Agency Financial Report
Fiscal Year 2017
U.S. Consumer Product Safety Commission

CPSC Stands for Safety

November 15, 2017

ABOUT THE CPSC

The U.S. Consumer Product Safety Commission (CPSC) is an independent federal regulatory agency, created in 1972 by the Consumer Product Safety Act (CPSA). In addition to the CPSA, as amended by the Consumer Product Safety Improvement Act of 2008 (CPSIA) and Public Law No. 112-28, the CPSC also administers other laws, such as the Federal Hazardous Substances Act, the Flammable Fabrics Act (FFA), the Poison Prevention Packaging Act (PPPA), the Refrigerator Safety Act, the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act), the Children's Gasoline Burn Prevention Act (CGPA), the Drywall Safety Act (DSA), and the Child Nicotine Poisoning Prevention Act (CNPP Act).

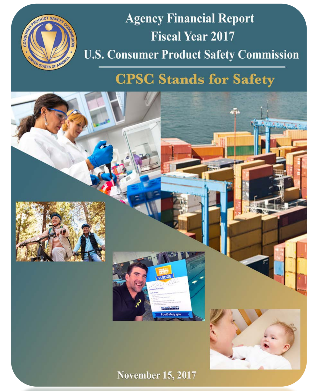
The CPSC has jurisdiction over thousands of types of consumer products used in and around the home, in recreation, and in schools, from children's toys to portable gas generators and toasters. Although the CPSC's regulatory purview is quite broad, a number of product categories fall outside the CPSC's jurisdiction.*

The CPSC is a bipartisan commission consisting of five Commissioners appointed by the President with the advice and consent of the Senate. The Commission convenes at meetings that are open to the public.

From left to right: Commissioner Joseph Mohorovic (resigned on October 20, 2017), Commissioner Marietta Robinson, Acting Chairman Ann Marie Buerkle, Commissioner Robert Adler, and Commissioner Elliot Kaye

* Product categories such as automobiles and boats; alcohol, tobacco, and firearms; foods, drugs, cosmetics, and medical devices; and pesticides, are regulated by other federal agencies.

ABOUT THIS REPORT



The purpose of the U.S. Consumer Product Safety Commission's Fiscal Year (FY) 2017 *Agency Financial Report* (AFR) is to assist Congress, the President, and the American people in assessing the agency's stewardship of the resources it is provided. This annual report is required by legislation and complies with the requirements of the Office of Management and Budget's Circulars A-11, *Preparation, Submission, and Execution of the Budget*, and A-136, *Financial Reporting Requirements*.

The AFR is organized into four major sections:

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

Financial Section—This section provides a message from the Chief Financial Officer, the independent auditor's report, the financial statements and accompanying notes, and required supplementary information.

Other Information—This section provides the Office of Inspector General's (OIG) Management and Performance Challenges, a summary of the financial statement audit and management assurance, improper payments reporting details, Fraud Reduction and Data Analytics Act, Reduce the Footprint and Grant Oversight & New Efficiency Act (GONE) Requirements.

Appendices—This section provides the performance measurement reporting process, the listing of federal statutes applicable to the CPSC, and the glossary of acronyms and abbreviations.

This report satisfies the reporting requirements contained in the following legislation:
- *Federal Managers' Financial Integrity Act of 1982*
- *Accountability of Tax Dollars Act of 2002*
- *Government Management Reform Act of 1994*
- *Federal Financial Management Improvement Act of 1996*
- *Reports Consolidation Act of 2000*
- *Improper Payments Elimination and Recovery Act of 2010*
- *Government Performance and Results Modernization Act of 2010*

For the fifth consecutive year, the CPSC is producing an AFR, with a primary focus on financial results, and an Annual Performance Report (APR),[*] which focuses on strategic goals and performance results that is published the following February. Electronic copies will be available at this website shortly after publication of each report: https://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/.

[*] The CPSC's FY 2017 APR is scheduled to be published concurrently with the CPSC's FY 2019 President's Budget Request in February 2018. The FY 2017 APR will provide more detailed performance information and analysis of performance results.

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

For the second year in a row, the CPSC received the Association of Government Accountants' (AGA) prestigious Certificate of Excellence in Accountability Reporting (CEAR) award for the agency's FY 2016 AFR. The AGA presents the award to federal government agencies whose annual financial reports demonstrate the highest standards of accountability and transparency in communicating results.

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MESSAGE FROM THE ACTING CHAIRMAN

I am honored to present the U.S. Consumer Product Safety Commission's (CPSC) FY 2017 Agency Financial Report (AFR). This report provides information on our financial performance as well as insight into our stewardship of taxpayer dollars and the resources entrusted to the CPSC. It also summarizes our progress toward achieving the agency's mission of *Keeping Consumers Safe* and the four strategic goals described in our FY 2016–FY 2020 Strategic Plan.

I am pleased to report that we received an unmodified opinion on our FY 2017 financial statements. The opinion of the independent auditor can be found in this report, as can the message from our Chief Financial Officer that describes our significant financial management accomplishments this past year.

Our strategic plan outlines four major goals for the agency. The first strategic goal is to cultivate the most effective workforce. Having a highly trained, diverse, and engaged workforce is critical to meeting the dynamic challenges of consumer product safety. The CPSC is a relatively small agency, comprised of a workforce of just over 500 employees. In FY 2017, the agency completed its Human Capital Strategic Plan and implemented analytics and a new reporting tool to improve the agency's human capital planning. The agency also improved upon the Federal Employee Viewpoint Survey, Employee Engagement Index score, increasing 3 percent from the prior year to a score of 73 percent.

The second strategic goal is to prevent hazardous products from reaching consumers. This is an extremely challenging goal, considering that the annual U.S. consumption of consumer products under CPSC's jurisdiction totals approximately $1.6 trillion, or 9 percent of the U.S. Gross Domestic Product. Given the scope of products within our jurisdiction, the agency focuses its attention on the highest priority consumer product safety risks, using high quality data, science, and analysis. As part of that effort to prevent hazardous products from reaching consumers, the CPSC screened more than 38,500 imported consumer products at U.S. ports of entry and cleared 99.8 percent of imported shipments within one business day. The CPSC also worked with stakeholders on a national and international level to improve consumer product safety knowledge both in the United States and around the world.

The agency prefers to prevent hazards before a consumer is harmed or a danger is in the marketplace, but that is not always the case. Accordingly, the third strategic goal is to respond quickly to address hazardous consumer products both in the marketplace and with consumers. The agency learns about potential consumer product hazards from many sources, including emergency room incident reports, calls to CPSC's Hotline, and retailers and manufacturers that proactively report problematic consumer products. Sometimes, a recall is necessary. When that happens, the agency works closely with the affected business to provide notice to consumers on appropriate actions to take to mitigate the product safety concern. This past year, the CPSC conducted 295 recalls involving approximately 32 million units; all 295 were voluntary recalls.

The final strategic goal is to communicate useful information quickly and effectively to better inform decisions. Consumers, safety advocates, industry, and government partners need high-quality information to make informed decisions for themselves, their businesses, and their families. In FY 2017, CPSC staff provided webinar and in-person training on a range of consumer products for interested stakeholders. The agency also conducted 24 safety campaigns, including "Pool Safely" to prevent drownings and "Anchor It!" to alert parents to the dangers of furniture tip-overs.

The CPSC has an important mission of *keeping consumers safe* from unreasonable risk of injury or harm. We are honored to serve the American people, and we strive to be an agency of integrity that people can trust. Thank you for taking the time to review our results.

Ann Marie Buerkle
Acting Chairman
November 15, 2017

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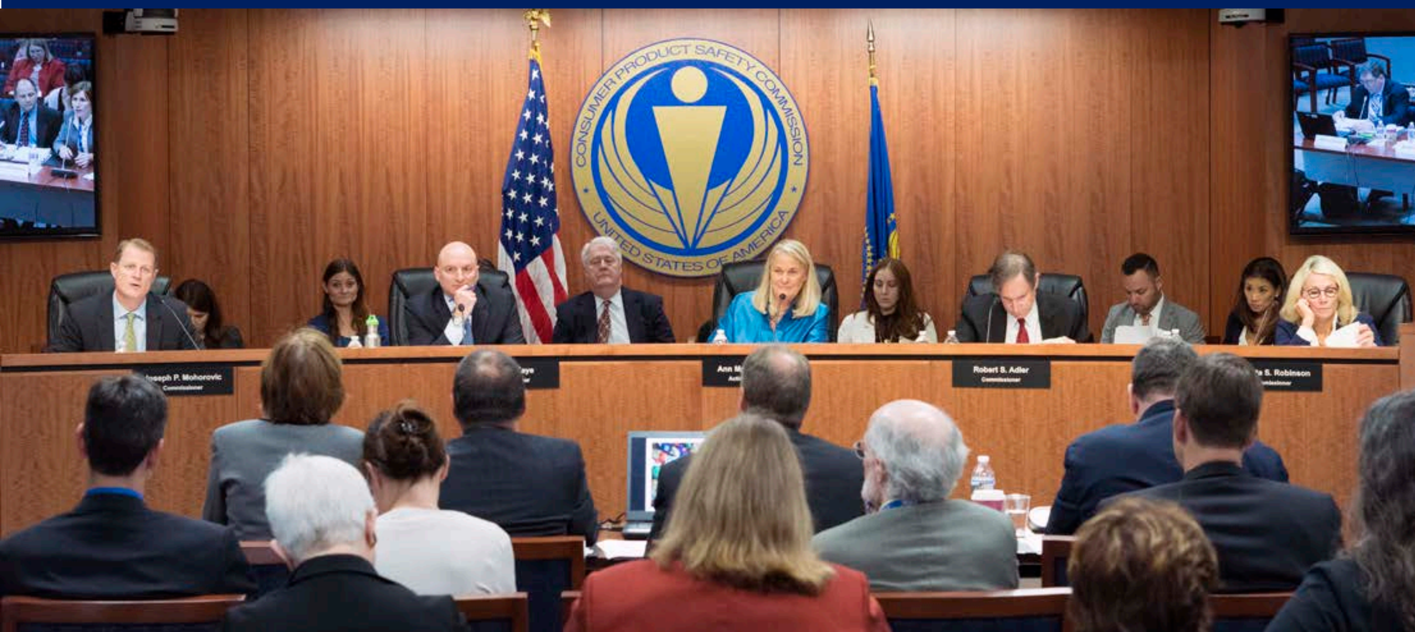
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

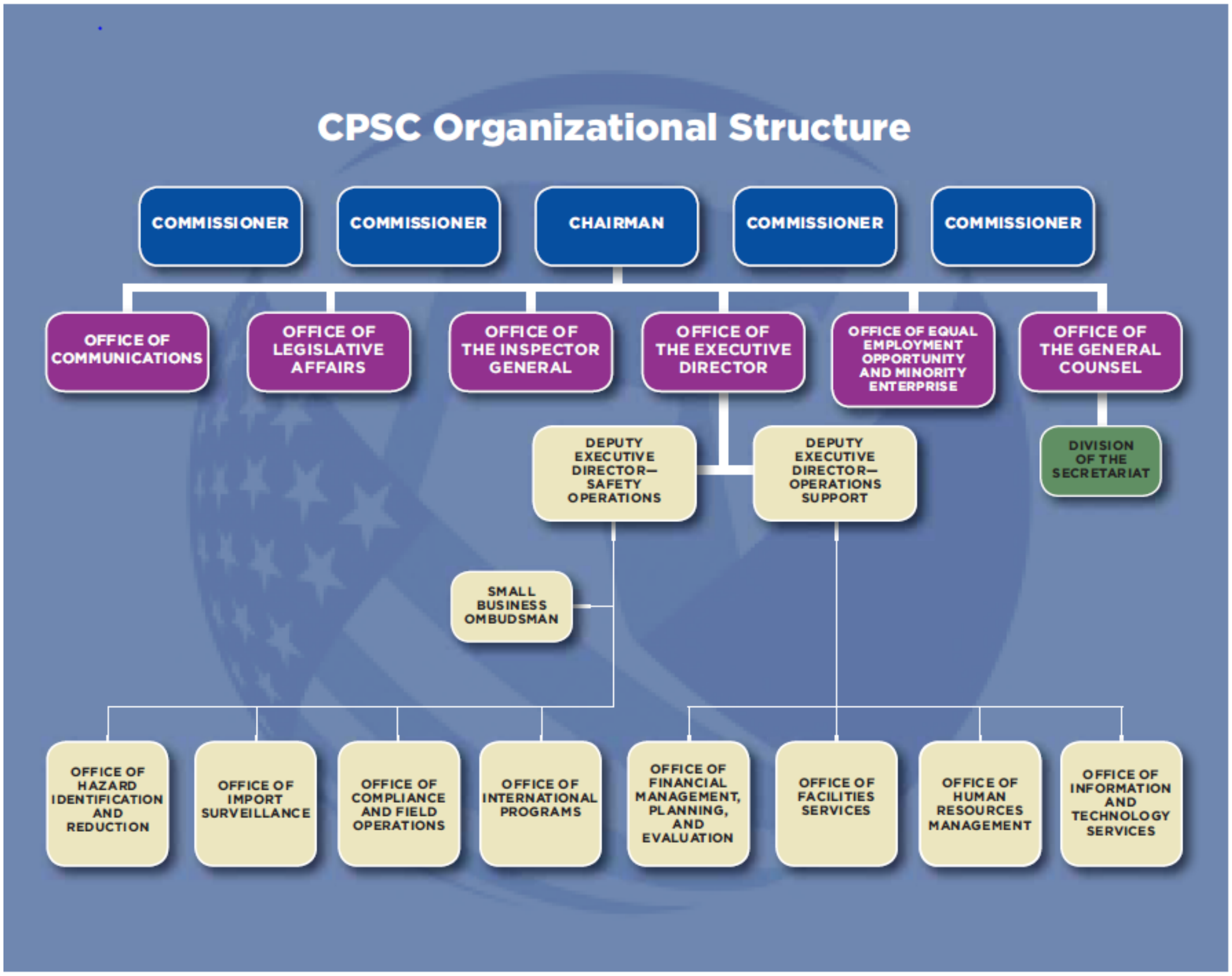


Management's Discussion and Analysis (MD&A)

This section 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.

CPSC ORGANIZATIONAL STRUCTURE

The Commission consists of five members appointed by the President with the advice and consent of the Senate. The Chairman is the principal executive officer of the Commission. The chart below depicts the organizational structure of the CPSC in FY 2017:



FY 2016–FY 2020 Strategic Plan Summary

KEY PERFORMANCE MEASURES (KMS)

Program	Performance Measure Statement	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2017 Target Met?
STRATEGIC GOAL 1: WORKFORCE	**Cultivate the Most Effective Consumer Product Safety Workforce**					
Strategic Objective 1.1: Enhance effective strategic human capital planning and alignment						
Personnel	KM1.1.01 Human capital strategic plan completed	--	--	1	1	✓
Strategic Objective 1.2: Foster a culture of continuous development						
Personnel	KM1.2.01 Percentage of employees satisfied with opportunities to improve their skills (as reported in the Federal Employee Viewpoint Survey)	--	--	72.5%	71%	✓
Strategic Objective 1.3: Attract and recruit a talented and diverse workforce						
Personnel	KM1.3.01 Percentage of hiring managers trained on recruitment	--	--	56.1%	50%	✓
Strategic Objective 1.4: Increase employee engagement						
Personnel	KM1.4.01 Federal Employee Viewpoint Survey Employee Engagement Index Score	66%	70%	73%	70%	✓
STRATEGIC GOAL 2: PREVENTION	**Prevent Hazardous Products from Reaching Consumers**					
Strategic Objective 2.1: Improve identification and assessment of hazards to consumers						
Hazard	KM2.1.01 Percentage of consumer product-related incident reports warranting follow-up actions	--	--	25%	Baseline*	N/A
Hazard	KM2.1.02 Number of hazard characterization annual reports completed on consumer product-related fatalities, injuries, and/or losses for specific hazards	10	11	11	11	✓
Hazard	KM2.1.03 Percentage of consumer product-related injury cases correctly captured at NEISS hospitals	91.6%	91%	92.4%	90%	✓
Hazard	KM2.1.04 Number of collaborations established or maintained with other organizations to work on nanotechnology research or issues affecting consumer products	--	--	7	5	✓
Strategic Objective 2.2: Lead efforts to improve the safety of consumer products before they reach the marketplace						
Hazard	KM2.2.01 Number of voluntary standards activities in which CPSC staff actively participates	81	71	76	76**	✓
Hazard	KM2.2.02 Number of candidates for rulemaking prepared for Commission consideration	20	10	17	17**	✓
Import	KM2.2.03 Violation rate of targeted repeat offenders	--	--	Pending	Baseline*	N/A
International	KM2.2.04 Percentage of foreign-based industry representatives indicating increased understanding after CPSC training	--	--	95%	90%	✓
International	KM2.2.05 Percentage of foreign regulatory agency representatives indicating increased understanding of CPSC procedures after CPSC training	--	--	99.6%	90%	✓
International	KM2.2.06 Percentage of inbound exchange fellows indicating increased understanding of CPSC best practices after CPSC training	--	--	100%	100%	✓
Strategic Objective 2.3: Increase capability to identify and stop imported hazardous consumer products						
Import	KM2.3.01 Percentage of consumer product imports, identified as high-risk, examined at import	--	--	87.9%	Baseline*	N/A

* "Baseline" indicates a performance measure that is newly established or revised for which a FY 2017 target was not established. Performance targets will be established for future fiscal years based on analysis of FY 2017 baseline data collected.
** These are the updated targets from the FY 2017 Mid-Year Review.

Program	Performance Measure Statement	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2017 Target	FY 2017 Target Met?
Import	KM2.3.02 Percentage of import shipments processed through the Risk Assessment Methodology (RAM) pilot system that are cleared within 1 business day	99.6%	99.8%	99.8%	99%	✓
Import	KM2.3.03 Percentage of consumer product import entries that are risk-scored by the CPSC	--	--	4.2%	Baseline*	N/A
Import	KM2.3.04 Number of import examinations completed	35,122	36,523	38,726	35,000**	✓
STRATEGIC GOAL 3: RESPONSE	**Respond Quickly to Address Hazardous Consumer Products Both in the Marketplace and with Consumers**					
Strategic Objective 3.1: Rapidly identify hazardous consumer products for enforcement action						
Compliance	KM3.1.01 Percentage of cases for which a preliminary determination is made within 85 business days of the case opening	--	--	74%	Baseline*	N/A
Compliance	KM3.1.02 Percentage of cases for which a compliance determination of a regulatory violation is made within 35 business days of sample collection	--	--	87%	Baseline*	N/A
Strategic Objective 3.2: Minimize further exposure to hazardous consumer products						
Compliance	KM3.2.01 Percentage of cases for which a corrective action is accepted within 60 business days of preliminary determination	--	--	52%	Baseline*	N/A
Compliance	KM3.2.02 Percentage of cases for which a firm is first notified of a regulatory violation within 40 business days from sample collection	--	--	86%	Baseline*	N/A
Compliance	KM3.2.03 Percentage of Fast-Track cases with corrective actions initiated within 20 business days	97.3%	99.1%	97%	90%	✓
Strategic Objective 3.3: Improve consumer response to consumer product recalls						
Compliance	KM3.3.01 Recall effectiveness rate for all consumer products during this fiscal year	--	--	41%	Baseline*	N/A
STRATEGIC GOAL 4: COMMUNICATION	**Communicate Useful Information Quickly and Effectively to Better Inform Decisions**					
Strategic Objective 4.1: Improve usefulness and availability of consumer product safety information						
Communications	KM4.1.01 Percentage of positive responses about usefulness of information received from CPSC communication channels	--	--	90.7%	Baseline*	N/A
Strategic Objective 4.2: Increase dissemination of useful consumer product safety information						
Communications	KM4.2.01 Number of impressions of CPSC safety messages (millions)	--	--	6,314.8	5,800	✓
Communications	KM4.2.02 Average number of business days between establishment of first draft and issuance of recall press release for the most timely 90% of recall press releases	16	17.8	17.5	18	✓
Communications	KM4.2.03 Number of CPSC social media safety messages with which stakeholders engage	--	--	285,061	Baseline*	N/A
Strategic Objective 4.3: Increase and enhance collaborations with stakeholders						
Communications	KM4.3.01 Number of collaboration activities initiated with stakeholder groups	--	--	33	25	✓

* "Baseline" indicates a performance measure that is newly established or revised for which a FY 2017 target was not established. Performance targets will be established for future fiscal years based on analysis of FY 2017 baseline data collected.
** These are the updated targets from the FY 2017 Mid-Year Review.

Performance Summary: An Overview

During FY 2017, the CPSC monitored 29 performance measures. Of those 29 performance measures, 18 had established performance targets for FY 2017. The CPSC met the performance targets for all 18 performance measures (100 percent). The remaining 11 performance measures did not have FY 2017 performance targets, either because the measures were new, or they were signficantly revised versions of prior measures. The CPSC collected baseline data for these 11 performance measures during FY 2017, and the data will be used to set performance target levels in future years.

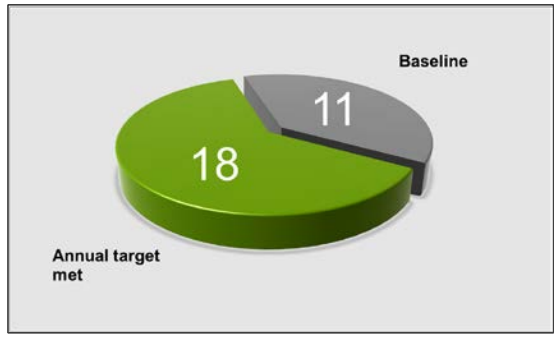


Figure 1: A snapshot of the CPSC's FY 2017 key performance measures

The FY 2017 results for the key performance measures are organized by the CPSC Strategic Goals (Figure 2) and are categorized by CPSC organizations (Figure 3).

Figure 2: Summary of FY 2017 Results for Key Performance Measures by Strategic Goal

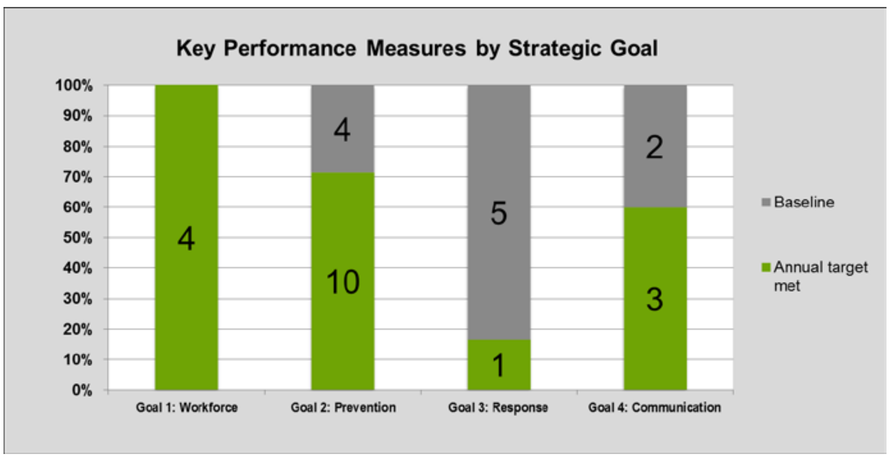
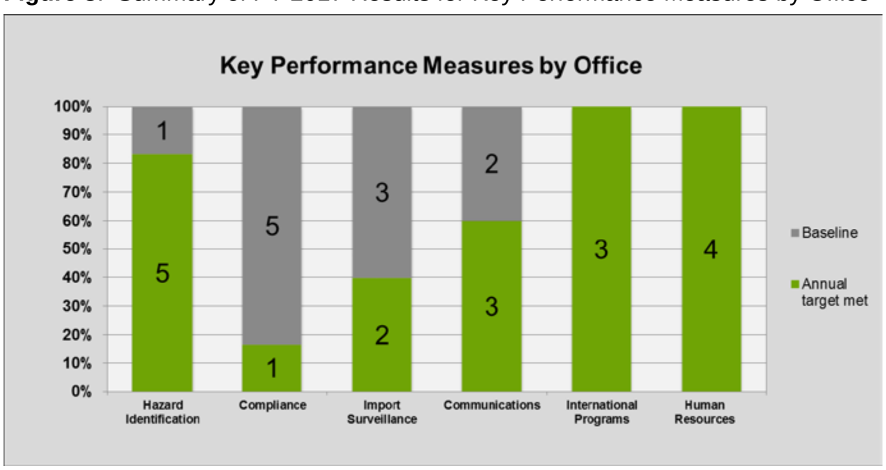


Figure 3: Summary of FY 2017 Results for Key Performance Measures by Office



SELECTED PERFORMANCE RESULTS

The CPSC's FY 2017 selected achievements are:

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

Having a highly trained, diverse, and engaged workforce is critical to meeting the dynamic challenges of the consumer product safety landscape and to achieving the CPSC's life-saving mission. Agency staff's knowledge about product safety, commitment to the agency's mission, and "can-do" attitude make achieving the CPSC's mission possible. The CPSC's approach to cultivating an effective workforce involves enhancing human capital planning, increasing opportunities for professional development, emphasizing employee engagement, and attracting talented, diverse, and committed employees. Selected FY 2017 achievements include:

- Completed development of the Human Capital Strategic Plan;
- Increased the CPSC's Federal Employee Viewpoint Survey (FEVS) Employee Engagement Index (EEI) score to 73 percent, a 3 percent increase from the prior year; and
- Trained more than 56 percent of managers on the recruitment process to attract and recruit a talented, diverse, and highly effective workforce.

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

The CPSC is charged with protecting the public from unreasonable risks of injury and death from a vast array of consumer products supplied through ever-expanding global markets. Efforts to increase manufacturing 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.

The CPSC uses several means to prevent injury or harm from consumer products: (1) working at the national and international level to help ensure that hazards are appropriately addressed by voluntary standards or mandatory regulations; (2) providing technical information to industry to support voluntary standards development; and (3) allocating inspection, surveillance, and enforcement resources to identify hazardous products before they reach the marketplace.

Selected FY 2017 achievements include:

- Collaborated with manufacturers and other stakeholders to improve high-energy battery safety. The CPSC conducted a successful battery seminar in Shenzhen, China. The CPSC also collaborated on safety information and standards with the Battery Safety Council, the Lithium Battery Interagency Coordination Group, industry groups, and voluntary standards developers;
- Actively participated in 76 voluntary standards activities, collaborating with industry leaders, consumer advocates, and other stakeholders to improve consensus voluntary standards across a wide range of consumer products;
- Screened more than 38,500 different imported consumer products at U.S. ports of entry;
- Provided product safety training and in-depth briefings to product safety officials and industries from 34 foreign jurisdictions; and
- Delivered training on U.S. children's products testing requirements to 230 representatives from conformity assessment laboratories in China.

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

The CPSC learns about potential consumer product hazards from many sources, including incident reports, consumer notifications, the agency's Hotline (1-800-638-2772), www.SaferProducts.gov, Internet reports, and company reports. Additionally, field staff investigates reports of incidents and injuries; conducts inspections of manufacturers, importers, and retailers; and identifies potential regulatory violations and product hazards. When potential product defects are identified, the CPSC acts quickly to address the most hazardous consumer products that are in the marketplace and that are being used by consumers. Selected FY 2017 achievements include:

- Conducted 295 recalls, involving approximately 32 million units. Of the 295 recalls, all were voluntary recalls;
- Conducted a Recall Effectiveness Workshop in July 2017. The goal of the workshop was to engage CPSC stakeholders to explore ideas for improving the effectiveness of recalls and develop measures that the CPSC and stakeholders can use to make future recalls more effective;
- Hosted a 1-day Flammable Fabrics Act (FFA) Children's Sleepwear Seminar, bringing together CPSC staff and stakeholders to discuss requirements, including testing and certification of children's sleepwear products;
- Participated in the Safe Kids Worldwide PREVCON conference with more than 500 attendees, ranging from members of Safe Kids coalitions and global networks, to health, safety and injury prevention professionals;
- Completed 3,004 establishment inspections of firms for compliance with the CPSC's laws and regulations;
- Sent 1,935 notices of noncompliance and negotiated 375 corrective action plans (CAPs) to address hazardous consumer products; and
- Contacted approximately 7,972 Internet firms and individuals who were offering for sale banned or previously recalled consumer products via Internet websites, causing the removal of 32,035 recalled or banned product units from being re-sold.

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

Consumers, safety advocates, industry, and government regulators need high-quality information about consumer product safety. Consumers need safety information to make 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 they respond to different methods of communication. The CPSC uses a wide array of communication channels and strategies to provide timely, targeted information about consumer product safety to the public, industry, and other stakeholders. A central element of CPSC's communications strategy is to strengthen collaborations with stakeholder groups, including other government agencies and nonprofit organizations. Selected FY 2017 achievements include:

- Promoted CPSC safety campaigns by focusing on priority hazards in vulnerable communities, which resulted in more than 3 billion audience impressions, including about 144 million impressions for the CPSC's Safe to Sleep® program; about 1 billion impressions for the CPSC's Anchor It! furniture and television tip-over prevention campaign; more than 1.8 billion impressions for the pool drowning and drain entrapment prevention program; and 175 million impressions for minority outreach;
- Received more than 76,000 calls to the CPSC Hotline (1-800-638-2772), where consumers can contact the agency directly with product safety hazard information or concerns. The CPSC distributed more than 1 million safety publications to consumers;
- Increased the number of members of the Neighborhood Safety Network (NSN) from approximately 3,000 in FY 2009, to 8,000 in FY 2017. The NSN is a grassroots outreach program that provides timely information to member organizations and individuals, who, in turn, shared CPSC safety messages with underserved consumers who might not

otherwise hear of, or receive, information from the CPSC;

- Hosted a number of webinars presented by the CPSC's Small Business Ombudsman on various topics, such as Toy Standard, Stuffed Toy Testing, and Soft Infant and Toddler Carriers, among others; and
- Increased Web traffic with more than 11,500 views in FY 2017 on the "Regulatory Robot," an interactive resource to help small businesses identify important product safety requirements.

The CPSC had 29 key performance measures for FY 2017. The agency met performance targets for all (100 percent) 18 performance measures with established FY 2017 targets. During FY 2017, there were no key performance measures where targets were unmet.

For the remaining 11 measures, labeled as "Baseline" measures, targets were not established in FY 2017. Some of these measures were newly created for FY 2017, and others were developed as significant revisions of prior measures. A factor that contributed to the relatively large number of new and revised measures in FY 2017 was the CPSC's adoption of a 2016-2020 Strategic Plan, which necessitated developing refined performance measures to monitor and report on progress toward achieving the new Strategic Objectives and Strategic Goals. Because prior data did not exist for these 11 measures, baseline data had to be collected and analyzed. Performance targets will be set and progress toward future-year targets will be reported for the baseline measures in FY 2018.

Additional details on the key performance measures and results will be presented in the CPSC's FY 2017 Annual Performance Report (APR), which is scheduled to be published in February 2018, and will be available at: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/.

ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

Financial Performance Overview

As of September 30, 2017, the financial condition of the CPSC was sound, with adequate funds to meet program needs and satisfactory controls in place to provide reasonable assurance that the CPSC's obligations did not exceed budget authority. The CPSC prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and with Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

Sources and Uses of Funds: The CPSC's resources consist primarily of funds received from two sources:

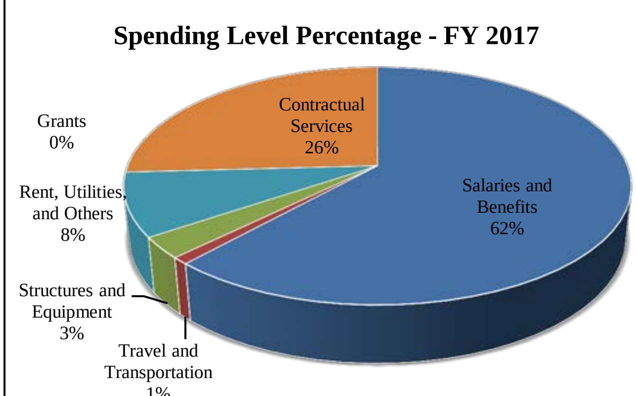
- Appropriations from Congress for the current fiscal year and unobligated balances from prior fiscal years; and
- Reimbursable agreements with other governmental organizations.

The CPSC's FY 2017 appropriation from Congress was $126.0 million, of which $1.3 million was designated for awarding and administering grants under the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) Pool Safely Grant Program that is available until expended. Other budgetary resources available in FY 2017 were $3.0 million from offsetting collections for the CPSC data collection that is done on a reimbursable basis with partner government agencies. Additional budgetary resources included $7.6 million of unobligated balances brought forward consisting of $0.5 million from the remaining balance of the FY 2016 appropriation that is available for obligation until September 30, 2017 (2-year funds), which was designated for third party test burden reduction while assuring compliance with applicable laws and regulations; $0.2 million from the remaining balance of the FY 2014 appropriation available for obligation until expended, which was appropriated for the VGB Act grant program, and $6.9 million from prior year expired unobligated balances not available for obligation in FY 2017, but available for upward adjustments for obligations incurred in prior years. Further adjustments to budgetary resources included an increase of $1.5 million from recoveries of prior year unpaid obligations and a decrease of $2.8 million of expired funds cancelled and returned to Treasury. The total budgetary resources for FY 2017 were $135.3 million. The year-over-year difference in budgetary resources available decreased by $1 million, due to a reduction in unobligated balance from prior year budget authority.

The CPSC made obligations of $128.7 million in FY 2017, the amount obligated includes $124.7 million for mission-related salaries and expenses; $0.5 million for third party test burden reduction while assuring compliance with applicable laws and regulations; $3.1 million for reimbursable data collection for partner government agencies; and $0.5 million in upward adjustments drawing down prior year unobligated balances.

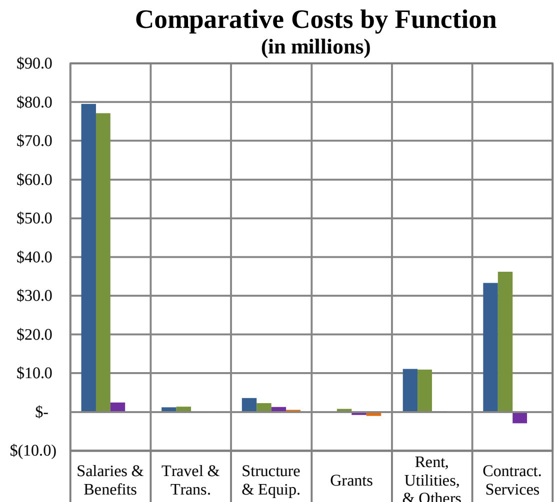
Looking at costs by type, approximately 62 percent of the FY 2017 total obligations were for salaries and benefits. The remaining 38 percent represented non-payroll operating expenses, such as services, supplies, and rent.

The following graph provides additional details on the FY 2017 expense categories:



Salaries and benefits increased by $2.4 million or 3 percent, as compared to FY 2016, due to inflationary increases to salaries. CPSC maintained a full-time equivalent (FTE) personnel-planning ceiling of 567 in FY 2017, the same as the FY 2016 level. Contractual services decreased $2.9 million, or 8 percent, from the prior year, primarily related to fewer IT development projects. Structure and equipment costs increased $1.3 million, or 57 percent, due to investments in consumer product testing equipment at the National Product Testing and Evaluation Center (NPTEC) and support related to Strategic Goal 2, Prevention. The CPSC costs were consistent with the prior year levels.

The graph below compares the percentage by function for the fiscal years ended September 30, 2017 and September 30, 2016:



	Salaries & Benefits	Travel & Trans.	Structure & Equip.	Grants	Rent, Utilities, & Others	Contract. Services
FY17	$79.5	$1.2	$3.6	$0.0	$11.1	$33.3
FY16	$77.1	1.4	2.3	0.8	10.9	36.2
Increase (Decrease)	2.4	-0.2	1.3	-0.8	0.2	-2.9
Percentage (%)	3%	-18%	57%	-100%	2%	-8%

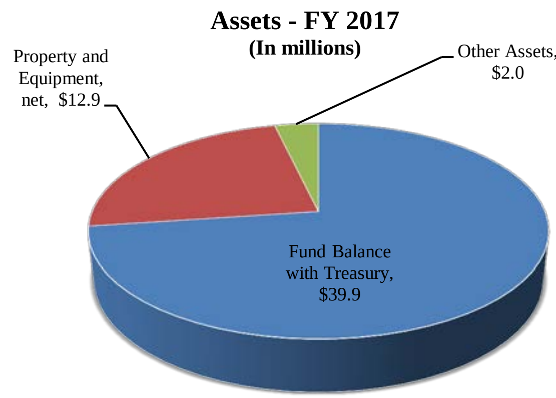
The Statement of Budgetary Resources (SBR) provides additional information on the available funding and obligations of the CPSC and is described in more detail later in this section.

Audit Results: The CPSC received an unmodified audit opinion on its FY 2017 financial statements.

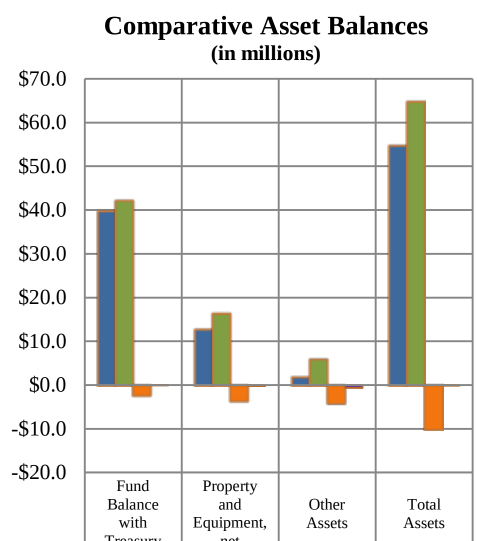
Financial Statement Highlights: The CPSC's financial statements summarize the financial position and financial activities of the agency. The financial statements and the notes to the financial statements appear in the Financial Section of this report, beginning on page 35.

Analysis of the Balance Sheet

The CPSC's assets totaled $54.8 million as of September 30, 2017, and are categorized into three key asset line items, as shown in the graph below:



The changes in key asset line items as of the fiscal year ended September 30, 2017, compared to September 30, 2016, are shown in the following graph and table:



	Fund Balance with Treasury	Property and Equipment, net	Other Assets	Total Assets
FY 2017	$39.9	$12.9	$2.0	$54.8
FY 2016	$42.2	$16.5	$6.1	$64.8
Increase (Decrease)	$(2.3)	$(3.6)	$(4.1)	$(10.0)
Percentage (%)	-5%	-22%	-67%	-15%

The Fund Balance with Treasury consists of appropriated funds and other funds maintained at the U.S. Treasury until final disposition. Fund Balance with Treasury represented the CPSC's largest asset of $39.9 million as of September 30, 2017, a decrease of $2.3 million from the prior year. The decrease was attributable to increased spending for mission initiatives and payroll, offset by an increase of $1 million in appropriations.

Property and Equipment, net, consists of the net value of the CPSC's leasehold improvements, equipment, furniture and fixtures, computer hardware and software, and construction in progress.

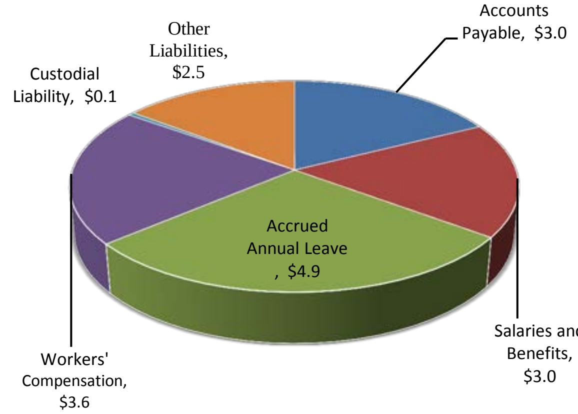
Property and Equipment had a balance of $12.9 million as of September 30, 2017, a decrease of $3.6 million from the prior year. The decrease resulted from depreciation exceeding new property and equipment acquisitions.

Other Assets, represents advances to other federal agencies for interagency services, such as participation in the National Nanotechnology Initiative (Nano.gov) and operating services, such as payroll processing (Department of Interior) and financial systems and services (Department of Transportation); the CPSC acquires services from other federal agencies through interagency agreements. Included in *Other Assets* are accounts receivables, comprised of uncollected amounts from civil fines and penalties levied by the CPSC, unpaid Freedom of Information Act (FOIA) fees, and the unused Tenant Improvement Allowance (TIA) from the CPSC's rental lease agreement with the General Services Administration (GSA).

Other Assets had a balance of $2.0 million as of September 30, 2017, a decrease of $4.1 million from the prior year. The decrease was primarily due to the reduction in accounts receivable, resulting from a settlement accrued in the prior year, and collected in FY 2017.

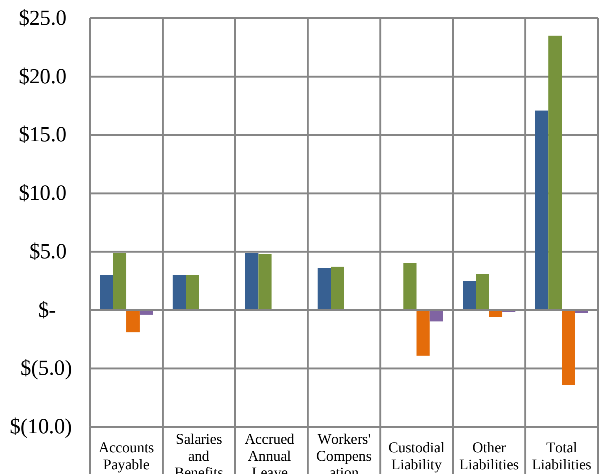
The CPSC's liabilities were $17.1 million as of September 30, 2017, and are comprised within the six categories shown in the following graph:

Liabilities - FY2017
(in millions)



The comparative balances of liability categories for the fiscal years ended September 30, 2017 and September 30, 2016, are shown in the following graph:

Comparative Liability Balances
(in millions)



	Accounts Payable	Salaries and Benefits	Accrued Annual Leave	Workers' Compensation	Custodial Liability	Other Liabilities	Total Liabilities
FY 2017	$3.0	$3.0	$4.9	$3.6	$0.1	$2.5	$17.1
FY 2016	$4.9	$3.0	$4.8	$3.7	$4.0	$3.1	$23.5
Increase (Decrease)	$(1.9)	$0.0	$0.1	$(0.1)	$(3.9)	$(0.6)	$(6.4)
Percentage (%)	-39%	0%	2%	-3%	-98%	-19%	-27%

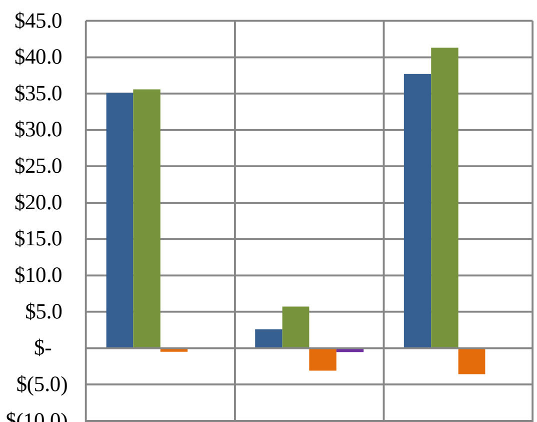
The total liability decreased by $6.4 million from FY 2016 and is attributable to an overall decrease in Accounts Payable and Custodial Liability.

The total accounts payable balance for intragovernmental and non-intragovernmental decreased by $1.9 million or 39 percent. The decrease is due to increased efficiency in payment processing to vendors for products and services. The decrease in Custodial Liability resulted from $3.9 million in a settlement agreement accrued in a prior year, and the subsequent collection in FY 2017 that was transferred to Treasury.

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components: Cumulative Results of Operations, and Unexpended Appropriations. The difference between total assets and total liabilities is net position. The CPSC's net position was $37.7 million as of September 30, 2017, representing a decrease of $3.6 million or 9 percent from the prior year (analysis below).

The comparison of net position for the fiscal years ended September 30, 2017 and September 30, 2016, is shown in the graph below:

Comparative Net Position
(in millions)



	Unexpended Appropriations	Cumulative Results of Operations	Total Net Position
FY 2017	$35.1	$2.6	$37.7
FY 2016	$35.6	$5.7	$41.3
Increase (Decrease)	$(0.5)	$(3.1)	$(3.6)
Percentage (%)	-1%	-54%	-9%

The decrease in total unexpended appropriations was primarily due to the amount of appropriations used, which decreased by $1.5 million from the prior year. The decrease was offset by a $1.0 million increase in FY 2017 appropriations.

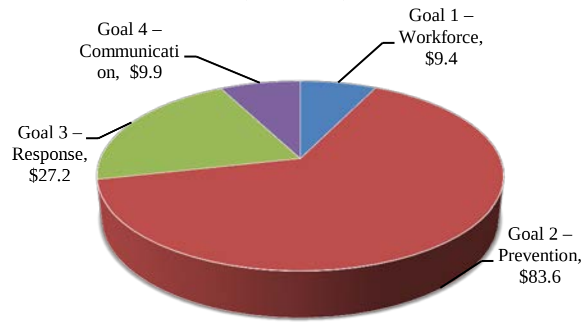
The $3.1 million decrease in cumulative results of operations was mainly due to depreciation expenses charged to operations. The total depreciation for FY 2017 is $5.5 million, offset in part by additions to capitalized equipment in the amount of $2.2 million.

Analysis of the Statement of Net Cost

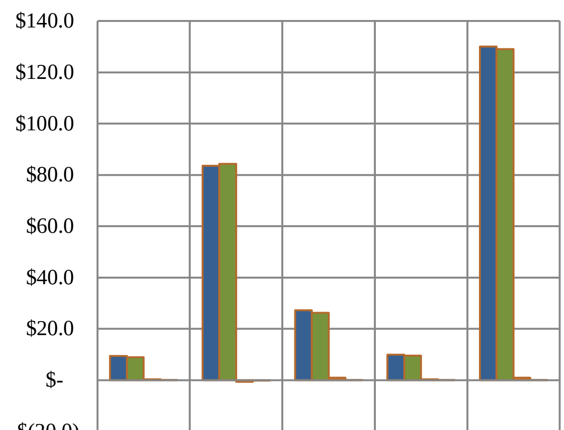
The Statement of Net Cost (SONC) represents CPSC's gross costs less revenue earned for each of the four strategic goals in the CPSC's FY 2016–FY 2020 Strategic Plan.

The graphs below describe net cost of operations for the fiscal years ended September 30, 2017 and September 30, 2016:

Net Cost of Operations - FY2017
(in millions)



Comparative Net Cost of Operations by Goal
(in millions)



	Goal 1 – Workforce	Goal 2 – Prevention	Goal 3 – Response	Goal 4 – Communication	Net Cost of Operations
FY 2017	$9.4	$83.6	$27.2	$9.9	$130.1
FY 2016	$9.0	$84.3	$26.2	$9.6	$129.1
Increase (Decrease)	$0.4	$(0.7)	$1.0	$0.3	$1.0
Percentage (%)	4%	-1%	4%	3%	1%

The CPSC's net cost of operations was $130.1 million for the fiscal year ended September 30, 2017, an increase of $1.0 million from the prior year. The increase resulted primarily from higher payroll and benefits expenses relative to the prior year.

Significant net costs are associated with Strategic Goal 2, Prevention, totaling $83.6 million, and Strategic Goal 3, Response, totaling $27.2 million. The earned revenue amount of $3 million for Goal 2 is primarily attributable to collections from providing national injury data estimates to other federal agencies.

The reconciliation of the Statement of Net Cost of Operations to Budget is in Note 15 of the Notes to Financial Statements, in the Financial Section of this report.

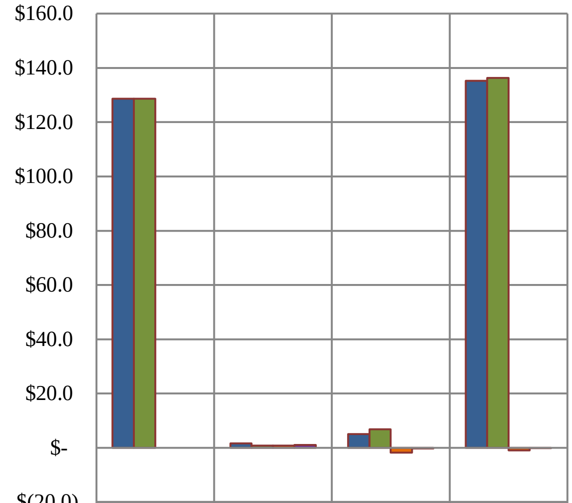
Analysis of the Statement of Budgetary Resources

The SBR shows the sources of funding available and their status as of September 30, 2017. The SBR represents the relationship between budget authority and budget outlays and reconciles obligations to total outlays. This statement also includes unobligated balances from prior years.

For the fiscal year ended September 30, 2017, the CPSC had available budgetary resources of $135.3 million, mainly comprised of the FY 2017 appropriations spending authority and prior-year unobligated balances. This represented a net decrease of $1.0 million from the FY 2016 available budgetary resources of $136.3 million.

The Comparative Budgetary Resources are presented in the graph below:

Comparative Status of Budgetary Resources
(in millions)



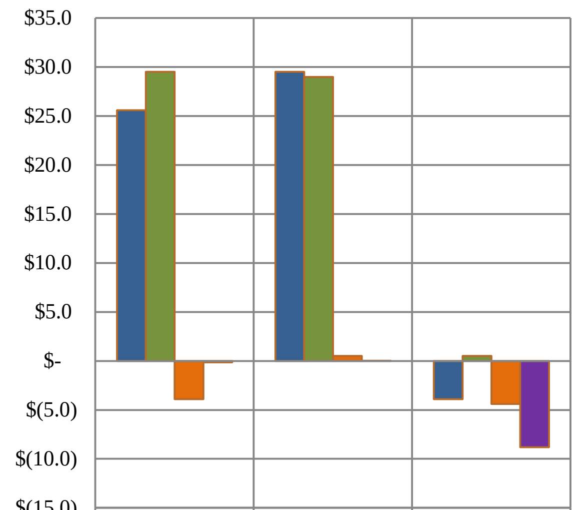
	Obligations Incurred	Unobligated - Apportioned	Unobligated - Unapportioned	Status of Budgetary Resources
FY 2017	$128.7	$1.6	$5.0	$135.3
FY 2016	$128.7	$0.8	$6.8	$136.3
Increase (Decrease)	$-	$0.8	$(1.8)	$(1.0)
Percentage (%)	0%	100%	-26%	-1%

Analysis of the Statement of Custodial Activity

The Statement of Custodial Activity presents the total custodial revenue and the disposition of revenue collections. Revenue is derived from two primary sources: civil penalties paid by regulated entities and fees collected from Freedom of Information Act (FOIA) requests. This statement precludes reported revenue billed and collected by the CPSC on behalf of the U.S. government to be duplicated as reported revenue on the government's Consolidated SONC.

The CPSC earned $25.6 million in custodial revenue for the fiscal year ended September 30, 2017, compared to $29.5 million for the fiscal year ended September 30, 2016. The decrease is attributable to the agency seeking less in aggregate civil penalties relative to the prior year. During FY 2017, the CPSC collected $29.5 million in civil penalties comprised of $25.6 million for civil penalties collected in FY 2017, and $3.9 million for a civil penalty collected in FY 2016, and subsequently collected in FY 2017; $29.5 million was transferred to Treasury.

Comparative Custodial Activity
(in millions)



	Total Custodial Revenue	Transferred to Treasury	Amount Yet to Be Transferred
FY 2017	$25.6	$29.5	$(3.9)
FY 2016	$29.5	$29.0	$0.5
Increase (Decrease)	$(3.9)	$0.5	$(4.4)
Percentage (%)	-13%	2%	-880%

CONTROLS, SYSTEMS, AND LEGAL COMPLIANCE

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

- Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control
- Federal Financial Management Improvement Act of 1996 (FFMIA)
- Prompt Payment Act
- Debt Collection Improvement Act of 1996
- Digital Accountability and Transparency Act of 2014 (DATA Act)
- Federal Information Security Modernization Act (FISMA)

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

The FMFIA requires federal agencies to establish controls to reasonably ensure that (i) obligations and costs comply with applicable law; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. The FMFIA incorporates program, operational, and administrative areas, as well as accounting and financial management. The Chairman is required to provide an assurance statement on the adequacy of management controls and conformance of financial systems with government-wide standards. The CPSC believes that maintaining integrity and accountability is essential for responsible stewardship over assets and resources and significantly enhances the effectiveness of the CPSC leadership, in addition to maximizing favorable program outcomes.

The CPSC's management is responsible for implementing and maintaining controls to achieve programmatic goals and to evaluate their internal controls. Each manager assesses internal controls within their applicable area of responsibility. Additional support for the individual offices' assurance statements resulted from internal control diagnostic checklists, which were completed by CPSC managers who lead major mission or support functions. The diagnostic checklists assisted CPSC managers in evaluating internal controls in their areas of responsibility and provided a way for offices to identify and address internal control deficiencies, weaknesses, or other issues. Questions and responses from the diagnostic checklists completed by the CPSC managers are cross-referenced to the 17 principles from the U.S. Government Accountability Office (GAO)'s "Standards for Internal Control in the Federal Government," more commonly known as the "Green Book," revised in September 2014. The Green Book guidance became effective beginning with FY 2016 and the FMFIA reports covering that year. The diagnostic checklist evaluations are also used in combination with the Managers' Statements of Assurance (SoA), which evaluate and report the adequacy of internal controls. The results of the checklists and the Managers' SoAs were aggregated and assessed to inform the overall FMFIA Section 2 management assurance for the agency. The SoAs were based on several sources of information, including:

- Management knowledge gained from the daily operation of the agency's programs;
- Management reviews;
- Monitoring results of internal control reviews;
- Annual performance plans;
- Inspector General reports; and
- The results of the internal controls diagnostic checklists.

For FY 2017, the CPSC also developed a comprehensive Enterprise Risk Management (ERM) framework in accordance with the revised OMB Circular No. A-123. The agency developed an ERM Implementation Plan that described the agency's major ERM implementation activities and governance structure. The agency also developed and implemented a risk profile methodology. A Risk Management Council (RMC) was formed and provided substantive input into the agency's initial Enterprise Risk Profile that was reported to agency leadership.

The CPSC received an unmodified audit opinion on its FY 2017 financial statements. The independent auditor stated that the financial statements present fairly, in all material respects, the financial position of the CPSC, and its net costs, changes in net position, budgetary resources, and custodial activity, in accordance with accounting principles generally accepted in the United States for the year ended September 30, 2017.

OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

For the past 5 years, the CPSC has conducted a comprehensive assessment of internal control over financial reporting to inform the CPSC's documented and structured financial management internal control program, and to demonstrate the integrity and reliability of reported financial information. In FY 2017, the CPSC evaluated its internal controls and undertook a separate assessment of internal control for financial reporting, consistent with OMB Circular No. A-123, Appendix A. Management's internal controls activity in financial reporting includes periodic, risk-informed testing and evaluation of key internal controls and developing and implementing corrective action plans, as needed, to address nonconformances identified by the evaluations. Results of the internal controls testing for the financial cycles were disclosed to the independent auditor; and management identified one significant deficiency in property management and no material weaknesses. Management will implement corrective actions in FY 2018 to remedy the significant deficiency. Based on the results of management's evaluation, the CPSC provided reasonable assurance that the internal controls for financial reporting were operating effectively and that no material weaknesses were found in the design or operation of those internal controls as of September 30, 2017.

Federal Financial Management Improvement Act of 1996 (FFMIA)

The FFMIA requires federal agencies to implement and maintain systems that substantially comply with (i) federal financial management system requirements, (ii) applicable federal accounting standards, and (iii) the U.S. government standard general ledger at the transaction level. The FFMIA requires the Chairman to determine the agency's financial management system compliance with the FFMIA and to develop corrective action plans (CAP) for noncompliant financial systems, as needed.

FY 2017 FFMIA and Section 4 of the FMFIA Results

As of September 30, 2017, the CPSC evaluated its core financial management systems to determine if they were compliant with applicable federal requirements and accounting standards required by the FFMIA. This year, the CPSC also evaluated IT General Controls for each of its financial systems as part of the internal controls for financial reporting review and evaluation; no significant deficiencies or material weaknesses were identified. The CPSC also uses a financial system provided by a Shared Service Provider (SSP), operated by the U.S. Department of Transportation's Enterprise Services Center (ESC) for the processing of financial data. The CPSC reviewed the Independent Audit Report Statement on Standards for Attestation Engagements 18 (SSAE-18) conducted on behalf of the ESC. The independent auditors assessed controls for this financial management system and found that it was in substantial compliance with the federal financial management system requirements, applicable federal accounting standards, and the U.S. standard general ledger at the transaction level. The system met federal requirements and accounting standards required by the FFMIA and Section 4 of the FMFIA. Additionally, the CPSC uses the U.S. Department of the Interior's

Federal Personnel and Payroll System (FPPS) for the processing of the CPSC's payroll data. The SSAE-18 report for FPPS conducted by an independent auditor provided reasonable assurance that controls were suitably designed and that the control objectives were achieved. Accordingly, FPPS meets the federal financial management system requirements, applicable federal accounting standards and the U.S. standard general ledger at the transaction level, as required by the FFMIA. A review of the CPSC's financial management systems in FY 2017 demonstrated that the agency complies with the FFMIA.

Prompt Payment Act

The Prompt Payment Act requires federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2017, 97 percent of the CPSC's payments that were subject to the Prompt Payment Act were made on time. In FY 2017, the CPSC incurred $1,007 in interest penalties and made 98 percent of its vendor payments electronically.

Improper Payment Elimination and Recovery Improvement Act (IPERIA)

The Improper Payments Elimination and Recovery Act (IPERIA) of 2012 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.

Debt Collection Improvement Act of 1996

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, 2017, delinquent debt was $0, which was zero percent of the agency's FY 2017 billings of $29.4 million. The CPSC pursues the collection of delinquent debt and refers all eligible delinquent debt more than 120 days delinquent to the U.S. Treasury for collection.

Digital Accountability and Transparency Act of 2014

The Digital Accountability and Transparency Act of 2014, commonly referred to as the DATA Act, requires agencies to establish common standards for financial data provided by all government agencies and to expand the amount of data that agencies must provide to the government website, "USASpending.gov." The CPSC met the government-wide DATA Act reporting requirements in FY 2017 for submission and certification beginning at the end of the second fiscal quarter.

Federal Information Security Modernization Act (FISMA)

FISMA directs federal agencies to evaluate annually the effectiveness of their information security programs and practices, and submit a report, including an independent evaluation by the OIG, to the Department of Homeland Security (DHS), OMB, and Congress. Agencies also report quarterly and monthly to DHS and OMB on the status of particular aspects of their information security program.

As mandated by FISMA, the agency continues to maintain an information security program to manage information technology in accordance with National Institute of Standards and Technology (NIST) requirements. During FY 2017, the CPSC performed five independent assessment and authorization efforts. The FY 2017 FISMA evaluation showed a 63 percent reduction in findings compared to the previous year. The CPSC continues to leverage one FedRAMP authorization for the cloud hosting of our public website.

Financial Management Systems Strategy

CPSC's works to maintain and enhance financial management systems to promote operational effectiveness and efficiency, reliability and timeliness of data, and to support requirements for the agency's strategic goals. The CPSC obtains hosting and application management services from the Department of Transportation's (DOT) Enterprise Service Center (ESC), a Federal SSP using the Delphi financial reporting system for accounting and travel management services.

The Delphi financial management system is used for general ledger, accounts payable, accounts receivable, and budget execution and reporting capabilities. The CPSC also receives services from the Department of the Interior's (DOI) Business Center (IBC) for its Federal Personnel/Payroll System (FPPS), which is interfaced with Delphi.

During FY 2017, the CPSC worked with ESC to implement the DATA Act requirements. The CPSC also began the implementation and testing of Oracle Business Intelligence Enterprise Edition (OBIEE) with ESC. This is a business intelligence reporting system that streamlines reporting for financial management. The final implementation phase of OBIEE will occur in FY 2018. Furthermore, to enhance effective strategic human capital planning and alignment, the CPSC worked with the IBC to implements its version of OBIEE. This reporting tool allows users to process interactive dashboards on employee rosters, leave, retirement eligibility, promotion eligibility, awards, length of service, and other actions.

Management Assurance Statement

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

FY 2017 FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

The CPSC management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of Federal Managers Financial Integrity Act of 1982 (FMFIA).

In accordance with the requirements of OMB Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," the CPSC conducted its FY 2017 assessment of the efficiency and effectiveness of internal controls and compliance with applicable laws and regulations. Based on the results of this assessment, the CPSC is providing reasonable assurance that the internal controls over the efficiency and effectiveness of operations and compliance with applicable laws and regulations as of September 30, 2017, met their intended objectives in accordance with FMFIA.

In addition, management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. The CPSC assessed the effectiveness of internals control over financial reporting, in accordance with Appendix A of OMB Circular A-123. Based on the results of this assessment, the CPSC is providing reasonable assurance that the agency's internal controls over financial reporting as of September 30, 2017, were operating effectively and no material weaknesses were found in the design or operation of the agency's internal controls over financial reporting.

Furthermore, CPSC also conducted reviews of its financial management systems in accordance with OMB Circular A-123 Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). Based on the results of these reviews, CPSC can report that its financial management systems substantially comply with the requirements of the FFMIA as of September 30, 2017.

AnnMarie Buerkle

Ann Marie Buerkle
Acting Chairman
November 8, 2017

LOOKING AHEAD

The Consumer Product Safety Commission (CPSC), created in 1972 by the Consumer Product Safety Act (CPSA), is an independent federal regulatory agency with a public health and safety mission to protect the public from unreasonable risks of injury and death from consumer products. The Commission is bi-partisan and comprised of five members nominated by the president and confirmed by the U.S. Senate serving staggered 7-year terms. The CPSC has jurisdiction over thousands of types of consumer products used in and around the home, in recreation, and in schools. The CPSC has a mission to keep consumers safe and works 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.

During FY 2017, the United States elected and inaugurated a new President, resulting in a changeover in political administrations. Consequently, the CPSC Chairmanship was passed from a Democrat to a Republican, and the Republican has exercised the responsibilities of the Chairman in an acting capacity, beginning in February 2017. Despite the change in the Chairmanship, the CPSC retained a 3-2 Democratic majority throughout FY 2017. The President has nominated and recommended to the U.S. Senate a new Commissioner that adds a Republican, if confirmed. In addition, the President has nominated and recommended to the U.S. Senate that the acting Chairman to be the Chairman, if confirmed. These political changes will likely result in new policy direction and new priorities for the agency to pursue.

The CPSC is a small, single-appropriation agency within a much larger overall discretionary federal budget and is mindful of the fiscal constraints at a government-wide level. The CPSC is committed to working within the resources provided by Congress and will continue to communicate our specific circumstances and resource needs with adequate analytical support.

The CPSC's FY 2018 Budget Request to Congress identified four priorities for the coming year. Those priorities are:

- **Focus on Risk**: The CPSC will focus its resources on the highest-priority consumer product safety risks. The CPSC intends to accomplish this by using data to guide decisions and policy, relying on and funding the voluntary standards process, prioritizing standard-setting activities, and revisiting the efficacy of existing regulations, when necessary.

- **Import Surveillance**: The CPSC will continue to support import surveillance by operating and maintaining the Risk Assessment Methodology system to identify and stop noncompliant imported products from entering the U.S. marketplace. The CPSC will accomplish this by allocating full-time staff to conduct inspections and clear compliant cargo quickly at the highest-volume ports of entry.

- **Collaboration, Education, and Outreach**: The CPSC will emphasize collaboration, education, and outreach by engaging all stakeholders through forums, seminars, webinars, technical stakeholder-to-government discussions, and workshops. The CPSC will accomplish this by continuing to emphasize and expand the work of the agency's Small Business Ombudsman, proactively engaging industry and international stakeholders at all levels, and providing information and education to consumers so that they can make informed decisions. The CPSC will also collaborate with other federal agencies and industry through research and sharing data to leverage the broader stakeholder community to advance consumer product safety.

- **Data-Driven:** The CPSC will expand the sources and types of data analysis used to identify and assess hazards and inform compliance decisions. The CPSC will accomplish this by augmenting analytical and trend-assessment protocols, thereby expanding CPSC's capabilities in identifying and analyzing emerging hazards and reinforcing the data-driven nature of the agency's work.

Also in FY 2018, the CPSC plans to issue a revised FYs 2018–2022 Strategic Plan. The Commission unanimously approved the FYs 2016–2020 CPSC Strategic Plan last year. The revised strategic plan is premised on the same mission statement, vision statement, strategic goals, and objectives that continue to be relevant to the direction of the agency. The revised plan proposes to update certain performance measures and strategic initiatives, and to update aspects of the supporting narrative text to convey the priorities described above.

As the CPSC looks ahead to FY 2018 and beyond, the agency will need to continue to communicate its broad and important mission to Congress, put forward strong, analytically justified requests for appropriations, and prioritize the most important safety work.

Limitations of the Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the CPSC for FY 2017 and FY 2016, pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

Although the statements have been prepared from the CPSC books and records, in accordance with Generally Accepted Accounting Principles (GAAP) for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

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

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FINANCIAL SECTION

The Financial Section of the AFR contains the Chief Financial Officer's message, the Independent Auditor's 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 A-136, Financial Reporting Requirements.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The U.S. Consumer Product Safety Commission (CPSC) takes seriously its responsibility for stewardship of the resources for which it is entrusted and for reporting on the CPSC's budget and performance outcomes. This report is the culmination of our efforts to present the CPSC's financial status and provide transparency and accountability to the American public. This report provides a comprehensive view of the financial activities undertaken to advance the CPSC's safety mission to protect the public against unreasonable risks of injury from consumer products through education, safety standards activities, regulation, and enforcement.

This past fiscal year, the CPSC has built upon its commitment for sustained financial management excellence. The CPSC's significant financial management accomplishments in FY 2017 are:

- The CPSC successfully complied with the new government-wide requirements of the Digital Accountability and Transparency Act (DATA ACT) of 2014. The CPSC aligned financial, acquisition, and grants data with DATA Act protocols, and successfully merged that data through the Treasury data broker. The agency met all of the FY 2017 reporting deadlines for DATA Act.
- The CPSC continued to implement GAO's revisions to the ***Standards for Internal Control in the Federal Government***. The CPSC developed an enterprise risk framework, formed a risk-management council, and identified enterprise level risks that were reviewed and acknowledged by senior leadership.
- The CPSC conducted a fraud risk analysis of its financial management cycles to implement the requirements of the Fraud Reduction and Data Analytics Act.
- The CPSC improved its analysis and management review of prior year undelivered orders to reduce those balances and ensure that the agency is maximizing the value of contracts and interagency agreements.
- The CPSC received its second consecutive Certificate of Excellence in Accountability Reporting award from the Association of Government Accountants for its FY 2016 Agency Financial Report.

The CPSC was satisfied to have received an unmodified opinion on the FY 2017 financial statements. The accomplishments in FY 2017 are the result of the efforts of dedicated, hard-working professionals across the CPSC. I appreciate the continued support of the entire Commission, with special thanks to the Office of the Inspector General, as we continue to work together to sustain financial management excellence at the CPSC.

Sincerely,

Jay Hoffman

Jay Hoffman
November 14, 2017

INDEPENDENT AUDITOR'S REPORT

Office of Inspector General
U. S. CONSUMER PRODUCT SAFETY COMMISSION

November 14, 2017

TO: Ann Marie Buerkle, Acting Chairman
Robert S. Adler, Commissioner
Elliot F. Kaye, Commissioner
Marietta S. Robinson, Commissioner

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2017 Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by CliftonLarsonAllen (CLA), for the fiscal year ending September 30, 2017. 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. 17-03, Audit Requirements for Federal Financial Statements.

Opinion on the Financial Statements

CLA audited the financial statements of the U.S. Consumer Product Safety Commission (CPSC), which comprise the balance sheet as of September 30, 2017 and 2016, 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 (financial statements). The objective of the audit was to express an opinion on the fair presentation of those financial statements. In connection with the audit, CLA also considered the CPSC's internal control over financial reporting and tested the CPSC's compliance with certain provisions of applicable laws and regulations that could have a material effect on its financial statements.

In CLA's opinion, the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the years ending September 30, 2017 and 2016, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control

In planning and performing the audit of the financial statements of the CPSC, CLA considered the CPSC's internal control over financial reporting (internal control) 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 control. Accordingly, CLA did not express an opinion on the effectiveness of the CPSC's internal control.

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 deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

- A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance with Laws and Regulations

CPSC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether the CPSC's financial statements are free of material misstatements, CLA performed tests of compliance with certain provisions of laws and regulations, noncompliance which could have material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 17-03. CLA did not test compliance with all laws and regulations applicable to the CPSC.

CLA's tests of compliance with laws and regulations described in the audit report disclosed one instance of noncompliance that is required to be reported in accordance with Government Auditing Standards and OMB Bulletin 17-03.

This instance involved the CPSC's noncompliance with the Improper Payments Elimination and Recovery Act (IPERA) in FY 2016 and was first reported in the OIG's FY 2016 Improper Payments Elimination and Recovery Act review.

This review did not find that the improper payments resulted from incorrect amounts paid, amounts paid to ineligible recipients, or payments for an ineligible good or service. The improper payments were the result of the CPSC's improper delegation of the authority to approve the payment of vendor invoices to its Contracting Officer's Representatives.

The status of the CPSC's compliance with IPERA in FY 2017 is outside of the scope of the FY 2017 Financial Statement Audit conducted by CLA. As such, neither CPSC OIG nor CLA formally evaluated the CPSC's compliance with IPERA for FY 2017 and neither CLA nor CPSC OIG offers a formal opinion regarding same.

The CPSC's FY 2017 AFR states the CPSC determined that in FY 2017 there were payment activities that met the definition of "significant improper payment" and acknowledges that there were $21 million in improper payments made in its Non-Payroll program. The CPSC attributes these payments to the improper delegation of invoice approval authority.

The statutorily required IPERA review covering FY 2017 will be completed in May of FY 2018. This office will issue a formal opinion regarding the CPSC's compliance with IPERA at that time.

OIG Evaluation of CliftonLarsonAllen's Audit Performance

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

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

Attached: Audit Report

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Inspector General
United States Consumer Product Safety Commission

Chairman
United States Consumer Product Safety Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the United States Consumer Product Safety Commission (Commission), which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position, the combined statements of budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

Commission management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); this includes 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to the 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. 17-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 17-03). Those standards and OMB Bulletin 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Consumer Product Safety Commission as of September 30, 2017 and 2016, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the U.S. require that the information in the Commission's Management Discussion and Analysis (MD&A) and other Required Supplementary Information (RSI) section (i.e. the Combining Statement of Budgetary Resources by Fund), be presented to supplement the financial statements. Such information, although not a part of the 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Message from the Chairman, the Message from the Chief Financial Officer, Other Information and Appendices are presented for purposes of additional analysis and is not a required part of the financial statements. In addition, management has included references to information on websites or other data outside of the Agency Financial Report. This information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the 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 Commission's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control or on management's assertion on internal control included in the MD&A.

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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance with Laws, Regulations, Contracts and Grant Agreements

As part of obtaining reasonable assurance about whether the Commission's financial statements 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 effect on the determination of material financial statement amounts and disclosures. 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 one instance of noncompliance that is required to be reported in accordance with *Government Auditing Standards* and OMB Bulletin 17-03, summarized as follows:

> The FY 2016 Improper Payments Elimination and Recovery Act (IPERA program) review conducted by the Commission's Office of Inspector General (OIG) resulted in two findings of non-compliance. The findings were related to: (1) an insufficient risk assessment for non-payroll activities; and (2) improper delegation of Commission employees designated as Contracting Officer Representatives to approve vendor invoices. The OIG did not report that the improper payments resulted from incorrect amounts paid, amounts paid to ineligible recipients, or payments for an ineligible good or service. The Commission implemented the necessary corrective actions recommended by the Inspector General to remedy the issues in FY 2017 and made the required notifications to OMB and Congress. In addition, the Commission implemented additional corrective actions and recertified $12.2 million in FY 2017 invoices to evidence proper invoice approval and correct agency financial records.

Management's Responsibility for Internal Control and Compliance

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers' Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting, and (3) complying with other applicable laws, regulations, contracts and grant agreements.

Auditors' Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws, regulations, contracts and grant agreements.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Commission. We limited our tests to certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosures. 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. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and on Compliance

The purpose of the Report on Internal Control over Financial Reporting and on Compliance is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 8, 2017

Financial Statements

U.S. Consumer Product Safety Commission
Balance Sheet
As of September 30, 2017 and 2016
(in dollars)

		FY 2017		FY 2016
Assets				
Intragovernmental				
Fund Balance with the U.S. Treasury (Note 2)	$	39,857,992	$	42,231,188
Accounts Receivable (Note 3)		197,546		170,965
Advances to Other Federal Agency (Note 5)		1,147,007		1,148,901
Tenant Improvement Allowance (Note 6)		545,140		675,419
Total Intragovernmental		41,747,685		44,226,473
Accounts Receivable (Note 3)		82,570		4,031,589
Property and Equipment, Net (Note 4)		12,956,740		16,522,480
Other		443		450
Total Assets	$	54,787,438	$	64,780,992
Liabilities				
Intragovernmental				
Accounts Payable	$	1,457,142	$	2,406,621
Employee Benefits (Note 7)		630,085		628,896
Advances from Reimbursable Services		-		91,740
Workers' Compensation (Note 8)		591,683		605,151
Tenant Improvement Allowance (Note 10)		2,467,923		2,936,539
Custodial Liability (Note 9)		82,397		4,031,589
Total Intragovernmental		5,229,230		10,700,536
Accounts Payable and Others		1,594,607		2,485,916
Salaries and Benefits		2,396,346		2,327,633
Accrued Annual Leave (Note 8)		4,936,026		4,817,090
Workers' Compensation Actuarial (Note 8)		2,964,191		3,136,227
Other Liabilities		-		-
Total Liabilities		17,120,400		23,467,402
Net Position				
Unexpended Appropriations		35,105,855		35,591,745
Cumulative Results of Operations (Note 12)		2,561,183		5,721,845
Total Net Position		37,667,038		41,313,590
Total Liabilities and Net Position	$	54,787,438	$	64,780,992

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Net Cost
For the Periods ended September 30, 2017 and 2016
(in dollars)

		FY 2017	FY 2016
Net Cost By Goal			
Goal 1-	**Workforce**		
	Gross Cost	$ 9,433,959	$ 8,951,454
	Less: Earned Revenue	-	-
	Net Cost Goal 1	9,433,959	8,951,454
Goal 2-	**Prevention**		
	Gross Cost	86,645,835	87,087,191
	Less: Earned Revenue	(3,041,335)	(2,738,632)
	Net Cost Goal 2	83,604,500	84,348,559
Goal 3-	**Response**		
	Gross Cost	27,235,896	26,184,451
	Less: Earned Revenue	-	-
	Net Cost Goal 3	27,235,896	26,184,451
Goal 4-	**Communication**		
	Gross Cost	9,918,538	9,631,535
	Less: Earned Revenue	-	-
	Net Cost Goal 4	9,918,538	9,631,535
Total Net Cost of Operations (Note 13)		$ 130,192,893	$ 129,115,999

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Changes in Net Position
For the Periods ended September 30, 2017 and 2016
(in dollars)

	FY 2017	FY 2016
Cumulative Results of Operations		
Beginning Balances	$ 5,721,845	$ 8,632,262
Budgetary Financing sources		
Appropriations Used	123,645,779	122,098,065
Other Financing Sources (Non-Exchange)		
Transfers-In/Out Without Reimbursement (+/-)	-	-
Imputed Financing (Note 7)	3,386,452	4,087,162
Other	-	20,355
Total Financing Sources	127,032,231	126,205,582
Net Cost of Operations	(130,192,893)	(129,115,999)
Net Change	(3,160,662)	(2,910,417)
Cumulative Results of Operations	2,561,183	5,721,845
Unexpended Appropriations		
Beginning Balance	35,591,745	36,246,784
Budgetary Financing Sources		
Appropriations Received	126,000,000	125,000,000
Other Adjustments	(2,840,111)	(3,556,974)
Appropriations Used	(123,645,779)	(122,098,065)
Total Budgetary Financing Sources	(485,890)	(655,039)
Total Unexpended Appropriations	35,105,855	35,591,745
Net Position	$ 37,667,038	$ 41,313,590

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Budgetary Resources
For the Periods ended September 30, 2017 and 2016
(in dollars)

	FY 2017	FY 2016
Budgetary Resources		
Unobligated balance brought forward, October 1	$ 7,564,224	$ 10,064,790
Recoveries of prior year unpaid obligations	1,555,642	1,746,158
Other changes in unobligated balance of expired funds	(2,817,495)	(3,520,214)
Unobligated balance from prior year budget authority, net	6,302,371	8,290,734
Appropriations	126,000,000	125,000,000
Spending authority from offsetting collections	3,039,652	3,002,504
Total Budgetary Resources (Note 14)	135,342,023	136,293,238
Status of Budgetary Resources		
New obligations and Upward Adjustments (Note 14)	128,722,017	128,729,014
Unobligated balance, end of year:		
Apportioned, unexpired	1,591,529	817,352
Unapportioned, unexpired	18,953	18,953
Expired Unobligated Balance, end of year	5,009,524	6,727,919
Total unobligated balance, end of year	6,620,006	7,564,224
Total Status of Budgetary Resources	135,342,023	136,293,238
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	37,347,096	34,565,386
Obligations incurred	128,722,017	128,729,014
Outlays (gross)	(128,553,408)	(124,201,146)
Recoveries of prior year unpaid obligations	(1,555,642)	(1,746,158)
Unpaid obligations, end of year	35,960,063	37,347,096
Uncollected payments:		
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(2,680,132)	(2,662,930)
Change in uncollected pymts, Fed sources (+ or -)	(41,945)	(17,202)
Uncollected pymts, Fed sources, end of year (-)	(2,722,077)	(2,680,132)
Memorandum (non-add) entries:		
Obligated balance, start of year (+ or -)	34,666,964	31,902,456
Obligated balance, end of year (net)	33,237,986	34,666,964
Budget Authority and Outlays, Net		
Budget authority, gross	129,039,652	128,002,504
Actual offsetting collections	(3,020,323)	(3,022,062)
Change in uncollected customer payments from Federal sources	(41,945)	(17,202)
Recoveries of prior year paid obligations	22,616	36,760
Budget authority, net	126,000,000	125,000,000
Outlays, gross	128,553,408	124,201,146
Actual offsetting collections	(3,020,323)	(3,022,062)
Net Outlays	125,533,085	121,179,084
Distributed offsetting receipts	(6,981)	(3,151)
Net Outlays	$ 125,526,104	$ 121,175,933

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Custodial Activity
For the Periods ended September 30, 2017 and 2016
(in dollars)

	FY2017	FY 2016
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous:		
Civil Penalties & Fines	$ 29,549,100	$ 29,049,100
FOIA and Miscellaneous	6,981	3,151
Total Cash Collections	29,556,081	29,052,251
Accrual Adjustments	(3,949,192)	451,707
Total Custodial Revenue	25,606,889	29,503,958
Disposition of Collections:		
Transferred to Others:		
Treasury General Fund	29,556,081	29,052,251
Amounts Yet to be Transferred	(3,949,192)	451,707
Total Disposition of Collections	25,606,889	29,503,958
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. Congress created the CPSC in 1972, under the Consumer Product Safety Act, and the agency began operating in 1973. The agency is headed by five commissioners nominated by the President and confirmed by the Senate for staggered 7-year terms. The President designates one of the commissioners as Chairman, who is the agency head. The Consumer Product Safety Act (as amended) authorizes the CPSC to:

- Develop voluntary standards
- Issue and enforce mandatory standards
- Obtain recalls of products
- Conduct research on potential product hazards
- Inform and educate consumers
- Respond to industry and consumer inquiries

Fund Accounting Structure

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

General Funds: These funds consist of salaries and expense appropriation accounts used to fund agency operations and capital expenditures.

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

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

Budget Authority

Congress enacts appropriations that provide the CPSC with authority to obligate funds for necessary expenses to carry out authorized program activities. The funds appropriated are subject to OMB apportionment. The CPSC's Administrative Control of Funds directive complies with federal budgetary accounting guidelines of OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget, Revised* (July 2017). This directive places internal restrictions on the apportioned funds by designating the amount, use, and authorized party of any division of the apportioned funds. These restrictions–known as allotments, sub-allotments, and allowances–limit the amounts available so obligations will not exceed the appropriated or apportioned amounts.

Basis of Accounting and Presentation

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

Assets

Intra-governmental assets are assets that arise from transactions with other federal entities. Funds with the U.S. Department of the Treasury (U.S. Treasury) comprise the majority of intra-governmental assets on the CPSC's balance sheet.

Fund Balances with Treasury

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

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

Accounts Receivable and Allowance for Uncollectible Accounts

The CPSC's accounts receivable are classified into two types of accounts. Entity accounts receivables include amounts due from customers for reimbursable agreement, overpayment to vendors and current and former employees. Non-entity accounts receivable are civil monetary penalties resulting from the CPSC's enforcement actions, and for fees billed to fulfill Freedom of Information Act requests. The CPSC holds these non-entity accounts receivable in a custodial capacity. The CPSC calculates the allowance for uncollectible accounts using an analysis of historical collection data. No allowance for uncollectible amounts or related provisions for estimated losses has been established because these amounts are fully collectible based on historical experience.

Property and Equipment

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

Beginning August 2014, equipment and software with a useful life of two or more years are capitalized when the acquisition value is greater than $5,000 and $15,000, respectively. Furniture and fixtures, bulk internal-use software purchases, other equipment, and leasehold improvements with an aggregate acquisition cost of $100,000 and a useful life of two or more years are capitalized. The CPSC reports property and equipment purchases and additions at historical costs. The CPSC treats property and equipment acquisitions that do not meet the capitalization criteria as an expense.

The CPSC depreciates property and equipment using the straight-line method of depreciation. Leasehold improvements are amortized over the lesser of the leasehold improvement's useful life or the lease term. The CPSC removes property and equipment from its asset account in the period of disposal, retirement, or removal from service. The CPSC recognizes the difference between the book value and any proceeds as a gain or loss in the period that the asset is removed.

Liabilities

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

Accounts Payable

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

Federal Employees Benefits

Liabilities Covered by Budgetary Resources represents liabilities funded by available budgetary resources, which include appropriated funds and reimbursable authority. These liabilities consist of the salaries and wages of the CPSC's employees and the corresponding agency share for the pensions, health insurance, and life insurance for employees receiving these benefits.

Accrued Annual Leave

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

Employee Health Benefits and Life Insurance

The CPSC employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). The CPSC makes contributions in addition to the employee contributions to each program to pay for current benefits.

Federal Employees' Compensation Act (FECA)

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

Contingencies

The CPSC has claims and lawsuits pending against the agency. The CPSC's policy is to include provision 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 the CPSC's financial statements, and provisions for these losses are not included in the financial statements.

Estimates and Assumptions

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Fund Balance with Treasury

CPSC's funds with the U.S. Treasury consist of apportioned and unapportioned funds. The status of these funds as of September 30, 2017 and September 30, 2016 is:

	2017		2016	
Unobligated Balance				
Available	$	1,591,529	$	817,352
Unavailable		5,028,477		6,746,872
Obligated Balance, Not Yet Disbursed		33,237,986		34,666,964
Total Funds with U.S. Treasury	$	39,857,992	$	42,231,188

The obligated balance includes accounts payable and undelivered orders, which have reduced unexpended appropriations, but do not decrease the cash balance on hand until outlaid.

Note 3 – Accounts Receivable

The CPSC's accounts receivable is comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided and amounts due from current and former employees. The non-entity receivables include Civil Fines and Penalties and Freedom of Information Act activity. No allowance for uncollectible amounts or related provisions for estimated losses has been established for the CPSC's accounts receivable because these amounts are fully collectible based on historical experience. The composition of accounts receivable as of September 30, 2017 and September 30, 2016 is detailed below:

	2017		2016	
Entity				
Intra-governmental				
Accounts Receivable - Reimbursable	$	197,546	$	170,965
Non-Entity				
Public				
Civil Fines and Penalties		77,933		4,027,033
Other Receivable		4,637		4,556
Total Non-Entity Accounts Receivable		82,570		4,031,589

Total Accounts Receivable	$ 280,116	$ 4,202,554

Note 4 – Property, Plant and Equipment, Net

The composition of property, plant and equipment (PPE) as of September 30, 2017 is:

Classes of PPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	$ 23,058,975	$ 16,784,837	$ 6,274,138	6-14
Equipment	19,137,308	13,402,858	5,734,450	5-12
Furniture, Fixture & Other Equipment	2,608,689	2,513,494	95,195	3-5
ADP Software	2,039,843	1,428,301	611,542	5
Construction in Progress	241,415	-	241,415	
Total	$ 47,086,230	$ 34,129,490	$ 12,956,740	

The composition of PPE as of September 30, 2016 is:

Classes of PPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	$ 22,928,696	$ 13,961,657	$ 8,967,039	6-14
Equipment	17,516,292	11,432,051	6,084,241	5-12
Furniture, Fixture & Other Equipment	2,608,689	2,232,868	375,821	3-5
ADP Software	1,991,078	1,236,059	755,019	5
Construction in Progress	340,360	-	340,360	
Total	$ 45,385,115	$ 28,862,635	$ 16,522,480	

Note 5 – Advances to Other Federal Agencies

The balance of advances to other federal agencies as of September 30, 2017, and September 30, 2016, is $1,147,007 and $1,148,901, respectively. The majority of advances to other federal agencies are for the service contract with National Institute of Standards and Technology (NIST) in support of the CPSC's work with the National Nanotechnology Initiative (NNI). Other advances are for the CPSC's shared services contracts with other federal agencies for the accounting operations, payroll, and employee transit benefit.

Note 6 – Tenant Improvement Allowance (TIA)

The TIA is the amount available for the CPSC to spend on customization of leased properties. The TIA is for the lease contracts with the General Services Administration for the CPSC's Headquarters (HQ) offices located in Bethesda, MD, and the sample storage facility (SSF) located in Gaithersburg, MD. The TIA is reduced upon completion of the work order on the leased property, and the amount is capitalized as a leasehold improvement. The composition of the TIA as of September 30, 2017 and September 30, 2016 is:

	2017	2016
Intra-governmental		
Tenant Improvement Allowance - HQ	$ 514,625	$ 644,904
Tenant Improvement Allowance - SSF	30,515	30,515
Total TIA	$ 545,140	$ 675,419

Note 7 – Federal Employee Benefits

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. These benefits are administered by the Office of Personnel Management (OPM) and not the CPSC. Because the CPSC does not administer the benefit plans, the CPSC does not recognize any liability on the Balance Sheet for pensions and other retirement benefits. The CPSC does, however, recognize the imputed financing sources/costs related to these benefits on the Net Cost of Operations, and the Statement of Changes in Net Position.

The federal employee retirement benefit costs paid by OPM and imputed to the CPSC for the period ended September 30, 2017 and September 30, 2016 are:

	2017	2016
Estimated future pension costs (CSRS/FERS)	$ 970,252	$ 1,300,146
Estimated future postretirement health insurance (FEHB)	2,405,148	2,776,216
Estimated future postretirement life insurance (FEGLI)	11,052	10,800
Total Imputed Costs	$ 3,386,452	$ 4,087,162

The CPSC's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), depending on when they started working for the federal government. FERS and Social Security cover most employees hired after December 31, 1983. Employees who are rehired after a break in service of more than one year and who 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 FERS, the CPSC contributes the employer's matching amount to FERS and to Social Security under the Federal Insurance Contributions Act (FICA). For employees participating in CSRS, the CPSC makes matching contributions equal to 7 percent of the employee's gross earnings to the CSRS. All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in FERS, the CPSC makes a mandatory 1 percent contribution to their TSP account automatically. In addition, the CPSC matches FERS employee contributions up to 4 percent, for a maximum agency contribution of 5 percent. Employees participating in CSRS do not receive matching contributions to their TSP account. The CPSC's contributions are recognized as current operating expenses.

Amounts owed to OPM and Treasury as of September 30, 2017 and September 30, 2016, were $630,085 and $628,896, respectively, for CSRS, FERS, FICA, FEHB, and FEGLI contributions and are shown on the balance sheets as an employee benefits liability.

Note 8 – Liabilities Not Covered by Budgetary Resources

The liabilities on the CPSC's balance sheet as of September 30, 2017 and September 30, 2016, include liabilities not covered by budgetary resources. The intra-governmental liabilities are owed to DOL for the Federal Employee's Compensation Act (disability) payments and the General Services Administration (GSA) for the tenant improvement allowance provided as a part of the long-term lease on office facilities. The CPSC also recognizes liabilities for employee annual leave that is earned, but not taken, and for workers' compensation actuarial liability. The composition of the liabilities not covered by budgetary resources as of September 30, 2017 and September 30, 2016 is:

Liabilities Not Covered by Budgetary Resources	2017	2016
Intra-governmental		
Worker's Compensation	$ 591,683	$ 605,151
Tenant Improvement Liability	2,467,923	2,936,539
Total Intra-governmental	3,059,606	3,541,690
Accrued Annual Leave	4,936,026	4,817,090
Worker's Compensation Actuarial	2,964,191	3,136,227
Total Liabilities Not Covered by Budgetary Resources	$ 10,959,823	$ 11,495,007

Note 9 – Custodial Liability

The CPSC has authority to seek civil monetary penalties against manufacturers, retailers, or distributors who violate the Consumer Product Safety Act (as amended), the Federal Hazardous Substance Act, and the Flammable Fabrics Act. Civil penalty collections are deposited into the U.S. Treasury and are not available for the CPSC to use. The CPSC charges a fee for the processing of Freedom of Information Act (FOIA) requests. FOIA fees are also deposited into the U.S. Treasury and are not available for the CPSC to use. The uncollected civil penalties, FOIA fees, and balances in the U.S. Treasury's miscellaneous receipt funds are recognized as a Custodial Liability on the CPSC's Balance Sheet. As of September 30, 2017 and September 30, 2016, the total Custodial Liabilities are $82,397 and $4,031,589, respectively. The Statement of Custodial Activities presents the revenue and collection activities.

Note 10 – Tenant Improvement Liability (TIL)

The composition of TIL as of September 30, 2017 and September 30, 2016 is:

Other Liabilities	2017	2016
Intra-governmental		
Tenant Improvement Liability – HQ	$ 1,296,253	$ 1,521,688
Tenant Improvement Liability – 5RP	1,098,854	1,314,353
Tenant Improvement Liability – SSF	72,816	100,498
Total Tenant Improvement Liability	$ 2,467,923	$ 2,936,539

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

Note 11 – Operating Leases

The CPSC's lease agreements with the GSA are for three facilities in Maryland: the Headquarters (HQ) offices located in Bethesda, the National Product Testing and Evaluation Center (NPTEC) located in Rockville, and the sample storage facility (SSF) located in Gaithersburg. These operating lease agreements expire between fiscal years 2019 and 2023. Lease costs for the period ended September 2017 and September 30, 2016 amounted to approximately $7,135,441 and $7,101,217, respectively. Estimated future minimum lease payments for the three facilities are:

Fiscal Year	Estimated Future Lease Payments
2018	$ 7,937,855
2019	8,009,160
2020	6,065,946
2021	5,137,486
2022	5,096,058
2023	4,588,671
Total Estimated Future Lease Payments	$ 36,835,176

Note 12 – Cumulative Results of Operations

The cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of the CPSC's cumulative results of operations for the fiscal year ending September 30, 2017 and September 30, 2016 are:

	2017	2016
Investment in leasehold improvements, net	$ 6,274,138	$ 8,967,039
Investment in property and equipment, net	6,682,602	7,555,441
Tenant improvement allowance	545,140	675,419
Gift fund	18,953	18,953
Other Assets	173	-
Liabilities not covered by budgetary resources	(10,959,823)	(11,495, 007)
Cumulative results of operations	$ 2,561,183	$ 5,721,845

The CPSC does not hold title to the leased property where the leasehold improvements were made. Upon termination of the lease agreement, the total amount of leasehold improvements and tenant improvement allowance will be charged to operations and will reduce the balance of cumulative results of operations. See Note 8 for the composition of liabilities not covered by budgetary resources.

Note 13 – Intra-governmental and Public Costs and Exchange

The Statement of Net Cost presents the CPSC's results of operations for its program. The CPSC assigns all costs incurred to four strategic goals. The full cost of the CPSC's program is comprised of direct costs associated with each goal and support costs that are allocated among the four goals. Examples of support costs include general administrative services, rent, security, technical support, and operating and maintenance cost for leased facilities, equipment, and utilities. Support costs are allocated to strategic goals as a proportion of direct costs incurred or straight-line allocation, depending on the composition of the support cost.

Earned revenue is from exchange transactions and is deducted from the cost of the CPSC's injury data collection program. A major source of earned revenue comes from providing national injury data and estimates to other federal agencies.

Intra-governmental costs arise from exchange transactions made between two reporting entities within the federal government, in contrast to public costs, which arise from exchange transactions made with nonfederal entities. Intra-governmental and public costs and exchange revenue for the periods ended September 30, 2017 and September 30, 2016 are:

	Intra-governmental	With the Public	2017 Total
Gross Costs	$ 37,889,472	$ 95,344,756	$ 133,234,228
Less: Earned Revenue	3,041,335	-	3,041,335
Net Program Costs	$ 34,848,137	$ 95,344,756	$ 130,192,893

	Intra-governmental	With the Public	2016 Total
Gross Costs	$ 38,262,930	$ 93,591,701	$ 131,854,631
Less: Earned Revenue	2,738,632	-	2,738,632
Net Program Costs	$ 35,524,298	$ 93,591,701	$ 129,115,999

Note 14 – Budgetary Resources

Budgetary resources available to CPSC in fiscal year 2017 include current year appropriations in the amount of $126,000,000, and prior year appropriations to implement the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) grant program, as provided by section 1405 of Public Law No. 110–140 (15 U.S.C. 8004) in the amount of $1,000,000, which is part of the unobligated balance brought forward from prior year. Other changes in unobligated balances were due to the return to the U.S. Treasury of permanently not available funds of $2,817,496 in fiscal year 2017.

Spending authority from offsetting collections are reimbursable revenue earned for goods and services that the CPSC provides to other agencies and the public. The CPSC recognizes reimbursable work agreement revenue when earned, *i.e*., goods have been delivered, or services rendered. Beginning with fiscal year 2014, the CPSC no longer collects advances on its reimbursable agreements. The CPSC generated collections resulting from reimbursable agreements totaling $3,020,323 and $3,022,062 as of September 30, 2017 and 2016, respectively. The CPSC's relationships with the Centers for Disease Control and Prevention, the National Institute for Occupational Safety and Health, and the National Highway Traffic Safety Administration represent the majority of these agreements that fund national injury data collection and estimation.

The status of budgetary resources is comprised of new obligations and upward adjustments for obligations incurred of $128,722,017 and unobligated balances as of September 30, 2017 of $6,620,006. The unobligated balances as of September 30, 2017 are comprised of apportioned, unexpired funds;

unapportioned, unexpired funds; and expired unobligated balances. The unobligated balance, apportioned consists of unexpired VGB Act grant funds in the amount of $1,518,464 and fiscal year 2017 unobligated appropriations of $73,065 for a total of $1,591,529. The unobligated balance, unapportioned consists of unexpired trust fund receipt accounts for gifts and donations of $18,953 and expired unobligated balances of $5,009,524 from the prior years.

The amount of budgetary resources obligated for undelivered orders as of September 30, 2017 and September 30, 2016 consisted of $31,029,334 and $30,674,381.

A comparison of the CPSC's fiscal year 2016 statement of budgetary resources with the corresponding information presented in the fiscal year 2018 President's Budget is:

	Budgetary Resources	Obligations Incurred
Fiscal Year 2016 Statement of Budgetary Resources	$ 136,293,238	$ 128,729,014
Unobligated balances, beginning of year - (fund activity on expired accounts)	(10,064,790)	
Recovery of prior year unpaid obligations	(1,746,158)	
Obligations incurred - expired years		(542,881)
Permanently not available - (fund activity on expired accounts)	3,556,974	
Other - rounding in President's Budget	(39,264)	(186,133)
2018 Presidents Budget - Fiscal Year 2016, actual	$ 128,000,000	$ 128,000,000

The fiscal year 2019 President's Budget will not be published before February 2018. Accordingly, a comparison between the fiscal year 2017 data reflected on the statement of budgetary resources and fiscal year 2017 data in the President's Budget cannot be performed.

CPSC's apportionments fall under Category A, quarterly apportionment for salaries and expenses and Category B, restricted and activity apportionment for reimbursable activities. Apportionment categories of obligations incurred for the fiscal years ending September 30, 2017 and 2016 are:

	2017	2016
Direct Salaries and Expenses- Category A	$ 125,632,995	$ 125,528,460
Reimbursable Activities - Category B	3,089,022	3,200,554
Total Obligations incurred	$ 128,722,017	$ 128,729,014

Note 15 – Reconciliation of Net Cost of Operations to Budget

Details of the relationship between budgetary resources obligated and the net cost of operations for the fiscal years ending September 30, 2017 and September 30, 2016 are:

	2017	2016
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	$ 128,722,017	$ 128,729,014
Less: Spending Authority from Offsetting Collections and Recoveries	4,617,910	4,785,421
Net Obligations	124,104,107	123,943,593
Imputed Financing from Cost Absorbed by Others	3,386,452	4,087,162
Total Resources Used to Finance Activities	**127,490,559**	**128,030,755**
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	(381,953)	(1,956,676)
Budgetary Offsetting Collections that do not Affect Net Cost of Operations	(76,376)	111,149
Resources that Finance the Acquisition of Assets Capitalized	(1,870,179)	(2,422,426)
Net Decrease in Other Liability – TIA	(468,616)	(468,616)
Net Decrease in Receivables not Generating Resources until Collected	(174)	-
Other resources or adjustments to net obligated resources that do not affect net cost of operations	6,000	-
Total Resources Used to Finance Items not Part of the Net Cost of Operations	**(2,791,298)**	**(4,736,569)**
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Costs that will be Funded by Resources in Future Periods	118,935	153,010
Change in Unfunded FECA Liability	(185,502)	282,098
Total Components of Net Cost of Operations That Will Require or	(66,567)	435,108

Generate Resources in Future Periods		
Components not Requiring or Generating Resources in the Current Period		
Depreciation and Amortization	5,555,834	5,346,894
Revaluation of assets or Liabilities	4,365	39,811
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	5,560,199	5,386,705
Will Not Require or Generate Resources in the Current Period	**5,493,632**	**5,821,813**
Net Cost (Income) from Operations	**$ 130,192,893**	**$ 129,115,999**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

U.S. Consumer Product Safety Commission
Combining Statement of Budgetary Resources by Fund
For the Period ended September 30, 2017 and 2016
(in dollars)

	Salaries and Expenses and Other Funds	Gift Fund	Total
Budgetary Resources			
Unobligated balance brought forward, October 1	$ 7,545,271	$ 18,953	$ 7,564,224
Recoveries of prior year unpaid obligations	1,555,642	-	1,555,642
Other changes in unobligated balance of expired funds	(2,817,495)	-	(2,817,495)
Unobligated balance from prior year budget authority, net	6,283,418	18,953	6,302,371
Appropriations	126,000,000	-	126,000,000
Spending authority from offsetting collections	3,039,652	-	3,039,652
Total Budgetary Resources (Note 14)	135,323,070	18,953	135,342,023
Status of Budgetary Resources			
New obligations and Upward Adjustments (Note 14)	128,722,017	-	128,722,017
Unobligated balance, end of year:			
Apportioned, unexpired	1,591,529	-	1,591,529
Unapportioned, unexpired	-	18,953	18,953
Expired Unobligated balance, end of year	5,009,524	-	5,009,524
Total unobligated balance, end of year	6,601,053	18,953	6,620,006
Total Status of Budgetary Resources	135,323,070	18,953	135,342,023
Change in Obligated Balance			
Unpaid Obligations:			
Unpaid obligations, brought forward, October 1 (gross)	37,347,096	-	37,347,096
Obligations incurred	128,722,017	-	128,722,017
Outlays (gross)	(128,553,408)	-	(128,553,408)
Recoveries of prior year unpaid obligations	(1,555,642)	-	(1,555,642)
Unpaid obligations, end of year	35,960,063	-	35,960,063
Uncollected payments:			
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(2,680,132)	-	(2,680,132)
Change in uncollected pymts, Fed sources (+ or -)	(41,945)	-	(41,945)
Uncollected pymts, Fed sources, end of year (-)	(2,722,077)	-	(2,722,077)
Memorandum (non-add) entries:			
Obligated balance, start of year (+ or -)	34,666,964	-	34,666,964
Obligated balance, end of year (net)	33,237,986	-	33,237,986

Budget Authority and Outlays, Net			
Budget authority, gross	129,039,652	-	129,039,652
Actual offsetting collections	(3,020,323)	-	(3,020,323)
Change in uncollected customer payments from Federal sources	(41,945)	-	(41,945)
Recoveries of prior year paid obligations	22,616	-	22,616
Budget authority, net	126,000,000	-	126,000,000
Outlays, gross	128,553,408	-	128,553,408
Actual offsetting collections	(3,020,323)	-	(3,020,323)
Net Outlays	125,533,085	-	125,533,085
Distributed offsetting receipts	(6,981)	-	(6,981)
Net Outlays	$ 125,526,104	$ -	$ 125,526,104

The accompanying notes are an integral part of these statements.

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OTHER INFORMATION

The *Other Information* section provides supplementary information regarding the CPSC's financial and program management. The section includes:

- The Management Challenges Report prepared by the Office of Inspector General
- The Summary of Financial Statement Audit and Management Assurances
- Improper Payments Elimination and Recovery Act Report
- Fraud Reduction Report
- Reduce the Footprint
- Grants Oversight and New Efficiency (GONE) Act

INSPECTOR GENERAL'S MANAGEMENT CHALLENGES REPORT

Office of Inspector General
U. S. CONSUMER PRODUCT SAFETY COMMISSION

The Reports Consolidation Act requires that the Office of Inspector General (OIG) identify the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission (CPSC) and the agency's progress toward meeting these challenges. These challenges may be grouped into the following categories and, although there is some change in emphasis and focus, they are little changed from those reported last year:

Budget and Staffing Uncertainty
Adequacy of Internal Controls
Information Technology Security

1. Budget and Staffing Uncertainty

As of the drafting of this document, the CPSC as well as the entire Federal government is operating under the shadow of another potential government shutdown and another potential failure to raise the debt ceiling.

Again, the CPSC spent a portion of fiscal year (FY) 2017 operating under a continuing resolution (CR); and as of this writing, no budget has been passed for FY 2018. It is highly likely that the CPSC will again in FY 2018 operate for some portion of the year under a CR. When an agency operates under a CR, it is unclear what resources the agency will have available to meet its statutory responsibilities over the course of the entire year. Because CRs only provide funding for the period of the CR, they create uncertainty for agencies about both when they will receive their full appropriation and what level of funding ultimately will be available.

The budget uncertainty described above can result in agency management delaying hiring or contracting actions, potentially reducing the level of services provided to the American people and increasing costs. If the CPSC is forced to operate under CRs for a prolonged time, agency management could be faced with additional challenges in executing the CPSC's final budget as they rush to spend funds in a compressed timeframe. At a minimum, agency management will be required to perform additional work to manage within CR constraints.

In addition to the budgetary uncertainty detailed above, the CPSC has been working under resource constraints related to human capital and with a workforce that is concerned about a reduction in force or a government shutdown.

On January 23, 2017, the President issued a Memorandum imposing a Federal hiring freeze. The stated reason for this memorandum was to halt the growth of the Federal workforce until a "long-term plan to reduce the size of the Federal Government's workforce" was put in place.

On March 13, 2017, an Executive Order was issued directing the Office of Management and Budget (OMB) to submit a comprehensive plan to reorganize executive branch departments and agencies. OMB issued implementing guidance in the form of OMB Memorandum 17-22 (M-17-22). Both the Executive Order and M-17-22 made it clear that the reorganization was to include long-term work force reductions.

The question of the "right size" for the Federal Government is clearly a political one. Arguments can be made on either side of the issue. It is, however, inarguable that the threatened reduction in the size of the Federal workforce has had an impact on the morale and efficiency of the workforce at the CPSC and the government as a whole.

To her credit, the acting Chairman has addressed these issues head-on. She has informed all CPSC staff of her position that the mission of the agency and the relevant statutes governing same remain unchanged and that the work of the CPSC is critically important to the safety of the American people. Early in her tenure, she reinforced this message by visiting each of the offices at the CPSC to assure employees that she appreciated the importance of their work and giving them the opportunity to voice their concerns to her directly.

This management challenge aligns with the CPSC's Strategic Goal 1: Cultivate the most effective consumer product safety workforce. It also supports all four agency strategic goals by addressing the cross-cutting priority of Operational Excellence, which focuses on enabling a high-performing workforce and enhancing financial stewardship.

Recent OIG work to support these CPSC goals include: Audit of FY 2016 Financial Statements Report, DATA Act Readiness Review, FY 16 Improper Payments and Elimination and Recovery Act (IPERA) Report.

Adequacy of Internal Control

Internal controls are processes designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) Effectiveness and efficiency of operations; (b) Reliability of financial reporting; and (c) Compliance with laws and regulations.

The Federal Managers' Financial Integrity Act (FMFIA) Statement provides the Chairman's assertion that the CPSC has effective internal controls over all programs and complies with applicable laws and regulations. Historically the CPSC, as did most other Federal agencies, put far greater effort on establishing formal internal controls over its financial programs than it did over its non-financial programs. However, the Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, 2014 edition (Green Book)[1], makes explicit that the same internal control standards designed to ensure accurate financial reporting also apply to nonfinancial programs. OMB Circular A-123 establishes that the Green Book is the standard that Federal government agencies must follow to maintain effective internal control. Beginning in 2016, the FMFIA requires Federal executive branch entities to establish internal control in accordance with the Green Book. It also includes specific and heightened documentation requirements.

The current Green Book utilizes the 17 underlying principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) revision of its Internal Control – Integrated Framework, adapting them for the Federal government environment. These 17 principles have been introduced to support the five overarching components of internal control carried over from the previous Green Book standards: control environment; risk assessment; control activities; information and communication; and monitoring activities. Successful application of the 17 underlying COSO principles introduced in the Green Book can help the CPSC achieve effective internal control and obtain reasonable assurance that mission objectives are achieved.

The Green Book provides managers criteria for designing, implementing, and operating an effective internal control system. The Green Book defines the standards through components and principles and explains why they are integral to an entity's internal control system. The Green Book clarifies what processes are considered part of internal control.

The CPSC, as well as most other Federal agencies, has a great deal of work before it. This is due to the raised standards and the explicit requirement that the same standards apply to internal controls over nonfinancial and financial programs. Non-financial programs will start from behind the curve and take some time to catch-up because historically, these programs were not held to the same standards of internal control as financial programs. Thus, at least some deficiencies of internal control in these areas are to be expected, especially relatively early in the implementation process.

This is particularly true in the area of risk management. The CPSC's weaknesses in applying the principles of Enterprise Risk Management have been repeatedly noted in past Federal Information Security Modernization Act (FISMA) reviews. The following are actions and considerations that can help CPSC managers responsible for implementing and overseeing an internal control program over operations, reporting, and compliance, to comply with the Green Book:

[1] http://www.gao.gov/greenbook/overview

- Assess and document whether the 17 principles are already incorporated within the relevant existing internal control framework.
- Consider how principles not already part of the existing internal control framework should be designed and implemented by reviewing the attributes of the specific principles described in the Green Book.
- Review the application material included in the Green Book that further explains the principles and attribute requirements. In some cases, the Green Book also clarifies what each requirement means and is intended to cover; in others, it includes examples of procedures that may be appropriate.

To date, comparisons of programs' internal control systems to the Green Book requirements have yielded decidedly mixed results. For example, the internal controls in place over the Travel Card, Import Surveillance, and the Fast Track programs were unexpectedly good. Those internal controls in place for the Improper Payment Elimination and Reduction Act (IPERA) program and those governing the monitoring of contract performance were not.

Internal control deficiencies are of greatest concern when they occur in the course of the financial operations of the agency; such as the CPSC's failure to comply with the IPERA in 2016 and 2014[2]. Here, the standards have been in place longer and the stakes are potentially higher. This is particularly true when internal control deficiencies involve not only the failure to comply with laws and regulations but unwillingness by senior agency management to acknowledge the existence of said deficiencies.

After both IPERA violations, when it was clear to an objective observer that the CPSC was not in compliance with a number of laws and regulations, senior agency management continued to deny that any violation of laws or regulations had occurred while at the same time addressing the problem[3]. This conduct calls into question the ultimate effectiveness of the agency's internal controls to ensure compliance with laws and regulations.

No matter how effectively designed internal controls are, they are ultimately only effective if senior agency management creates a tone at the top that reflects the principles and ethical values expected throughout the agency. Without a strong tone at the top to support an internal control system, staff may be reluctant to communicate the existence of internal control deficiencies to senior management.

[2] Although the IPERA review covering FY 2017 has not yet taken place, based on the results of the FY 16 review, it appears that the CPSC may again be found out of compliance with IPERA in 2017.

[3] Although acknowledging their obligation to report to Congress that the OIG had determined that they were not in compliance with IPERA, CPSC management officials indicated that they were taking the recommended corrective actions only out of a desire to adopt "best practices" while maintaining that they had not violated either IPERA or any of the relevant statutes or regulations.

This office acknowledges management's work to: quickly correct the problems that led to the most recent IPERA violation, conduct comprehensive assessments of internal controls over financial management, develop cycle memos and control matrices, test and evaluate key controls; and develop and implement corrective actions to address some identified control gaps, including developing procedures to bring the CPSC into compliance with IPERA in 2015. As a result, the CPSC has made progress in resolving internal control findings from this office, and has resolved a number of significant deficiencies from earlier audits.

This management challenge addresses the CPSC's Cross-cutting Priority 1, Operational Excellence which supports all four agency strategic goals.

Recent OIG work to support this CPSC cross-cutting priority include: Audit of the Government Purchase Card, Audit of Internal Controls over Contract Management and Administration, Audit of the Fast Track Recall Program, and the FY 2016 IPERA Review.

Information Technology Security

In information technology (IT), there is an inherent tension between mission related demands and security requirements. Historically, the CPSC, along with many other government agencies, has expanded IT services rather than addressing security concerns. As this office has expressed before, and the agency also noted, the CPSC will not be able to meet current and future demands without adequate IT resources to leverage limited staff. However, this support should not come at the expense of adequate IT security. As with the other challenges discussed here, this challenge is not unique to the CPSC.

The most recently completed Federal Information Security Modernization Act (FISMA) evaluation found that management continues to make progress in implementing the FISMA requirements, although much work remains[4]. The accomplishments in implementing FISMA requirements included:

- The maintenance of the General Support System, Consumer Product Safety Risk Management System, the International Trade Data System/Risk Automation Methodology System application, and the CPSC public website (cpsc.gov) security accreditation.
- The implementation of a new cloud-based website solution to replace cpsc.gov and the completion of this solution's security accreditation.
- The improvements Computer Security Incident Response Team continues to make to its processes as it matures by refining Standard Operating Procedures (SOPs), implementing new solutions, and improving existing solutions to facilitate the identification of security incidents.

We reported 35 findings in the FY 2016 FISMA review. The IT challenges identified in that review are particularly relevant, as the agency continues to deal with the impacts on its IT operations resulting from the implementation of the Consumer Product Safety Improvement Act. Among others, we identified the following areas for improvement:

- Configuration Management
- Identity and Access Management
- Risk Management
- Security Training
- Contingency Planning

The CPSC has taken proactive steps in addressing its existing security weaknesses by adding cybersecurity resources to the agency staff. In addition, the CPSC has improved its policies and procedures, implemented new cybersecurity solutions, and is actively working toward standardizing its risk documentation. The OIG is also aware that the agency has dedicated targeted resources and has been working to address many of the issues identified in the 2016 FISMA review. These efforts demonstrate management's commitment to improving the agency's IT security. However, the OIG identified several security weaknesses in the CPSC's information security internal control policies, procedures, and practices that remain. These conditions could result in the modification or destruction of data, disclosure of sensitive information, or denial of services to users who require the information to support the mission of the CPSC.

This management challenge addresses the CPSC's Cross-cutting Priority 3, Information Technology, which supports all four agency strategic goals. Recent OIG work to support this CPSC cross-cutting priority include: FY 2016 FISMA Review, Audit of the Telework Program.

[4] This is based on the FY 2016 FISMA Review; the FY 2017 FISMA Review had not been completed at the time this document was drafted.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0

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

IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT REPORTING DETAILS

To improve the integrity and accuracy of the federal government's payments, Congress, in 2002, enacted the Improper Payments Information Act (IPIA) (Pub. Law No. 107-300) and Recovery Audit Act (Pub. Law No. 107-1070). In 2010, those statutes were replaced by Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. Law No. 111-204), which later was supplemented by a subsequent statute of Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; Pub. Law No. 112-248).

IPERIA 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 the improper payments and prior years' reporting, please visit the following link: https://paymentaccuracy.gov/.

The CPSC is dedicated to continuing to strengthen its improper payments program to ensure that payments are justifiable and processed correctly and efficiently. The program uses an experienced and trained staff, a financial management system designed with control functions to mitigate risk, and an internal analysis of processes and transactions. The CPSC strives to comply with the Office of Management (OMB) Circular M-15-02 along with Appendix C to Circular A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*. All executives and staff are required to comply with the CPSC's procurement and accounting policies and procedures, and federal laws and regulations.

Review of Program Activities

The CPSC reviews all programs and activities in accordance with CPSC procedures and identifies those that are susceptible to significant improper payments. The CPSC reviews payment reporting under three programs and activities: Payroll, Non-Payroll and Grants. Based on the FY 2016 IPERA program review conducted by the OIG, the CPSC determined that there were payment activities based on amounts and rates that met the definition of "significant improper payment" in FY 2017 (see Table 1 below).

Payment Reporting & IPERIA Non-Compliance Findings

The FY 2016 IPERA program review conducted by the Office of Inspector General (OIG) resulted in two findings of non-compliance. The findings were related to: (1) an insufficient risk assessment for non-payroll activities; and (2) improper delegation of CPSC employees designated as Contracting Officer Representatives (CORs) to approve vendor invoices. The OIG did not report that the improper payments resulted from incorrect amounts paid, amounts paid to ineligible recipients, or payments for an ineligible good or service. The CPSC implemented the necessary corrective actions recommended by the Inspector General to remedy the non-compliances in FY 2017 and made the required notifications to OMB and Congress. In addition, the CPSC implemented additional corrective actions and recertified $12.2 million in FY 2017 invoices to evidence proper invoice approval and correct the agency's financial records. The statutorily required IPERA review covering FY 2017 will be completed in May of FY 2018 by the OIG, and a determination on agency compliance will be included in that report.

The results of the FY 2017 CPSC payments review are:

Table 1- Payment Analysis

Program/ Activity	$ Proper Payments	% Proper	$ Improper Payments (by Type)	% Improper	Federal Payment Made by	Root Cause
Payroll	$ 78,958,417	100%	$ -	0%	CPSC	N/A
Non-Payroll	$ 10,258,485	33%	$ 21,067,880[2]	67%	CPSC	Other- Consistent with the Office of Inspector General non-compliance finding ((i.e., improper delegation of invoice approval authority).
			$ 10,641	0%	CPSC	Overpayment due to administrative processing error.
Grants	$ 455,818	93%	$ 34,447	7%	CPSC	Overpayment due to administrative processing error.

[2] $12,224,787 of the non-payroll improper payments noted in the chart above were made prior to the OIG's FY 2016 IPERA program review and were recertified in accordance with the program review to correct the agency's financial records as of September 30, 2017.

Recapture of Improper Payments

IPERA Section 2(h) requires agencies to conduct payment recapture audits (also known as recovery audits) for each program and activity that expends $1 million or more annually, if conducting such audits would be cost effective. A payment recapture audit is a detective and corrective control activity designed specifically to identify and recapture overpayments. The CPSC conducted a cost-benefit analysis of two alternatives for payment recapture audits, exploring the use of federal staff vs. contract staff. Neither alternative was cost effective to pursue a payment recapture audit. Management informed the OMB and the OIG of the analysis and decision in June 2017.

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. Self-reported improper payments are mostly refunds on payments made in error. The CPSC recaptured 100 percent of overpayments identified in the Non-Payroll and Grant program activities noted in Table 1 for FY 2017. The other improper payments identified were not subject to recapture, due to an internal agency documentation error.

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

Do-Not-Pay Initiative

The CPSC is cross-serviced by the U.S. Department of Transportation's Enterprise Service Center (ESC) for accounting system support and accounts payable processing. The implementation of the Do-Not-Pay (DNP) initiative is a joint responsibility of the CPSC and ESC.

An important part of the CPSC's program integrity efforts designed to prevent, identify, and reduce improper payments is integrating the DNP Business Center into our existing processes. ESC uses the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment ESC's data analytics capabilities.

The CPSC follows established pre-enrollment, pre-award, and pre-payment processes for all acquisition and financial assistance awards. Pre-enrollment procedures include cross-referencing applicants against GSA's System for Award Management (SAM) exclusion records. The CPSC also reviews federal and commercial databases to verify past performance, federal government debt, integrity, and business ethics. As part of the pre-award process, and before entering into an agreement, the CPSC requires recipients of financial assistance to verify that the entities they transact with are not excluded from receiving federal funds. For pre-payment processes, ESC verifies an entity against SAM and the Internal Revenue Service's Taxpayer Identification Number (TIN) Match Program before establishing it as a vendor in the core financial accounting system.

Using the DNP Business Center helps the CPSC to improve the quality and integrity of information within the financial system. In FY 2017, ESC engaged the DNP Analytics Services to match vendor records with the Death Master File (DMF). The review identified high-risk vendor records possibly associated with deceased individuals and enabled the ESC to classify the vendor records into risk-based categories for further evaluation. ESC deactivated the highest risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

The CPSC performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. The monthly adjudication process is to verify payee information against internal sources, review databases within the DNP Business Center, and confirm whether the CPSC applied appropriate business rules when making payment. Based on the reviews from DNP and SAM Exclusions from October 1, 2016 through September 30, 2017, no errant payments were identified.

FRAUD REDUCTION REPORT

The Fraud Reduction and Data Analytics Act of 2015 (Pub. L. No. 114-186, 31 U.S.C. 3321) was enacted on June 30, 2016. The Act requires agencies to implement financial and administrative controls that mitigate fraud, identify potential fraud risks and vulnerabilities, and establish strategies and procedures to reduce the occurrence of fraud.

In FY 2017, the CPSC systematically analyzed the financial management cycles susceptible to fraud risks. Fraud-risk types and attributes identified in the Association of Government Accountant's report, "The Fraud Prevention Toolkit," were aligned and assessed against the applicable existing internal control cycles. The CPSC assessed fraud risks and the adequacy of primary and compensating internal controls to mitigate the identified risks. Line staff with direct responsibility for the financial processes assessed and reviewed the risks, the primary controls, compensating controls, and management's assessments.

In addition, the CPSC has some data analytic tools in place to reduce the occurrence of fraud. These analytic tools are the advanced analytics and automated exception alerts from credit card transactions (travel and purchase cards), and the integration between the CPSC's payment's process and the U.S. Treasury's Do Not Pay (DNP) register. Furthermore, all vendors awarded contracts at the CPSC are cleared through the federal System for Award Management (SAM) registry, a comprehensive database of entities registered and eligible to do business with the federal government.

This first step in implementing Fraud Reduction and Data Analytics Act controls demonstrated that the CPSC had adequate internal controls to detect and mitigate material fraud risks.

REDUCE THE FOOTPRINT

The CPSC is committed to the goal of minimizing the total square footage leased at its Headquarters offices located in Bethesda, MD, the NPTEC in Rockville, MD, and the SSF in Gaithersburg, MD. The agency required a small, marginal increase in square footage leased at the Bethesda, MD, location in FY 2017. The increase was attributable to corrective actions identified to remedy internal control deficiencies for property acceptance and accountability. The acquired square footage provides for a central processing area to account for, track, and distribute received property. The CPSC continues to meet its responsibilities of the initiative by disposing of unneeded federal real estate, increasing the use of under-utilized assets, minimizing operating costs, and improving efficiency, in accordance with Section 3 of the Office of OMB Memorandum-12-12, *Promoting Efficient Spending to Support Agency Operations* and OMB Management Procedures Memorandum 2013-02, the "Reduce the Footprint" policy implementation guidance.

Reduce the Footprint Baseline Comparison	FY 2015 Baseline *	FY 2017 *	Change (FY 2015 Baseline - FY 2017)*
Headquarters	123,966	126,266	2,300
NPTEC	63,852	63,852	-
SSF	24,678	24,678	-

*in square feet

Reporting of Operations and Maintenance Costs – Leased Facilities	FY 2015 Baseline *	FY 2017 *	Change (FY 2015 Baseline - FY 2017)*
Headquarters	$ 159,236	$ 224,298	$ 65,059
NPTEC	$ 82,020	$ 113,426	$ 31,046
SSF	$ 31,700	$ 43,838	$ 12,138

GRANT OVERSIGHT & NEW EFFICIENCY (GONE) ACT REQUIREMENTS

The Grants Oversight and New Efficiency (GONE) Act (Pub. L. No. 114-117) was enacted on January 28, 2016. The GONE Act requires the head of each agency to submit to Congress, in coordination with the Secretary of Health and Human Services (HHS), a report on federal grant and cooperative agreement awards that have not yet been closed out for a period of performance elapsed more than 2 years.

The CPSC has one grant program, with five sub-awardees that received funding in FY 2015. The sub-awardees are all still within the 2-year period of performance as of September 30, 2017. The CPSC does not have current grants or cooperative agreements with a period of performance ended on or before September 30, 2015.

CATEGORY	➢ 2-3 Years	➢ 3-5 Years	➢ 5 Years
Number of Grants/Cooperating Agreements with Zero Dollar Balances	0	0	0
Number of Grants/Cooperating Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances	0	0	0

APPENDICES

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 A: PERFORMANCE MEASUREMENT REPORTING PROCESS

The Annual Performance Plan, approved by a majority-Commission vote in conjunction with the Budget Request to Congress, includes planned performance measures with annual targets used for tracking progress toward achieving the strategic goals and objectives from the CPSC's 2016–2020 Strategic Plan. Each quarter, the CPSC's component organizations are responsible for reporting actual progress for each performance measure to a centralized agency Performance Management Database (PMD). A summary of the FY 2017 performance results appears on pages 4–9 of this report; and the detailed performance results, described in item #2 below, will be published in the FY 2017 Annual Performance Report, available in February 2018, on the CPSC's website located at: https://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/.

Verification and Validation of Performance Data

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

1. The agency develops performance measures through its strategic planning and annual performance planning processes.
2. The CPSC's component organizations 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:
   - the performance measure definition,
   - the rationale for the performance measure,
   - the source of the data,
   - the data collection and computation methods, and
   - data limitations.
3. The CPSC's component organizations calculate and report data for performance measures on a quarterly basis, where available, to the Office of Financial Management, Planning, and Evaluation (EXFM). At the agency's Strategic Data Review (SDR) meetings, which are held twice a year, senior management analyzes and discusses progress and results of performance measures toward meeting the strategic goals and objectives. The annual performance results are reviewed by EXFM and approved by management before being published in agency documents, including the Annual Performance Report.
4. EXFM continues to implement a verification and validation process using established operating procedures with the intent of assessing each key performance measure within a 2-year cycle. Program officials conduct a self-assessment on the completeness, consistency, timeliness, and quality of performance data for which they are responsible, as well as identify any data limitations for each key performance measure. Fourteen key performance measures have been selected this year from across component organizations for EXFM's independent assessment of the quality of performance data. These assessments are intended to improve performance information, as well as meet GPRA Modernization Act of 2010 (GPRAMA) requirements regarding the reliability and completeness of performance data.
5. Managers of major organizational units within the CPSC submit annual statements of assurance on the operating effectiveness of general- and program-level internal controls for their areas of

responsibility. Those statements of assurance identify any known deficiencies or weaknesses in program-level internal controls where they exist, including any issues with the quality of program performance data.

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

APPENDIX B: STATUTORY AUTHORITY

Provided below is a list of federal statutes administered by the CPSC. Links to these statutes are available on the CPSC's website at: CPSC.gov under *Regulations*, *Laws & Standards.*

CGCPA	Children's Gasoline Burn Prevention Act
CPSA	Consumer Product Safety Act
CPSIA	Consumer Product Safety Improvement Act of 2008
CSPA	Child Safety Protection Act; Amends the FHSA
DSA	Drywall Safety Act of 2012
FFA	Flammable Fabrics Act
FHSA	Federal Hazardous Substances Act
LHAMA	Labeling of Hazardous Art Materials Act: Amends the FHSA
PPPA	Poison Prevention Packaging Act
RSA	Refrigerator Safety Act
VGB Act	Virginia Graeme Baker Pool and Spa Safety Act
CNPP Act	Child Nicotine Poisoning Prevention Act of 2015

APPENDIX C: ACRONYM LISTING

AFR	Agency Financial Report
APR	Annual Performance Report
CAP	Corrective Action Plans
CBP	U.S. Customs and Border Protection
CEAR	Certificate of Excellence in Accountability Reporting
CGPA	Children's Gasoline Burn Prevention Act
CNPP	Act Child Nicotine Poisoning Prevention Act of 2015
COR	Contracting Officer Representative
COSO	Committee of Sponsoring Organizations of the Treadway Commission’s
CPSA	Consumer Product Safety Act
CPSC	U.S. Consumer Product Safety Commission
CPSIA	Consumer Product Safety Improvement Act of 2008
CPSRMS	Consumer Product Safety Risk Management System
CR	Continuing Resolution
CSIRT	Cyber Security Incident Response Team
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
DHS	Department of Homeland Security
DMF	Death Master File
DNP	Do Not Pay
DOL	Department of Labor
DSA	Drywall Safety Act of 2012
EEI	Employee Engagement Index
ESC	Enterprise Services Center
EXFM	Office of Financial Management, Planning, and Evaluation
FEHBP	Federal Employees Health Benefit Program
FFA	Flammable Fabrics Act
FFMIA	Federal Financial Management Improvement Act of 1996
FEVS	Federal Employee Viewpoint Survey
FHSA	Federal Hazardous Substances Act
FICA	Federal Insurance Contributions Act
FIPS	Federal Information Processing Standards
FISMA	Federal Information Security Modernization Act
FMFIA	Federal Managers’ Financial Integrity Act of 1982
FOIA	Freedom of Information Act
FPPS	Federal Personnel/Payroll System
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GONE	Grant Oversight & New Efficiency Act
GPRA	Government Performance and Results Act
GSA	General Services Administration
GSS	General Support System
HQ	Headquarters
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act

IT	Information Technology
ITDS	International Trade Data System
LAN	Local Area Network
LHAMA	Labeling of Hazardous Art Materials Act: Amends the FHSA
MD&A	Management Discussion & Analysis
NEISS	National Electronic Injury Surveillance System
NEHI	Nanotechnology Environmental and Health Implications
NIEHS	National Institute of Environmental Health Sciences
NIST	National Institute of Technology and Standards
NNCO	National Nanotechnology Coordination Office
NNI	National Nanotechnology Initiative
NPTEC	National Product Testing and Evaluation Center
NSN	Neighborhood Safety Network
OBIEE	Oracle Business Intelligence Enterprise Edition
OGC	Office of the General Counsel
OIG	Office of Inspector General
OPM	U.S. Office of Personnel Management
OMB	Office of Management and Budget
POAM	Plan of Actions and Milestones
PMD	Performance Management Database
PPPA	Poison Prevention Packaging Act
PPE	Property, Plant and Equipment
RAM	Risk Assessment Methodology
RMC	Risk Management Council
RSI	Required Supplementary Information
SAM	System for Award Management
SBR	Statement of Budgetary Resources
SDR	Strategic Data Review
SoA	Statement of Assurance
SONC	Statement of Net Costs
SOP	Standard Operating Procedures
SP	Special Publication
SSAE-18	Statement on Standards for Attestation Engagements 18
SSF	Sample Storage facility
SSP	Shared Service Provider
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

U.S. CONSUMER PRODUCT SAFETY COMMISSION
4330 East West Highway
Bethesda, MD 20814
General Information: (301)504-7923
Toll-free Consumer Hotline: (800) 638-2772, TTY (301) 595-7054
https://www.cpsc.gov