United States
Consumer Product Safety Commission

Agency Financial Report

FISCAL YEAR 2023 | FEBRUARY 1, 2024

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About CPSC

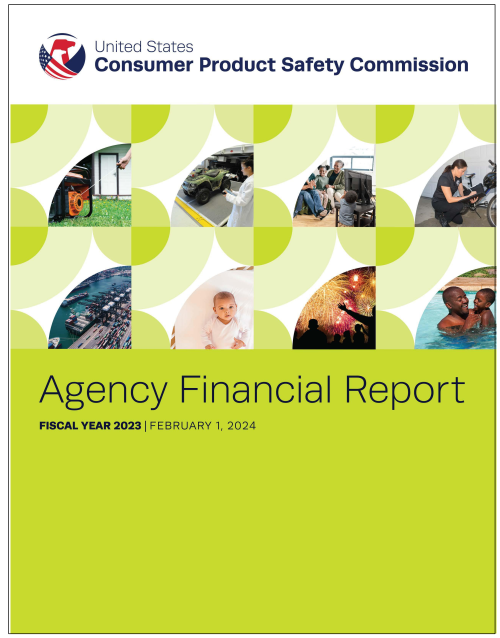
The U.S. Consumer Product Safety Commission (CPSC) is an independent federal regulatory agency, created in 1972 by the Consumer Product Safety Act (CPSA). In addition to the CPSA, as amended by the Consumer Product Safety Improvement Act of 2008 (CPSIA) and Pub. L. No. 112-28, CPSC administers the following laws, in chronological order: Flammable Fabrics Act; Refrigerator Safety Act; Federal Hazardous Substances Act; Poison Prevention Packaging Act; Labeling of Hazardous Art Materials Act; Child Safety Protection Act; Virginia Graeme Baker Pool and Spa Safety Act (VGB Act); Children's Gasoline Burn Prevention Act; Drywall Safety Act; Child Nicotine Poisoning Prevention Act; Portable Fuel Container Safety Act of 2020 (15 U.S.C. § 2056d); Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022 (Pub. L. No. 117–103, Division Q, Title II); Safe Sleep for Babies Act; Reese's Law (Pub. L. No. 117-171); imitation firearms provisions of Pub. L. Nos. 100-615 and 117-167; and the STURDY requirements of Pub. L. No. 117-328 (Division BB, Title II). In October 2022, CPSC celebrated its 50th anniversary of protecting the public from unreasonable risks of injury or death associated with the use of thousands of types of consumer products.

CPSC has jurisdiction over thousands of types of consumer products used in and around the home, in schools, for recreation, or in other settings. Although CPSC's regulatory purview is quite broad, several product categories regulated by other agencies are outside of CPSC's jurisdiction.[1] The Chair is the principal executive officer and head of the Commission, which convenes at meetings typically open to the public.

The photograph below shows the four members of the Commission at the close of the FY 2023 reporting period of October 1, 2022 through September 30, 2023. CPSC is a bipartisan commission that is authorized to have five Commissioners; however, one position was vacant for the majority of FY 2023. This was due to Dana Baiocco's departure from CPSC in early FY 2023; she served as Commissioner from June 1, 2018 to October 5, 2022. From left to right, the photograph shows Commissioner Peter A. Feldman, Chair Alexander Hoehn-Saric, Commissioner Richard L. Trumka Jr., and Commissioner Mary T. Boyle.

[1] Excluded product categories include automobiles, planes, and boats; alcohol, tobacco, and firearms; foods, drugs, cosmetics, and medical devices; and pesticides.

About this Report



The purpose of the U.S. Consumer Product Safety Commission’s FY 2023 *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 prepared in accordance with the requirements of 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: Includes 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, the federal statutes administered by CPSC, and a glossary of acronyms and abbreviations.

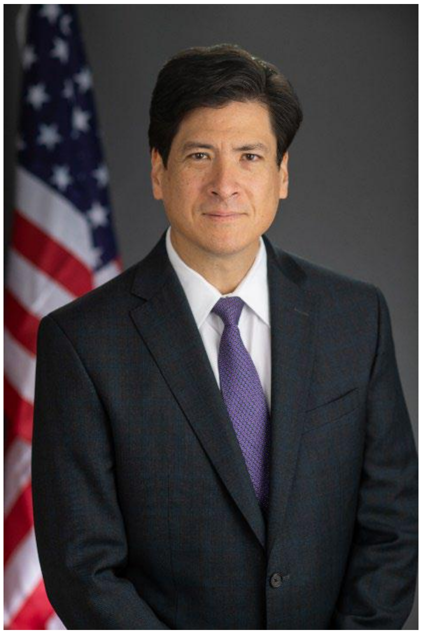
This report satisfies the reporting requirements of the following statutes:

- *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); and*
- *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*, CPSC produces the AFR, with a primary focus on reporting financial results, and it publishes the Annual Performance Report (APR) the following February,[2] with a primary focus on reporting performance results. Electronic copies will be available on CPSC’s website shortly after its publication: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/.

[2] CPSC’s FY 2023 APR is scheduled to be published concurrently with CPSC’s FY 2025 President’s Budget Request. The FY 2023 APR provides more detailed performance information and analysis of performance results.

Message from the Chair



I am pleased to present the U.S. Consumer Product Safety Commission's (CPSC) FY 2023 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.

When I joined CPSC at the beginning of FY 2022, which coincided with CPSC's celebration of its 50th year, I identified key priorities that would inform and guide my work as Chair: putting consumers first, modernizing the agency, and increasing consumer awareness of CPSC and our safety mission. In FY 2023, I continued to focus 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.

In FY 2023 (March 2023), the agency published its new 2023 – 2026 Strategic Plan. This FY 2023 AFR document aligns with the new Strategic Plan, where the three mission-oriented Strategic Goals from the prior Strategic Plan (Goals 2, 3, and 4) remain essentially the same, with some changes made to the Strategic Objectives and other elements under each Strategic Goal. For the new Strategic Plan, the *Workforce* Strategic Goal from the prior Strategic Plan was expanded to encompass more agency support functions, including financial management, human capital, legal affairs, and information technology. Over the past year, CPSC has demonstrably advanced each of our four key strategic goals, which are to:[3] *Prevent* hazardous products from reaching consumers; *Address* hazardous products in the marketplace and with consumers in a fast and effective manner; *Communicate* actionable information about consumer product safety quickly and effectively; and *Support* CPSC's mission efficiently and effectively. The progress is discussed briefly below and is highlighted throughout this report.

Goal 1: Prevent

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

During FY 2023, CPSC moved forward with multiple mandatory standards activities designed to ensure that products on the market are safe for consumers. In FY 2023, the Commission finalized a rule for adult portable bed rails to address entrapment hazards to vulnerable adults, a rule for button batteries to address battery ingestion injuries to children, a rule for furniture tip-overs to address injuries to children

[3] Please refer to CPSC's four Strategic Goals in the agency's new 2023 – 2026 Strategic Plan.

when dressers and other furniture tips over, a rule enacting bans of crib bumpers and inclined sleep products, and a rule addressing hazardous operating cords on stock window coverings. These and other safety rules – along with the many voluntary standards that CPSC staff collaborate on – provide clarity to industry and assurance to consumers that the products they purchase are safer.

CPSC also recognizes the vital importance of identifying and stopping hazardous imports. In FY 2023 the agency used American Rescue Plan Act (ARPA) funds to expand our presence at the ports of entry and to strengthen our systems for monitoring imported goods. CPSC staff screened more than 66,000 products at our borders for potential violations, of which more than 17,000 were from *de minimis* shipments, which are shipments costing $800 or less.

In addition to expanding our port presence and increasing corresponding testing capabilities at the National Product Testing and Evaluation Center, the agency continued using ARPA funds to advance 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 2023, CPSC continued its work to recruit hospitals with emergency departments in underserved communities and to move NEISS from a legacy platform to a web-based system using modern technology that is more secure and widely supported.

Goal 2: Address

When hazardous consumer products enter the marketplace, CPSC works to protect consumers in a fast and effective manner. In FY 2023, CPSC staff negotiated and implemented 313 recalls and worked to make those recalls easier for consumers to understand and utilize. This meant expanding mechanisms for firms to provide direct notice to consumers, free return shipping for consumers, and in-home fixes for products like furnaces and washer/dryer units.

When companies failed to issue an effective voluntary recall, CPSC's compliance staff acted to ensure that the safety of consumers is prioritized. In FY 2023, CPSC issued 26 warnings to the public about hazardous products when companies refused to agree to recall, more than it issued in the last five years combined. CPSC also entered final orders assessing nearly $52.4 million in civil penalties against companies that did not comply with our safety laws.

In addition, CPSC continued adapting its compliance and enforcement operations to address changing needs and to keep pace with the evolving marketplace, including expansion of the digital marketplace and emerging hazards that consumers are exposed to daily. Over the course of the year, CPSC expanded its eCommerce, Surveillance, Analysis, Field, and Enforcement (eSAFE) Team, which made more than 57,400 internet site takedown requests, helping CPSC address hazardous products on eCommerce platforms.

Goal 3: Communicate

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 programs to *Communicate* in FY 2023 is highlighted by achievements in digital advertising and social media activities. CPSC also conducted Native American public health outreach, featuring billboards and radio advertising on baby safety and carbon monoxide poisoning in targeted areas of the United States with large Native American populations. CPSC began translating recall news releases into Spanish language and launched a Spanish-language CPSC Facebook page. Combined with our social media activities, more than 23.8 million consumers engaged with the agency's content in FY 2023.

CPSC's efforts to reach consumers at the grassroots level also saw significant success. CPSC's Neighborhood Safety Network (NSN) is an online service that delivers life-saving safety messages and visual assets, particularly to underserved and hard-to-reach communities. The number of subscribers to NSN increased from 34,000 in FY 2022 to 123,500 in FY 2023, thanks to enhanced outreach, including a new pop-up on www.CPSC.gov. CPSC also saw growth in earned media coverage, exceeding its goal of top-tier media hits with 30 placements in national news outlets in FY 2023 on issues such as baby safety, furniture tip-over prevention, fireworks safety, and carbon monoxide poisoning.

Goal 4: Support

Consumer interests and CPSC's mission are best served when CPSC operates in an efficient, responsive, and transparent manner. Excellence in areas including information technology, financial management, human capital, diversity and equity, and legal affairs is vital to agency effectiveness. Over the past year, CPSC trained 99 percent of hiring managers on the recruitment process to achieve CPSC's strategic objective of attracting and recruiting a talented, diverse, and highly effective workforce. Additionally, CPSC's Federal Employee Viewpoint Survey (FEVS) was among the best that CPSC has ever had; including an increase in the Employee Engagement Index score by five percentage points, from 71 percent in FY 2022 to 76 percent in FY 2023. In terms of CPSC's contract spending, 31 percent was awarded to Small Disadvantaged Businesses, as set forth in OMB Memorandum M-22-03. CPSC's Office of the General Counsel reviewed and timely certified 100 percent of employee financial disclosure forms to support our ethical culture. The agency's IT networks were up and operational 99.5 percent of the time.

I would like to thank the Office of Inspector General and the audit team for their partnership and support during the FY 2023 annual audit of CPSC's financial statements. CPSC received a qualified opinion and acknowledges the three material weaknesses and one significant deficiency identified and will develop and implement remediation plans to address them. The agency takes its fiscal responsibilities seriously and continues to have a high degree of confidence in the integrity of CPSC financial operations and programs.

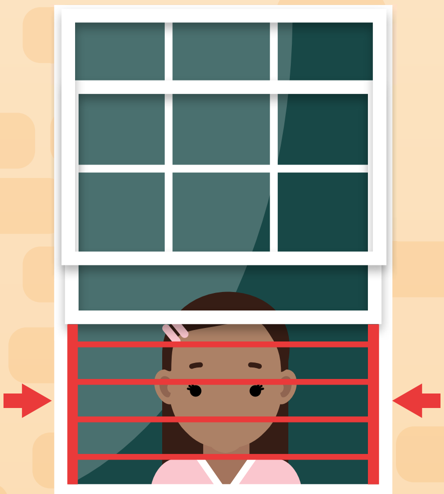
Thank you for taking the time to review our results. As CPSC begins its second half century of protecting the public from hazardous consumer products, I am proud of the work our Agency has done over the past year and look forward to building on it, with the support of my fellow Commissioners and the agency's talented staff, to tackle emerging safety challenges.

Alexander Hoehn-Saric
Chair
February 1, 2024

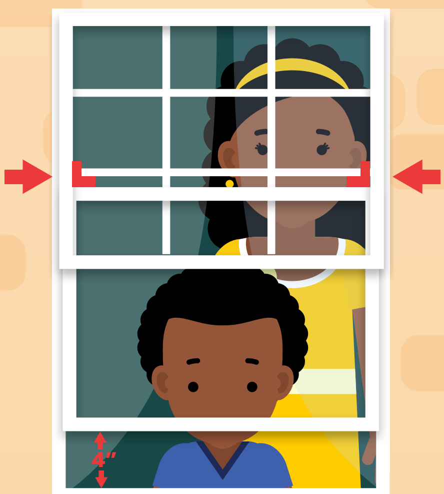
Fresh Air Must Come With Safety

Prevent Falls from Windows

Safeguard Your Children
Use Window Guards or Window Stops



Window Guards prevent children from falling out of windows.



Window Stops prevent windows from opening more than 4 inches.

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.**

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

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

CPSC's Mission and Organizational Structure

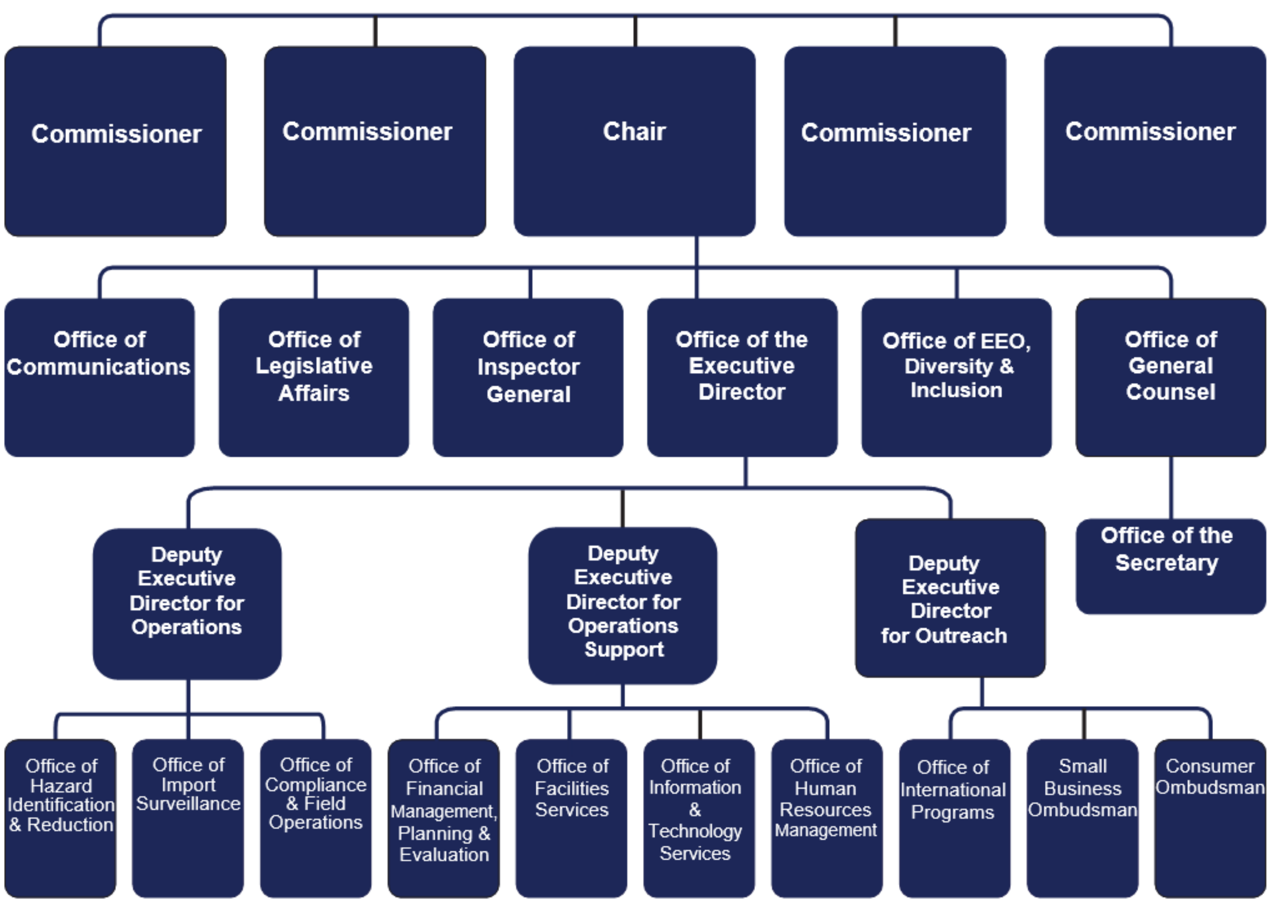
In FY 2023, CPSC published its new 2023–2026 Strategic Plan, which builds on the 2018–2022 Strategic Plan. As stated in the 2023–2026 Strategic Plan, CPSC's mission of "Protecting the public from hazardous consumer products" is grounded in the statutes that authorize the work of the agency, and the agency's overarching vision is: "A nation free from unreasonable risks of injury and death from consumer products." **Figure 1** shows the 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 they 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 strategies and 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

STRATEGIC GOAL 1: PREVENT Prevent hazardous products from reaching consumers	**STRATEGIC GOAL 2: ADDRESS** Address hazardous consumer products in the marketplace and with consumers in a fast and effective manner
STRATEGIC GOAL 3: COMMUNICATE Communicate actionable information about consumer product safety quickly and effectively	**STRATEGIC GOAL 4: SUPPORT** Efficiently and effectively support the CPSC's mission

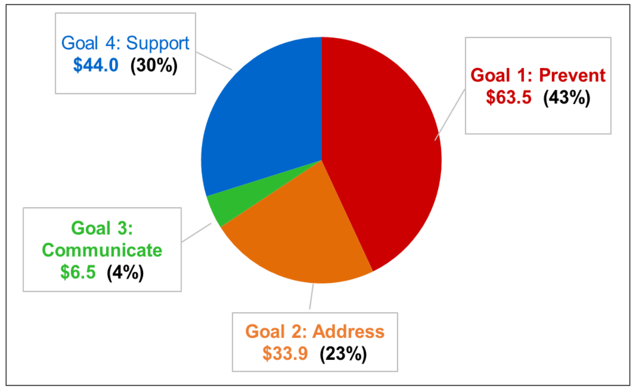
The Commission is authorized to consist of five members. The Chair is the head and principal executive officer of the Commission. The chart below depicts the organizational structure of CPSC:

Figure 2 : CPSC's Organizational Structure



Performance Summary: An Overview

Figure 3: FY 2023 Obligations by Strategic Goal ($ in Millions)

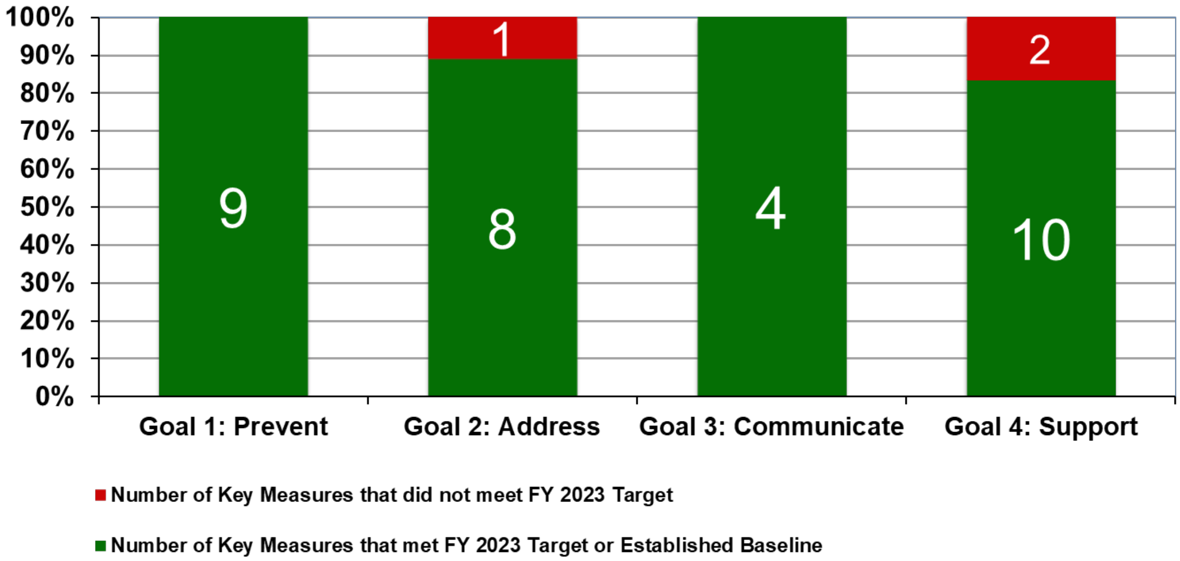


FY 2023 Resources: CPSC's enacted appropriation for FY 2023 was $152.5 million, comprised of $148.5 million in 1-year discretionary spending for mission-related salaries and expenses, $2.0 million for the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act)[4] Grant program (available until expended), and $2.0 million for the Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevent Act of 2022[5] grant program (also available until expended). Of the resources available for mission-related salaries and expenses, CPSC obligated $147.9 million (see **Figure 3**): $63.5 million (43%) for Goal 1 (Prevent); $33.9 million (23%) for Goal 2 (Address); $6.5 million (4%) for Goal 3; (Communicate); and $44.0 million (30%) for Goal 4 (Support) (see p. 14 for FY 2023 Net Cost of Operations).

Summary of FY 2023 Results: In FY 2023, CPSC monitored 34 KMs, all of which are reported externally. As illustrated by the table on pp. 4 – 6, 25 of the 34 KMs had established performance targets for FY 2023 to gauge progress toward the agency's Strategic Goals and Strategic Objectives. The other nine of the 34 measures did not have FY 2023 targets because the measures were newly established during CPSC's development of its new 2023 – 2026 Strategic Plan. During FY 2023, CPSC performed work on baselining those nine measures to set future performance target levels.

Of the agency's 34 KMs, CPSC met performance targets and established baselines for 31 KMs and did not meet targets for three KMs (see pp. 11 – 12 for more information on the missed targets) (see **Figure 4** below).

Figure 4: FY 2023 Results for Key Measures, organized by Strategic Goal



[4] The VGB Act (Pub. L. No. 110-140) became enforceable law on December 19, 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.

[5] The Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022 (Division Q, Title II of Pub. L. No. 117-103) became enforceable law on March 15, 2022. The legislation was passed to prevent exposure of the public, including children and the elderly, to unhealthy levels of carbon monoxide (CO) in dwelling units and other facilities, which can lead to CO poisoning, a serious health condition that can result in death. CO is a colorless and odorless gas produced by any burning fuel. The "CO Grants" program provides eligible states, local, and tribal governments/organizations with assistance to carry out CO poisoning prevention activities.

Key Performance Measures (KMs)

The table below presents results of CPSC's FY 2023 KMs. Details on CPSC's performance measurement reporting and verification and validation (V&V) processes are provided in Appendix A (p. 54) of this report.

"Target met?" Column Legend (rightmost column): ✓ Target met or baseline established | ✘ Target not met

Program	Performance Measure Statement	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	Target met?
Strategic Goal 1: Prevent	*Prevent hazardous products from reaching consumers*						
Strategic Objective 1.1: Improve identification and timely assessment of hazards to consumers							
Hazard	**KM 1.1.1** Number of hazard characterization annual reports completed on consumer product-related fatalities, injuries, and/or losses for specific hazards	11	11	12	**13**	**13**	✓
Hazard	**KM 1.1.2** Percentage of consumer product-related injury cases correctly captured at NEISS hospitals	91%	91%	91%	**94%**	**90%**	✓
Strategic Objective 1.2: Lead efforts to improve the safety of consumer products before they reach the marketplace through robust and effective safety standards							
Hazard	**KM 1.2.1** Number of voluntary standards activities in which CPSC staff participated that result in a revised standard that reduces the risk of injury associated with products covered by the standard	--	--	--	**23**	**20**	✓
Hazard	**KM 1.2.2** Number of candidates for rulemaking prepared for Commission consideration	14	13	21	**30**	**29**	✓
Import	**KM 1.2.3** Percentage of firms that are engaged with a timely establishment inspection after being identified as a repeat offender	83%	100%	100%	**100%**	**75%**	✓
Strategic Objective 1.3: Increase capability to identify and stop imported hazardous consumer products							
Import	**KM 1.3.1** Percentage of consumer product imports, identified as high-risk, examined at import	80%	82%	90%	**90%**	**80%**	✓
Import	**KM 1.3.2** Percentage of import shipments processed through the Risk Assessment Methodology (RAM) system that are cleared within 1 business day	99.9%	99.8%	99.8%	**99.7%**	**99%**	✓
Import	**KM 1.3.3** Number of import examinations completed	18,561	36,375	62,859	**48,797**[6]	**45,000**	✓
Import	**KM 1.3.4** Number of *de minimis* shipment examinations at eCommerce ports completed	--	--	--	**17,806**[7]	**Base-line**	✓

[6] Key Measure 2.3.04 from CPSC's prior Strategic Plan for 2018 – 2022, as reported in CPSC's FY 2022 AFR (p. 4) and FY 2022 APR (p. 5), has been disaggregated into Key Measures 1.3.3 and 1.3.4, starting with FY 2023. The disaggregated measures are listed in CPSC's current 2023 – 2026 Strategic Plan (p. 60). The disaggregation allows CPSC to track examination of *de minimis* shipments separately from other import examinations conducted by CPSC. *De minimis* shipments are low-cost, direct-to-buyer shipments costing $800 or less. With the implementation of the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA), the U.S. government increased the *de minimis* value exemption from duties for imported shipments from $200 to $800, meaning shipments valued at or less than $800 may enter the United States with minimal data requirements. Because the government does not require a traditional filing for *de minimis* shipments, the risk associated with these shipments is largely unknown. Consequently, CPSC and other U.S. government agencies are challenged when attempting to risk-assess and interdict this significant segment of incoming shipments.

[7] Ibid

Program	Performance Measure Statement	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	Target met?
Strategic Goal 2: Address	*Address hazardous consumer products in the marketplace and with consumers in a fast and effective*						
Strategic Objective 2.1: Rapidly identify and prioritize hazardous consumer products for enforcement action							
Compliance	**KM 2.1.1** Percentage of cases for which a preliminary determination is made within 85 business days of case opening (Hazard Priorities A, B, and C)	83%	64%	80%	**90%**	**70%**	✓
Compliance	**KM 2.1.2** Percentage of cases for which a compliance determination is made within 5 business days of completed sample evaluation	--	--	--	**88%**	**Base-line**	✓
Strategic Objective 2.2: Minimize further exposure to hazardous consumer products through effective and timely enforcement that also deters future unlawful actions							
Compliance	**KM 2.2.1** Percentage of cases for which a corrective action plan (CAP) is accepted, or public notice of a hazard is issued within 90 business days of Preliminary Determination (Hazard Priorities A, B, and C)	--	75%	56%	**80%**	**60%**	✓
Compliance	**KM 2.2.2** Percentage of cases for which a firm is notified of a violation within 5 business days of compliance violation determination	--	--	--	**90%**	**Base-line**	✓
Compliance	**KM 2.2.3** Percentage of Fast-Track cases with corrective actions initiated within 20 business days of case opening	97%	95%	97%	**99.2%**	**90%**	✓
Compliance	**KM 2.2.4** Percentage of initial assessments to determine whether to open a civil penalty investigation that are conducted within 90 days of the recall announcement	--	--	--	**100%**	**Base-line**	✓
Compliance	**KM 2.2.5** Percentage of cases open 90 business days for which a public safety assessment planning discussion is held with technical staff	--	--	--	**89%**	**Base-line**	✓
Strategic Objective 2.3: Advance timely, comprehensive, effective, and efficient consumer product recalls for hazardous consumer products							
Compliance	**KM 2.3.1** Recall response rate for all consumer product recalls	33%	32%	16%	**24%**	**33%**	✗
Strategic Objective 2.4: Monitor post-recall firm actions to identify need for additional compliance, enforcement, or communication activities							
Compliance	**KM 2.4.1** Percentage of overdue notification notices sent to firms within 21 calendar days of determining a firm's monthly progress report is overdue	--	--	--	**Unavail-able**[8]	**Base-line**	✓
Strategic Goal 3: Communicate	*Communicate actionable information about consumer product safety quickly and effectively*						
Strategic Objective 3.1: Improve accessibility, usefulness and actionability of consumer product safety information for diverse audiences							
Communications	**KM 3.1.1** Number of engagements with CPSC safety messaging on social media channels by stakeholders (in millions)	12.1	9.3	27.2	**23.8**	**8.0**	✓
Strategic Objective 3.2: Increase dissemination of actionable consumer product safety information to a variety of diverse audiences							
Communications	**KM 3.2.1** Number of national media placements of CPSC stories	12	16	24	**30**	**20**	✓
Communications	**KM 3.2.2** 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%	92%	**95%**	**85%**	✓
Strategic Objective 3.3: Increase and enhance CPSC collaborations to reach diverse audiences, including vulnerable and underserved communities							
Communications	**KM 3.3.1** Number of collaborations with external groups to amplify OCM's safety campaign messages, especially with historically excluded communities	--	--	--	**23**	**10**	✓

[8] During FY 2023, CPSC performed work on developing and implementing new procedures for tracking the underlying data, including determining the data parameters. While there is no quantitative FY 2023 result to be reported for this measure, CPSC's FY 2023 efforts on this measure will help set performance target levels for future years.

Program	Performance Measure Statement	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	Target met?
Strategic Goal 4: Support	*Efficiently and effectively support the CPSC's mission*						
Strategic Objective 4.1: Attract, recruit, cultivate, and retain a high-performing, diverse, inclusive, and engaged workforce							
Human Resources	**KM 4.1.1** Percentage of employees satisfied with opportunities to improve their skills (as reported in the Federal Employee Viewpoint Survey)	74%	74%	70%	**75%**	**70%**	✓
Human Resources	**KM 4.1.2** Percentage of hiring managers trained on recruitment	90%	97%	89%	**99%**	**90%**	✓
Human Resources	**KM 4.1.3** High-performing Federal Workforce – Employee Engagement Index Score	75%	71%	71%	**76%**	**70%**	✓
Strategic Objective 4.2: Ensure strong stewardship and effective use of agency resources							
Financial Management	**KM 4.2.1** Achieved unqualified opinion on independent financial audit	--	--	--	**0**	**1**	✗
Financial Management	**KM 4.2.2** Percentage of total eligible contract spending awarded to Small Disadvantaged Businesses, as set forth in OMB Memorandum M-22-03	--	--	--	**31%**	**12%**	✓
Strategic Objective 4.3: Foster public trust in the Commission by holding employees and officials to a high standard of ethics; updating and maintaining agency's internal governance system; and promoting transparency in agency operations							
General Counsel	**KM 4.3.1** Percentage of financial disclosure forms reviewed and certified timely by Office of General Counsel	--	--	--	**100%**	**100%**	✓
General Counsel	**KM 4.3.2** Percentage of Freedom of Information Act (FOIA) responses to the public that meet timeliness benchmarks	--	--	--	**47%**	**Base-line**	✓
Strategic Objective 4.4: Deliver high-quality effective mission-oriented information and technology solutions							
Information Technology	**KM 4.4.1** Percentage of operating uptime for IT systems	--	--	--	**98%**	**97%**	✓
Information Technology	**KM 4.4.2** Percentage of operating uptime for IT networks	--	--	--	**99.5%**	**98%**	✓
Information Technology	**KM 4.4.3** Percentage of critical vulnerabilities addressed from U.S. CERT (United States Computer Emergency Readiness Team) within 3 business days	--	--	--	**96%**	**100%**	✗
Information Technology	**KM 4.4.4** Percentage of IT projects delivered on schedule	--	--	--	**88%**	**Base-line**	✓
Information Technology	**KM 4.4.5** Percentage of prioritized high-risk IT security audit findings addressed	--	--	--	**91%**	**Base-line**	✓

Selected Performance Results

CPSC's selected FY 2023 achievements are listed below:

Goal 1 – Prevent: *Prevent hazardous products from reaching consumers*

STRATEGIC GOAL 1: PREVENT
Prevent hazardous products from reaching consumers

- **Strategic Objective 1.1**
  Improve identification and timely assessment of hazards to consumers
- **Strategic Objective 1.2**
  Lead efforts to improve the safety of consumer products before they reach the marketplace through robust and effective safety standards
- **Strategic Objective 1.3**
  Increase capability to identify and stop imported hazardous consumer products

CPSC is charged with protecting the public from unreasonable risks of injury and death from a vast array of consumer products increasingly supplied through expanding global markets. Efforts to ensure the manufacture of safe consumer products, combined with improved mechanisms to identify hazardous products before they enter the marketplace, are the most effective ways to prevent hazardous products from reaching consumers.

Strategies for *Prevent:* CPSC's approach to addressing *Prevent* 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 voluntary standards or mandatory regulations; (2) allocating inspection, surveillance, and enforcement resources effectively to identify and remove hazardous products from the marketplace; (3) providing technical information and other support for voluntary standards development; and (4) educating manufacturers on safety requirements and collaborating with foreign regulatory counterparts to help build safety into consumer products.

Selected FY 2023 achievements include:

- To achieve CPSC's strategic objective of leading efforts in improving the safety of consumer products before they reach the marketplace through robust and effective safety standards, CPSC published a Final Rule (FR) on button and coin cell batteries to address ingestion hazards, based on staff briefing package, as well as on the Notice of Proposed Rulemaking (NPR) approved earlier in the year. The agency also published FRs for Clothing Storage Units to address tip-overs and for Window Coverings to address strangulations due to accessible cords and an FR for adult portable bed rails to address entrapment deaths. CPSC also published FRs and Direct Final Rules (DFRs) for portable fuel container safety, banning crib bumpers and inclined sleep products for infants, implementing the STURDY Act, and for several revisions to existing standards. CPSC published NPRs for nursing pillows and staff briefing packages for NPRs for infant and toddler rockers and for furnaces and boilers. The Commission also published a Supplemental NPR (SNPR) for portable generators and an SNPR briefing package for table saws.
- To achieve CPSC's strategic objective of leading efforts in improving the safety of consumer products before they reach the marketplace through robust and effective safety standards, CPSC helped advance 23 voluntary standards to finalization, and actively participated in 86 voluntary standards activities, collaborating with test labs, consumer advocates, and other stakeholders to improve consensus voluntary standards across a wide range of consumer products. The 86 activities resulted in finalizing of 23 standards that improved safety. Among the most significant voluntary standards activities work in FY 2023 included: Standard for Safety for Products Incorporating Button Batteries or Coin Cell Batteries; Standard Safety Specification for Clothing Storage Units; Standard for Four Wheel All-Terrain Vehicles; Standard Specification for Flame Mitigation Devices on Portable Fuel Containers; and Standard Specification for Portable Gasoline, Kerosene and Diesel Containers for Consumer Use.
- To achieve CPSC's strategic objective of improving identification and timely assessment of hazards to consumers, 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 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 2023, the Online Clearinghouse was queried 1,953 times. Furthermore, CPSC's Office of Hazard Identification & Reduction prepared 53 data

sets for standards development organizations (SDO) and/or their committees.

- To achieve CPSC's strategic objective of increasing capability to identify and stop imported hazardous consumer products, CPSC continued to interdict high-risk shipments, including *de minimis* eCommerce, at ports of entry covering multiple modes of transport, which included sea, air, express consignment, and truck ports, as well as international mail facilities.
- To achieve CPSC's strategic objective of increasing capability to identify and stop imported hazardous consumer products, CPSC also advanced its eFiling project, which will ultimately enable importers to electronically file certificate of compliance data at the time of importation, by holding a public workshop to solicit industry feedback on the initiative and recruiting industry volunteers to participate in a Beta pilot scheduled to begin in the fall of 2023.
- To achieve CPSC's strategic objective of improving identification and timely assessment of hazards to consumers, CPSC applied artificial intelligence (AI) and machine learning (ML) to improve data intake, quality assurance, and analysis.
- To achieve CPSC's strategic objective of improving identification and timely assessment of hazards to consumers, 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 2023, CPSC continued work to move NEISS from a legacy platform to a web-based system that is more sustainable. CPSC also recruited four hospitals to a new NEISS sample in response to changes in hospitals and their use.
- To achieve CPSC's strategic objective of improving identification and timely assessment of hazards to consumers, CPSC addressed emerging hazards associated with beach umbrellas, treadmills, and micromobility products through advances in voluntary standards developments.
- To achieve CPSC's strategic objective of rapidly identifying and prioritizing hazardous consumer products for enforcement action, CPSC staff maintained compliance testing capabilities throughout FY 2023. This includes 99.7% of Product Safety Assessments completed on time; 99.6% of Priority Import Non-Fireworks samples being tested on-time, compared to the annual target of 85% (1,137 samples tested on-time); 100% of Import and Domestic Fireworks samples being tested on-time, compared to the annual target of 90% (212 samples tested on-time); and 100% of Domestic and Non-Priority Import Non-Fireworks samples being tested on time, compared to the annual target of 85% (334 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.
- CPSC's Office of International Programs, working with relevant subject matter experts throughout the agency, produced or engaged in 27 in-person and virtual outreach events to share product safety best practices. We reached, in real time, more than 800 registered foreign industry and government representatives from 28 countries and administrative areas, as well as thousands more who viewed recorded sessions from CPSC's servers and from the U.S. Embassy's media account in China.

Goal 2 – Address: *Address hazardous consumer products in the marketplace and with consumers in a fast and effective manner*

STRATEGIC GOAL 2: ADDRESS

Address hazardous consumer products in the marketplace and with consumers in a fast and effective manner

- **Strategic Objective 2.1**
  Rapidly identify and prioritize hazardous consumer products for enforcement action
- **Strategic Objective 2.2**
  Minimize further exposure to hazardous consumer products through effective and timely enforcement that also deters future unlawful actions
- **Strategic Objective 2.3**
  Advance timely, comprehensive, effective, and efficient consumer product recalls for hazardous consumer products
- **Strategic Objective 2.4**
  Monitor post-recall firm actions to identify need for additional compliance, enforcement, or communication activities

CPSC learns about potential consumer product hazards from many sources, including incident reports, consumer complaints, the agency's Consumer Hotline (1-800-638-2772), www.SaferProducts.gov, internet reports, company reports, and referrals from state and local agencies. When potential product defects are identified, CPSC must act quickly to address the most hazardous consumer products that have made their way into the marketplace or into the hands of consumers. The longer a hazardous consumer product remains available for sale or in homes, the longer the risk of exposure to the hazard remains. Moreover, investigation and enforcement efforts should be predictable and carried out in a consistent manner.

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 they analyze online consumer reviews, comments, and trade complaints to support investigative and enforcement action.

Strategies for *Address:* Essential elements of CPSC's strategies for advancing the *Address* goal include monitoring internal and external information sources, leveraging online surveillance activities, and improving methods for integrating information from multiple sources; reviewing incident profiles and other information to improve its prioritization of products for investigation; enhancing resources to promptly investigate hazardous products, obtain timely voluntary corrective actions from firms, secure mandatory corrective action and notices to the public for non-cooperating firms, and pursue civil penalties to provide effective deterrence of law violations; working with firms to maximize communications about recalls through multiple channels and the use of new technologies; prioritizing resources to improve recall monitoring and conduct follow-up activities with firms as appropriate; and working with a variety of stakeholders to better understand consumer behavior in the recall context and to increase recall response rates.

Selected FY 2023 achievements include:

- To achieve CPSC's strategic objective of minimizing further exposure to hazardous consumer products through effective and timely enforcement, CPSC negotiated and implemented 313 voluntary recalls of 97 million consumer product units, compared to 250 voluntary recalls and 19 million product units being negotiated and implemented in FY 2022.
- To achieve CPSC's strategic objective of minimizing further exposure to hazardous consumer products through effective and timely enforcement that deters future unlawful actions, the agency sent 2,090 notices of regulatory violations to firms to recall or take other action to protect consumers from violative consumer products. When CPSC has determined that a company violated a mandatory standard, the notice advises the company of the violation and specifies the appropriate corrective action to take.
- To achieve CPSC's strategic objective of minimizing further exposure to hazardous consumer products through effective and timely enforcement, CPSC completed 958 establishment inspections, surveillance activities, and recall-effectiveness checks at firms for compliance with CPSC's laws and regulations. To remove harmful products from the marketplace and consumer possession, 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.
- To achieve CPSC's strategic objective of rapidly identifying and prioritizing hazardous consumer products for enforcement action, CPSC's eSAFE team completed more than 58,900 assignments in support of compliance programs and case work. This included in-depth complex analytical support, the collection of 476 priority samples, and more than 57,400 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 59,800 units of consumer products being removed from eCommerce.
- To achieve CPSC's strategic objective of minimizing exposure to hazardous consumer products through effective and timely enforcement, CPSC conducted more than 3,800 in-depth investigations (IDIs), including 1,500 IDIs in support of defect investigations and more than 2,200 IDIs in support of rulemaking activities and studies. 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.
- To achieve CPSC's strategic objective of minimizing further exposure to hazardous consumer products through effective and timely enforcement, CPSC assessed four civil penalty investigations, with settlements totaling nearly $55.4 million. The penalties ranged from $9 million to $19 million. 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 that are distributed in commerce and under agency jurisdiction.

- To achieve CPSC's strategic objective of minimizing further exposure to hazardous consumer products through effective and timely enforcement, CPSC actively litigated two administrative lawsuits, including going to a hearing in front of an Administrative Law Judge on one matter. Pursuant to Sections 15(c), (d), and (f) of the CPSA, the Commission may mandate that a firm recalls 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.

Goal 3 – Communicate: *Communicate actionable information about consumer product safety quickly and effectively*

STRATEGIC GOAL 3: COMMUNICATE
Communicate actionable information about consumer product safety quickly and effectively

- **Strategic Objective 3.1**
  Improve accessibility, usefulness and actionability of consumer product safety information for diverse audiences
- **Strategic Objective 3.2**
  Increase dissemination of actionable consumer product safety information to a variety of diverse audiences
- **Strategic Objective 3.3**
  Increase and enhance CPSC collaborations to reach diverse audiences, including vulnerable and underserved communities

Consumers, safety advocates, industry, and government regulators need high-quality information about consumer product safety. Consumers need safety information to make more informed decisions for themselves and their families. Safety advocates rely on accurate data to shape their policy recommendations. Industry needs information to stay in compliance with safety requirements. Foreign regulators and state and local government agencies also need high-quality information to establish new safety requirements that advance consumer safety. These diverse audiences have different information needs and respond to different methods of communication.

Strategies for *Communicate:* 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 CPSC's *Communicate* strategy include: improving the accessibility, usefulness, and utility of safety messages by collecting and analyzing data; designing and applying new and innovative communication tools; and strengthening collaborations with stakeholders, including other government agencies, nonprofit organizations, and those with an interest in amplifying CPSC's safety messaging.

Selected FY 2023 achievements include:

- To achieve CPSC's strategic objective of improving accessibility, usefulness, and actionability of consumer product safety information for diverse audiences, CPSC's Small Business Ombudsman (SBO) continued to build training videos for CPSC YouTube channel to increase dissemination and longevity of useful CPSC product safety information. The shift towards more virtual multimedia content has increased the number of viewers of SBO training materials. In FY 2023, SBO's videos, trainings, and webinars had 29,427 viewers and attendees, compared to 15,500 in FY 2022. This was an increase of nearly 90 percent, demonstrating an overall higher demand in FY 2023 for multimedia business guidance information from members of the business community.
- To achieve CPSC's strategic objective of improving accessibility, usefulness, and actionability of consumer product safety information for diverse audiences, CPSC was able to expand the number of followers of its social media channels by more than 14 percent, from more than 250,000 in FY 2022 to 289,000 in FY 2023, enabling CPSC to deliver safety messaging to a wider audience.
- To achieve CPSC's strategic objective of improving accessibility, usefulness, and actionability of consumer product safety information for diverse audiences, the SBO also had great success by making inquiries to 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 26,000 in FY 2022 to 29,665 in FY 2023, demonstrating an increased interest in the resource for industry stakeholders.
- To achieve CPSC's strategic objective of increasing dissemination of actionable

consumer product safety information to a variety of diverse audiences, CPSC conducted a study of consumer behavior regarding recalls and factors relating to consumer willingness to report consumer product injuries and submitted a report and recommendations to the Commission based on the study.

- To achieve CPSC's strategic objective of increasing dissemination of actionable consumer product safety information to a variety of diverse audiences, CPSC conducted a Native American public health outreach, featuring billboards and radio advertising on baby safety and carbon monoxide poisoning in targeted areas of the United States with large Native American populations. Also, CPSC began translating recall news releases into Spanish language and launched a Spanish language CPSC Facebook page.
- To achieve CPSC's strategic objective of increasing and enhancing CPSC collaborations to reach diverse audiences, including vulnerable and underserved communities, CPSC's 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, and addressed inquiries from individual consumers and organizations. Additionally, CPSC's Office of Communications strengthened collaborations with stakeholders to improve messaging and awareness of CPSC safety campaigns, including *Pool Safely* and Anchor It! campaigns.

Goal 4 – Support: *Efficiently and effectively support the CPSC's mission*

STRATEGIC GOAL 4: SUPPORT
Efficiently and effectively support the CPSC's mission
· **Strategic Objective 4.1** Attract, recruit, cultivate, and retain a high performing, diverse, inclusive, and engaged workforce
· **Strategic Objective 4.2** Ensure strong stewardship and effective use of agency resources
· **Strategic Objective 4.3** Foster public trust in the Commission by holding employees and officials to a high standard of ethics; updating and maintaining agency's internal governance system; and promoting transparency in agency operations
· **Strategic Objective 4.4** Deliver high quality effective mission-oriented information and technology solutions

Excellence in areas including information technology (IT), financial management, human capital, diversity and equity, and legal affairs is vital to agency effectiveness.

Strategies for *Support:* CPSC's approach to addressing the *Support* Strategic Goal includes: (1) attracting, recruiting, cultivating, and retaining a high performing, diverse, inclusive, and engaged workforce; (2) ensuring strong stewardship and effective use of agency resources; (3) fostering public trust in the Commission by holding employees and officials to a high standard of ethics; updating and maintaining agency's internal governance system; and promoting transparency in agency operations; and (4) delivering high quality effective mission-oriented information and technology solutions.

Selected FY 2023 achievements include:

- Trained 99% of hiring managers on the recruitment process to achieve CPSC's strategic objective of attracting, recruiting, cultivating, and retaining a high performing, diverse, and engaged workforce. The agency far exceeded its annual target of 90%.
- Awarded 31% of total eligible contract spending to Small Disadvantaged Businesses, as set forth in OMB Memorandum M-22-03, far exceeding the annual target of 12%.
- To achieve CPSC's strategic objective of fostering public trust in the Commission by holding employees and officials to a high standard of ethics, the agency met its annual target of 100% of financial disclosure forms being reviewed and certified timely by CPSC's Office of the General Counsel (OGC).
- To achieve CPSC's strategic objective of delivering high-quality effective mission-oriented information and technology solutions, the agency achieved 99.5% of operating uptime for its IT networks, exceeding the annual target of 98%. This demonstrates the agency's high degree of availability of its networks.

Performance: Missed Targets and Improvement Plans

For FY 2023, CPSC tracked 34 KMs—25 had established annual targets for FY 2023 and the other nine did not have established targets for FY 2023 because they were established during CPSC's development of its 2023 – 2026 Strategic Plan (published March 2023). Of the 34 KMs, the agency met targets and established baselines for 31 KMs and did not meet targets for three KMs. A summary of information on the three 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 2023 APR, scheduled to be published concurrently with CPSC's FY 2025 President's Budget Request, scheduled for publication in February 2024.

- **Key Measure 2.3.1 Recall response rate for all consumer product recalls:** The target was 33%; the FY 2023 actual result was 24%.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 2023, 3,495,070 product units of a total of 14,536,091 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.
- **Key Measure 4.2.1 Achieved unqualified opinion on independent financial audit:** The target was to achieve an unqualified audit opinion on independent financial audit; however, the FY 2023 actual result was a qualified opinion. CPSC received a qualified opinion due to not being able to provide sufficient audit evidence about the recognition dates used to record property, plant, and equipment additions and the corresponding calculation of depreciation expense for FY 2023.
- **Key Measure 4.4.3 Percentage of critical vulnerabilities addressed from U.S. CERT (United States Computer Emergency Readiness Team) within 3 business days:** The target was 100%; the FY 2023 actual result was 96%. CPSC did not meet the target due to the following reasons: (1) the high volume of critical vulnerabilities received; and (2) a staffing shortage. The agency did not foresee meeting the annual target of 100%, given that it received 57 alerts of vulnerabilities in FY 2023. The agency addressed 55 of the 57 vulnerabilities within three business days of the CISA/US-CERT release date. One vulnerability was addressed in four business days, and the other was addressed in seven business days. Additionally, CPSC's IT Security Team had vacancies in critical positions within the team, which delayed response to some of the vulnerabilities. As of early FY 2024, CPSC has filled its Vulnerability Management position and is cross-training other staff so that there is coverage for all critical positions on the IT Security Team. CPSC will also begin to implement automation to respond to these vulnerabilities and will continue to work to fill vacancies on its IT Security Team.

Enterprise Risk Management

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 2023 as in FY 2022, the agency was not able to advance its comprehensive ERM approach due to funding levels. In FY 2020 and FY 2021, CPSC identified top enterprise risks. Working groups were organized to develop and implement remediation plans for these top risks. However, efforts to build on those plans have lagged, and ERM remains in a very early stage at CPSC. However, in FY 2023, management made headway in this area by developing a Risk Management Specialist position to spearhead and coordinate CPSC's ERM efforts. In early FY 2024, CPSC recruited and hired for this position. With this resource, CPSC is well positioned to advance its ERM efforts.

Analysis of Financial Statements and Stewardship Information

Financial Performance Overview

As of September 30, 2023, CPSC's financial condition was sound, with planned programs appropriately sized to available funds and satisfactory controls in place to provide reasonable assurance that CPSC's obligations did not exceed budget authority. 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: CPSC's total budgetary resources for FY 2023 were $191.4 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; and
- Reimbursable agreements with other federal government agencies.

CPSC's FY 2023 salaries and expenses appropriation was $152.5 million. Of this amount, $148.5 million was available for obligation through September 30, 2023. Of the remaining $4.0 million, $2.0 million was designated for awarding and administering grants under the VGB Act Grant Program (available until expended), and $2.0 million was designated for awarding and administering grants under the Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022 (Division Q, Title II of Pub. L. No. 117-103) grant program ("CO Grants") (also available until expended).

Other budgetary resources available in FY 2023 included $34.4 million of unobligated balances from prior years' budget authority, consisting of $28.6 million 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 $2.8 million from prior years' expired unobligated balances not available for obligation in FY 2023, but available for upward adjustments, if needed, for obligations incurred in prior years.

CPSC made total obligations of $173.4 million in FY 2023. The amounts obligated are: $147.9 million for mission-related salaries and expenses; $0.4 million in upward adjustments from unobligated balances from prior years' budget authority; and $3.4 million awarded for the VGB Act Grant Program. CPSC obligated $17.0 million of ARPA-appropriated funds.

ARPA Spending Initiatives

In FY 2023, CPSC obligated $17.0 million of the $50.0 million in six-year ARPA appropriation. This included $5.0 million for salaries, $9.0 million for one-time project costs, and $3.0 million for recurring non-pay costs. As of September 30, 2023, CPSC had $38.3 million in cumulative obligations, leaving a remaining balance of $11.7 million. At the staffing and recurring costs levels and the planned projects for FY 2024 and FY 2025 spending plans, the ARPA funds are expected to be depleted in early FY 2025.

Audit Results: CPSC received a qualified audit opinion on its FY 2023 financial statements.

Financial Statement Highlights: 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.

Analysis of the Balance Sheet

CPSC's assets totaled $103.0 million as of September 30, 2023. The changes in key asset line items as of the fiscal year ended September 30, 2023 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 $72.6 million as of September 30, 2023.

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 $50,269 as of September 30, 2023.

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. CPSC acquires services from other federal agencies through interagency agreements. This balance is $43,168.

Other than Intragovernmental Assets

Accounts Receivable, Net is $20.5 million for FY 2023 and is comprised of year-end uncollected amounts of civil fines and penalties levied by CPSC, unpaid Freedom of Information Act (FOIA) fees, and debt. This was an increase of $20.5 million for FY 2023 civil penalty assessments that had not been collected as of September 30, 2023. See further discussion in Statement of Custodial Activity on p. 31.

Property, Plant, and Equipment (PPE), Net, consists of the net value of CPSC's leasehold improvements, equipment, furniture and fixtures, computer hardware and software, and construction in progress. *PPE, Net*, had a balance of $7.0 million as of September 30, 2023. Significant assets in *PPE, Net* represent investments in leasehold improvements, with a net book value of $993,000 in which CPSC did not negotiate additional funds in FY 2023. CPSC also holds property and equipment with a net book value of $4.9 million, which included additions of $2.6 million in FY 2023.

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).

CPSC's net position was $60.6 million as of September 30, 2023.

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 new *2023−2026 Strategic Plan:*

- In December 2022, the Commission voted to approve CPSC's Strategic Plan for 2023 – 2026, published in March 2023. There were three mission-oriented Strategic Goals in the 2018 – 2022 Strategic Plan: Goals 2, 3, and 4. The three Strategic Goals have remained essentially the same in CPSC's new 2023 – 2026 Strategic Plan, with changes to some strategic elements under each Strategic Goal. Additionally, Goals 2, 3, and 4 from the previous Strategic Plan have been re-labeled as Goals 1, 2, and 3 in the new Strategic Plan. Goal 4 (Support) in the new Strategic Plan is a result of expanding the prior Strategic Plan's Strategic Goal 1 (Workforce) to encompass other agency support functions, including financial management, legal affairs, and information technology.

The following depicts Net Cost of Operations for FY 2023:

CPSC's *Net Cost of Operations* was $170.2 million for the fiscal year ended September 30, 2023.

Strategic Goal 1 – *Prevent*:
- The costs of Strategic Goal 1 totaled $62.0 million.

Strategic Goal 2 – *Address*:
- The costs of Strategic Goal 2 totaled $24.4 million in FY 2023.

Strategic Goal 3 – *Communicate*:
- The costs of Strategic Goal 3 totaled $18.0 million in FY 2023.

Strategic Goal 4, *Support*:
- Strategic Goal 4 had the highest net cost of $65.8 million.

The reconciliation of the SNC of Operations with Budgetary Outlays is described in Note 15 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 budgetary outlays, and it reconciles total obligations with total outlays. This statement also includes unobligated balances from prior years' budget authority.

For the fiscal year ended September 30, 2023, CPSC had available budgetary resources of $191.4 million, comprised of the FY 2023 appropriation of $152.5 million, prior years' unobligated balances of $34.4 million, and billed offsetting collections of $4.6 million.

The Status of Budgetary Resources, new obligations, and upward adjustments totaled $173.4 million.

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 collected by regulated entities and fees collected for FOIA requests to CPSC. This statement excludes reported revenue billed and collected by CPSC on behalf of the U.S. government to be duplicated as reported revenue on the federal government's SNC.

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

CPSC assessed nearly $55.4 million in civil penalty settlement agreements for violative companies. CPSC made collections on those civil penalties in the amount of $42.1 million as of September 30, 2023. CPSC had yet to collect $20.5 million in civil penalties and FOIA fees, which remained in accounts receivable pending collection as of September 30, 2023.

Controls, Systems, and Legal Compliance

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

- Prompt Payment Act of 1982 (PPA) (Pub. L. No. 97-177)
- Federal Managers' Financial Integrity Act of 1982 (FMFIA) (Pub. L. No. 97-255)
- Antideficiency Act (ADA) (31 U.S.C. § 1341) (Pub. L. No. 97-258, 96 Stat. 923)
- Debt Collection Improvement Act of 1996 (Pub. L. No. 104-134)
- Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208)
- OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, Revised 2006
- 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)
- Payment Integrity Information Act of 2019 (PIIA) (Pub. L. No. 116-117)

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 CPSC's 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 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 Plan (APP)
- Office of Inspector General (OIG) reports
- Results of the internal control 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 CPSC's operations did not comply with FMFIA for FY 2018 and FY 2019. The Office of Financial Management, Planning and Evaluation (EXFM) developed a Corrective Action Plan to address these findings. CPSC obtained contract support to assist with developing a formal internal control program over operations. In FY 2023, the agency initiated internal control programs for seven of CPSC's 14 AUs. Although the agency has made strides in addressing issues identified by the OIG, it was not able to close OIG's recommendations in FY 2023.

FY 2023 Results for the FMFIA

CPSC evaluated its management control systems for operations of the fiscal year ended September 30, 2023. Because of the assurance process activities described above, CPSC was able to provide reasonable assurance that internal controls over operations were operating effectively as of September 30, 2023. (See the Management Assurance Statement on p. 20 for a detailed explanation.)

FY 2023 Results for OMB Circular No. A-123, Appendix A (as described in OMB Memorandum M-18-16)

CPSC evaluated its internal controls over reporting for the fiscal year ended September 30, 2023. This included an evaluation of financial risks, enterprise risks, and fraud risks, as well as management's assessment of financial internal controls. The six financial processes evaluated in FY 2023 included: Disbursement, Financial Reporting, Procurement, Property Management, Purchase Card, and Fleet Management. Based on results of this evaluation, CPSC provided reasonable assurance that its internal controls for reporting were operating effectively as of September 30, 2023.

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 the following: (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 Corrective Action Plans for noncompliant financial systems, as needed.

FY 2023 Results for the FFMIA and Section 4 of the FMFIA

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. 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. 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 following: (i) the financial management system requirement; (ii) applicable federal accounting standards; and (iii) 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 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, 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 FMFIA.

Accordingly, 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, 2023, 99.8 percent of CPSC’s payments that were subject to the PPA were made on time. In FY 2023, CPSC incurred $331.08 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, 2023, delinquent debt was $13,594.34. 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. CPSC met the government-wide DATA Act reporting requirements in FY 2023.

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

As mandated by FISMA, CPSC continues to maintain an information security program to support the confidentiality, integrity, and availability of agency information and information systems. CPSC worked diligently throughout FY 2023 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.

CPSC's IT security accomplishments for FY 2023, 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 Cybersecurity and Infrastructure Security Agency's (CISA) Continuous Diagnostics and Mitigation (CDM) program;
- Provided agency dashboard views of the most critical risks to CPSC network so they can be addressed first;
- In continuing with the progress made in FY 2022, achieved Event Logging Level 1 (EL1) on three of its major systems and has continued making progress towards implementing EL2 and EL3 in FY 2024 by acquiring an advanced Security Information and Event Management (SIEM) solution to automate discovery of potentially malicious activity and orchestrate automated response actions to identified threats;
- Deployed an Endpoint Detection and Response (EDR) tool to comply with Executive Order (EO) 14028, Improving the Nation's Cybersecurity, per Section 7 recommendations;
- Improved the implementation of Web Application Firewalls (WAF) to protect CPSC's public-facing websites from malicious attacks;
- Began implementing Federal Zero Trust Architecture (ZTA) tasks outlined in the Federal Zero Trust Strategy as set forth by OMB M-22-09;
- Began initial deployment of network modernization to align with Zero Trust requirements;
- 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)";
- Implemented a new patching solution to improve vulnerability remediation efficiency;
- Completed the procurement of services to provide security and privacy role-based training to CPSC staff with significant security/privacy roles; and
- Completed and submitted CPSC's response to the bi-annual data call from OMB on Government-wide tracking of resources for cyber activities.

Financial Management Systems Strategy

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

CPSC obtains financial and procurement hosting and application management services from the ARC within the U.S. Treasury's Bureau of Fiscal Service. ARC uses an Oracle-based financial reporting system for accounting, which interfaces with ARC's travel management system, ConcurGov. The Oracle-based system ConcurGov is used for general ledger, accounts payable, accounts receivable, and budget execution, as well as Oracle Business Intelligence (OBI) reporting capabilities. 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.

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. In addition, the Act requires a reconciliation between the agency's records and the Inspector General's Semiannual Report to Congress (SAR). CPSC included this information in its FY 2024 President's Budget Request. CPSC will continue to update and submit these recommendations in future budget requests.

Antideficiency Act (ADA) (31 U.S.C. § 1341) (Pub. L. No. 97-258, 96 Stat. 923)

There were no ADA violations in FY 2023.

Misstatement Discussion

During the FY 2023 financial statement audit, CPSC identified a misstatement in the FY 2022 balance sheet for accrual estimates presented in accounts payable. CPSC notified the prior auditor of the misstatement and engaged OMB and Treasury to request (and received) approval to report FY 2023 financial information using a single-year presentation.

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 Manager's 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 2023 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, 2023[*,†] with the exception of the material weaknesses contained in the FY 2023 financial statement audit report. These involve processes and controls related to the recording of property, plant, and equipment additions, related depreciation, and estimated useful life; entity-level financial management controls; and estimating accrued expenses. I have directed agency staff to address these matters.

In addition, CPSC management assessed the federal financial system requirements in accordance with OMB Circular 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 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, 2023.

Alexander Hoehn-Saric
Chair
February 1, 2024

[*] 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 2022 and 2023 (see 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, 2023.

[†] Several assessable units provided modified assurances to disclose certain deficiencies, though not considered material.

Looking Ahead

CPSC's mission is to protect the public from hazardous consumer products 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.

CPSC appreciates the Management Challenges identified by the Inspector General (IG) and agrees that these are four important areas to focus on and to improve upon in FY 2024. The areas include internal control system, Enterprise Risk Management (ERM), resource management, and information technology security.

In FY 2023, the agency continued to address findings identified in the IG's audit of the agency's implementation of FMFIA. The agency initiated internal control programs for seven of CPSC's 14 AUs. In FY 2024, internal control programs for the seven remaining AUs will be initiated.

In late FY 2023, management made headway in Enterprise Risk Management (ERM) by developing and authorizing a Risk Management Specialist position to spearhead and coordinate CPSC's ERM efforts. As a result, CPSC recruited and hired for this position in early FY 2024. With this resource, CPSC will begin advancing its ERM efforts.

CPSC recognizes that resource management is an ongoing challenge, especially in terms of funding levels. For 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 requested additional resources in its FY 2024 Budget Request to Congress, not only for internal controls and ERM capability (as mentioned above), but also for increased port surveillance, hazard identification, applied research, compliance efforts, communications, human resources, information technology, procurement, IG, and legal support. Critical projects and initiatives in these areas will be impacted by funding levels.

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 2023, CPSC continued to make IT security improvements by achieving Event Logging (EL) on three of its major systems, improved implementation of web application firewalls, and developed and implemented dashboards and reporting to identify and address vulnerabilities. In FY 2024, the agency plans to continue its focus on protecting CPSC data and systems by improving security management practices. Specific initiatives include the continuance of implementing a Federal Zero Trust Architecture (ZTA) strategy in response to OMB Memorandum M-22-09, expanding additional 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).

CPSC will continue to receive financial management services from Treasury's Administrative Resource Center (ARC) in FY 2024. This shared-services agreement includes integrated financial, acquisitions, and travel systems; contracting support personnel; and electronic invoicing. Furthermore, CPSC will continue to receive and accept interagency agreements in G-Invoicing, a long-term, government-wide solution established by Treasury for agencies to manage their intragovernmental transactions.

As CPSC looks ahead to FY 2024 and beyond, the agency intends 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 were prepared to report the financial position and results of CPSC’s operations consistent with the requirements of 31 U.S.C. § 3515(b).

The statements were prepared from CPSC’s records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and the formats prescribed by OMB. Additionally, the reports used for monitoring and control of budgetary resources were prepared from the same records.

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

FINANCIAL SECTION

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

Message from the Chief Financial Officer

The Agency Financial Report provides a comprehensive view of the financial activities undertaken in FY 2023 to advance CPSC's mission: Protecting the public from hazardous consumer products. This report integrates the agency's financial and program performance, highlights CPSC's annual achievements and challenges, and demonstrates our stewardship and accountability of the federal funds entrusted to us. FY 2023 was a year of many new opportunities and unforeseen challenges for CPSC in the financial arena.

CPSC made advances in its financial management systems by starting to use G-Invoicing to successfully receive, accept, and send interagency agreements as of the statutory date of October 1, 2022 (31 U.S.C. 3512(b) and 3513). Further noted, the Office of Inspector General (OIG) reviewed the FY 2022 Improper Payments program (prior year) and determined that CPSC continued to comply with the Payment Integrity Information Act of 2019.

As mentioned in the Message from the Chair, 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 CPSC is the uncertainty over resource levels. CPSC's FY 2023 and FY 2024 Performance Budget Requests to Congress sought significant increases to secure resources commensurate with its broad mission. CPSC's Inspector General (IG) also identified the uncertainty of resource levels as one of the top challenges facing the agency.

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

In FY 2021, through the American Rescue Plan Act (ARPA), Congress appropriated for CPSC $50 million in multiyear 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 2023, CPSC obligated $17.0 million of these funds. With this funding, CPSC expanded staffing, as well as increased support services and technology and systems investments in these areas. Based on current plans, CPSC expects the ARPA funds to be fully depleted by early FY 2025. To sustain these 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 CPSC's shifting of these costs to continue with the mandates outlined in ARPA has been identified to Congressional members and staff and reflected in the FY 2023 and FY 2024 Performance Budget Requests to Congress.

We unfortunately received an overall qualified opinion on the FY 2023 financial statements due to challenges with the internal property management system and its depreciation calculation. Nonetheless, CPSC remains committed to sound financial management and reporting, including building and maintaining the staffing necessary for these activities. We will also develop and implement a plan to remediate the material weaknesses and significant deficiencies identified.

I acknowledge CPSC's hard-working financial management professionals, as well as professionals across the agency who are committed to strong financial management, 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 CPSC's mission.

James Baker

James D. Baker
Chief Financial Officer
February 1, 2024

Independent Auditors' Report

February 1, 2024

TO: Alexander D. Hoehn-Saric, Chair
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: 2024.02.01 15:09:11 -05'00'

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2023 Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by KPMG, LLP (KPMG), for the fiscal year (FY) ending September 30, 2023. 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. 24-01, *Audit Requirements for Federal Financial Statements*.

This year, as a result of internal control weaknesses surrounding financial management, the Consumer Product Safety Commission (CPSC) faced a number of challenges regarding the issuance of its financial statements. These challenges primarily related to the loss of key personnel in the Office of Financial Management, Planning, and Evaluation and a related lack of adequate succession planning. It requested and received permission from the Office of Management and Budget to issue its financial statements on January 26, 2024, rather than November 15, 2023, and to use a "single year" presentation rather than the required comparative (two year) presentation. Later, when it became apparent that the CPSC would not be able to make the January 26, 2024, deadline, it requested and received a second extension until February 2, 2024. The CPSC overcame the majority of the challenges it faced and did issue audited financial statements on February 1, 2024. However, it received a "qualified" opinion. This was due to the agency inappropriately calculating the accumulated depreciation and depreciation expense related to its Property, Plant, and Equipment and being unable to recalculate said accumulated depreciation and depreciation expense in a timely manner.

Other than the above-described matter, the financial statements present fairly, in all material respects, the financial position of the United States Consumer Product Safety Commission as of September 30, 2023, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP). However, it should be noted that the beginning balance of net position for FY 2023 was originally materially misstated by

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OIG.CPSC.GOV

$8.4 million, requiring a restatement. Additionally, it was determined that due to a lack of: competent personnel in key positions, training, communication across offices, risk assessments, and monitoring processes the CPSC's system of internal control contained three material weaknesses and a significant deficiency. All of the above matters are further detailed below and in the Independent Auditor's Report.

Opinion on the Financial Statements

KPMG audited the financial statements of the CPSC, which comprise the balance sheet as of September 30, 2023, 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, KPMG 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 KPMG's opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of their report, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the year ending September 30, 2023, are presented in conformity with accounting principles generally accepted in the United States of America.

Basis For Qualified Opinion

In FY 2023, the CPSC reported property, plant, and equipment of $7.0 million, net of accumulated depreciation of $50.0 million in the balance sheet as of September 30, 2023. The CPSC also included information related to the property, plant, and equipment and accumulated depreciation in Notes 5 and 15. KPMG was unable to obtain sufficient appropriate audit evidence about the recognition dates used to record property, plant, and equipment additions and the corresponding calculation of depreciation expense for FY 2023. Consequently, KPMG was unable to determine whether any adjustments to these amounts were necessary.

Report on Internal Control

In planning and performing the audit of the financial statements of the CPSC, KPMG 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, KPMG 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.

KPMG'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. KPMG did identify multiple deficiencies in internal control as detailed below.

KPMG found that CPSC management has a material weakness at the entity level of internal control over its financial reporting and financial management. Entity level internal controls help management achieve desired results through effective stewardship of public resources. Specifically, KPMG found that the CPSC:

- Lacked a comprehensive succession plan to ensure appropriate personnel with the required competence were available after the resignation of key personnel from the Office of Financial Management, Planning, and Evaluation. Management also lacked a process to ensure historical information regarding key financial reporting decisions was maintained for newly hired personnel.
- Failed to adequately train employees to ensure they had the necessary knowledge and information to meet their control objectives. The CPSC also had inadequate communication channels between offices within the CPSC to ensure financial information was communicated timely and accurately.
- Failed to perform regular and comprehensive risk assessments to identify and evaluate potential risks that could impact financial reporting objectives.
- Did not have sufficient monitoring processes in place to assess its internal control environment for compliance with GAO Green Book principles.

Due to the lack of effective entity level controls, the CPSC experienced additional material weaknesses that impacted the presentation of the financial statements. First, due to inadequate training on the CPSC's Property Management System (PMS) and the lack of adequate communication across supporting offices, the CPSC improperly recorded the contract or purchase order date into PMS in lieu of the title or delivery date. As the CPSC was unable to provide KPMG with sufficient and appropriate audit evidence to estimate the financial impact related to this error, KPMG was unable to determine whether any adjustments to Property, Plant, and Equipment; Accumulated Depreciation, and Depreciation Expense were necessary, thus resulting in a material weakness and a qualified opinion of the financial statements.

Additionally, due to a combination of a lack of a succession planning, lack of training, and the failure to perform a risk assessment, the CPSC's methodology for estimating its accrued expenses resulted in a material misstatement of the accounts payable and expense accounts requiring adjustments to both the beginning balance of net position and FY 2023 gross cost.

Furthermore, due to a lack of adequate training of personnel for the Invoice Processing Platform and the insufficient monitoring of financial reporting, the CPSC failed to record prepaid expenses within the financial statements and notes, resulting in an overstatement of expenses and an understatement of assets in FY 2023. KPMG considered this final matter to constitute a significant deficiency.

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, KPMG 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. 24-01. KPMG did not test compliance with all laws and regulations applicable to the CPSC.

KPMG's tests of compliance with laws and regulations described in the audit report did not disclose any instances of non-compliance that are required to be reported by Government Auditing Standards.

OIG Evaluation of KPMG's Audit Performance

We reviewed KPMG'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. KPMG is responsible for the attached auditors' report. However, the OIG review disclosed no instances where KPMG did not comply, in all material respects, with Government Auditing Standards.

We appreciate the courtesies and cooperation extended to KPMG and OIG staff during the audit. If you should have any questions concerning this report, please contact my office at (301) 504-7905.

Attached:

Audit Report

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

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Chair and Inspector General
United States Consumer Product Safety Commission:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the United States Consumer Product Safety Commission (CPSC), which comprise the balance sheet as of September 30, 2023, and the related statements of net cost, changes in net position, custodial activity, and budgetary resources for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the United States Consumer Product Safety Commission as of September 30, 2023, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP).

Basis for Qualified Opinion

The CPSC reported property, plant, and equipment of $7.0 million, which is net of accumulated depreciation of $50.0 million, on the balance sheet as of September 30, 2023, and depreciation expense of $2.6 million on the statement of net cost during the year then ended. We were unable to obtain sufficient appropriate audit evidence about these amounts and the related information in Notes 5 and 15 because 1) depreciation expense is inappropriately recognized beginning when the CPSC issued a purchase order as opposed to when the asset is placed into service as required by U.S. GAAP, and 2) management did not recalculate the accumulated depreciation and depreciation expense based on the date when the asset is placed into service prior to issuance of the financial statements in order to determine whether differences were material to the financial statements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 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 the CPSC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter – Beginning Net Position

As part of our audit of the 2023 financial statements, we also audited the adjustments described in Note 17 that were applied to restate the beginning net position as of October 1, 2022, to correct a misstatement. The CPSC's previously issued financial statements were audited, before the restatement described in Note 17, by other auditors. In our opinion, such adjustments are appropriate and have been properly applied.

Other Matter – Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of 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 conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01 will always detect a material misstatement 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 are considered 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 GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01, 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.
- Obtain an understanding of internal control relevant to the 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 the CPSC's internal control. 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.

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 require that the information in the Management's Discussion and Analysis section be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the

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information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the *Agency Financial Report*. The other information comprises the About CPSC, About this Report, Message from the Chair, Message from the Chief Financial Officer, Other Information, and Appendices sections but does not include the 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 planning and performing our audit of the financial statements as of and for the year ended September 30, 2023, we considered the CPSC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CPSC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Exhibits I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 material weakness is a deficiency, or a 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. We consider the deficiencies described as items A, B, and C in Exhibit I to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We consider the deficiency described as item D in Exhibit II to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CPSC's financial statements as of and for the year ended September 30, 2023, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

KPMG

We also performed tests of the CPSC's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the CPSC's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

CPSC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the CPSC's response to the findings identified in our audit and described in Exhibit III. The CPSC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CPSC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 1, 2024

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Exhibit I
Material Weaknesses

A. Entity-Level Controls

Entity-level controls are an integral component of internal control systems of an entity and serve as a foundation of the processes management uses to guide its operations. These controls encompass the control environment, risk assessment, information and communication, and monitoring activities for the CPSC. When operating effectively, an effective internal control system increases the likelihood that an entity will achieve its objectives. The CPSC has weaknesses in its entity-level controls within the following areas:

- Succession and contingency planning: CPSC management did not have a comprehensive financial management succession plan to ensure appropriate personnel with the required competence in financial management operations and reporting experience were available to perform the requisite responsibilities after the resignation of two key personnel from the Office of Financial Management, Planning, and Evaluation. Furthermore, CPSC management had no process in place to ensure information regarding key historical financial reporting decisions was maintained such that newly hired personnel would be able to assume the responsibilities of the positions with the relevant financial information.
- Training and communication: CPSC financial management employees did not have adequate training to ensure they had the necessary knowledge to meet their control objectives. Additionally, there were inadequate communication channels between offices within CPSC to ensure relevant and necessary financial reporting information requirements were communicated timely to achieve financial reporting deadlines.
- Risk assessments: CPSC management did not conduct regular and comprehensive risk assessments to identify, evaluate, and document potential risks that could impact financial reporting objectives. As such, necessary responses to those risks were not in place.
- Monitoring and oversight: CPSC management did not have sufficient processes in place to monitor its internal control over financial reporting. Accordingly, certain controls were not performed during the fiscal year.

This lack of effective entity-level controls increased the risk of CPSC not achieving its financial reporting and management objectives. Furthermore, it increased the risk that misstatements may go undetected and uncorrected by management. Lastly, the deficiencies in entity-level controls resulted in certain deficiencies in process level controls that resulted in known misstatements that were subsequently corrected, including:

- The beginning balance of fiscal year 2023 net position was misstated by $8.4 million related to the fiscal year 2022 accrued expenses, requiring a restatement of the balance in the current year. In addition, management misstated and subsequently corrected the current year accounts payable balance by $3.1 million.
- Pre-payments of $2.7 million were incorrectly expensed; management subsequently capitalized the balance.
- Property, plant, and equipment additions were recognized as of the date of purchase order rather than when the asset was placed into service. This error also impacted the calculation of depreciation expense for the current and prior years.
- Adjustments were required for the compilation of the financial statements and related notes as noted in findings B, and D.

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Exhibit I
Material Weaknesses

The deficiencies noted above occurred because CPSC management did not have adequate resources dedicated to its enterprise risk management process to ensure that entity level controls were designed, implemented, and operating effectively throughout the year. Further, a loss of key institutional knowledge of financial operations and reporting within CPSC Office of Financial Management, Planning, and Evaluation was experienced.

GAO's *Standards for Internal Control in the Federal Government* (Green Book) Principles 2 – Exercise Oversight Responsibility, 4 – Demonstrate Commitment to Competence, 7 – Identify, Analyze and Respond to Risk, 14 – Communicate Internally and 16 – Perform Monitoring Activities are relevant to the conditions noted.

To address the deficiencies noted, we recommend that agency management:

1. Perform an assessment of employee resources in the Office of Financial Management, Planning, and Evaluation, and other relevant financial process areas to ensure an appropriate complement of resources are in place to manage accounting and reporting matters as they arise and through their normal course of business.

2. Provide training and supervision for personnel on financial management matters that affect the financial statements, including adhering to accounting policies and procedures, as appropriate, and performing key internal control functions in support of financial reporting.

3. Develop desktop manuals to assist new personnel in meeting their assigned responsibilities.

4. Improve the risk assessment process at the financial statement assertion and process level to ensure that CPSC management is appropriately capturing significant changes in the control environment and subsequently responding to those risks.

5. Implement key monitoring controls over the financial reporting process and develop robust policies and procedures to increase oversight, review, and accountability of accounting events at the process level to ensure the successful implementation of an effective internal control environment.

B. Controls Over Estimates Related to Accrued Expenses

The CPSC updated its methodology for estimating accrued expenses as of year-end in fiscal year 2022. The then new methodology assumed that expenses for goods and services would be incurred evenly over the period of performance of the related contract (i.e., straight-line assumption). However, CPSC management did not design, document, or implement processes and controls to test the straight-line assumption used to estimate their accrued expenses. Specifically, CPSC management did not consider and document their consideration of whether the output of their estimate was reflective of the actual expenses incurred during the period of performance. In fiscal year 2023, CPSC management performed a retrospective analysis of its prior year estimate; in performing the analysis, management initially incorrectly included out of period expense items in the analysis. Additionally, CPSC's methodology inappropriately included obligations that were no longer valid; property, plant, and equipment that had not been received, or for which title had not transferred; and expenses that had been pre-paid.

Management concluded that there were errors in the straight-line assumption used for estimating accrued expenses as of the prior period-end. The incorrect assumption used for estimating the accrued expenses resulted in a material misstatement of the fiscal year 2022 accounts payable of $8.4 million. Further, management initially recorded the fiscal year 2023 estimated accrued expenses using the same prior year methodology which resulted in an overstatement of $3.1 million in accrued expenses that management corrected. In fiscal year 2023, management restated its opening net position to correct the

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Exhibit I
Material Weaknesses

material misstatement of the prior year accounts payable and revised its methodology for estimating accrued expenses as of year-end.

The deficiencies noted above occurred because CPSC management did not perform an adequate risk assessment process that was responsive to changes occurring during the implementation of management's accrued expense estimate methodology update in fiscal year 2022. Policies that considered the requirements of the applicable financial reporting standards were not implemented, nor were alternative estimation methods, data and assumptions for the accrual methodology considered and documented as part of the development of the estimate.

GAO Green Book Principles 7 – Identify, Analyze and Respond to Risk, 10 – Design Control Activities, and 12 –Implement Control Activities are relevant to the conditions noted.

To address the deficiencies noted, we recommend that agency management:

6. Perform a risk assessment that considers the relevant standards and financial reporting and disclosure requirements for the estimation of accrued expenses, and the method, data and assumptions used in the estimate.
7. Develop and update policies and procedures, including the design and implementation of controls, to address the risks identified from the risk assessment and a periodic retrospective review.
8. Provide training to employees on new or updated policies and procedures.

C. Controls Over Property, Plant, and Equipment

CPSC management did not design, document, or implement adequate processes and controls related to the recording of property, plant, and equipment (PP&E) additions, the related depreciation expense, and appropriateness of the estimated useful life. The following errors resulted from these deficiencies:

- For one of four new additions sampled, the CPSC had previously recorded an accrual of $323,267 for the asset. However, the underlying asset had not been placed into service as of that date. Management recorded additional accruals for assets that had not been received nor title transferred in the amount of $69,674.
- For three out of the four samples selected, management incorrectly recorded the asset placed into service date based on the contract or purchase order date as listed in the Property Management System (PMS), instead of the date that aligns to the date placed in service and management's accounting policy. Using the incorrect date placed in service overstated the calculation of depreciation expense for prior periods.

Furthermore, CPSC management did not perform an analysis over the estimated useful life of PP&E, resulting in $2.6 million of furniture and fixtures and $17.4 million of equipment that had been fully depreciated but remained in use as of September 30, 2023.

A lack of processes and controls to accurately record and track PP&E, and its related depreciation expense, may result in errors in PP&E acquisitions not being detected and corrected. Additionally, the lack of analysis over the useful life of PP&E may result in assets incorrectly becoming fully depreciated while still providing economic benefit to the CPSC, which may result in incorrectly matching expenses with the proper accounting period and ultimately an understatement of the PP&E net book value. As management had not completed a full analysis over the impact of the condition, management was unable to determine whether any adjustments to these accounts were necessary.

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Exhibit I
Material Weaknesses

The deficiencies noted above occurred because CPSC management did not have a sufficient understanding of the PMS and Oracle systems used for processing acquisitions of PP&E and the applicable accounting standards related to PP&E. Additionally, the CPSC lacked adequate communication across support offices during the acquisition process to effectively determine the appropriate date placed in service for PP&E.

GAO Green Book Principles 4 – Demonstrate Commitment to Competence and 14 – Communicate Internally; are relevant to the conditions noted.

To address the deficiencies noted, we recommend that agency management:

9. Document the acquisition process and necessary requirements to determine the appropriate date placed in service for PP&E, and update and enhance policies and procedures to align with the requirements of the applicable financial reporting standards.
10. Design and implement controls in accordance with the updated policies and procedures to ensure PP&E balances are completely and accurately recorded in the general ledger.
11. Establish recurring communication with appropriate support office personnel to ensure necessary PP&E information is available for analysis.
12. Perform a detailed review of PMS and Oracle systems to determine if further adjustments are necessary to the acquisition date of CPSC's PP&E to reflect the actual date placed in service.
13. Consult with appropriate support office personnel to perform a detailed analysis of estimated useful lives of PP&E.

Exhibit II
Significant Deficiencies

D. Identification of Pre-paid Expenses

CPSC management has a non-GAAP policy to expense all pre-payments; however, CPSC did not have processes or controls in place to identify and assess the potential impact of this non-GAAP policy. Management recorded $6.8 million of expenses throughout the fiscal year that were paid before the expense was incurred. As of September 30, 2023, $2.7 million of these expenses remained pre-paid because services had not been provided, or goods received, for which management recorded an adjustment in the current year.

Insufficient policies and procedures to assess the impact of non-GAAP policies, including failing to update their non-GAAP accounting policies when they are no longer inconsequential to the financial statements, may result in CPSC management failing to detect and correct a material misstatement in the financial statements.

The deficiency noted above occurred because CPSC management did not have sufficient risk assessment policies and procedures to periodically identify, analyze, and respond to risks of a potential material misstatement of the financial statements related to unreported prepaid expenses.

GAO Green Book Principles 6 – Define Objectives and Risk Tolerances, and 7 – Identify, Analyze and Respond to Risk; are relevant to the conditions noted.

To address the deficiencies noted above, we recommend that agency management:

14. Formalize and document a policy over prepaid expenses, including consideration of compliance with GAAP.

15. Design a control to identify, analyze, and respond to risks related to the reporting of pre-paid expenses.

16. Perform a thorough analysis of any other potential non-GAAP practices and policies.

Exhibit III
Management's Response

United States
Consumer Product Safety Commission

MEMORANDUM

Date: January 24, 2024

To: Christopher W. Dentel
Inspector General

From: Austin C. Schlick
Executive Director

AUSTIN SCHLICK

Subject: Management Response to Independent Auditor's Draft Report

I appreciate the opportunity to provide input on the FY 2023 Independent Auditor's Draft Report of the CPSC's Financial Statements (Draft Report) and would like to thank the Office of Inspector General and the entire audit team for their partnership and support during the FY 2023 annual audit process. CPSC management acknowledges the identification of three material weaknesses, as well as one significant deficiency regarding prepayment processes and controls. As indicated below, management intends to timely address the findings.

Material Weaknesses

Entity-Level Controls. The auditors observed weaknesses in entity-level controls in the areas of succession and contingency planning, training and communication, risk assessment, and monitoring and oversight. The Draft Report concludes that these led to undetected errors in the balance of net position, pre-paid assets, the date when additions to plant, property, and equipment (PPE) were recognized, and the calculation of depreciation expenses. CPSC management acknowledges these entity-level control findings and will develop and implement a plan to remediate them.

Controls over Estimates Related to Accrued Expenses. In FY 2022, CPSC updated its methodology for estimating accrued expenses but, the auditors found, did not fully document or validate the updated approach. CPSC management acknowledges the findings noted in the Draft Report and will develop and implement a plan to remediate them.

Controls Over Property, Plant, and Equipment (PPE) Additions. The auditors noted a lack of adequate processes and controls for recording PPE additions and related depreciation expense, and determining the appropriateness of CPSC's estimated useful life. CPSC management acknowledges these findings and will develop and implement a plan to remediate them.

U.S. Consumer Product Safety Commission
4330 East-West Highway
Bethesda, MD 20814
cpsc.gov

National Product Testing & Evaluation Center
5 Research Place
Rockville, MD 20850

Exhibit III
Management's Response

United States
Consumer Product Safety Commission

Significant Deficiency

> The auditors observed a lack of adequate processes and controls to identify and report prepayments. The Draft Report finds that as a result, prepayments were inappropriately categorized as expenses rather than assets on the financial statements. CPSC acknowledges this finding and will develop and implement in a plan to remediate it.

The agency takes its fiscal responsibilities seriously and continues to have a high degree of confidence in the integrity of CPSC's financial operations and programs and our ability to continuously improve them.

U.S. Consumer Product Safety Commission
4330 East-West Highway
Bethesda, MD 20814
cpsc.gov

National Product Testing & Evaluation Center
5 Research Place
Rockville, MD 20850

Financial Statements

Balance Sheet
as of September 30, 2023
(in dollars)

		FY 2023
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$	72,597,482
Accounts Receivable, Net (Note 3)		50,269
Advances and Prepayments (Note 4)		43,168
Total Intragovernmental		72,690,919
Other Than Intragovernmental		
Accounts Receivable, Net (Note 3)		20,514,277
Property, Plant, and Equipment, Net (Note 5)		7,030,642
Advances and Prepayments		2,717,795
Total Other Than Intragovernmental		30,262,714
Total Assets	**$**	**102,953,633**
LIABILITIES (Note 6):		
Intragovernmental:		
Accounts Payable		1,311,237
Other Liabilities (Note 7)		
Employee Benefits		351,484
Workers Compensation		285,722
Employer Contributions Payable		103,802
Custodial Liability		20,500,433
Other Liabilities Without Related Budgetary Obligations (Note 8)		1,145,639
Total Intragovernmental		23,698,317
Other than Intragovernmental:		
Accounts Payable		7,973,324
Federal Employee Benefits Payable (Note 9)		9,272,392
Other Liabilities (Note 7)		
Accrued Funded Payroll		1,444,175
Other Liabilities with Related Budgetary Obligations		14,003
Total Other Than Intragovernmental		18,703,894
Total Liabilities	**$**	**42,402,211**
NET POSITION:		
Unexpended Appropriations - Funds from Other than Dedicated Collections	$	64,119,056
Total Unexpended Appropriations		64,119,056
Cumulative Results of Operations - Funds from Dedicated Collections		18,953
Cumulative Results of Operations - Funds from Other than Dedicated Collections		(3,586,587)
Total Cumulative Results of Operations		(3,567,634)
Total Net Position	**$**	**60,551,422**
Total Liabilities and Net Position	**$**	**102,953,633**

The accompanying notes are an integral part of these statements.

Statement of Net Cost
For the Year Ended September 30, 2023
(in dollars)

		FY 2023
STRATEGIC GOAL 1 - PREVENT:		
Gross Cost	$	64,529,229
Earned Revenue		(2,574,902)
Net Cost Strategic Goal 1	**$**	**61,954,327**
STRATEGIC GOAL 2 - ADDRESS:		
Gross Cost	$	24,352,116
Earned Revenue		
Net Cost Strategic Goal 2	**$**	**24,352,116**
STRATEGIC GOAL 3 - COMMUNICATE:		
Gross Cost	$	18,033,284
Earned Revenue		-
Net Cost Strategic Goal 3	**$**	**18,033,284**
STRATEGIC GOAL 4 - SUPPORT:		
Gross Cost	$	65,820,029
Earned Revenue		-
Net Cost Strategic Goal 4	**$**	**65,820,029**
TOTAL ENTITY:		
Total Gross Cost	$	172,734,658
Less: Earned Revenue		(2,574,902)
Total Net Cost of Operations (Note 15)	**$**	**170,159,756**

The accompanying notes are an integral part of these statements.

Statement of Changes in Net Position
For the Year Ended September 30, 2023
(in dollars)

		FY 2023
UNEXPENDED APPROPRIATIONS:		
Beginning Balance	$	67,419,775
Corrections of Errors (Note 17)	$	8,398,138
Beginning Balance, as adjusted	$	75,817,913
Appropriations Received		152,500,000
Other Adjustments		(1,082,158)
Appropriations Used		(163,116,699)
Net Change in Unexpended Appropriations		(11,698,857)
Total Unexpended Appropriations	**$**	**64,119,056**
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balance		(3,273,771)
Appropriations Used		163,116,699
Transfers In/Out without Reimbursement		-
Imputed Financing (Note 9)		6,749,294
Other		(100)
Net Cost of Operations (Note 15)		(170,159,756)
Net Change in Cumulative Results of Operations		(293,862)
Total Cumulative Results of Operations	**$**	**(3,567,634)**
Net Position	**$**	**60,551,422**

The accompanying notes are an integral part of these statements.

Statement of Budgetary Resources
For the Year Ended September 30, 2023
(in dollars)

		FY 2023
BUDGETARY RESOURCES:		
Unobligated balance from prior year budget authority, net	$	34,374,133
Appropriations		152,500,000
Spending authority from offsetting collections		4,551,635
Total Budgetary Resources	**$**	**191,425,768**
STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward Adjustments (Note 11)	$	173,445,056
Unobligated balance, end of year:		
Apportioned, unexpired account		13,793,173
Unapportioned, unexpired accounts		1,858,984
Expired Unobligated Balance, end of year		2,328,555
Unobligated balance, end of year (total)		17,980,712
Total Status of Budgetary Resources	**$**	**191,425,768**
OUTLAYS, NET:		
Outlays, net (total)	$	162,348,293
Distributed offsetting receipts		(28,219)
Total Agency Outlays, net (Note 15)	**$**	**162,320,074**

The accompanying notes are an integral part of these statements.

Statement of Custodial Activity
For the Year Ended September 30, 2023
(in dollars)

		FY 2023
REVENUE ACTIVITY:		
Sources of Cash Collections:		
Miscellaneous		42,143,151
Total Cash Collections		42,143,151
Accrual Adjustments		13,239,423
Total Custodial Revenue (Note 14)	**$**	**55,382,574**
DISPOSITION OF COLLECTIONS:		
Transferred to Others (by Recipient)		
U.S. Department of Treasury		42,143,151
Increase/(Decrease) in Amounts Yet to be Transferred		13,239,423
Retained by the Reporting Entity		-
Total Disposition of Collections	**$**	**55,382,574**
Net Custodial Activity	**$**	**-**

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 activities 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. 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 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

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 programs under the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) and Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022, as well as COVID-19 relief under the American Rescue Plan Act (ARPA) (Pub .L. No. 117-2).

General Fund Receipt Accounts: CPSC collects civil penalties, Freedom of Information Act (FOIA) fees, and other miscellaneous receipts, which by law are not retained by 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 CPSC "to accept gifts and voluntary and uncompensated services." CPSC occasionally receives donations from non-governmental sources in support of the agency's mission.

Budget Authority

Congress enacts appropriations that provide CPSC with authority to obligate funds for necessary expenses to carry out authorized program activities. The funds appropriated are subject to the Office of Management and Budget (OMB) apportionment. 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 an 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 No. A-136, *Financial Reporting Requirements*, as amended.

Assets

Intragovernmental assets are assets that arise from transactions with other federal entities. The Fund Balance with Treasury comprises of 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 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. 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.

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 CPSC.

B. Accounts Receivable and Allowance for Uncollectible Accounts

CPSC's accounts receivable are classified into two types of accounts: entity and non-entity accounts receivable. Entity accounts receivable include amounts due from customers for reimbursable agreement and overpayment to vendors and current and former employees. Non-entity accounts receivable are civil monetary penalties resulting from CPSC's enforcement actions and fees billed to fulfill FOIA requests. CPSC holds these non-entity receivables in a custodial capacity. 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, Plant, and Equipment (PPE)

PPE consists 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. CPSC reports PPE purchases and additions at historical costs. CPSC treats PPE acquisitions that do not meet the capitalization criteria as an expense. Leasehold improvements are capitalized based on contractual agreements.

CPSC depreciates PPE 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. CPSC removes PPE from its asset account in the period of disposal, retirement, or removal from service. 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 CPSC as a result of transactions that have already occurred.

A. Accounts Payable

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

B. Salaries and Federal Employee Benefits

Liabilities covered by budgetary resources represent liabilities funded by available budgetary resources, which include appropriated funds and reimbursable authority. These liabilities consist of the salaries and wages of CPSC's employees and the corresponding agency share for the pension, health insurance, 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. 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 is 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)

CPSC records an estimated unfunded liability for future workers' compensation claims based on data provided by the Department of Labor (DOL). 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

CPSC has claims and lawsuits pending against the agency. 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 can differ from those estimates.

Changes in Entity or Financial Reporting

The presentation of the Balance Sheet, Statement of Changes in Net Position, Statement of Custodial Activity, and Undelivered Order Note has been modified to be consistent with the presentation of this document's reporting period (*i.e.*, FY 2023). 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.

Restatements

Certain prior year amounts have been restated to correct errors in the Balance Sheet, Statement of Net Costs (SONC), Statement of Changes in Net Position, and notes to the financial statements.

Note 2 – Fund Balance with Treasury

CPSC's Fund Balance with Treasury consists of apportioned and unapportioned funds. The status of this fund as of September 30, 2023 is the following:

	2023
Status of Fund Balance with Treasury	
Unobligated Balance	
Available	13,793,173
Unavailable	4,187,539
Obligated Balance, Not Yet Disbursed	54,616,770
Custodial Funds held for Treasury	-
Total Fund Balance with Treasury	$ 72,597,482

The available unobligated fund balances represent the current period amount available for obligation or commitment. The available unobligated balances as of September 30, 2023 was $13,793,173.

The unavailable unobligated fund balances represent the amount of appropriation 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, 2023 was $4,187,539.

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 12**).

The custodial funds held for Treasury consist of collections of fines and penalties received from violators of the CPSA (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.

Note 3 – Accounts Receivable, Net

CPSC's accounts receivable are 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 CPSC's accounts receivable, as these amounts are fully collectible based on historical experience.

Note 3 – Accounts Receivable, Net (continued)

The composition of accounts receivable as of September 30, 2023 is as follows:

Accounts Receivable		2023
Entity		
Intragovernmental		
Accounts Receivable		50,269
Other Than Intragovernmental		
Accounts Receivable		13,844
Non-Entity		
Other Than Intragovernmental		
Civil Fines and Penalties		20,500,000
Other Receivables		433
Total Non-Entity Accounts Receivable	$	20,500,433
Total Accounts Receivable	$	20,564,546

Note 4 – Advances and Prepayments

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

The balance of advances and prepayments as of September 30, 2023 is $43,168 for intragovernmental and $2,717,795 with the public for software licenses received, which will be expensed as used.

		2023
Intragovernmental		
Advances and Prepayments		43,168
Other Assets		-
Total Intragovernmental Other Assets	$	43,168
With the Public		
Advances and Prepayments		2,717,795
Grant Advances		-
Other Assets		-
Total Other Assets	$	2,760,963

Note 5 – Property, Plant, and Equipment, Net

The composition of PPE, Net as of September 30, 2023 is as follows:

Class of PPE	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value	Service Life in Years
Leasehold Improvement	24,283,497	23,290,273	993,224	6 - 14
Equipment	27,693,697	22,793,572	4,900,125	5 - 12
Furniture, Fixture & Other Equipment	2,608,689	2,608,689	-	3 - 5
ADP Software	1,345,736	1,293,618	52,118	5
Construction in Progress	1,085,175	-	1,085,175	
Total	$ 57,016,794	$ 49,986,152	$ 7,030,642	

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 in the past have not required, and will not require, the use of the aforementioned budgetary resources in the future.

The liabilities on CPSC's Balance Sheet as of September 30, 2023 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. CPSC also recognizes liabilities for employee annual leave earned but not yet taken and for workers' compensation actuarial liability. CPSC also collects 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, 2023 is as follows:

	2023
Intragovernmental	
Workers' Compensation	285,722
Other Liabilities Without Budgetary Obligations	1,145,639
Total Intragovernmental	$ 1,431,361
Accrued Annual Leave	7,173,867
Workers' Compensation Actuarial Liability	2,030,891
Total Liabilities Not Covered by Budgetary Resources	$ 10,636,119
Total Liabilities Covered by Budgetary Resources	$ 11,265,659
Total Liabilities Not Requiring Budgetary Resources (see Note 7)	$ 20,500,433
Total Liabilities	$ 42,402,211

Note 7 – Other Liabilities

CPSC's Other Liabilities on the Balance Sheet is broken into Intragovernmental and Other than Intragovernmental as detailed below:

Other Liabilities	2023
Intragovernmental	
Employee Benefits	351,484
Workers' Compensation	285,722
Employer Contributions Payable	103,802
Custodial Liability	20,500,433
Other Liabilities Without Related Budgetary Obligations	1,145,639
Total Intragovernmental	$ 22,387,080
Other than Intragovernmental	
Accrued Funded Payroll	1,444,175
Other Liabilities with Related Budgetary Obligations	14,003
Total Other Than Intragovernmental	$ 1,458,178
Total Other Liabilities	$ 23,845,258

Civil Service Retirement System (CSRS), Federal Employees' Retirement System (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. The amount owed to the Office of Personnel Management (OPM) and the U.S. Treasury as of September 30, 2023 was $455,286.

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 CPSC to use. 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 CPSC to use. Civil penalties and FOIA fees due and balances in the general fund receipt accounts are recognized as a custodial liability on CPSC's Balance Sheet. As of September 30, 2023, the total Custodial Liabilities are $20,500,433. The revenue and collection activities of these liabilities are presented in the Statement of Custodial Activities.

Note 8 – Other Liabilities without Related Budgetary Obligation

Other Liabilities without Budgetary Obligation are Tenant Improvement Liabilities (TIL) on CPSC's Balance Sheet as of September 30, 2023, which are $1,145,639. The composition of TIL as of September 30, 2023 is as follows:

Other Liabilities	2023
Intragovernmental	
Tenant Improvement Liability – HQ	143,344
Tenant Improvement Liability – NPTEC	1,002,295
Total Tenant Improvement Liability	$ 1,145,639

The unfunded TIL is payable to GSA over the life of the lease. CPSC's lease agreements with GSA are for two facilities in Maryland: the Headquarters (HQ) offices located in Bethesda and the National Product Testing and Evaluation Center (NPTEC) located in Rockville, MD. The two 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 GSA and paid by 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 CPSC. Since CPSC does not administer the benefit plans, CPSC does not recognize any liability on the Balance Sheet for pensions, other retirement benefits, and other post-employment benefits. CPSC does, however, recognize the imputed financing sources/costs related to these benefits on 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 period ended September 30, 2023 related to imputed financing sources totaled $6,749,294 for the period ended September 30, 2023.

	2023
Estimated future pension costs (CSRS/ FERS)	2,471,400
Estimated future postretirement health insurance (FEHB)	4,265,700
Estimated future postretirement life insurance (FEGLI)	12,194
Total Imputed Costs	$ 6,749,294

CPSC employees participate in either the CSRS or 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 seven 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. CPSC's contributions are recognized as current operating expenses.

The federal employee benefits payable as shown on the Balance Sheet as of September 30, 2023 is $9,272,392 and is made up of accrued annual leave, employer contributions and payroll taxes, and actuarial Federal Employees Compensation Act (FECA).

As of September 30, 2023, CPSC accrued unfunded annual leave for employees in the amount of $7,173,867, employer contributions of $67,634, and actuarial FECA of $2,030,891.

Note 10 – Operating Leases

CPSC's lease agreements with GSA are for three facilities in Maryland: 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. Although CPSC has smaller operating leases, they are minimal and do not have a significant impact on overall operations and thus are not presented. The operating lease agreements for the three facilities expire between fiscal years 2023 and 2035. Lease costs for the period ended September 30, 2023, amounted to approximately $8,108,748. Estimated future minimum lease payments for the three facilities are as follows:

Fiscal Year	Estimated Future Lease Payments
2024	8,154,867
2025	8,458,476
2026	8,544,006
2027	8,632,103
2028	8,272,801
After 2028	26,809,230
Total Estimated Future Lease Payments	$ 68,871,483

Note 11 – Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

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 year ended September 30, 2023, are as follows:

	2023
Direct:	
Category A	$ 148,109,968
Category B	20,570,289
Reimbursable:	
Category A	-
Category B	4,764,799
Total Obligations Incurred	$ 173,445,056

Note 12 – Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2023, are:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ 43,168	$ 2,717,795	$ 2,760,963
Unpaid Undelivered Orders	758,692	45,568,522	46,327,214
Total Undelivered Orders	$ 801,860	$ 48,286,317	$ 49,088,177

Note 13 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government – (unaudited)

A reconciliation of CPSC's fiscal year 2022 statement of budgetary resources with the corresponding information presented in the fiscal year 2023 President's Budget is as follows:

FY 2022	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	194,992,941	161,242,749	4,718	151,106,915
Actual Offsetting Collections	-	-	-	-
Expired Unobligated Balance, end of year	(1,764,145)	-	-	-
Differences	(228,796)	(242,749)	(4,718)	(1,106,915)
Budget of the U.S. Government	$ 193,000,000	$ 161,000,000	-	$ 150,000,000

The FY 2025 Budget of the U.S. Government (also known as the President's Budget) will not be published prior to February 2024. Accordingly, a comparison between the FY 2023 data reflected on the statement of budgetary resources and FY 2023 data in the President's Budget cannot be performed. The Budget with the actual amount for FY 2023 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 14 – Custodial Revenue

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.

In FY 2023, CPSC assessed civil penalties and fines in the amount of $55,382,574. However, there were two civil penalties assessed in the fourth quarter of FY 2022 and collected in FY 2023 totaling $7,250,000. Thus, the civil penalties recorded for receipt in FY 2023 financial statements amounted to $42,115,000, which CPSC collected as of September 30, 2023.

The custodial amount yet to be collected (civil penalties, FOIA fines, interest accrued, etc.) by CPSC is $20,500,433 as of September 30, 2023. All custodial revenue collections are deposited in the U.S. Treasury and are not available for CPSC to use.

Note 15 – 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 BAR for the period ending September 30, 2023, is as follows:

Reconciliation of Net Cost to Net Outlays
Budget and Accrual Reconciliation
For the Year Ended September 30, 2023
(in Dollars)

	Intragovernmental	Other Than Intragovernmental	Total
Net Operating Cost (SNC)	$ 41,400,370	$ 128,759,386	$ 170,159,756
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(2,567,115)	(2,567,115)
Property, Plant, and Equipment Disposals & Revaluations	-	(11,424)	(11,424)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(2,147,989)	(2,162)	(2,150,151)
Other Assets	(5,550)	2,717,795	2,712,245
(Increase)/Decrease in Liabilities:			
Accounts Payable	378,896	(2,694,902)	(2,316,006)
Federal Employee Benefits Payable	-	103,369	103,369
Other Liabilities	203,973	1,011,079	1,215,052
Financing Sources:			
Imputed Cost	(6,749,294)	-	(6,749,294)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (8,319,964)	$ (1,443,360)	$(9,763,324)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	1,951,761	1,951,761
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	-	$ 1,951,761	$ 1,951,761
Miscellaneous Items			
Distributed Offsetting Receipts (SBR 4200)	-	(28,219)	(28,219)
Custodial/Non-Exchange Revenue	55,382,574	(55,382,574)	-
Non-Entity Activity	100	-	100
Total Other Reconciling Items	$ 55,382,674	$ (55,410,793)	$ (28,119)
Total Net Outlays (Calculated Total)	$ 88,463,080	$ 73,856,994	$ 162,320,074
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 162,320,074

Note 16 – 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 to:

- Carry out the requirements in Title XX of Division FF of the FY 2022 Consolidated Appropriations Act, 2022 (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, 2023:

COVID-19 Activity	**FY 2023**
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from Prior Year	$ **28,616,040**
New Budget Authority +	$ 0
Rescissions (-)/Other Changes (+/-) to Budgetary Resources	$ 0
Budgetary Resources Obligated (-)	$ **16,960,036**
Budgetary Resources Obligated: Ending Unobligated (and unexpired) Balance to be Carried Forward	$ **11,656,004**
Outlays, Net (Total)	$ **17,045,970**

Note 17 – Restatement

The previously reported accounts payable as of September 30, 2022 were overstated by $8.4 million. As a result, the beginning "net position – unexpended appropriations" as of October 1, 2022 has been restated to correct the error to increase "net position – unexpended appropriations" by $8.4 million as of October 1, 2022 as presented on the Statement of Changes in Net Position for the year ended September 30, 2023.

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 Safely Campaign

OTHER INFORMATION

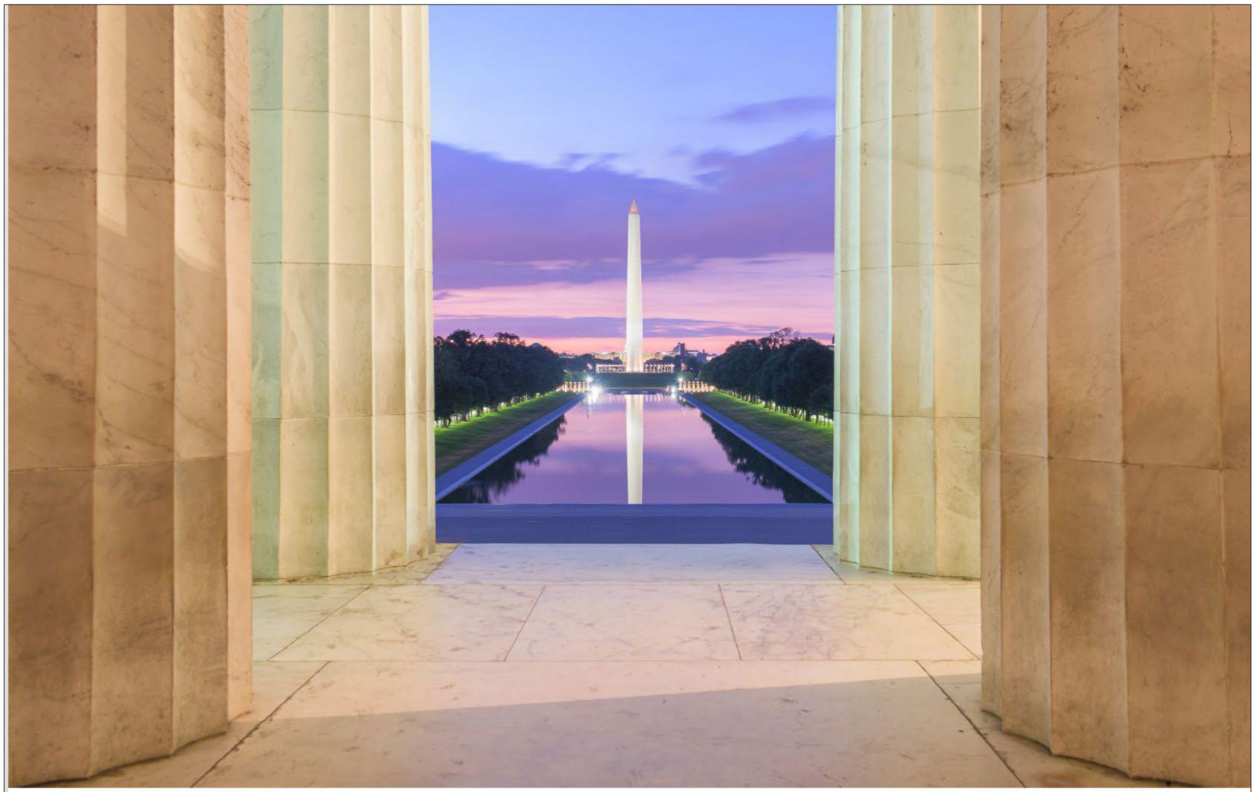
Inspector General's Management Challenges Report

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

Top Management and Performance Challenges for Fiscal Year 2024

January 5, 2024

24-O-02



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.

January 5, 2024

TO: Alexander Hoehn-Saric, Chair
Peter A. Feldman, Commissioner
Richard L. Trumka, Commissioner
Mary T. Boyle, Commissioner

FROM: Christopher W. Dentel, Inspector General Christopher W. Dentel Digitally signed by Christopher W. Dentel Date: 2024.01.05 09:54:48 -05'00'

SUBJECT: Top Management and Performance Challenges for Fiscal Year 2024

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) 2024. 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.

As detailed in the following pages, the CPSC has made marked improvements in several areas related to these management challenges. These improvements include making substantive progress in the past year toward developing a formal system of internal control and revising its directives system. However, despite these improvements, in FY 2024 the most serious management and performance challenges facing the CPSC remain the same as those facing it in FY 2023:

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

Moving forward, leadership must do a better job of setting high standards for employees' performance; measuring program effectiveness; ensuring adherence to policies, rules, regulations, and laws; and optimizing the use of limited resources.

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

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

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INTRODUCTION

The fiscal year (FY) 2024 management and performance challenges directly relate to the U.S. Consumer Product Safety Commission's (CPSC) mission to "protect the public against unreasonable risks of injury or death from consumer products" and address the CPSC's Strategic Goal 4: Efficiently and effectively support the CPSC's mission. Unfortunately, as demonstrated by the agency's failure to properly complete its statutorily required annual report on the administration of the Consumer Product Safety Act (CPSA) to the President and Congress for fiscal years 2020, 2021, or 2022; its Real Property Capital Plan in 2022; or to develop a comprehensive corrective action plan to address its information technology (IT) security weaknesses, the CPSC has still not adequately addressed its previously reported top management and performance challenges. The FY 2024 management and performance challenges remain:

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 these management challenges. It may also be due to the CPSC having historically not dedicated adequate resources to addressing 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 ongoing focus for CPSC management and staff. As detailed below, agency management has recently made progress in a number of these areas.

The challenges we identified speak to both the foundation of agency operations - internal controls - as well the ability of CPSC to manage risk and respond to changes in the external operating environment and within the agency.

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 Office of Inspector General's (OIG) completed work, and information on planned work related to CPSC's management and performance challenges.

1. INTERNAL CONTROL SYSTEM

Historically, the CPSC has lacked an effective system of internal control. An agency's internal control system is the process used by management to both ensure compliance with laws and regulations and 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 control are established in the Office of Management and Budget's (OMB) Circular A-123 (A-123), *Management's Responsibility for Enterprise Risk Management and Internal Control.*[1] In 2016, A-123 was updated to reflect the most recent edition of the Government Accountability Office, *Standards for Internal Control in the Federal Government*[2] (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 from this office. The OIG acknowledges management's:

- Ongoing efforts at reviewing and revising its directive system.

[1] https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf
[2] https://www.gao.gov/products/GAO-14-704G

- Ongoing efforts to revise the management assurance and internal controls program governance, including its internal communication and its processes for consolidating its entity-level checklists responses for the Statement of Assurance (SOA).
- Reported success in meeting its goal to have at least fifty percent of assessable units develop formal internal control programs in accordance with Green Book and A-123.

This management challenge aligns with Strategic Goal 4: Efficiently and effectively support the CPSC's mission.

The CPSC reports its overall compliance with the requirements of A-123 and FMFIA through the Chairman's 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 letters 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 control extend beyond the SOA process. As detailed in our *Audit of the CPSC's Implementation of FMFIA for FYs 2018 and 2019*, historically, the CPSC has not established and implemented a formal internal controls 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.

However, the agency has made substantive progress in the past year toward developing a formal system of internal control. We have not yet had the opportunity to audit management's assertion that, as of the end of FY 2023, it had developed formal internal control programs in accordance with Green Book and A-123 for 7 out of 14 offices that had core processes that support the CPSC's mission. However, it is apparent that agency management has placed both emphasis on and resources behind this effort that had been lacking in the past. The development of formal internal controls covering approximately half of the agency, combined with the agency having a defined plan to extend internal control coverage over the remainder of the agency, represents a truly foundational step in implementing effective internal controls at the CPSC.

Another area where improvement has been shown involves the agency's system of directives. A fundamental weakness in the CPSC's internal control system historically has been the failure to develop and maintain an up-to-date set of written policies and procedures. This problem was first documented over four years ago in our *Audit of the CPSC's Directives System*. In an effort to address this issue, the Chair directed the Office of General Counsel to take the lead in ensuring that the agency reviews and revises its directives system. Although not yet audited, it appears that this is another area where substantial improvements have been made.

" . . . 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."

This lack of written policies and procedures has resulted in the agency not meeting basic statutory and regulatory requirements. The agency's recent failure to complete mandatory reports to Congress regarding agency operations, as required by the CPSA, and not being aware of the requirement to complete a capital planning report required by OMB, appear to be linked to weaknesses in internal control rather than deliberate acts. In the case of the former, there were no internal controls in place to ensure that these reports were completed. In the case of the latter, there was no process in place to ensure the agency tracked the creation of external requirements.

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 letters of assurance. Despite clear evidence that management officials demonstrated a lack of integrity and failed to carry out their duties, agency management elected to not 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 adequate deterrence against similar future misconduct.

In the past, the internal control deficiencies discovered by the OIG have been found almost exclusively in operational programs. The financial programs, with the notable exception of the Antideficiency Act violations related to the purchase card program reported to the Government Accountability Office in February 2023, generally have had good internal controls. Unfortunately, the ongoing audit of the CPSC's FY 2023 financial statements has found internal control issues in financial programs. These issues include both a lack of commitment to competence and a lack of succession planning. In the context of management challenges, these matters are addressed in greater detail below in the "Resource Management" section. These issues will be fully documented in the FY 2023 financial statement audit report and management letter that are scheduled to be published later in FY 2024.

Recently completed OIG work in this area includes: *Management Alert 23-O-04*, Reports of Investigation Regarding the Clearinghouse Data Breach and Irregularities in the FY 2022 Operating Plan Vote, *Audit of the CPSC's Grants Program*, *Report on the Evaluation of the CPSC's Compliance with the Payment Integrity Information Act of 2019* (PIIA) for FY 2022, *Human Capital Program Assessment*, *Evaluation of the CPSC's Compliance with Tax Withholding Requirements*, and *Evaluation of the CPSC's Federal Information Security Modernization Act (FISMA) Implementation for FY 2023*, *Audit of the CPSC's Implementation of the FMFIA for 2018 and 2019*, and the *Review of National Electronic Injury Surveillance System Data*. Ongoing or upcoming OIG work in this area includes the *Audit of the Consumer Product Safety Commission's Fiscal Year 2023 Financial Statements*, *Resource Utilization Audit*, *Laboratory Accreditation Audit*, and *Import Surveillance Audit*.

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 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. 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. In FY 2023, the agency used contractors to perform risk assessments of a number of directorates and larger offices. We encourage the agency to continue these efforts and to consider targeting programs rather than directorates or offices.

This management challenge aligns with Strategic Goal 4: Efficiently and effectively support the CPSC's mission.

Historically, 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 2023*, the *Audit of the CPSC's Grants Program*, and the *Report of Investigation Regarding the 2019 Clearinghouse Data Breach*.

As noted above, this is an area where improvements have been reported by agency management. The CPSC reports that they have met their goal of having at least fifty percent of assessable units (7 of 14) conduct risk assessments. The agency also reports that they have a defined plan to extend internal control coverage, including risk assessments, over the remainder of the agency. This represents a truly foundational step in implementing enterprise risk management at the CPSC. Although these assertions have not yet been audited, it is apparent that agency management has placed both emphasis on and resources behind this effort that have been lacking in the past.

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 in the OIG's annual audit plan; however, in the past the program was clearly not sufficiently mature to be auditable. This may no longer be the case.

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 and deficiencies in the agency's internal budgeting and performance management processes. For example, there are issues related to the calculations used to determine personnel costs and verify operating costs and performance measures. This complicates efforts to ensure program effectiveness, establish appropriate staff levels, and make determinations regarding the optimal mix of "in house" and contracted work. This complicates the duties of both oversight officials (commissioners, congress, etc.) and agency office heads.

The CPSC must reform its financial reporting and budgetary processes so that these become useful management tools instead of simply paperwork exercises. Such a reform would provide senior management with timely and accurate information, so decision makers understand how financial resources are allocated to agency programs.

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 discussed previously and by the transition to a hybrid workplace.

As noted in the *Human Capital Program Assessment*, the CPSC's human capital program does not align with federal regulations and lacks overall accountability. Additionally, the CPSC was not making full use of flexibilities available to it to aid in the recruitment and retention of IT and other professionals; nor was it adequately performing succession planning. These shortcomings, if not corrected, may prevent the CPSC from achieving its mission. Many of the findings and recommendations found in this assessment were over two decades old and were first identified in Office of Personnel Management evaluations in 1998 and 2008; however, these recommendations were never resolved, including a finding that the CPSC had not established a system of accountability to ensure that its human capital program is managed effectively and efficiently.

A recent example of the high cost of failing to retain competence or adequately succession plan occurred during the FY 23 audit of the CPSC's financial statements. Despite being warned repeatedly by this office of the existence of a "key person" risk, created by the agency's over reliance on one individual to both manage financial operations and prepare the financial statements for the agency, the agency did not develop a succession plan to deal with the risk of this individual leaving the agency. When this individual did leave the agency, there was no one competent to perform her duties. This resulted in disruptions to the financial operations of the agency and to its ability to successfully complete its publication of its audited FY 23 financial statements in a timely manner.

During the *Human Capital Program Assessment,* CPSC human capital officials stated that they relied on the Federal Employee Viewpoint Survey (FEVS) results to determine if the human capital program was effectively managed. By that measure, when compared to similarly sized agencies, the CPSC was consistently ranked in the bottom third for employee satisfaction. While employees reported being supportive of the mission, they had concerns about supervision. This measure placed the CPSC at 21st of 29 peer agencies (in the bottom 28 percent). Another FEVS measure, "employee skills to mission match," placed the CPSC at 23rd of 29 peer agencies (in the bottom 20 percent). Finally, with regard to recognition, the extent to which employees feel they are recognized for their performance and innovative contributions to their workplaces, the CPSC ranked 25th of 29 peer agencies (in the bottom 15 percent).

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 the 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. For example, the agency has not developed a comprehensive corrective action plan to address its IT security weaknesses. 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 2023, the OIG presented 75, and agency management concurred with 67 recommendations and closed 30 recommendations. There are a total of 191 open recommendations as of the end of FY 2023. All of these recommendations were determined to be meritorious by agency management, but some are over nine years old.

This management challenge aligns with Strategic Goal 4: Efficiently and effectively support the CPSC's mission.

Recently completed OIG work related to this challenge includes: *Human Capital Program Assessment*, *Evaluation of the CPSC's FISMA Implementation for FY 2023*, *Audit of the CPSC's Grants Program*, *Report of Investigation Regarding the 2019 Clearinghouse Data Breach*, *Audit of the CPSC's FY 2022 Financial Statements*, and *Independent Risk Assessment of the CPSC's Charge Card Programs*.

The statutory audits and reviews related to financial statements, FISMA, and PIIA address this challenge annually. In addition to the statutorily required audits and reviews, the OIG has ongoing work in the area of space utilization. This audit focuses on both the internal controls governing and the actual space utilization of the agency in light of the transition to hybrid work.

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.

The most recent FISMA evaluation found that the CPSC continues to make progress in implementing the FISMA requirements. For example, the CPSC was able to close two recommendations through the continued implementation of its privileged user access management solution. This implementation has allowed the CPSC to enforce Personal Identification Verification card authentication for and adequately restrict access to privileged accounts. The CPSC also made progress on remediating several other FISMA recommendations, specifically, the CPSC:

"... establishing effective governance and a formalized approach to information security risk management is the critical first step to achieving an effective information security program ... the CPSC has not taken this critical first step."

- Maintained its ongoing authorization for its major systems and tracked system-level Information Security Continuous Monitoring performance measures and metrics.
- Updated its awareness and training policy.
- Defined its Supply Chain Risk Management policy.
- Developed a Continuity of Operation Plan which includes a business process analysis and business impact assessment for each CPSC-identified Mission Essential Function.
- Encrypted all of its databases, virtual machines, and workstations.
- Implemented an effective mechanism to support the timely reports of its security incidents to the Cybersecurity Infrastructure Security Agency.

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 still not taken a formal approach to information security risk management and has not prioritized addressing FISMA requirements and OIG 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.

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 very high turnover in key positions.

Over the years, this office has identified several security weaknesses in the CPSC's information security internal control policies, procedures, and practices that remain unremedied. 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 Strategic Goal 4: Efficiently and effectively support the CPSC's mission.

Recently completed OIG work related to this area includes the: *Evaluation of the CPSC's FISMA Implementation for FY 2023*, *Evaluation of the CPSC's NIST Cybersecurity Framework Implementation*, *Report of Investigation Regarding the 2019 Clearinghouse Data Breach*, *Evaluation of the CPSC's Implementation of the Federal Data Strategy*, *Report on the Penetration and Vulnerability Assessment of CPSC's Information Technology Systems* in 2019, *CPSC Penetration Test 2022*, and *Audit of the CPSC's FY 2022 Financial Statements*.

In addition to the statutorily required audits and reviews, the OIG is conducting work in the area of cloud computing.

CONCLUSION

As discussed above, and in the last several Top Management and Performance Challenges reports, the CPSC faces a number of fundamental management and performance challenges. The most serious of these deal with the lack of an effective internal control program. 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 some reason for optimism.

Although not yet complete, the CPSC has made fundamental improvements in its directives system and developed formal internal control systems over a number of its offices. Recently, the CPSC recruited outside personnel to fill several key leadership positions. Hopefully, these new leaders will have greater success addressing the fundamental internal control challenges facing the CPSC than their predecessors.

For more information on this report please contact us at CPSC-OIG@cpsc.gov

To report fraud, waste, or abuse, mismanagement, or wrongdoing at the CPSC go to
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	Qualified				
Restatement	No				
	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	3	0	0	3
Total Material Weaknesses	0	3	0	0	3

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

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. 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*.

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 2023 analysis did not evidence significant improper payments resulting in monetary loss to the taxpayer.

Review of Program Activities in FY 2023

CPSC assesses payments reporting for two program activities: Payroll and Non-Payroll. The total program activity for payroll and non-payroll totaled $99,548,402 and $52,604,731, respectively.

Payment Reporting & PIIA Noncompliance Findings

The FY 2022 PIIA review, issued by the OIG in May 2023, found that CPSC is in compliance with OMB Memorandum M-21-19.

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. 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 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 2023, the agency identified six improper payments 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.

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

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 CPSC and ARC.

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.

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.

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, 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 CPSC improve 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.[9] 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.

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 CPSC applied appropriate business rules when making payments. Based on the reviews from DNP and SAM Exclusions list from October 1, 2022 through September 30, 2023, no errant payments were identified.

[9] 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 one 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, 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	* Civil Penalties; Notice of Adjusted Maximum Amounts, 86 Fed. Reg. 68244 (Dec. 1, 2021); Civil Penalties; Notice of Adjusted Maximum Amounts; Correction, 86 Fed. Reg. 70831 (Dec. 13, 2021)

Grants Programs

In FY 2023, CPSC administered two grant programs—the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) and the Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevent Act of 2022—which award 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, 2023.

CPSC does not have any current grants or cooperative agreements exceeding closeout for two years or more before September 30, 2023.

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

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.

Appendix D: CPSC Report on Material Weaknesses to OMB

Photo above from the AnchorIt! Campaign

APPENDICES

Appendix A: Performance Measurement Reporting Process

The Annual Performance Plan (APP), in conjunction with the FY 2023 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 *2023-2026 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 2023 performance year-end results is presented on pp. 4 – 6 of this report, and the detailed performance results will be published in the FY 2023 Annual Performance Report (APR), which will be posted to the agency's website at: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget.

Verification and Validation of Performance Data

CPSC requires complete, accurate, and reliable performance data to assess the agency's progress toward its strategic goals and objectives, and to make good management decisions. 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. 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 functional components 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, the EXFM team conducts an in-depth V&V review of each key performance measure within a two-year cycle and follows established operating procedures for the review. Of CPSC's 34 FY 2023 key performance measures, 27 had established annual performance targets, while seven had "Baseline" as targets because they were new for FY 2023. EXFM selected 17 key performance measures of 34 from across the agency's major functional components for its independent V&V review to assess the accuracy of reported year-end performance results.
5. CPSC also holds regular Strategic Data Review meetings, where managers of major functional components assess progress toward performance measure targets and the agency's strategic objectives. These meetings include discussions about program risks and the strategies to mitigate them.
6. Managers of assessable units within CPSC also submit annual letters of assurance on the operating effectiveness of general- and program-level internal controls for their areas of responsibility. These 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 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

In alphabetical order, listed below are the principal federal statutes administered by CPSC. Links to these statutes are available on CPSC's website at: 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) (amended CPSA)

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)

Pub. L. No. 112-28 (2011) (amended CPSIA)

Refrigerator Safety Act (RSA)

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

Safe Sleep for Babies Act of 2021 (SSBA)

Stop Tip-overs of Unstable, Risky Dressers on Youth (STURDY) Requirements of Pub. L. No. 117-328

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

Appendix C: Acronym Listing

AFR	Agency Financial Report
ADA	Antideficiency Act
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
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 Cumulative
CRO	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 Federal
FMFIA	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
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
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
SNPR	Supplemental Notice of Proposed Rulemaking
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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Appendix D: CPSC Report on Material Weaknesses to OMB

April 26, 2024

Shalanda D. Young
Director
The Office of Management and Budget
725 17th St, NW
Washington, D.C. 20503

Dear Director Young:

OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires agencies to provide a summary of corrective action plans for material weaknesses that have not been fully mitigated at the time of reporting in the Annual Financial Report (AFR). CPSC recognizes the importance of correcting material weaknesses in a timely manner.

In its Fiscal Year (FY) 2023 AFR, dated February 1, 2024, CPSC reported three material weaknesses identified in the FY 2023 financial statement audit report. These material weaknesses involve controls: 1) in the areas of succession and contingency planning, training and communication, risk assessment, and monitoring and oversight; 2) related to accrued expense estimates; and 3) over recording of property, plant, and equipment (PPE) additions, related depreciation, and estimated useful life. Attachment 1 provides detailed information on the FY 2023 material weaknesses and planned corrective actions.

CPSC will report on the progress of the corrective actions in future AFRs. The agency continues to take its fiscal responsibilities seriously and has a high degree of confidence in the integrity of CPSC financial operations and programs.

Sincerely,

Alexander D. Hoehn-Saric
Chair, CPSC

CC: Carol Johnson, Policy Analyst, OMB Office of Federal Financial Management

U.S. Consumer Product Safety Commission
4330 East-West Highway
Bethesda, MD 20814
cpsc.gov

National Product Testing & Evaluation Center
5 Research Place
Rockville, MD 20850

United States
Consumer Product Safety Commission

Attachment 1, Corrective Actions for FY 2023 Material Weakness

Material Weakness	Corrective Actions	Target Completion Date	Status
Entity Level Control Deficiency. CPSC did not establish and implement effective entity-level controls over financial management to ensure that entity level controls were designed and operated effectively.	CPSC will: 1) Update the succession and contingency planning of the Office of Financial Management, Planning, and Evaluation (EXFM) to improve continuity of operations following departures of key staff. 2) Ensure staff receive enhanced training in partnership with the financial shared service provider (SSP) on key financial management processes related to prepaid assets; property, plant, and equipment (PPE) additions; and financial statement reviews. 3) Revise policies and procedures to ensure financial data related to asset depreciation, asset useful life, and operating leases is timely communicated from the applicable program office to EXFM. 4) Utilize the Enterprise Risk Management (ERM) and Internal Control programs to enhance risk assessment reviews at the enterprise and process levels to identify and monitor significant changes in the control environment and remediate risks. 5) Update CPSC financial reporting and property management directives, cycle memos, and standard operating procedures increase oversight, review, and accountability.	FY 2025	Open / In progress
Controls related to accrued expense estimates. CPSC did not design, document, or implement processes and controls to assess the effect of	CPSC will: 1) Revise accrual policies and implement procedures to ensure that estimates of accrued expenses are obtained from the Contracting Officer Representatives (CORs) based on contractual goods and/or services received to-date.	FY 2024	Open / In progress

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Material Weakness	Corrective Actions	Target Completion Date	Status
the assumptions used to estimate accrued expenses (including grants).	2) Provide supplemental training and guidance to the CORs (in partnership with the financial SSP) to ensure accurate information is reported on a quarterly basis. 3) Develop and implement a revised accrual validation process to determine whether the estimated accrued expenses align with the actual expenses incurred.		
Controls over PPE additions, related depreciation, and estimated useful life. CPSC did not design, document, or implement sufficient processes and controls related to the recording of PPE, including calculating the related depreciation expense. Furthermore, CPSC did not perform an analysis over the useful life of PPE.	CPSC will: 1) Update the depreciation expense calculation in the CPSC Property Management System to align with requirements in the Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment, and update the Property Management Cycle memo and the Property, Equipment & Software Reconciliation standard operating procedure (SOP). 2) Analyze and validate if the current useful life calculations are accurate and update the Property Management Cycle memo and the Property, Equipment & Software Reconciliation SOP. 3) Establish recurring communication with applicable program offices to ensure EXFM receives current fixed asset data (additions, disposals, and work in progress) for timely and accurate financial reporting and disclosure of assets on the financial statements. 4) Update policies and procedures to incorporate a monitoring control to ensure fixed asset additions are accurately and timely reported to EXFM and recorded on a quarterly basis.	FY 2024	Open / In progress

U.S. CONSUMER PRODUCT SAFETY COMMISSION
4330 East West Highway | Bethesda, MD 20814
Consumer Hotline and General Information:
(800) 638-2772 | TTY (800) 638-8270
CPSC.gov