long-term, government-wide solution for agencies to manage their intragovernmental transactions. On the statutory go-live date of October 1, 2022 CPSC was in compliance and able to receive and accept interagency agreements via G-Invoicing.

As the CPSC looks ahead to FY 2023 and beyond, the agency will need to continue to communicate its broad and important mission to Congress, put forward strong, analytically justified requests for appropriations, and prioritize the most important safety work.

## Limitations of the Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the CPSC for FY 2022 and FY 2021, pursuant to the requirements of 31 U.S.C. § 3515(b).

Although the statements have been prepared from the CPSC's books and records in accordance with U.S. Generally Accepted Accounting Principles

(GAAP) for federal entities and the formats prescribed by OMB, the statements, in addition to the financial reports, are used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are prepared for a component of the U.S. government, a sovereign entity.





## Headed back to the Pool this Summer? **Always Pool Safely!**

### Safety Tips to Prevent Drownings:



Always watch kids in and around the water-- and designate a water watcher.



Teach children to swim-- or sign them up for swim classes.



Properly fence all pools at least 4-feet in height around the perimeter of the pool/spa.



Use a self-closing and self-latching gate.



Stay away from drains and other pool openings.



Know life-saving skills, including CPR for adults and kids.



This section of the AFR contains the Chief Financial Officer's message, the Independent Auditors' Report, the CPSC's financial statements, notes to financial statements, and required supplementary information (RSI).

The CPSC prepares these statements in conformity with the U.S. Generally Accepted Accounting Principles (GAAP) for the federal government and OMB Circular No. A-136, Financial Reporting Requirements.



*Photo above from the Baby Safety Campaign*

# FINANCIAL SECTION

## Message from the Chief Financial Officer

The Agency Financial Report (AFR) provides a comprehensive view of the financial activities undertaken in FY 2022 to advance the CPSC's Mission: Keeping Consumers Safe. It integrates the agency's financial and program performance, highlights our FY 2022 achievements and challenges, and demonstrates our stewardship and accountability of the federal funds entrusted to us. FY 2022 was a year of many new opportunities and challenges for the CPSC in the financial arena.

The CPSC made advances in the financial management systems arena by working throughout FY 2022 to set up and implement G-Invoicing, a long-term solution to improve the quality of Intragovernmental transactions. CPSC successfully launched its G-Invoicing program and began receiving, accepting, and sending interagency agreements as of the statutory date of October 1, 2022. Further noted, the Office of Inspector General (OIG) reviewed the FY 2021 Improper Payments program (prior year) and determined that the CPSC continued to comply with the Payment Integrity Information Act of 2019 (PIIA).

In FY 2022, the CPSC updated its draft Strategic Plan for FYs 2023 – 2026 and sought stakeholder input in August and September. The three mission-oriented strategic goals from the FYs 2018 – 2022 Strategic Plan—Goals 2, 3, and 4—remain essentially the same, with some changes to the strategic objectives and performance goals under each strategic goal. The Workforce strategic goal, Goal 1, expanded to encompass more agency support functions, including financial management, human capital, legal affairs, and information technology. The Commission is expected to review and finalize the draft Strategic Plan in early FY 2023.

As mentioned in the Message from the Chair, the CPSC faces challenges directly tied to consumer product safety, such as the evolving marketplace, emerging hazards, and adapting of its compliance and enforcement operations to address changing needs. Another challenge for the CPSC is the uncertainty over resource levels. The CPSC's FY 2022 and FY 2023 Performance Budget Requests to Congress sought significant increases to secure resources commensurate with its broad mission. However, in FY 2022, the CPSC received only enough of an increase in its annual appropriation to maintain FY 2021 service levels. The Inspector General (IG) also identified the uncertainty of resource levels as one of the top challenges facing the CPSC.

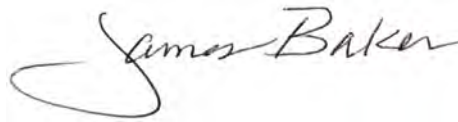
Other IG-identified top management challenges include internal controls, Enterprise Risk Management (ERM), and information technology security. These challenges are also a concern for CPSC management, which is requesting additional funding that is directly tied to each of these challenges to mitigate them. In addition, the CPSC is addressing these challenges as best as possible with current resources, as discussed in the Looking Ahead section of this report.

Although the CPSC did not receive any significant increases in its annual appropriation for FY 2022, through the American Rescue Plan Act (ARPA), in FY 2021, Congress appropriated the CPSC with \$50 million in multi-year funds that expire at the end of FY 2026. This funding is available for port coverage; targeting, surveillance, and screening of imported products; monitoring the internet for violative consumer products; increasing awareness and communication of consumer product safety information; and improving the data collection and analysis systems, especially focusing on socially disadvantaged individuals and other vulnerable populations. During FY 2022, the CPSC obligated \$17.8 million of these funds. With this funding, CPSC has expanded staffing by 46 FTEs, as well as increased support services and technology and systems investments in these areas. Based on current plans, the CPSC expects the ARPA funds to be fully depleted by early FY 2025. To sustain this expanded staffing and service levels in FY 2025 and beyond, the recurring ARPA costs will need to be shifted to our annual appropriation, which will require an increase of over \$7 million. The criticality of shifting these costs so that CPSC can continue the mandates outlined in ARPA has been identified to Congressional members and staff and included in the FY 2022 and FY 2023 Performance Budget Requests to Congress.

For the seventh consecutive year, the CPSC attained the Certificate of Excellence in Accountability Reporting (CEAR) award from the Association of Government Accountants (AGA) for CPSC's FY 2021 AFR; the CEAR is

awarded to agencies whose AFR demonstrates the highest standards of accountability and transparency in communicating results. This demonstrates the CPSC's continuous commitment and consistent dedication to sound financial management and reporting.

We received an unmodified opinion on the FY 2022 financial statements affirming that the statements and financial operations present fairly the CPSC's financial position as of September 30, 2022. This represents the results of the hard-working CPSC's financial management professionals, as well as professionals across the agency who are committed to financial management excellence, accountability, and transparency. I also want to acknowledge and thank the Office of Inspector General as we work together to effectively and efficiently use federal resources to achieve the CPSC's Mission.



James D. Baker  
Chief Financial Officer  
November 14, 2022

## Independent Auditors' Report



November 14, 2022

TO: Alexander D. Hoehn-Saric, Chairman  
Peter A. Feldman, Commissioner  
Richard Trumka Jr., Commissioner  
Mary T. Boyle, Commissioner

FROM: Christopher W. Dentel, Inspector General 

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2022  
Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by CliftonLarsonAllen, LLP (CLA), for the fiscal year (FY) ending September 30, 2022. The audit was performed under a contract with, and monitored by, the Office of Inspector General (OIG), in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*.

### Opinion on the Financial Statements

CLA audited the financial statements of the U.S. Consumer Product Safety Commission (CPSC), which comprise the balance sheet as of September 30, 2022, and 2021, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended, and the related notes to the financial statements; collectively known as the financial statements. The objective of the audit was to express an opinion on the fair presentation of those financial statements. In connection with the audit, CLA also considered the CPSC's internal controls over financial reporting and tested the CPSC's compliance with certain provisions of applicable laws and regulations that could have a material effect on its financial statements.

In CLA's opinion, the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the years ending September 30, 2022, and 2021, in conformity with accounting principles generally accepted in the United States of America.

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### Report on Internal Control

In planning and performing the audit of the financial statements of the CPSC, CLA considered the CPSC's internal controls over financial reporting (internal controls) as a basis for designing auditing procedures for the purpose of expressing their opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal controls. Accordingly, CLA did not express an opinion on the effectiveness of the CPSC's internal controls.

Because of inherent limitations in internal controls, including the possibility of management override of controls; misstatements, losses, or noncompliance may nevertheless occur and not be detected.

According to the American Institute of Certified Public Accountants:

- A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
- A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

CLA's consideration of internal controls was for the limited purpose described above and would not necessarily identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses. CLA did not identify deficiencies in internal controls that CLA would consider to be significant deficiencies or material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

### Report on Compliance with Laws and Regulations

CPSC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether the CPSC's financial statements are free of material misstatements, CLA performed tests of compliance with certain provisions of laws and regulations, noncompliance which could have a material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 22-01. CLA did not test compliance with all laws and regulations applicable to the CPSC.

The agency disclosed that a violation of the Antideficiency Act occurred in FY 2022. This violation related to improper transactions made on an agency purchase card. The agency is currently investigating this matter. The known impact of the violation does not have a material impact on the financial statements reported as of September 30, 2022. CLA's tests of compliance with laws and

regulations described in the audit report did not disclose any additional instances of non-compliance that are required to be reported by Government Auditing Standards.

#### OIG Evaluation of CliftonLarsonAllen's Audit Performance

We reviewed CLA's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with Government Auditing Standards, was not intended to enable the OIG to express, and we do not express an opinion on the CPSC's financial statements; nor do we provide conclusions about the effectiveness of internal control or conclusions on CPSC's compliance with laws and regulations. CLA is responsible for the attached auditors' report. However, the OIG review disclosed no instances where CLA did not comply, in all material respects, with Government Auditing Standards.

We appreciate the courtesies and cooperation extended to CLA and OIG staff during the audit. If you should have any questions concerning this report, please contact my office at (301) 504-7501.

#### Attached:

Audit Report

Financial Statements as shown in the agency's Annual Financial Report



CliftonLarsonAllen LLP  
CLAAconnect.com

## Independent Auditors' Report

Inspector General  
United States Consumer Product Safety Commission

Chair  
United States Consumer Product Safety Commission

In our audits of the fiscal years 2022 and 2021 financial statements of the United States Consumer Product Safety Commission (CPSC), we found:

- CPSC's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- No material weaknesses for fiscal year 2022 in internal control over financial reporting based on the limited procedures we performed; and
- No reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)<sup>1</sup> and other information<sup>2</sup> included in the Agency Financial Report (AFR); (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements and other matters.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of CPSC, which comprise the balance sheets as of September 30, 2022, and 2021; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, the United States Consumer Product Safety Commission's financial statements referred to above present fairly, in all material respects, CPSC's financial position as of September 30, 2022, and 2021, and its net cost, changes in net position, budgetary resources, and the custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

<sup>1</sup> The RSI consists of the Management's Discussion and Analysis and the Combining Statement of Budgetary Resources by Fund, which are included with the financial statements.

<sup>2</sup> Other information consists of Inspector General's Management Challenges Report, Summary of Financial Statement Audit and Management Assurances, Payment Integrity Information Act Reporting, Civil Monetary Penalty Adjustment for Inflation, and Grants Programs.

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#### Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 22-01). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CPSC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

CPSC management is responsible for (1) the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in the AFR, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements conducted in accordance with *Government Auditing Standards* will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CPSC's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audits of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

#### Other Information

CPSC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. CPSC management is responsible for the other information included in the AFR. The other information does not include financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Report on Internal Control over Financial Reporting**

In connection with our audits of the CPSC's financial statements, we considered CPSC's internal control over financial reporting, consistent with our auditors' responsibilities discussed below.

#### Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of CPSC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists

when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that even if the control operates as designed the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our fiscal year 2022 audit, we identified deficiencies in CPSC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant CPSC management's attention. We have communicated these matters to CPSC management and, where appropriate, will report on them separately.

#### Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to CPSC's internal control over financial reporting in accordance with *Government Auditing Standards*.

#### Responsibilities of Management for Internal Control over Financial Reporting

CPSC management is responsible for (1) designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. 3512 § (c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)); and (3) providing an assurance statement on the overall effectiveness of internal control over financial reporting included in management's discussion and analysis (MD&A).

#### Auditors' Responsibilities for the Consideration of Internal Control over Financial Reporting

In planning and performing our audit of CPSC's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with *Government Auditing Standards*, we considered CPSC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CPSC's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on CPSC's internal control over financial reporting or on management's assurance statement on the overall effectiveness of internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

#### Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws,

including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

#### Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of CPSC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of CPSC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

#### **Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters**

In connection with our audits of CPSC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibilities discussed below.

#### Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for fiscal year 2022 that would be reportable under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CPSC. Accordingly, we do not express such an opinion.

#### Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

We performed our tests of compliance in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for Tests of Compliance section below.

#### Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

CPSC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CPSC.

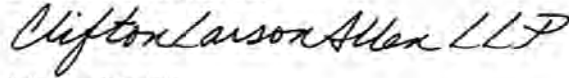
#### Auditors' Responsibilities for Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to CPSC that have a direct effect on the determination of material amounts and disclosures in CPSC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CPSC. We caution that noncompliance may occur and not be detected by these tests.

Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia  
November 14, 2022

## Financial Statements

### U.S. Consumer Product Safety Commission Balance Sheets As of September 30, 2022 and 2021 (In dollars)

	FY 2022	FY 2021
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 83,527,933	\$ 96,253,159
Accounts Receivable, Net (Note 3)	2,198,258	141,644
Advances and Prepayments (Note 4)	48,718	385,973
Total Intragovernmental	85,774,909	96,780,776
Other Than Intragovernmental:		
Accounts Receivable, Net (Note 3)	7,276,992	27,214
General Property, Plant, and Equipment, Net (Note 5)	7,657,420	6,779,815
Total Other Than Intragovernmental	14,934,412	6,807,029
<b>Total Assets</b>	<b>\$ 100,709,321</b>	<b>\$ 103,587,805</b>
<b>Liabilities: (Note 6)</b>		
Intragovernmental:		
Accounts Payable	\$ 1,690,133	\$ 1,367,954
Other Liabilities (Note 7)		
Employee Benefits	328,760	794,738
Workers' Compensation	410,392	432,957
Employer Contributions Payable	100,062	245,429
Custodial Liability	7,260,986	12,441
Other Liabilities without Related Budgetary Obligations (Note 8)	1,251,406	1,357,175
Total Intragovernmental	11,041,739	4,210,694
Other Than Intragovernmental:		
Accounts Payable	13,676,560	4,702,867
Federal Employee Benefits Payable (Note 9)	9,375,762	9,955,765
Other Liabilities (Note 7)		
Accrued Funded Payroll	1,481,807	3,459,795
Other Liabilities with Related Budgetary Obligations	987,449	52,735
Total Other Than Intragovernmental	25,521,578	18,171,162
<b>Total Liabilities</b>	<b>\$ 36,563,317</b>	<b>\$ 22,381,856</b>

(Balance Sheet continued on next page)

**Net Position:**

Unexpended Appropriations – Funds from Other than Dedicated Collections	67,419,775	85,977,380
	<u>67,419,775</u>	<u>85,977,380</u>
Total Unexpended Appropriations	67,419,775	85,977,380
Cumulative Results of Operations – Funds From Dedicated Collections (Note 10)	18,953	18,953
Cumulative Results of Operations – Funds From Other than Dedicated Collections (Note 10)	<u>(3,292,724)</u>	<u>(4,790,384)</u>
Total Cumulative Results of Operations	<u>(3,273,771)</u>	<u>(4,771,431)</u>
<b>Total Net Position</b>	<b>\$ 64,146,004</b>	<b>\$ 81,205,949</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 100,709,321</b>	<b>\$ 103,587,805</b>

The accompanying notes are an integral part of these statements.

**U.S. Consumer Product Safety Commission**  
**Statement of Net Cost**  
**For the Years Ended September 30, 2022 and 2021**  
(In dollars)

	<u>FY 2022</u>	<u>FY 2021</u>
<b>Strategic Goal 1 - Workforce:</b>		
Gross Cost	\$ 7,197,031	\$ 6,164,385
Earned Revenue	-	-
<b>Net Cost Strategic Goal 1</b>	<b>\$ 7,197,031</b>	<b>\$ 6,164,385</b>
<b>Strategic Goal 2 - Prevention:</b>		
Gross Cost	\$ 105,173,551	\$ 88,818,359
Earned Revenue	(6,642,424)	(3,497,608)
<b>Net Cost Strategic Goal 2</b>	<b>\$ 98,531,127</b>	<b>\$ 85,320,751</b>
<b>Strategic Goal 3 - Response:</b>		
Gross Cost	\$ 40,537,257	\$ 35,082,687
Earned Revenue	-	-
<b>Net Cost Strategic Goal 3</b>	<b>\$ 40,537,257</b>	<b>\$ 35,082,687</b>
<b>Strategic Goal 4 - Communication:</b>		
Gross Cost	\$ 13,580,509	\$ 12,065,127
Earned Revenue	-	-
<b>Net Cost Strategic Goal 4</b>	<b>\$ 13,580,509</b>	<b>\$ 12,065,127</b>
<b>Total Entity:</b>		
Total Gross Cost	\$ 166,488,348	\$ 142,130,558
Total Earned Revenue	(6,642,424)	(3,497,608)
<b>Total Net Cost of Operations (Note 16)</b>	<b>\$ 159,845,924</b>	<b>\$ 138,632,950</b>

The accompanying notes are an integral part of these statements.



**U.S. Consumer Product Safety Commission**  
**Statement of Changes in Net Position**  
**For the Years Ended September 30, 2022 and 2021**  
(In dollars)

	<u>FY 2022</u>	<u>FY 2021</u>
<b>Unexpended Appropriations:</b>		
Beginning Balance	\$ 85,977,380	\$ 36,479,895
Appropriations Received	139,050,000	185,000,000
Other Adjustments	(663,593)	(859,746)
Appropriations Used	<u>(156,944,012)</u>	<u>(134,642,769)</u>
Net Change in Unexpended Appropriations	(18,557,605)	49,497,485
<b>Total Unexpended Appropriations</b>	<b><u>\$ 67,419,775</u></b>	<b><u>\$ 85,977,380</u></b>
<b>Cumulative Results of Operations:</b>		
Beginning Balance	\$ (4,771,431)	\$ (4,808,168)
Appropriations Used	156,944,012	134,642,769
Transfers In/Out Without Reimbursement	1,656	3,392
Imputed Financing (Note 9)	4,398,016	4,023,526
Other	(100)	-
Net Cost of Operations (Note 16)	<u>(159,845,924)</u>	<u>(138,632,950)</u>
Net Change	1,497,660	36,737
<b>Cumulative Results of Operations (Note 10)</b>	<b><u>\$ (3,273,771)</u></b>	<b><u>\$ (4,771,431)</u></b>
<b>Net Position</b>	<b><u>\$ 64,146,004</u></b>	<b><u>\$ 81,205,949</u></b>

The accompanying notes are an integral part of these statements.

**U.S. Consumer Product Safety Commission**  
**Statement of Budgetary Resources**  
**For the Years Ended September 30, 2022 and 2021**  
(In dollars)

	<u>FY 2022</u>	<u>FY 2021</u>
<b>Budgetary Resources:</b>		
Unobligated balance from prior year budget authority, net	\$ 51,375,075	\$ 4,575,702
Appropriations	139,050,000	185,00,000
Spending authority from offsetting collections	4,567,866	4,349,933
<b>Total Budgetary Resources</b>	<b>\$ 194,992,941</b>	<b>\$ 193,925,635</b>
<b>Status of Budgetary Resources:</b>		
New Obligations and Upward Adjustments (Note 12)	\$ 161,242,749	\$ 142,993,123
Unobligated balance, end of year:		
Apportioned, unexpired account	31,707,899	49,404,209
Unapportioned, unexpired accounts	278,148	55,839
Expired Unobligated Balance, end of year	1,764,145	1,472,464
Unobligated balance, end of year (total)	33,750,192	50,932,512
<b>Total Status of Budgetary Resources</b>	<b>\$ 194,992,941</b>	<b>\$ 193,925,635</b>
<b>Outlays, Net:</b>		
Outlays, net (total)	\$ 151,111,633	\$ 131,444,850
Distributed offsetting receipts	(4,718)	(7,603)
<b>Total Agency Outlays, net (Note 16)</b>	<b>\$ 151,106,915</b>	<b>\$ 131,437,247</b>

The accompanying notes are an integral part of these statements.

**U.S. Consumer Product Safety Commission**  
**Statement of Custodial Activity**  
**For the Years Ended September 30, 2022 and 2021**  
(In dollars)

	<u>FY 2022</u>	<u>FY 2021</u>
<b>Revenue Activity:</b>		
Sources of Cash Collections:		
Miscellaneous	\$ 27,004,624	\$ 7,957,603
Total Cash Collections	\$ 27,004,624	\$ 7,957,603
Accrual Adjustments	7,248,545	113
<b>Total Custodial Revenue (Note 15)</b>	<b>\$ 34,253,169</b>	<b>\$ 7,957,716</b>
<b>Disposition of Collections:</b>		
Transferred to Others (by Recipient)		
U.S. Department of Treasury	\$ 27,004,674	\$ 7,957,603
Increase/(Decrease) in Amounts yet to be Transferred	7,248,495	113
<b>Total Disposition of Collections</b>	<b>\$ 34,253,169</b>	<b>\$ 7,957,716</b>
<b>Net Custodial Activity</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these statements.

## Notes to the Financial Statements

### Note 1 – Summary of Significant Accounting Policies

#### Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activity of the U.S. Consumer Product Safety Commission (CPSC), an independent federal regulatory agency with a mission to save lives and keep families safe by reducing the risk of injuries and deaths associated with consumer products. The CPSC was created in 1972 by Congress under the Consumer Product Safety Act (CPSA) and began operating in 1973. The agency is headed by five commissioners nominated by the President and confirmed by the Senate for staggered seven-year terms. The President designates one of the commissioners as Chair, who is the agency head. The CPSA (as amended) authorizes the CPSC to:

- Issue and enforce mandatory standards
- Pursue recalls of products or arrange for their repairs
- Develop voluntary standards
- Conduct research on potential product hazards
- Inform and educate consumers
- Respond to industry and consumer inquiries

#### Fund Accounting Structure

The CPSC's financial activities are accounted for by federal account symbols. They include the accounts for appropriated funds and other fund groups described below for which the CPSC maintains financial records.

Appropriated Funds: These funds consist of salaries and expenses appropriation accounts used to fund agency operations and capital expenditures, the grant program under the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act), and COVID-19 relief under the American Rescue Plan Act (ARPA) (Pub .L. No. 117-2).

General Fund Receipt Accounts: The CPSC collects civil penalties, Freedom of Information Act (FOIA) fees, and other miscellaneous receipts, which by law are not retained by the CPSC. The U.S. Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the U.S. Treasury at the end of each fiscal year.

Gifts and Donations Receipt Account: U.S.C. Title 15, Chapter 47, section 2076, paragraph (b) (6), authorizes the CPSC "to accept gifts and voluntary and uncompensated services." The CPSC occasionally receives donations from non-government sources in support of the agency's mission.

#### Budget Authority

Congress enacts appropriations that provide the CPSC with authority to obligate funds for necessary expenses to carry out authorized program activities. The funds appropriated are subject to Office of Management and Budget (OMB) apportionment. The CPSC's Administrative Control of Funds directive complies with federal budgetary accounting guidelines of OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*, as amended. This directive places internal restrictions on the apportioned funds by designating the amount, use, and authorized party of any division of the apportioned funds. These restrictions – known as allotments, sub-allotments, and allowances – limit the amounts available so obligations will not exceed the appropriated or apportioned amounts.

## Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis and the budgetary basis of accounting in conformity with the Generally Accepted Accounting Principles (GAAP) for the federal government. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities. The statements were also prepared in conformity with OMB Circular A-136, *Financial Reporting Requirements*, as amended.

## Assets

Intragovernmental assets are assets that arise from transactions with other federal entities. Fund Balance with Treasury comprise the majority of intragovernmental assets on CPSC's Balance Sheet.

### A. Fund Balance with Treasury

The U.S. Department of Treasury (U.S. Treasury) collects and disburses cash on behalf of CPSC. Fund Balance with Treasury consists of appropriated funds and general fund receipt accounts. Appropriated funds are available to pay down current liabilities and authorize purchase commitments. General fund receipt accounts are used to record collections made by the CPSC. The U.S. Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the U.S. Treasury at year end. The CPSC's Fund Balance with Treasury is carried forward until such time as goods or services are received and payment is made, or until the funds are returned to the U.S. Treasury.

The CPSC's cash receipts and disbursements are processed by the U.S. Treasury. Fund Balance with Treasury represents obligated and unobligated balances, which are available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by the CPSC.

### B. Accounts Receivable and Allowance for Uncollectible Accounts

The CPSC's accounts receivable are classified into two types of accounts: entity and non-entity accounts receivables. Entity accounts receivables include amounts due from customers for reimbursable agreement and overpayment to vendors and current and former employees. Non-entity accounts receivables are civil monetary penalties resulting from CPSC's enforcement actions and for fees billed to fulfill FOIA requests. The CPSC holds these non-entity receivables in a custodial capacity. The CPSC calculates the allowance for uncollectible accounts using an analysis of historical collection data. No allowance for uncollectible amounts nor related provisions for estimated losses has been established, as these amounts are fully collectible based on historical experience.

### C. Property and Equipment

Property and equipment consist of equipment, software, furniture, fixtures, other equipment, and leasehold improvements.

Beginning in October 2019, equipment and software with a useful life of two or more years are capitalized when the acquisition cost is greater than or equal to \$30,000 per unit or \$100,000 for bulk purchases of lesser-value items. Furniture, fixture, and other equipment, purchases with an aggregate or bulk acquisition cost of \$100,000 and a useful life of two or more years are capitalized. The CPSC reports property and equipment purchases and additions at historical costs. The CPSC treats property and equipment acquisitions that do not meet the capitalization criteria as an expense. Leasehold improvements are capitalized based on contractual agreements.

The CPSC depreciates property and equipment using the straight-line method of depreciation. Leasehold improvements are amortized over the lesser of the leasehold improvement's useful life or the lease term. The

CPSC removes property and equipment from its asset account in the period of disposal, retirement, or removal from service. The CPSC recognizes the difference between the book value and any proceeds as a gain or loss in the period that the asset is removed.

## Liabilities

Liabilities represent amounts that are likely to be paid by the CPSC as a result of transactions that have already occurred.

### A. Accounts Payable

Accounts payable consists of amounts owed by the CPSC to federal agencies and commercial vendors for goods and services received.

### B. Salaries and Federal Employee Benefits

Liabilities covered by budgetary resources represents liabilities funded by available budgetary resources, which include appropriated funds and reimbursable authority. These liabilities consist of the salaries and wages of the CPSC's employees and the corresponding agency share for the pension and health and life insurance for employees receiving these benefits. CPSC employees are eligible to participate in the contributory Federal Employees Health Benefit (FEHB) Program and the Federal Employees Group Life Insurance (FEGLI) Program. The CPSC makes contributions in addition to the employee contributions to each program to pay for current benefits.

### C. Accrued Annual Leave

A liability for annual leave is accrued as leave is earned and paid when leave is taken. At year end, the balance in the accrued annual leave account is adjusted to reflect the liability at current pay rates and leave balances. Sick leave and other types of leave are treated as an expense when the leave is used by the employee.

### D. Federal Employees' Compensation Act (FECA)

The CPSC records an estimated unfunded liability for future workers' compensation claims based on data provided by the Department of Labor (DOL). The CPSC uses the DOL-provided data to estimate a FECA actuarial liability that is recorded at year-end. DOL provides CPSC with the actual claim amounts already paid out by DOL to employees.

### E. Commitments and Contingencies

The CPSC has claims and lawsuits pending against the agency. The CPSC's policy is to include provisions in the financial statements for any losses considered probable and estimable. Management believes that losses from certain other claims and lawsuits are reasonably possible but are not material to the fair presentation of CPSC's financial statements, and provisions for these losses are not included in the financial statements.

## Estimates and Assumptions

Preparation of CPSC's financial statements requires Management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Changes in Entity or Financial Reporting

The presentation of the FY 2021 Balance Sheet, the FY 2021 Statement of Changes in Net Position, and the FY 2021 Statement of Custodial Activity have been modified to be consistent with the presentation of this reporting period (*i.e.*, FY 2022). The format of the Balance Sheet has changed to reflect more detail for certain line items, as required by OMB Circular No. A-136 for all significant reporting entities. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this report to see how the

amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the Financial Report of the United States Government.

### Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

### Note 2 – Fund Balance with Treasury

CPSC's Fund Balance with Treasury consists of apportioned and unapportioned funds. The status of these funds as of September 30, 2022 and September 30, 2021 is as follows:

Entity	2022	2021
Unobligated Balance		
Available	\$ 31,707,898	\$ 49,404,209
Unavailable	2,042,292	1,528,303
Obligated Balance, Not Yet Disbursed	49,777,743	45,320,648
Total Fund Balance with Treasury	\$ 83,527,933	\$ 96,253,159

The available unobligated fund balances represent the current-period amount available for obligation or commitment. The available unobligated balances as of September 30, 2022 and September 30, 2021 were \$31,707,898 and \$49,404,209, respectively.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The unavailable unobligated balances as of September 30, 2022 and September 30, 2021 were \$2,042,292 and \$1,528,303, respectively.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the Fund Balance with Treasury on hand (see **Note 13**).

The custodial funds held for Treasury consist of collections of fines and penalties received from violators of the CPSC (as amended) and fees from FOIA charges both of which are not available for CPSC to use. The custodial funds held for Treasury makes up the difference between the Fund Balance with Treasury amount reported in the CPSC general ledger and the balance reported in the Governmentwide Accounting (GWA) Statement Module.

The decrease in Fund Balance with Treasury from the prior is primarily due to spending down ARPA funds and not receiving any further excess funds in FY 2022 other than a comparable annual appropriation.

### Note 3 – Accounts Receivable, Net

The CPSC's accounts receivable is comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided, amounts due from current and former employees, and other public receivables. The non-entity receivables include Civil Fines and Penalties and FOIA activities. The non-entity civil fines and penalties are aged and are either in litigation, forbearance, or a formal appeals process. No allowance for uncollectible amounts or related provision for estimated losses has

been established for the CPSC's accounts receivable, as these amounts are fully collectible based on historical experience. The composition of accounts receivable as of September 30, 2022 and September 30, 2021 is as follows:

<b>Accounts Receivable</b>	2022	2021
Entity		
Intragovernmental		
Accounts Receivable	\$ 2,198,258	\$ 141,644
Other Than Intragovernmental		
Accounts Receivable	16,007	14,773
Non-Entity		
Other Than Intragovernmental		
Civil Fines and Penalties	7,254,583	4,583
Other Receivables	6,402	7,858
Total Non-Entity Accounts Receivable	7,260,985	12,441
Total Accounts Receivable	\$ 9,475,250	\$ 168,858

#### Note 4 – Advances to Other Federal Agencies

The majority of advances to other federal agencies are for the services contract with National Institute of Standards and Technology (NIST) in support of the CPSC's work with the National Nanotechnology Initiative (NNI). Other advances are for the CPSC's services contracts with federal agencies for employee benefits.

The balance of advances to other federal agencies as of September 30, 2022 and September 30, 2021 is \$48,718 and \$385,973, respectively.

#### Note 5 – General Property, Plant, and Equipment, Net

The composition of general property and equipment (GPE) as of September 30, 2022 is as follows:

Class of GPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	\$ 24,283,497	\$ 22,876,165	\$ 1,407,332	6 - 14
Equipment	27,285,822	21,145,873	6,139,949	5 - 12
Furniture, Fixture & Other Equipment	2,608,689	2,608,689	-	3 - 5
ADP Software	2,650,861	2,540,858	110,003	5
ADP Software in Progress	136	-	136	
Construction in Progress	-	-	-	
Total	\$ 56,829,005	\$ 49,171,585	\$ 7,657,420	



The composition of GPE as of September 30, 2021 is as follows:

Class of GPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	\$ 24,283,497	\$ 22,413,099	\$ 1,870,398	6 - 14
Equipment	23,536,167	19,133,085	4,403,082	5 - 12
Furniture, Fixture & Other Equipment	2,608,689	2,608,689	-	3 - 5
ADP Software	2,650,861	2,424,755	226,106	5
Construction in Progress	280,229	-	280,229	
Total	\$ 53,359,443	\$ 46,579,628	\$ 6,779,815	

### Note 6 – Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities that are not covered by budgetary resources including: (1) new budget authority; (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; (3) spending authority from offsetting collections (credited to an appropriation or fund account); and (4) recoveries of expired budget authority through downward adjustments of prior year obligations. Liabilities Not Requiring Budgetary Resources are liabilities that have not in the past required and will not in the future require the use of the aforementioned budgetary resources.

The liabilities on the CPSC's Balance Sheet as of September 30, 2022 and September 30, 2021 include liabilities not covered by budgetary resources. The intragovernmental liabilities are owed to DOL for the FECA (disability) payments and the General Services Administration (GSA) for the tenant improvement allowance (TIA) provided as a part of the long-term lease on office facilities. The CPSC also recognizes liabilities for employee annual leave earned but not yet taken and for workers' compensation actuarial liability. The CPSC also collects on receivables that are withdrawn to Treasury with no budgetary resource associated. The composition of the liabilities not covered by budgetary resources as of September 30, 2022 and September 30, 2021 is as follows:

Liabilities Not Covered by Budgetary Resources	2022	2021
Intragovernmental		
Workers' Compensation	\$ 410,392	\$ 432,957
Other Liabilities Without Budgetary Obligations	1,251,406	1,357,175
Total Intragovernmental	1,661,798	1,790,132
Accrued Annual Leave	6,729,197	6,576,708
Workers' Compensation Actuarial	2,580,203	3,221,525
Total Liabilities Not Covered by Budgetary Resources	\$ 10,971,198	\$ 11,588,365
Total Liabilities Covered by Budgetary Resources	\$ 18,331,133	\$ 10,781,050
Total Liabilities Not Requiring Budgetary Resources (see Note 7)	\$ 7,260,986	\$ 12,441
Total Liabilities	\$ 36,563,317	\$ 22,381,856

**Note 7 – Other Liabilities**

CPSC Other Liabilities on the Balance Sheets are broken into Intragovernmental and Other than Intragovernmental as detailed below:

Other Liabilities	2022	2021
Intragovernmental		
Employee Benefits	\$ 328,760	\$ 794,738
Workers' Compensation	410,392	432,957
Employer Contributions Payable	100,062	245,429
Custodial Liability	7,260,986	12,441
Other Liabilities Without Related Budgetary Obligations	1,251,406	1,357,175
Total Intragovernmental	\$ 9,351,606	\$ 2,842,740
Other than Intragovernmental		
Accrued Funded Payroll	\$ 1,481,807	\$ 3,459,795
Other Liabilities with Related Budgetary Obligations	987,449	52,735
Total Other Than Intragovernmental	\$ 2,469,256	\$ 3,512,530
Total Other Liabilities	\$ 11,820,862	\$ 6,335,270

CSRS, FERS, Federal Insurance Contributions Act (FICA), FEHB, and FEGLI contributions are shown on the Balance Sheets and included in employee benefits and employer contributions liability balances. Amounts owed to OPM and Treasury as of September 30, 2022 and September 30, 2021, were \$428,822 and \$1,040,167, respectively.

The CPSC has authority to levy fines and penalties against manufacturers, retailers, or distributors who violate the CPSA (as amended), Federal Hazardous Substance Act (FHSA), and the Flammable Fabrics Act (FFA). Civil penalty collections are deposited in the U.S. Treasury and are not available for the CPSC to use. The CPSC also charges a fee for the processing of FOIA requests. FOIA fees are also deposited in the U.S. Treasury and are not available for the CPSC to use. Civil penalties and FOIA fees due and balances in the general fund receipt accounts are recognized as a custodial liability on the CPSC's Balance Sheet. As of September 30, 2022, and September 30, 2021, the total Custodial Liabilities are \$7,260,986 and \$12,441 respectively. The revenue and collection activities of these liabilities are presented in the Statement of Custodial Activity.

**Note 8 – Other Liabilities Without Related Budgetary Obligation**

Other Liabilities without Budgetary Obligation are Tenant Improvement Liabilities (TIL) on the CPSC's Balance Sheet as of September 30, 2022 and September 30, 2021 are \$1,251,406 and \$1,357,175, respectively. The composition of TIL as of September 30, 2022 and September 30, 2021 is as follows:

Other Liabilities	2022	2021
Intragovernmental		
Tenant Improvement Liability – HQ	\$ 172,012	\$ 200,681
Tenant Improvement Liability – NPTEC	1,079,394	1,156,494
Total Tenant Improvement Liability	\$ 1,251,406	\$ 1,357,175

The unfunded TIL is payable to the GSA over the life of the lease. The CPSC's lease agreements with the GSA are for three facilities in Maryland; the Headquarters (HQ) offices located in Bethesda, the National Product Testing and Evaluation Center (NPTEC) located in Rockville, and the Sample Storage Facility (SSF) located in Gaithersburg. The three leases provided an allowance for customization of the properties. The TIL is amortized over the life of the lease. The TIL is reduced when the amortized amount is billed by the GSA and paid by the CPSC.

### Note 9 – Federal Employee Benefits Payable

Federal employee benefits consist of the actuarial portion of future benefits earned by federal employees but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits, excluding workers compensation. These benefits are administered by the U.S. Office of Personnel Management (OPM) and not the CPSC. Since the CPSC does not administer the benefit plans, the CPSC does not recognize any liability on the Balance Sheet for pensions, other retirement benefits, and other post-employment benefits. The CPSC does, however, recognize the imputed financing sources/costs related to these benefits on the Net Cost of Operations, and the Statement of Changes in Net Position.

The federal employee retirement benefit costs paid by OPM and imputed to CPSC for the periods ended September 30, 2022 and September 30, 2021 related to Imputed financing sources totaled \$4,398,016 and \$4,023,526 for the periods ending September 30, 2022 and September 30, 2021, respectively.

	2022	2021
Estimated future pension costs (CSRS/ FERS)	\$ 661,060	\$ 594,757
Estimated future postretirement health insurance (FEHB)	3,724,988	3,417,947
Estimated future postretirement life insurance (FEGLI)	11,968	10,822
Total Imputed Costs	<u>\$ 4,398,016</u>	<u>\$ 4,023,526</u>

The CPSC's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), depending on when they started working for the federal government. FERS and Social Security cover most employees hired after December 31, 1983. Employees who are rehired after a break in service of more than one year and had five years of federal civilian service prior to 1987 are eligible to participate in the CSRS offset retirement system or may elect to join FERS.

For employees participating in CSRS, CPSC contributes 7 percent to their plan. FERS is a three-tiered retirement system consisting of a Basic Benefit Plan, Thrift Savings Plan (TSP), and Social Security Benefits.

The TSP under FERS is a savings plan in which CPSC automatically contributes one percent of base pay and matches any employee contributions up to an additional four percent of base pay. For most employees hired after December 31, 1983, CPSC also contributes the employer's matching share for Social Security. The CPSC's contributions are recognized as current operating expenses.

The federal employee benefits payable as shown on the Balance Sheet as of September 30, 2022 and September 30, 2021 are \$9,375,762 and \$9,955,765, respectively and is made up of accrued annual leave, employer contributions and payroll taxes, and actuarial Federal Employees Compensation Act (FECA).

CPSC accrued unfunded annual leave for employees in the amounts of \$6,729,197 and \$6,576,708, employer contributions of \$66,362 and \$157,532, and actuarial FECA of \$2,580,203 and \$3,221,525 as of September 30, 2022 and September 30, 2021, respectively.

**Note 10 – Cumulative Results of Operations**

The cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of the CPSC's cumulative results of operations for the fiscal years ending September 30, 2022 and September 30, 2021 are as follows:

	2022	2021
Investment in leasehold improvements, net	\$ 1,407,332	\$ 1,870,398
Investment in property and equipment, net	6,250,088	4,909,417
Gift Fund	18,953	18,953
Other assets and resources	21,054	18,166
Liabilities not covered by budgetary resources	(10,971,198)	(11,588,365)
Cumulative results of operations	<u>\$ (3,273,771)</u>	<u>\$ (4,771,431)</u>

The CPSC does not hold title to the leased property where the leasehold improvements were made. Upon termination of the lease agreement, the total amount of leasehold improvements and TIA will be charged to operations and will reduce the balance of cumulative results of operations. See **Note 6** for the composition of liabilities not covered by budgetary resources.

**Note 11 - Operating Leases**

The CPSC's lease agreements with the GSA are for three facilities in Maryland; HQ offices located in Bethesda, the NPTEC located in Rockville, and the SSF located in Gaithersburg. These operating lease agreements expire between fiscal years 2022 and 2035. Lease costs for the period ended September 30, 2022 and September 30, 2021 amounted to approximately \$7,426,002 and \$5,550,210 respectively. Estimated future minimum lease payments for the three facilities are as follows:

Fiscal Year	Estimated Future Lease Payments
2023	\$ 8,108,748
2024	8,154,867
2025	8,458,476
2026	8,544,006
2027	8,632,103
After 2027	<u>35,082,031</u>
Total Estimated Future Lease Payments	<u>\$ 76,980,231</u>

**Note 12 – Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations**

The CPSC's apportionments fall under three Categories: Direct Category A, quarterly apportionment for salaries and expenses; Direct Category B, restricted and activity apportionment for the VGB Act grant program and COVID-19 relief under the ARPA; and Reimbursable Category B, restricted and activity apportionment for reimbursable activities. CPSC, currently, does not have any Reimbursable Category A apportionments. Apportionment categories of obligations incurred for the fiscal years ending September 30, 2022 and September 30, 2021 are as follows:

	2022	2021
Direct:		
Category A	\$ 136,983,624	\$ 133,904,303
Category B	19,688,351	4,672,316
Reimbursable:		
Category A	\$ -	\$ -
Category B	4,570,774	4,416,504
Total Obligations incurred	<u>\$ 161,242,749</u>	<u>\$ 142,993,123</u>

### Note 13 – Undelivered Orders

The amount of budgetary resources obligated for orders undelivered as of September 30, 2022 and September 30, 2021 are:

	2022	2021
Intragovernmental, Undelivered Orders Unpaid	\$ 967,568	\$ 1,458,921
Other Than Intragovernmental, Undelivered Orders Unpaid	33,626,300	36,248,547
Intragovernmental, Undelivered Orders Paid	\$ 48,718	\$ 385,973
Other Than Intragovernmental, Undelivered Orders Paid	-	-
Total Undelivered Orders	<u>\$ 34,642,586</u>	<u>\$ 38,093,441</u>

### Note 14 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation of the CPSC's fiscal year 2021 statement of budgetary resources with the corresponding information presented in the fiscal year 2023 President's Budget is as follows:

FY 2021	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 193,925,635	\$ 142,993,123	\$ 7,603	\$ 131,437,247
Expired Unobligated Balance, end of year	\$ (1,472,464)	\$ -	\$ -	\$ -
Rounding	\$ (453,171)	\$ (993,123)	\$ (7,603)	\$ (437,247)
FY 2023 Presidents Budget	<u>\$ 192,000,000</u>	<u>\$ 142,000,000</u>	<u>\$ -</u>	<u>\$ 131,000,000</u>

The FY 2024 Budget of the U.S. Government (also known as the President's Budget) will not be published prior to February 2023. Accordingly, a comparison between the FY 2022 data reflected on the statement of budgetary resources and FY 2022 data in the President's Budget cannot be performed. The Budget with the actual amount for FY 2022 will be available at a later date at <https://www.whitehouse.gov/omb/budget>. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both expired and unexpired appropriations, while the President's Budget presents only unexpired budgetary resources that are available for new obligations.

**Note 15 – Custodial Revenue**

The CPSC has authority to levy fines and penalties against manufacturers, retailers, or distributors who violate the CPSA (as amended), the FHSA, and the FFA, as mentioned in **Note 7**. Custodial revenue collections are derived from two primary sources: civil penalties paid by regulated entities for violations of consumer product safety laws and regulations; and reimbursement of FOIA expenses incurred by the agency when requests are made from the public for CPSC documents.

During fiscal year 2022, the total amount of custodial revenue was \$34,253,169. The balance is comprised of \$3,169 in FOIA and miscellaneous fees, and the significant amount of custodial revenue came from civil penalties of \$34,250,000.

In FY 2022, CPSC assessed civil penalties in the amount of \$38,000,000. However, an appeal was made by a company to suspend the assessment by \$3,750,000, which was agreed upon by the Commission. Thus, the civil penalties recorded for receipt in FY 2022 financial statements amounted to \$34,250,000. CPSC made collections on those civil penalties in the amount of \$27,000,000 million as of September 30, 2022.

The custodial amounts yet to be collected by CPSC remain in the amount of \$7,248,495 as of September 30, 2022. All custodial revenue collections are deposited in the U.S. Treasury and are not available for the CPSC to use.

**Note 16 – Reconciliation of Net Cost to Net Outlays**

The Budget Accrual Reconciliation (BAR) is a reconciliation of net outlays that are presented on a budgetary basis and the net cost that are presented on an accrual basis, to provide an explanation of the relationship between budgetary and financial accounting information. The BARs for the periods ending September 30, 2022 and September 30, 2021 are as follows:

**Reconciliation of Net Cost to Net Outlays**  
**Budget and Accrual Reconciliation**  
**For the Year Ended September 30, 2022**  
(In Dollars)

	Intragovernmental	Other than Intragovernmental	Total
<b>Net Operating Cost (SNC)</b>	\$ 34,123,552	\$ 125,722,372	\$ 159,845,924
<b>Components of Net Cost Not Part of the Budgetary Outlays</b>			
Property, Plant, and Equipment Depreciation Expense	-	(2,682,410)	(2,682,410)
Property, Plant, and Equipment Disposals & Revaluations	-	(2,356)	(2,356)
<b>Increase/(Decrease) in Assets:</b>			
Accounts Receivable, Net	2,056,615	1,233	2,057,848
Other Assets	(337,255)	-	(337,255)
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable	(322,179)	(8,973,694)	(9,295,873)
Federal Employee [and Veteran] Benefits Payable	-	580,004	580,004
Other Liabilities	739,678	1,043,274	1,782,952
<b>Financing Sources:</b>			
Imputed Cost	(4,398,016)	-	(4,398,016)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlays</b>	<b>\$ (2,261,157)</b>	<b>\$ (10,033,949)</b>	<b>\$ (12,295,106)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of Capital Assets	\$ -	\$ 3,562,370	\$ 3,562,370
<b>Financing Sources:</b>			
Transfers Out (In) Without Reimbursements	(1,655)	-	(1,655)
<b>Total Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>	<b>\$ (1,655)</b>	<b>\$ 3,562,370</b>	<b>\$ 3,560,715</b>
<b>Miscellaneous Items:</b>			
Distributed Offsetting Receipts (SBR 4200)	-	-	(4,718)
Custodial/Non-Exchange Revenue	34,253,169	(34,253,169)	-
Non-Entity Activity	100	-	100
<b>Total Other Reconciling Items</b>	<b>\$ 34,253,269</b>	<b>\$ (34,253,169)</b>	<b>\$ (4,618)</b>
<b>Total Net Outlays (Calculated Total)</b>	<b>\$ 66,114,009</b>	<b>\$ 84,997,624</b>	<b>\$ 151,106,915</b>
<b>Budgetary Agency Outlays, Net (SBR 4210)</b>			<b>\$ 151,106,915</b>

**Reconciliation of Net Cost to Net Outlays**  
**Budget and Accrual Reconciliation**  
**For the Year Ended September 30, 2021**  
(In Dollars)

	Intragovernmental	Other than Intragovernmental	Total
<b>Net Operating Cost (SNC)</b>	\$ 32,048,150	\$ 106,584,800	\$ 138,632,950
<b>Components of Net Cost Not Part of the Budgetary Outlays</b>			
Property, Plant, and Equipment Depreciation Expense	-	(2,248,227)	(2,248,227)
<b>Increase/(Decrease) in Assets:</b>			
Accounts Receivable, Net	(100,777)	11,586	(89,191)
Other Assets	(1,497,370)	-	(1,497,370)
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable	(568,090)	(1,882,308)	(2,450,398)
Federal Employee [and Veteran] Benefits Payable	-	(167,814)	(167,814)
Other Liabilities	245,249	(239,155)	6,094
<b>Financing Sources:</b>			
Imputed Cost	(4,023,526)	-	(4,023,526)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ (5,944,514)	\$ (4,525,918)	\$ (10,470,432)
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of Capital Assets	1,224,523	2,061,201	3,285,724
<b>Financing Sources:</b>			
Transfers Out (In) Without Reimbursements	(3,392)	-	(3,392)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ 1,221,131	\$ 2,061,201	\$ 3,282,332
<b>Miscellaneous Items</b>			
Distributed Offsetting Receipts (SBR 4200)	-	-	(7,603)
Custodial/Non-Exchange Revenue	7,957,715	(7,957,715)	-
Total Other Reconciling Items	\$ 7,957,715	\$ (7,957,715)	\$ (7,603)
Total Net Outlays (Calculated Total)	\$ 35,282,482	\$ 96,162,368	\$ 131,437,247
<b>Budgetary Agency Outlays, Net (SBR 4210)</b>			
Budgetary Agency Outlays, Net			\$ 131,437,247



**Note 17- COVID-19 Activity**

The American Rescue Plan Act (ARPA) of 2021 (Pub. L. No. 117-2), Nonemergency, was signed into law by President Joseph R. Biden on March 11, 2021. This bill provided additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. CPSC received \$50 million in FY 2021 supplemental appropriations to remain available until September 30, 2026 for the following purposes:

- To carry out the requirements in Title XX of Division FF of the FY 2021 Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260);
- Enhance targeting, surveillance, and screening of consumer products, particularly COVID-19 products entering the United States at ports of entry, including ports of entry for *de minimis* shipments;
- Enhance monitoring of Internet websites for offers for sale of new and used violative consumer products, particularly COVID-19 products, and coordination with retail and resale websites to improve identification and elimination of listing of such products;
- Increase awareness and communication, particularly of COVID-19 product-related risks and other consumer product safety information; and
- Improve the agency's data collection and analysis system, especially with a focus on consumer product safety risks resulting from the COVID-19 pandemic to socially disadvantaged individuals and other vulnerable populations.

CPSC's budgetary activity for ARPA funds is illustrated below as of September 30, 2022 and September 30, 2021:

***Dollars in millions***

<b>COVID-19 Activity Funded by DEF Code V (ARPA 2021)</b>	<b>FY 2022</b>	<b>FY 2021</b>
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from Prior Year	\$ 46.4	\$ 0.0
New Budget Authority +	\$ 0.0	\$ 50.0
Rescissions (-)/Other Changes (+/-) to Budgetary Resources	\$ 0.0	\$ 0.0
Budgetary Resources Obligated (-)	\$ 17.8	\$ 3.6
Budgetary Resources Obligated: Ending Unobligated (and unexpired) Balance to be Carried Forward	\$ 28.6	\$ 46.4
Outlays, Net (Total)	\$ 9.2	\$ 0.5

## Required Supplementary Information (unaudited)

### U.S. Consumer Product Safety Commission Combining Statement of Budgetary Resources by Fund For the Years Ended September 30, 2022 (In dollars)

	<b>Salaries and Expenses and Other Funds</b>	<b>Gift Fund</b>	<b>Total</b>
<b>Budgetary Resources:</b>			
Unobligated balance from prior year budget authority, net	\$ 51,356,122	\$ 18,953	\$ 51,375,075
Appropriations	139,050,000	-	139,050,000
Spending authority from offsetting collections	4,567,866	-	4,567,866
<b>Total Budgetary Resources</b>	<b>\$ 194,973,988</b>	<b>\$ 18,953</b>	<b>\$ 194,992,941</b>
<b>Status of Budgetary Resources:</b>			
New Obligations and Upward Adjustments (Note 12)	\$ 161,242,749	\$ -	\$ 161,242,749
Unobligated balance, end of year			
Apportioned, unexpired account	31,707,899	-	31,707,899
Unapportioned, unexpired accounts	259,195	18,953	278,148
Expired Unobligated Balance, end of year	1,764,145	-	1,764,145
Unobligated balance, end of year (total)	33,731,239	18,953	33,750,192
<b>Total Status of Budgetary Resources</b>	<b>\$ 194,973,988</b>	<b>\$ 18,953</b>	<b>\$ 194,992,941</b>
<b>Outlays, Net:</b>			
Outlays, net (total)	\$ 151,111,633	\$ -	\$ 151,111,633
Distributed offsetting receipts	(4,718)	-	(4,718)
<b>Total Agency Outlays, net (Note 16)</b>	<b>\$ 151,106,915</b>	<b>\$ -</b>	<b>\$ 151,106,915</b>

The accompanying notes are an integral part of these statements.

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This section of the AFR provides supplementary information on the CPSC's financial and program management. The section includes:

- Inspector General's Management Challenges Report
- Summary of Financial Statement Audit and Management Assurances
- Payment Integrity Information Act Reporting
- Civil Monetary Penalty Adjustment for Inflation
- Grants Programs



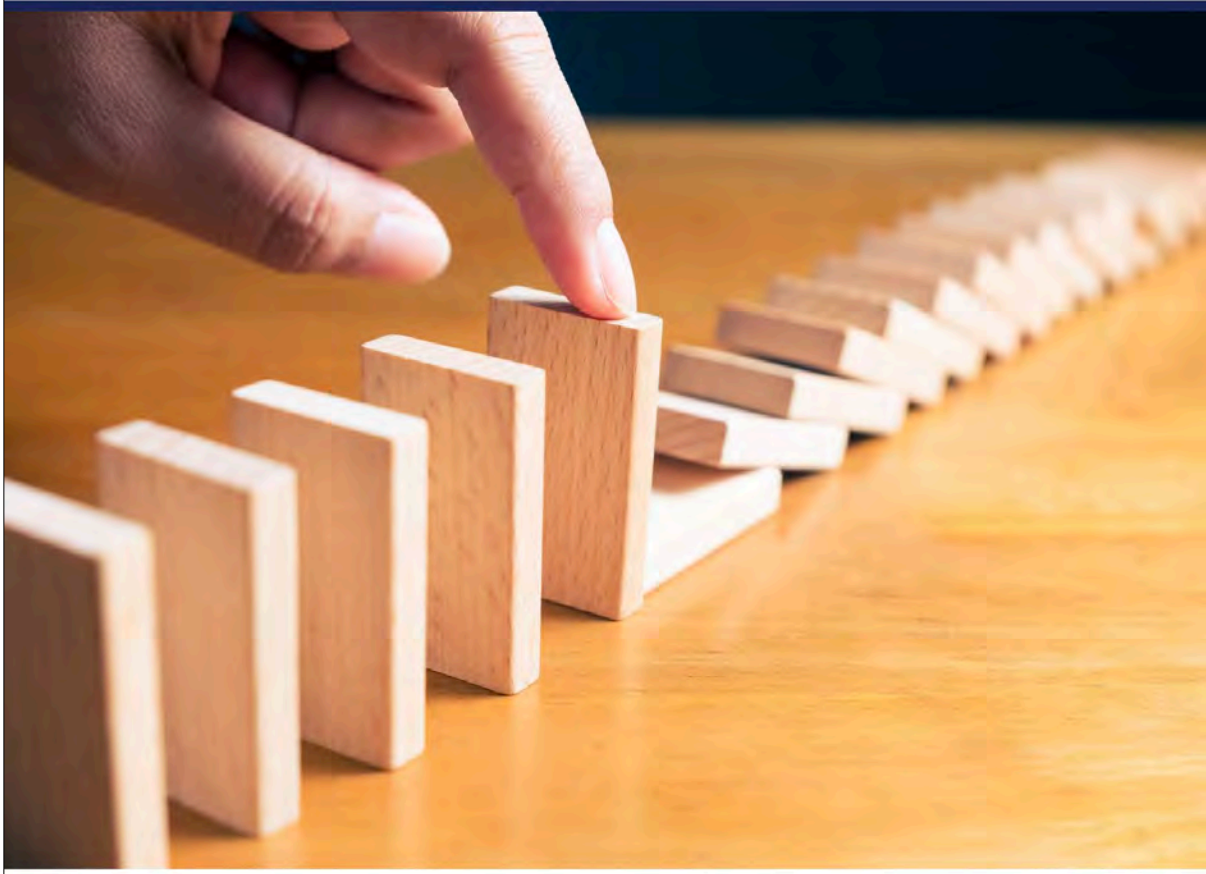
*Photo above from the Pool Safety Campaign*

OTHER INFORMATION

## Inspector General's Management Challenges Report



**U.S. Consumer Product Safety Commission**  
**OFFICE OF INSPECTOR GENERAL**



### **Top Management and Performance Challenges for Fiscal Year 2023**

October 28, 2022

23-O-01



## 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 Office of Inspector General.

## 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.
- Work together to address government-wide issues.



October 28, 2022

TO: Alexander D. Hoehn-Saric, Chairman  
Peter A. Feldman, Commissioner  
Richard Trumka Jr., Commissioner  
Mary T. Boyle, Commissioner

FROM: Christopher W. Dentel, Inspector General Christopher W. Dentel  
Digitally signed by Christopher W. Dentel  
Date: 2022.10.28 06:36:30 -0400

SUBJECT: Top Management and Performance Challenges for Fiscal Year 2023

In accordance with the Reports Consolidation Act of 2000, I am providing you information on what I consider to be the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission (CPSC) in fiscal year (FY) 2023. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. Serious management and performance challenges are defined as mission critical areas or programs that have the potential to be a significant weakness or vulnerability that would greatly impact agency operations or strategic goals if not addressed by management.

FY 2022 brought the CPSC new senior leadership in several key positions; a trend that appears likely to continue in FY 2023. As detailed in the following pages, the challenges facing these new leaders will be magnified by the ongoing pandemic, ongoing return of the workforce to the office, uncertainty regarding the agency's budget, and a series of missteps made by previous leadership.

Moving forward, leadership must do a better job of setting high standards for employees' conduct and performance, measuring program effectiveness, and optimizing the use of limited resources.

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

4330 East-West Hwy. • Suite 702 • Bethesda, MD • 20814 • 301-504-7905  
OIG.CPSC.GOV

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## INTRODUCTION

The fiscal year (FY) 2023 management and performance challenges directly relate to the U.S. Consumer Product Safety Commission's (CPSC) mission of "Keeping Consumers Safe" and address both the strategic goals and cross-cutting priorities which support the CPSC's mission. The end of fulltime telework and the implementation of a "hybrid work environment" have compounded existing challenges related to the internal controls over the management and measurement of the performance of the agency. These issues are addressed across the management challenges listed below rather than as a standalone challenge. Based on our work in FY 2022, it appears that the CPSC has made some progress in its efforts to establish an appropriate "tone at the top," to implement an effective internal control system over agency operations, and to resolve past OIG recommendations. The FY 2023 management and performance challenges are:

1. Internal Control System
2. Enterprise Risk Management
3. Resource Management
4. Information Technology Security

These four topics represent what the Inspector General considers to be the most important and continuing challenges to agency operations. They have remained unchanged for the past several years. In part, this may be due to the fundamental nature of management challenges. It may also be due to the CPSC's failure to adequately address these challenges. Some are likely to remain challenges from year to year, while others may be removed from the list as progress is made toward resolution. Challenges do not necessarily equate to problems; rather, they should be considered areas most deserving of continuing focus for CPSC management and staff.

Change brings both challenges and opportunities. The challenges we identified speak to both the foundation of agency operations - internal controls - as well the ability of the CPSC to manage risk and respond to changes inside and outside of its operating environment.

Below is a brief discussion of each management and performance challenge along with examples of management's efforts to address each, as well as links to the OIG's completed work and information on planned work related to the CPSC's management and performance challenges.



## 1. INTERNAL CONTROL SYSTEM

An agency's internal control system is a process used by management to help the organization achieve its objectives, navigate change, and manage risk. A strong internal control system provides stakeholders with reasonable assurance that operations are effective and efficient; the agency uses reliable information for decision-making; and the agency is compliant with applicable laws and regulations.

Federal standards for internal controls are established in Office of Management and Budget's (OMB) Circular A-123 (A-123), *Management's Responsibility for Enterprise Risk Management and Internal Control*.<sup>1</sup> In 2016, A-123 was updated to reflect the most recent edition of Government Accountability Office, *Standards for Internal Control in the Federal Government*<sup>2</sup> (Green Book), and the internal control requirements of the Federal Managers' Financial Integrity Act (FMFIA).

The Green Book provides managers criteria for designing, implementing, and operating an effective internal control system. The Green Book defines controls and explains how components and principles are integral to an agency's internal control system.

The CPSC has made progress in resolving some internal control findings and recommendations identified by this office. The OIG acknowledges management's work:

- initiating a review and revision of its directive system
- providing training to senior managers on their responsibilities regarding the statement of assurance process
- attempting to increase the resources dedicated to improving agency internal control by requesting three new employees for this purpose in the FY 2023 budget justification

This management challenge aligns with CPSC's cross-cutting priority, Operational Excellence, which supports all four agency strategic goals by developing an effective administrative management foundation to support agency operations.

<sup>1</sup> [https://www.whitehouse.gov/wp-content/uploads/legacy\\_drupal\\_files/omb/memoranda/2016/m-16-17.pdf](https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/memoranda/2016/m-16-17.pdf)

<sup>2</sup> <https://www.gao.gov/greenbook>



The CPSC reports its overall compliance with the requirements of OMB A-123 and FMFIA through the Chairman's Statement of Assurance (SOA) published annually in the Agency Financial Report. For years, the CPSC has asserted that it had effective internal controls over all programs and complied with applicable laws and regulations. These assertions were made based on the results of signed statement of assurance made by management officials affirming that there were effective internal controls in place in the offices for which they were responsible. As demonstrated in the Report of Investigation Regarding the 2019 Clearinghouse Data Breach, numerous management officials made those affirmations despite knowing that the assertions they were making regarding the status of internal controls in their offices were not true.

The CPSC's problems with internal controls extend beyond the SOA process. As detailed in our Audit of the CPSC's Implementation of FMFIA for FYs 2018 and 2019, the CPSC has not established and implemented a formal internal control program over its operations. Additionally, there is a misalignment between how the CPSC identifies programmatic or operational activities, how it measures the performance of these activities, and how it reports these activities.

***" . . . the CPSC has not established and implemented a formal internal control program over its operations."***

Similarly, the Review of National Electronic Injury Surveillance System Data (NEISS) Program determined that the NEISS program did not have an adequate data governance program in place to ensure data quality. Additionally, the CPSC could not provide documentation to establish that a legal opinion was obtained before the CPSC expanded the NEISS program to include data on injuries outside of the CPSC's jurisdiction. Finally, the CPSC could not provide sufficient documentation to support estimated costs charged to other federal agencies as required by the Economy Act when using Interagency Agreements.

A fundamental weakness in the CPSC's internal control system has been the agency's failure to develop and maintain an up-to-date set of written policies and procedures. This problem, first documented over three years ago in our Audit of the CPSC's Directives System, has to date not been adequately addressed. However, on September 21, 2022, the General Counsel announced that, at the initiative of the Chair, the CPSC was embarking on a new effort to review and revise its directives system. This



represents a key potential change in the management of the agency. However, in the past, numerous offices have resisted agency efforts to require them to update their directives and, to date, entirely too many areas of agency operation are either governed by out-of-date directives or lack formal written guidance entirely.

Historically, a recurring challenge at the CPSC, and one which has compounded the difficulty in adequately addressing the CPSC's other internal control deficits, has been the "tone at the top" of the agency. Senior management officials have repeatedly failed to hold employees accountable for failing to maintain standards. A notable example is the above described "pencil whipping" of statements of assurance. Despite clear evidence that management officials demonstrated a lack of integrity and failed to carry out their duties, agency management elected not to take disciplinary action against the responsible officials. When the CPSC has taken disciplinary action, it has all too often not been proportional to the offense and has failed to create deterrence against similar future misconduct.

The CPSC's failure to take appropriate disciplinary action against the employee responsible for its FY 2014 Antideficiency Act (ADA) violation may well have contributed to its subsequent FY 2019 ADA violation. The perpetrator of the FY 2014 ADA violation admitted to working during the government shutdown despite receiving a written order from the Executive Director ordering him not to do so. Despite his admission to a willful violation of the Antideficiency Act and insubordination, he received no substantive disciplinary action.<sup>3</sup> The agency's failure to both take appropriate disciplinary action and to publicize the violation and its consequences within the agency appear to have played a role in the FY 2019 ADA violation, which again, involved a CPSC employee working during the government shutdown contrary to written order and without legal authority. There is new senior leadership at the CPSC and we are hopeful that there will be improvements in these areas.

As noted above, the OIG has found serious issues related to internal control deficiencies in a number of areas, however, these problems are almost exclusively limited to operational programs. The financial programs, with the notable exception of recent issues related to the purchase card program, generally have good internal controls.

Recently completed OIG work related to this CPSC cross-cutting priority includes the: Report of Investigation Regarding the 2019 Clearinghouse

<sup>3</sup> The discipline in question consisted of a "reprimand."



Data Breach, Audit of the CPSC's Grants Program, Report on the Evaluation of the CPSC's Compliance with PIIA for FY 2021, Evaluation of the CPSC's Federal Information Security Modernization Act (FISMA) Implementation for FY 2022, Audit of the CPSC's Implementation of FMFIA for FYs 2018 and 2019, and Review of National Electronic Injury Surveillance System Data Program. Ongoing or upcoming OIG work in this area includes the FY 2022 Financial Statement Audit, the Import Surveillance Audit, and the Evaluation of the CPSC's FISMA Implementation for FY 2023.

## 2. ENTERPRISE RISK MANAGEMENT

Risk is the effect of uncertainty on agency operations. An effective Enterprise Risk Management (ERM) approach is necessary to identify, prioritize, and mitigate the impact of this uncertainty on the agency's overall strategic goals and objectives. ERM is a proactive approach that allows agency management to assess threats and opportunities that could affect the achievement of its goals. ERM assists management in striking a thoughtful balance between the potential benefits of innovation and the threats that change can bring. There are multiple frameworks developed by well-regarded independent oversight entities that are designed to facilitate the implementation of an effective ERM program. Most recommend organizations do the following:

- align ERM to mission objectives
- identify risks
- assess risks
- select risk responses
- monitor risks
- communicate and report on risks as conditions change

The 2016 update to OMB A-123 emphasized the importance of having an appropriate risk management process for every federal agency. The guidance includes a requirement that agencies annually develop a risk profile which supports their strategic plan. OMB A-123 requires that the CPSC's risk assessment in the risk profile be discussed each year as part of the agency's strategic review and used to inform planning efforts.

We note that the CPSC has experience using a risk-based methodology for its research and inspection operations. As noted last year, the Office of Financial Management, Planning, and Evaluation has begun work on a risk assessment process for the agency as a whole. However, due to a



lack of resources and support by senior management, very little progress has occurred in this area. We encourage the agency to properly resource and expand these risk management efforts to include its support operations and to allocate resources to the areas of greatest opportunities for improvement in agency programs.

This management challenge aligns with the CPSC's cross-cutting priority, Data Collection and Analysis, which supports all four agency strategic goals by focusing on the collection and use of high-quality data to shape program strategies and prioritize program activities.

Perhaps nowhere was the CPSC's deficits in integrating ERM into its operations clearer than in its decision to remove inspectors from the nation's ports for a prolonged period at the beginning of the pandemic. A mature ERM process would have allowed for a more nuanced approach which would have better balanced the risks to inspectors against the safety of American consumers.

The CPSC's weaknesses in applying the principles of ERM and the resulting negative impact on the CPSC's ability to implement internal controls have been repeatedly noted in past FISMA reviews, including the Evaluation of the CPSC's FISMA Implementation for FY 2022, the Audit of the CPSC's Grants Program, and the Report of Investigation Regarding the 2019 Clearinghouse Data Breach.

The OIG will continue to address ERM as part of its statutory audits and as a component in other planned engagements. An assessment of the CPSC's ERM program as a whole has been included on the OIG's annual audit plan; however, it is unclear if the agency's program is sufficiently mature to be auditable.

### 3. RESOURCE MANAGEMENT

This challenge relates to management's stewardship of its resources including human capital, agency funds, and agency assets. This challenge has been exacerbated by uncertainty over agency funding levels. The agency planned for but did not receive a substantial increase in agency funding last year. Its current planning is based on what appears to be an overly optimistic expectation of future funding. Further, the agency's internal budgeting and performance management processes are less than



fully transparent. For example, there are issues related to the calculations used to verify operating costs and performance measures. This complicates efforts to establish program effectiveness, appropriate staff levels, and make determinations regarding the optimal mix of work performed “in house” and work that is contracted out. This complicates the duties of both oversight officials (commissioners, congress, etc.) and agency office heads.

The agency needs to assess whether it currently has the right personnel for the mission and is providing the right training, tools, structure, and incentives to achieve operational success. Management must continually assess the agency’s needs regarding knowledge, skills, and abilities so that the agency can be effective now and prepare for the challenges of the future. These challenges are complicated by the internal control issues addressed previously and have been heightened by the transition from fulltime telework during the pandemic to a hybrid workplace.

The CPSC must develop and operate financial management systems to provide senior management with timely and accurate information so decision makers understand how financial resources are allocated to agency projects. Agency spending should accurately reflect the policy priorities of the Commission.

The CPSC needs to implement policies and procedures to secure and safeguard vulnerable assets. Vulnerable assets include physical property and data the agency collects and uses to analyze potential harm to consumers. The CPSC should have adequate policies and procedures in place to safeguard data from unauthorized release and physical assets from misappropriation.

As part of resource management, the agency must incorporate potential improvements to agency operations such as those described in government-wide directives and OIG recommendations to improve the efficiency and effectiveness of CPSC’s mission-related safety operations.

Historically, insufficient resources were allocated to implementing OIG recommendations with which the agency had already concurred. This leads to the continuation of problems that have already been identified and that management has already agreed to address. This is an area in which the agency has recently shown great improvement. In FY 2022, 67 recommendations were closed, as opposed to 20 in FY 2021. This improvement appears to have been largely driven by the new Chair’s emphasis on closing recommendations and new agency reporting

requirements contained in the FY 2022 Operating Plan.

In order to properly incentivize management officials, the agency should explicitly take into account the successes and failures of its Senior Executive Service (SES) members and other staff responsible for addressing OIG recommendations in their performance appraisal and performance-based award systems. This would create both a financial incentive and a record of individual senior managers' efforts to implement OIG recommendations. We note the CPSC has indicated that it has included an element in all SES performance reviews regarding actions taken to address findings made by the OIG. However, it is our understanding that no attempt is made to measure the success or validity of those actions. Instead, credit is given if any action to close the recommendations can be demonstrated.

Implementing existing recommendations designed to improve human capital, financial management, and the protection of assets will allow the CPSC to be more efficient and avoid future costs. Effective resource management will allow the CPSC to be agile while responding to change and support overall agency success.

In FY 2022, the OIG presented, and agency management concurred with, 55 recommendations. There are a total of 151 open recommendations. A number of these recommendations, all of which were determined to be meritorious by agency management, are over nine years old.

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, focused on enhancing resource management.

Recently completed OIG work related to this CPSC goal and cross-cutting priority includes the: Audit of the CPSC's Grants Program, Report of Investigation Regarding the 2019 Clearinghouse Data Breach, Audit of the Consumer Product Safety Commission's Fiscal Year 2021 Financial Statements, The Office of Inspector General's Survey on the Transition to Mandatory Fulltime Telework, Independent Risk Assessment of the CPSC's Charge Card Programs, and the Results of the OIG's Survey on Returning to the Workplace.





The statutory audits and reviews related to financial statements, FISMA, and Payment Improvement Integrity Act address this challenge annually. In addition to the statutorily required audits and reviews, the OIG has ongoing work in the area of Human Capital Management Practices. This evaluation focuses on human capital management. One of the reasons we chose to initiate the human capital evaluation was due to complaints we received from senior management officials that the CPSC was not making full use of flexibilities available to aid in the recruitment and retention of hard-to-fill positions such as in information technology (IT) and other specialized fields.

#### **4. INFORMATION TECHNOLOGY SECURITY**

In IT, there is competition for the resources required to maintain current systems and the resources required to develop new tools and systems. Additionally, there is competition for resources necessary to meet mission initiatives and resources required to address the ever-evolving IT security environment. As this office has expressed before, and the agency also noted, the CPSC will not be able to meet current and future demands with its current IT resources. The agency will need to reassess the balance between allocating resources to new systems versus securing and maintaining legacy systems. This challenge is not unique to the CPSC.

A challenge that is unique to the CPSC is the degree of turnover that has taken place amongst senior IT officials in FY 2022. There has been turnover in three of the four most key IT security positions in the agency, including that of the Chief Information Officer. As of the writing of this report, the CPSC has not found permanent replacements for any of these positions.

The Evaluation of the CPSC's FISMA Implementation for FY 2022 found that the CPSC continues to make progress in implementing the FISMA requirements. For example, the CPSC had:

- begun implementing a corrective action plan for the Federal Managers' Financial Integrity Act audit report that will integrate ERM as part of the CPSC's development and review of internal control over IT and other programs
- established a Change Control Board Charter which formalized the roles and responsibilities of the Change Control Board members



- migrated to a new Security Event and Incident Management tool to improve log aggregation and alerting, as well as to improve integration with the CPSC's other incident response tools
- utilized profiling techniques to baseline expected activities on its networks and systems, so that it can more effectively detect security incidents and meet performance metrics

However, despite these improvements, we determined that the CPSC still had not implemented an effective information security program in accordance with FISMA requirements. The CPSC has not implemented an effective program because the CPSC has not taken a formal approach to information security risk management and has not prioritized its limited resources to addressing FISMA requirements and the related recommendations. The National Institute of Standards and Technology (NIST) provides guidance to federal agencies on establishing effective information security programs. This guidance postulates that establishing effective governance and a formalized approach to information security risk management is the critical first step to achieving an effective information security program. To date, the CPSC has not taken this first step.

***“... establishing effective governance and a formalized approach to information security risk management is the critical first step to achieving an effective information security program. To date, the CPSC has not taken this first step.”***

The IT challenges currently facing the CPSC include evolving threats, increasingly sophisticated attacks including state-sponsored attacks, and new compliance requirements. These challenges are further complicated by the agency's move to a remote work environment. This environment was originally adopted to deal with the pandemic and continues as the CPSC transitions to a hybrid work environment.

Over the years, this office has identified several security weaknesses in the CPSC's information security internal control policies, procedures, and practices that remain unremediated. These conditions have resulted in the unauthorized disclosure of sensitive information and could result in the unauthorized modification or destruction of data and inaccessibility of services and information required to support the mission of the CPSC.



This management challenge aligns with the CPSC's cross-cutting priority, Information Technology, which supports all four agency strategic goals by addressing the role of information technology as an integral tool to meet agency objectives.

Recently completed OIG work related to this CPSC cross-cutting priority includes the: Evaluation of the CPSC's FISMA Implementation for FY 2022, Evaluation of the CPSC's NIST Cybersecurity Framework Implementation, Report of Investigation Regarding the 2019 Clearinghouse Data Breach, Report on the Penetration and Vulnerability Assessment of the CPSC's Information Technology Systems, and Audit of the Consumer Product Safety Commission's Fiscal Year 2021 Financial Statements.

In addition to the statutorily required audits and reviews, the OIG is either in the process of assessing or has planned work related to this CPSC cross-cutting priority in the areas of enterprise architecture, and penetration testing.



## CONCLUSION

As discussed above, the CPSC faces a number of serious management and performance challenges. If left unaddressed, these have the potential to create significant weaknesses and vulnerabilities that could greatly impact agency operations or strategic goals. However, there is reason for optimism.

FY 2022 brought the CPSC new senior leadership in several key positions; and there seems to be greater comity between commissioners than in the recent past. Indeed, current senior agency management, both career and political, appear more willing to address the challenges facing the CPSC, by implementing OIG recommendations and in other ways, than their predecessors.

However, much work remains to be done. Moving forward, leadership must do a better job of setting high standards for employees' conduct and performance, measuring program effectiveness, and optimizing the use of limited resources.





For more information on this report please contact us at [CPSC-OIG@cpsc.gov](mailto:CPSC-OIG@cpsc.gov)

To report fraud, waste, or abuse, mismanagement, or wrongdoing at the CPSC go to [OIG.CPSC.GOV](http://OIG.CPSC.GOV) or call (301) 504-7906

Office of Inspector General, CPSC, 4330 East-West Hwy., Suite 702, Bethesda, MD. 20814

## Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0

Summary of Management Assurances						
<i>Effectiveness of Internal Control over Operations (FMFIA § 2)</i>						
Statement of Assurance	Modified					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Unauthorized Disclosure	1	0	1	0	0	0
<b>Total Material Weaknesses</b>	1	0	1	0	0	0
<i>Effectiveness of Internal Control over Reporting (FMFIA § 2)</i>						
Statement of Assurance	Unmodified					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
	0	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0	0
<i>Conformance with Federal Financial Management System Requirements (FMFIA § 4)</i>						
Statement of Assurance	Systems conform to financial management system requirements					
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
	0	0	0	0	0	0
<b>Total Nonconformance</b>	0	0	0	0	0	0

## Payment Integrity Information Act Reporting

To improve the integrity and accuracy of the federal government's payments, in 2002, Congress enacted the Improper Payments Information Act (IPIA) (Pub. L. No. 107-300) and the Recovery Audit Act (Pub. L. No. 107-107). In 2010, these statutes were amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. L. No. 111-204), which later was supplanted by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; Pub. L. No. 112-248). In March 2020, the Payment Integrity Information Act of 2019 (PIIA; Pub. L. No. 116-117) was enacted; it reorganized and revised the existing improper payment statutes.

The PIIA requires agencies to improve the quality of oversight for high-dollar and high-risk programs, and it mandates that agencies share data regarding recipient eligibility and payment amounts. For more detailed information on improper payments and prior years' reporting, please visit the following link: <https://paymentaccuracy.gov/>.

The CPSC is dedicated to continuing to strengthen its improper payments program to ensure that payments are justifiable and processed correctly and efficiently. The program utilizes an

experienced and trained staff, a financial management system designed with control functions to mitigate risks, and an internal analysis of processes and transactions. The CPSC strives to comply with OMB Memorandum M-19-21, which revised Appendix C in OMB Circular No. A-123, *Requirements for Payment Integrity Improvement*.

The CPSC reviews transactions to identify improper payments and differentiate between improper payments resulting from payment processing errors, where there was no monetary loss to the taxpayer, and improper payments that resulted in a monetary loss to the taxpayer and require payment recapture. The FY 2022 analysis did not evidence significant improper payments resulting in monetary loss to the taxpayer.

### Review of Program Activities in FY 2022

The CPSC assesses payments reporting for two program activities: Payroll and Non-Payroll.

### Payment Reporting & PIIA Noncompliance Findings

The FY 2021 PIIA review, issued by the OIG in May 2022, found that the CPSC is in compliance with OMB Memorandum M-21-19.

Results of the FY 2022 CPSC payments review are as follows:

**Table 1: Payment Analysis (In Dollars)**

Program/Activity	\$ Proper Payments	% Proper	\$ Improper Payments	% Improper	Federal Agency That Made the Payment(s)	Type of Improper Payment	Root Cause
Payroll	\$ 97,403,905	100%	\$ -	0%	CPSC	N/A	N/A
Non-Payroll	\$ 44,066,244	99%	\$ 0.60	0.03%	CPSC	Underpayment	Administrative processing errors
			\$ 7,124	0.04%		Overpayment	Administrative processing errors
			\$ 1,263	0.03%		Overpayment	Statutory threshold not met

**Table 2: Recapture of Payments (In Dollars)**

Activity Name	2022 Identified Amount	2022 Recovered Amount	2022 Unrecovered Amount	2021 Unrecovered Amount
Payroll	\$ -	\$ -	\$ -	\$ -
Non-Payroll	\$ 8,387	\$ -	\$ 8,387	\$ -

### Recapture of Improper Payments

The PIIA (also refer to 31 U.S.C. § 3352) requires agencies to conduct payment recapture audits (also known as recovery audits) for each program or activity that expends \$1 million or more annually, if conducting such audits would be cost effective. A payment recapture audit is a detective and corrective control activity designed specifically to identify and recapture overpayments. The CPSC conducted a cost-benefit analysis of two alternatives for payment recapture audits—exploring the use of federal staff versus contract staff. Neither alternative was cost effective to pursue a payment recapture audit based on the root cause and nature of the improper payments. Management informed OMB and the IG of the analysis and decision.

Although the CPSC concluded that payment recapture audits are not cost effective, the agency identifies self-reported improper payments as noted above in the overpayment disclosure.

For FY 2022, the agency identified an underpayment and overpayments related to administrative processing errors. The agency has set up receivable amounts and is working with vendors to recapture and correct these improper payments. Furthermore, the agency has identified improper payments that were overpayments related to statutory requirements not being met. These improper payments resulted in violations of the Antideficiency Act with the annual appropriation funding. These violations are currently under factual investigation and legal review. The violations do not have a material impact on the financial statements reported as of September 30, 2022.

The CPSC will continue to collect and resolve improper payments through existing financial procedures, including pre-audit of travel reimbursements, internal control review activities, internal and external audits, training of CPSC staff, and debt collection, as necessary.

### Do-Not-Pay Initiative

The CPSC is cross-serviced by U.S. Treasury's ARC with accounting system support and accounts payable processing. Implementation of the Do-Not-Pay (DNP) initiative is a joint responsibility of the CPSC and ARC.

The CPSC strives to maintain integrity of its financial management and reporting through

preventing, identifying, and reducing improper payments. An important component of the effort is integration of the DNP Business Center's processes into CPSC's existing processes. ARC uses the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment ARC's data analytics capabilities.

The CPSC follows pre-enrollment, pre-award, and pre-payment processes for all acquisition and financial assistance awards. Pre-enrollment procedures include cross-referencing applicants against the General Services Administration's (GSA) System for Award Management (SAM) Exclusion records.

The CPSC also reviews federal and commercial databases to verify past performance, federal government debt, integrity, and business ethics. As part of the pre-award process, before entering into an agreement, the CPSC requires recipients of financial assistance to verify that entities with whom they transact are not excluded from receiving federal funds. For pre-payment processes, ARC verifies an entity against both SAM and the Internal Revenue Service's (IRS) On-line Taxpayer Identification Number (TIN) Matching Program before establishing the vendor in the core financial accounting system.

Using the DNP Business Center helps the CPSC with improving the quality and integrity of information within the financial system. ARC engages the DNP Analytics services to match vendor records with the Death Master File.<sup>10</sup> The review identifies high-risk vendor records possibly associated with deceased individuals, and the review also enables ARC to classify the vendor records into risk-based categories for further evaluation. ARC deactivates the highest-risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

The CPSC performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. The monthly process verifies payee information against internal sources, reviews databases within the DNP Business Center, and confirms whether the CPSC applied appropriate business rules when making payments. Based on the reviews from DNP and SAM Exclusions list from October 1, 2021 through September 30, 2022, no errant payments were identified.

<sup>10</sup> The Social Security Administration's [Death Master File](#) (DMF) is a publicly available database containing death

notices for individuals enrolled in the U.S. Social Security program since 1936.



## Civil Monetary Penalty Adjustment for Inflation

In 1990, Congress enacted statutory amendments to adjust the maximum civil penalty amounts authorized under the Consumer Product Safety Act (CPSA), the Federal Hazardous Substances Act (FHSA), and the Flammable Fabrics Act (FFA). On August 14, 2008, the Consumer Product Safety Improvement Act of 2008 (CPSIA) increased the maximum civil penalty amounts to \$100,000 for each violation and \$15,000,000 for any related series of violations. The CPSIA tied the effective date of the new amounts to the earlier of these dates: the date on which final regulations are issued; or 1 year after August 14,

2008. The new amounts became effective on August 14, 2009. The CPSIA also revised the start date from December 1, 1994 to December 1, 2011 and designated December 1 of each fifth calendar year, thereafter, on which the Commission must prescribe and publish in the *Federal Register* the schedule of maximum authorized penalties. On December 1, 2021, the CPSC published the increased maximum authorized civil penalty amounts of \$120,000 for each violation and \$17,150,000 for any related series of violations.\*

Statutory Authority	Penalty Name and Description	Year Enacted	Latest Year of Adjustment (via statute or regulation)	Current Penalty	Agency Name	Location for Penalty Update Details
15 U.S.C. 2069(a)(1), 1264(c)(1), and 1194(e)(1)	Consumer Product Safety Improvement Act of 2008 (CPSIA)	2008	Adjusted in 2021 for violations that occur after January 1, 2022	Maximum of \$120,000 for each violation and maximum of \$17,150,000 for any related series of violations.	CPSC	* <a href="#">Civil Penalties; Notice of Adjusted Maximum Amounts, 86 Fed. Reg. 68244 (Dec. 1, 2021)</a> ; <a href="#">Civil Penalties; Notice of Adjusted Maximum Amounts; Correction, 86 Fed. Reg. 70831 (Dec. 13, 2021)</a>

## Grants Programs

The CPSC has one grants program—the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) grant program, which awards funding to subrecipients.

The summary table below shows the number of awards and balances for which closeout has not yet occurred, but for which the period of

performance has elapsed by 2 years or more before September 30, 2022.

The CPSC does not have any current grants or cooperative agreements exceeding closeout for 2 years or more before September 30, 2022.

Category	2 – 3 Years	4 – 5 Years	More than 5 Years
Number of Grants/ Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants/ Cooperative Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances	0	0	0

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**Appendix A: Performance Measurement Reporting Process**  
Provides a brief description of the performance reporting framework

**Appendix B: Statutory Authority**  
Provides a listing of federal statutes administered by the CPSC

**Appendix C: Acronym Listing**  
Defines acronyms cited in the report. Lists acronyms in alphabetical order.



*Photo above from the AnchorIt! Campaign*

## Appendix A: Performance Measurement Reporting Process

The Annual Performance Plan (APP), in conjunction with the [FY 2022 President's Budget Request to Congress](#), includes performance measures with annual targets that are used for tracking progress toward achieving the strategic goals and objectives of the Agency's *2018-2022 Strategic Plan*.

During each new cycle of development of the APP, CPSC's functional components are encouraged to review their performance measures to ensure that they still adequately measure progress toward the strategic objectives and program outcomes, and, as needed, propose changes to improve their performance measures. The functional components are also encouraged to set aspiring annual targets for their performance measures to improve program performance. The progress against their established targets is tracked and monitored quarterly, where the functional components are responsible for reporting actual progress for each performance measure in an internal agency database. A summary of the FY 2022 performance year-end results is presented on pages 4 – 5 of this report, and the detailed performance results will be published in the FY 2022 APR, scheduled for February 2023, which will be posted to the Agency's website at: [www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget](http://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget).

### Verification and Validation of Performance Data

The CPSC requires complete, accurate, and reliable performance data to assess agency progress toward its strategic objectives and performance goals, and to make good management decisions. The CPSC's approach to verification and validation (V&V) of performance data, intended to improve accuracy and reliability, is based upon the following:

1. The agency develops performance measures through its strategic planning and annual performance planning processes.
2. The CPSC's functional components follow a standard reporting procedure to document detailed information for each performance measure in an internal agency database. This information includes, but is not limited to:
  - performance measure definition,
  - rationale for the performance measure,
  - source of the data,
  - data collection and computation methods, and
  - data limitations.
3. The agency's major assessable units (AU) are responsible for assessing the completeness, consistency, timeliness, and quality of the data for their key performance measures, as well as identifying any data limitations. Managers of major functional components who are responsible for reporting key measures certify that procedures for ensuring performance data quality have been followed, and they also certify that the reported results are reasonably complete, accurate, and reliable.
4. In addition to the self-assessments and certification statements completed by major functional components' managers, year-end results for key performance measures are reviewed by the Office of Financial Management, Planning and Evaluation (EXFM) team and approved by Management before they are published in Agency documents. Furthermore, EXFM also conducts an in-depth V&V review of each key performance measure within a 2-year cycle, following established operating procedures. In FY 2022, EXFM selected 10 key performance measures out of 24 from across the agency's major functional components for its independent assessment of the accuracy of the year-end reported performance results.
5. The CPSC also conducts periodic Strategic Data Review meetings, where managers of major functional components analyze progress toward performance measure targets and broader progress toward achieving the agency's strategic objectives and performance goals. Program risks are also discussed, and mitigation strategies are developed.
6. Managers of assessable units within the CPSC also submit annual letters of assurance on the operating effectiveness of general- and program-level internal controls for their areas of responsibility. Those letters identify any known deficiencies or weaknesses in program-level internal controls where they exist, including any issues with the quality of program data.

These procedures help to provide assurance that performance data reported by the agency are sufficiently complete, accurate, and reliable, as appropriate to intended use, and that internal controls are maintained and functioning, as intended.

## Appendix B: Statutory Authority

Listed below are the principal federal statutes administered by the CPSC. Links to these statutes are available on the CPSC's website at: [www.cpsc.gov/Regulations-Laws--Standards/Statutes](http://www.cpsc.gov/Regulations-Laws--Standards/Statutes) under *Regulations, Laws & Standards*.

Child Nicotine Poisoning Prevention Act of 2015 (CNPPA)

Child Safety Protection Act (CSPA)

Children's Gasoline Burn Prevention Act (CGBPA)

Consumer Product Safety Act (CPSA)

Consumer Product Safety Improvement Act of 2008 (CPSIA), as amended

Drywall Safety Act of 2012 (DSA)

Flammable Fabrics Act (FFA)

Federal Hazardous Substances Act (FHSA)

Labeling of Hazardous Art Materials Act (LHAMA)

Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022

Poison Prevention Packaging Act (PPPA)

Portable Fuel Container Safety Act of 2020 (15 U.S.C. § 2056d)

Refrigerator Safety Act (RSA)

Reese's Law (Pub. L. No. 117-171)

Safe Sleep for Babies Act of 2021 (SSBA)

Virginia Graeme Baker Pool and Spa Safety Act (VGB Act)

## Appendix C: Acronym Listing

AFR	Agency Financial Report
ADA	Antideficiency Act
AGA	Association of Government Accountants
AI	Artificial Intelligence
APR	Annual Performance Report
ARC	Administrative Resource Center
ARPA	American Rescue Plan Act of 2021
AU	Assessable Unit
BAR	Budget Accrual Reconciliation
CAP	Corrective Action Plan
CBP	U.S. Customs and Border Protection
CDC	Centers for Disease Control and Prevention
CEAR	Certificate of Excellence in Accountability Reporting
CISA	Cybersecurity and Infrastructure Security Agency
CO	Carbon Monoxide
CPSA	Consumer Product Safety Act
CPSC	U.S. Consumer Product Safety Commission
CPSIA	Consumer Product Safety Improvement Act of 2008
CRO	Cumulative Results of Operations
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
DNP	Do-Not-Pay
DOI	U.S. Department of Interior
DOL	U.S. Department of Labor
DOT	U.S. Department of Transportation
ERM	Enterprise Risk Management
eSAFE	eCommerce, Surveillance, Analysis, Field, and Enforcement
EXFM	Office of Financial Management, Planning and Evaluation
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefits
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FEVS	Federal Employee Viewpoint Survey
FFA	Flammable Fabrics Act
FHSA	Federal Hazardous Substances Act
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act of 1982
FOIA	Freedom of Information Act
FR	Final Rule
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GPE	General Property and Equipment
GSA	General Services Administration
HQ	Headquarters
IFS	Integrated Field System
IoT	Internet of Things
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IT	Information Technology
KEV	Known Exploited Vulnerabilities
KM	Key Performance Measure

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LHAMA	Labeling of Hazardous Art Materials Act
MD&A	Management Discussion and Analysis
NEISS	National Electronic Injury Surveillance System
NNI	National Nanotechnology Initiative
NPR	Notice of Proposed Rulemaking
NPTEC	National Product Testing and Evaluation Center
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act
PPA	Prompt Payment Act
PPE	Property, Plant, and Equipment
RSI	Required Supplementary Information
SAM	System for Award Management
SBO	Small Business Ombudsman
SBR	Statement of Budgetary Resources
SNC	Statement of Net Costs
SSAE 18	Statement on Standards for Attestation Engagements No. 18
SSF	Sample Storage facility
TIA	Tenant Improvement Allowance
TIL	Tenant Improvement Liability
TIN	Taxpayer Identification Number
TSP	Thrift Savings Plan
VGB Act	Virginia Graeme Baker Pool and Spa Safety Act
V&V	Verification and Validation





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