



U.S. Consumer Product Safety Commission

Fiscal Year 2019 Agency Financial Report



November 19, 2019

ABOUT THE CPSC

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

The CPSC has jurisdiction over thousands of types of consumer products used in and around the home. Although the CPSC's regulatory purview is quite broad, a number of product categories fall outside of 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 typically open to the public.



The photograph above shows the five members of the Commission who served at the CPSC during the Fiscal Year (FY) 2019 reporting period of October 1, 2018 through September 30, 2019. From left to right, the photograph shows: Commissioner Peter A. Feldman, Commissioner Dana Baiocco, Previous Acting Chairman Ann Marie Buerkle, Commissioner Robert S. Adler, and Commissioner Elliot F. Kaye. Effective October 1, 2019, at the start of FY 2020, Robert S. Adler assumed the role of Acting Chairman. Previous Acting Chairman Ann Marie Buerkle completed her tenure at the CPSC on October 26, 2019, leaving a vacancy on the Commission. As of the publication of this document, the Commission has four members.

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

ABOUT THIS REPORT

The purpose of the U.S. Consumer Product Safety Commission's FY 2019 *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 (OMB) Circulars No. A-11, *Preparation, Submission, and Execution of the Budget*, and A-136, *Financial Reporting Requirements*.

This AFR is organized into four major sections:

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

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

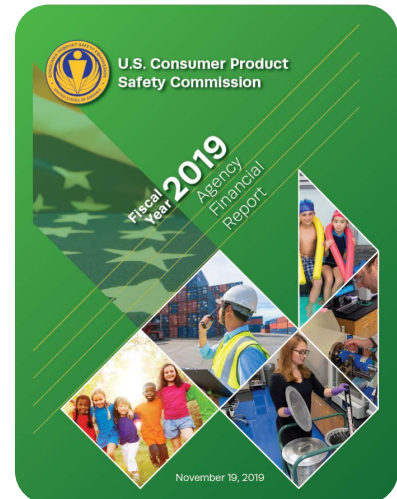
Other Information—This section provides the Office of the Inspector General's (OIG) Management Challenges, a summary of the financial statement audit and management assurance, improper payments reporting details, Fraud Reduction and Data Analytics Act (FRDAA), and Reduce the Footprint.

Appendices—This section provides the performance measurement reporting process, the list 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 (as amended by the Improper Elimination and Recovery Improvement Act of 2012)*
- *Government Performance and Results Act Modernization Act of 2010.*

In accordance with OMB Circular No. A-11, Part 6, Section 240.2, the CPSC produces the AFR, with a primary focus on reporting financial results and publishes the Annual Performance Report (APR) the following February,* with a primary focus on reporting performance results. Electronic copies will be available at this website shortly after publication of each report: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/.



* The CPSC's FY 2019 APR is scheduled to be published concurrently with the CPSC's FY 2021 President's Budget Request in February 2020. The FY 2019 APR will provide more detailed performance information and analysis of performance results.

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

For the fourth consecutive year, the Association of Government Accountants (AGA) recognized the CPSC with the prestigious Certificate of Excellence in Accountability Reporting (CEAR) award for its FY 2018 Agency Financial Report. The AGA presents this award to agencies after conducting a rigorous, independent review against established standards for presentation. The AGA presents the award to applying federal government agencies whose annual financial reports demonstrate the highest standards of accountability and transparency in communicating results.

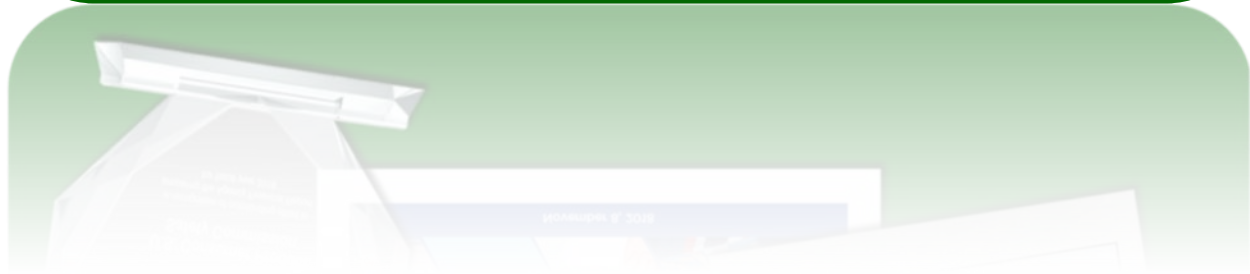


TABLE OF CONTENTS

	Page
MESSAGE FROM THE ACTING CHAIRMAN	i
<u>MANAGEMENT’S DISCUSSION AND ANALYSIS</u>	1
CPSC’s Mission, and Organizational Structure.....	2
Performance Summary: An Overview.....	3
Key Performance Measures (KMs).....	4
Selected Performance Results	6
Analysis of Financial Statements and Stewardship Information	12
Controls, Systems, and Legal Compliance.....	17
Management Assurance Statement.....	21
Looking Ahead.....	23
Limitations of the Financial Statements	25
<u>FINANCIAL SECTION</u>	27
Message from the Chief Financial Officer.....	28
Independent Auditor’s Report.....	30
Financial Statements.....	41
Notes to the Financial Statements	46
Required Supplementary Information (RSI)(Unaudited).....	58
<u>OTHER INFORMATION</u>	59
Inspector General’s Management Challenges Report	60
Summary of Financial Statement Audit and Management Assurances	69
Improper Payments Elimination and Recovery (IPER) Act Reporting Details.....	70
Fraud Reduction Report	73
Reduce the Footprint.....	74
<u>APPENDICES</u>	75
Appendix A: Performance Measurement Reporting Process.....	76
Appendix B: Statutory Authority.....	79
Appendix C: Acronym Listing.....	80

MESSAGE FROM THE ACTING CHAIRMAN

I am honored to present to you the U.S. Consumer Product Safety Commission's (CPSC) FY 2019 Agency Financial Report (AFR). This report provides information on our financial performance, as well as insight into our use of taxpayer dollars and the resources entrusted to the CPSC. Our dedicated and talented staff achieved significant objectives this past year toward our mission of *Keeping Consumers Safe*.

As I recently became Acting Chairman on October 1, I must give much of the credit for the accomplishments outlined in this report to Ann Marie Buerkle, who served as Acting Chair of CPSC from February 2017 through September 2019. Ms. Buerkle has since left the agency, and we will miss her thoughtful leadership and contributions to our mission of consumer product safety. The CPSC continues this work as we pursue four major goals outlined in our 2018-2022 Strategic Plan.



Goal 1: Workforce

The first strategic goal is *Cultivating the Most Effective Workforce*. Because we are the smallest of the federal health and safety agencies, a high-performing and motivated workforce is the key to our success. Throughout the CPSC, our various product safety and workplace initiatives employ strategies that encourage employee engagement. For FY 2019, our Federal Employee Viewpoint Survey (FEVS) Employee Engagement Index was 66 percent. Although this was slightly lower than FY 2018's rating of 69 percent, the decrease was not entirely a surprise, given the effects of a 5-week government shutdown and related stressors affecting staff. In response, the CPSC's *Workforce* strategies have focused on increasing employee engagement through enhanced recognition programs and improved work-life balance flexibilities. For example, in FY 2019, the agency updated its telework policy, incorporating recommendations from the Telework Working Group, made up of employees from across the agency. And we continue to offer programs that focus on performance improvement and career development, including supervisory skills training to help our managers become effective leaders.

Goal 2: Prevention

Preventing Hazardous Products from Reaching Consumers is a core principle for achieving the mission of *Keeping Consumers Safe*. A key ingredient for effective *Prevention* is robust data that can provide insights on emerging injury trends. In a bipartisan decision this past May, the Commission approved staff's recommendation to partner with the General Services Administration's (GSA) IT Modernization Centers of Excellence (CoE) to formulate a multiyear Enterprise Data Analytics Strategy (EDAS) designed to modernize and improve the agency's analytic capabilities. Simultaneously, we will begin work on a pilot program to test artificial intelligence techniques that automatically sort and code incoming incident data for faster analysis.

These are just the first steps in what will likely be a long-term endeavor. It is our expectation that the EDAS will provide a roadmap for organizing and analyzing all of our available data to improve mission outcomes, including hazard identification, compliance, and import surveillance.

Goal 3: Response

Despite the agency's best efforts, it is not always possible to stop harmful products from making their way into the marketplace and, ultimately, into the hands of consumers. To Keep Consumers Safe, the CPSC must also ***Respond Quickly to Address Hazardous Consumer Products Both in the Marketplace and with Consumers*** through timely identification and, as needed, removal of those harmful products through recalls. This is a difficult task, indeed, considering the 15,000-plus product types within the CPSC's jurisdiction—many of which are evolving at an exponential pace through new technologies, such as additive manufacturing (*e.g.*, 3-D printing) and nanomaterials. In addition, international markets are now connecting manufacturers directly to consumers, bypassing the traditional retailer supply chain. This year, the agency began work on a Business Process Review (BPR) to modernize its enforcement business processes. The BPR will assess the agency's current processes and systems; it will also specify a business process efficiency plan and a technical modernization plan to improve CPSC's ability to enforce consumer product safety requirements.

Goal 4: Communication

The agency's fourth strategic goal is ***Communicating Useful Information Quickly and Effectively to Better Inform Decisions***. Simply put, when consumers are armed with important safety information about a given product, they can make better decisions when purchasing or using that product. A core element of our safety *Communication* strategy is to develop information and education (I&E) campaigns and other education tools. A prime example has been our national Anchor It! campaign, designed to alert the public to incidents associated with TV, furniture, and appliance tipovers. Approximately 27,000 tipover-related injuries occur each year. Since 2000, there have been more than 550 fatalities associated with tipovers—more than 80 percent involving children. To get the message out about this hidden hazard, Anchor It! informs consumers not only about the dangers of tipovers, but also about how to prevent them. This past year, we produced a public service announcement titled, "Anchored. Safe and Sound." In just 30 seconds, this video demonstrates how parents and caregivers can prevent tipover injuries or deaths, by taking low-cost steps to anchor TVs, furniture, and appliances to walls and floors. In FY 2019, the potential reach of Anchor It! messaging alone was estimated to be 800 million consumers. Another core element of CPSC's *Communication* strategy involves improving the usefulness and availability of safety information for the CPSC's stakeholders. The CPSC's Small Business Ombudsman recently refined the Regulatory Robot, an interactive online resource to help small businesses identify important safety requirements. This past year, the agency improved the Regulatory Robot's functionality for users navigating in English and six foreign languages—Chinese (simplified), Chinese (traditional), Spanish, Vietnamese, Bahasa Indonesian, and Korean.

In addition to acknowledging our staff's commitment and contributions to the four goals outlined here, I am gratified that the CPSC received an unmodified opinion on our FY 2019 financial statements. The audit result

reflects favorably on the hard work and dedication of everyone who supports sound financial management of the agency. The opinion of the independent auditor can be found in the Financial Section, along with the *Message from the Chief Financial Officer*, which describes our significant financial management accomplishments this past year, including the transition to a new financial management shared services provider. I am also pleased to report that the financial and performance data presented are reasonably complete, accurate, and reliable. We did, however, identify two material weaknesses. The first material weakness is related to program results for an unauthorized disclosure of personally identifiable information (PII), as well as manufacturer information protected by Section 6(b) of the Consumer Product Safety Act. The second material weakness is related to internal controls over reporting not operating as intended for properly documenting the agency's lease records. This weakness resulted in incorrect amortization and depreciation of the tenant improvement allowance and leasehold improvements for the National Product Testing and Evaluation Center. The financial entries have been corrected and are accurately reflected in this report. The material weaknesses are described in more detail in the agency's *Management Assurance Statement* contained in this report, and we are committed to resolving these issues in the coming year.

As I transition to my new role as Acting Chairman, I look forward to working with my fellow Commissioners and the CPSC staff to accomplish our shared mission of *Keeping Consumers Safe*.



Robert S. Adler
Acting Chairman
November 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)



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

CPSC’s Mission and Organizational Structure

The CPSC’s mission of “Keeping Consumers Safe” is grounded in the statutes that authorize the work of the agency. The agency’s overarching vision is: “A nation free from unreasonable risks of injury and death from consumer products.” The CPSC has four strategic goals that contribute to realizing the vision and achieving the mission (see Figure 1). The strategic goals set the framework for agency planning, communication, management, and reporting, and provide direction for resource allocation, program design, and management decisions. Strategic objectives reflecting the key component outcomes necessary to achieve each of the strategic goals have been identified. Strategic objectives are supported by performance goals and strategic initiatives that are achieved through CPSC-supported programs and activities. Key performance measures (KMs) are identified to monitor and report on progress toward the strategic objectives.

Figure 1: CPSC’s Strategic Goals



The Commission consists of five members. The Chairman is the principal executive officer of the Commission. The chart below depicts the organizational structure of the CPSC in FY 2019:

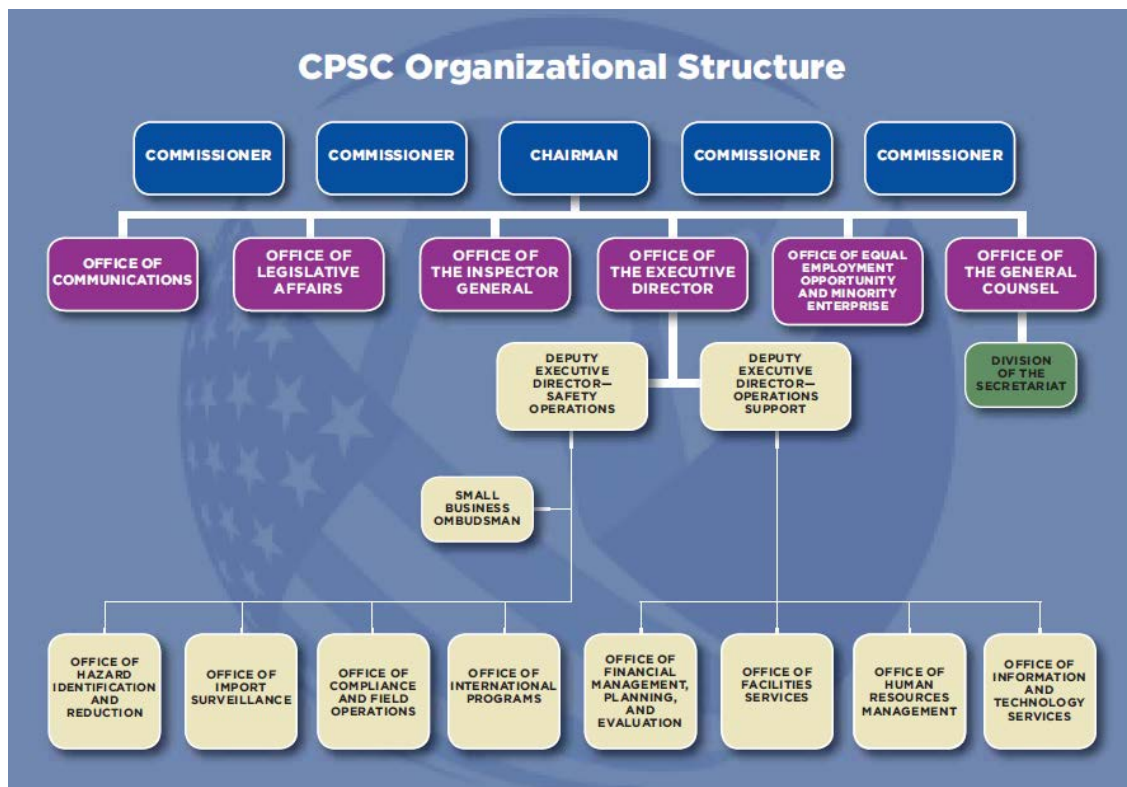


Figure 2: CPSC’s Organizational Structure

Performance Summary: An Overview

FY 2019 Resources: The CPSC’s enacted appropriation for FY 2019 was \$127 million, comprised of \$126.2 million in 1-year funds for mission-related salaries and expenses and \$0.8 million for the VGB Act Grant program (available until expended). Of the resources available for mission-related salaries and expenses, the CPSC obligated \$126.1 million: \$4.2 million (3%) for Goal 1 (Workforce); \$81.5 million (65%) for Goal 2 (Prevention); \$29.5 million (23%) for Goal 3 (Response); and \$10.9 million (9%) for Goal 4 (Communication) [see p. 15 for FY 2019 Net Cost of Operations].

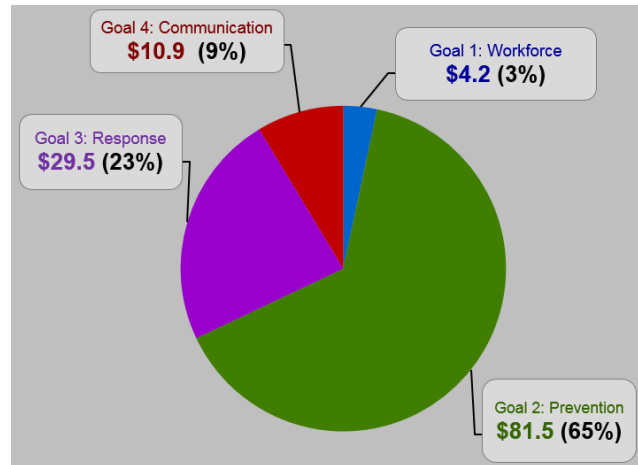
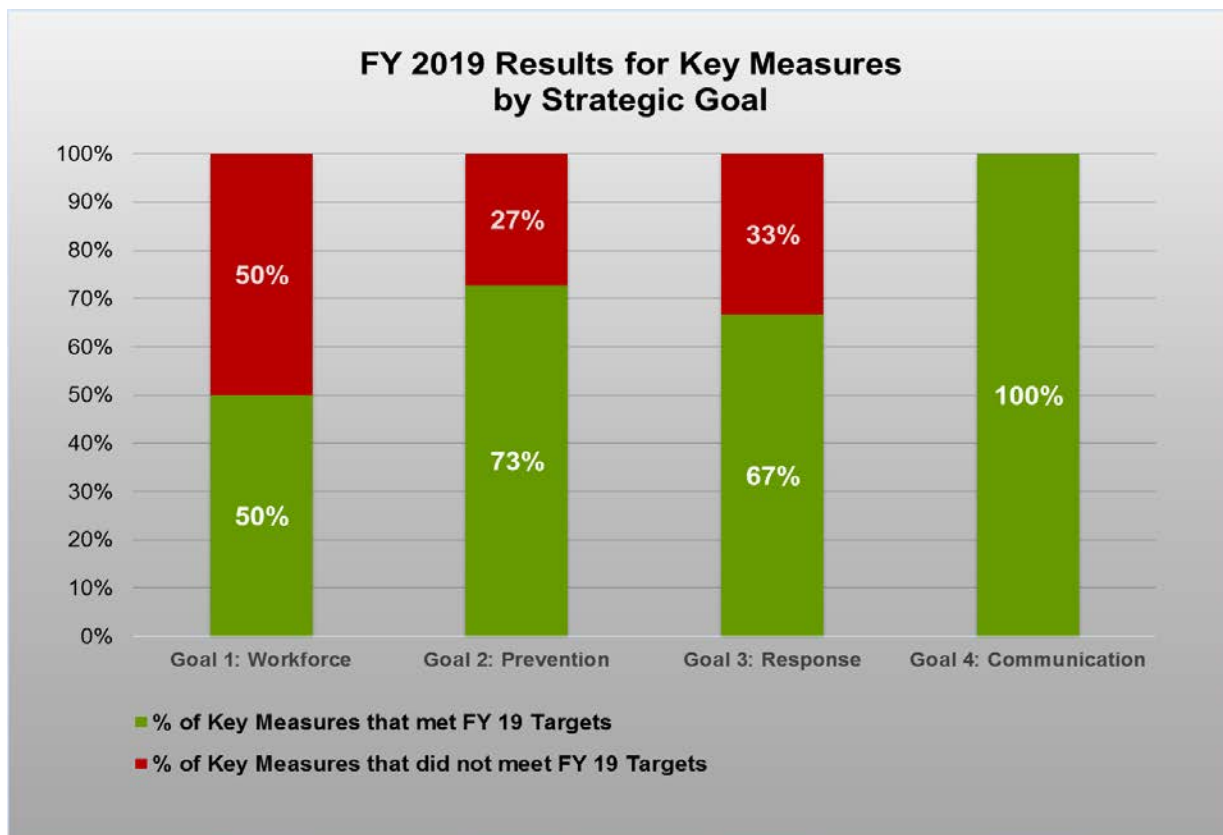


Figure 3 (above): CPSC’s FY 2019 Obligations by Strategic Goal (Dollars in millions)

Summary of FY 2019 Results: In FY 2019, the CPSC monitored 25 key performance measures (KMs), all of which are reported externally. All 25 KMs had established performance targets for FY 2019. The CPSC met the performance targets for 18 of the 25 KMs (72 percent). The CPSC did not meet FY 2019 performance targets for seven KMs (see p. 9 for more information on the missed targets). The percentages of key measures that met FY 2019 performance targets are shown below in Figure 4.

Figure 4 (below): Summary of FY 2019 Results for Key Performance Measures by Strategic Goal



Key Performance Measures (KMs)

The table below presents the CPSC's FY 2019 key performance measure results. The CPSC requires accurate data to assess agency progress toward its strategic and performance goals and to make informed management decisions. The agency's functional components are responsible for assessing the completeness, consistency, timeliness, and quality of data for their performance measures, as well as identifying any data limitations. Managers of major functional components certify that procedures for ensuring performance data quality have been followed, and that reported results are reasonably complete, accurate, and reliable. A verification and validation (V&V) review of year-end performance results for key measures is also conducted. Details on the CPSC's performance measurement reporting and V&V processes are provided in Appendix A (p. 76) of this report.

Program	Performance Measure Statement	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	Target met?
Strategic Goal 1: Workforce		<i>Cultivate the Most Effective Consumer Product Safety Workforce</i>					
Strategic Objective 1.1: Enhance effective strategic human capital planning and alignment							
Personnel	KM1.1.02 Percentage of full-time equivalents (FTEs) utilized	--	--	97%	98%	96%	✓
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%	68.1%	65.8%	74%	✗
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%	82.6%	85.5%	75%	✓
Strategic Objective 1.4: Increase employee engagement							
Personnel	KM1.4.01 Federal Employee Viewpoint Survey Employee Engagement Index Score	70%	73%	69%	66%	75%	✗
Strategic Goal 2: Prevention		<i>Prevent Hazardous Products from Reaching Consumers</i>					
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%	26%	23%	25%	✗
Hazard	KM2.1.02 Number of hazard characterization annual reports completed on consumer product-related fatalities, injuries, and/or losses for specific hazards	11	11	10	11	11	✓
Hazard	KM2.1.03 Percentage of consumer product-related injury cases correctly captured at NEISS ¹ hospitals	91%	92.4%	93%	89.5%	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	9	6	3	✓
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	71	76	77	74	74	✓
Hazard	KM2.2.02 Number of candidates for rulemaking prepared for Commission consideration	10	18	19	14 ²	12	✓
Import	KM2.2.07 Percentage of firms that are engaged with timely establishment inspection after being identified as a repeat offender	--	--	73%	90%	75%	✓

¹ The National Electronic Injury Surveillance System (NEISS) is the CPSC's system for collecting data on consumer product-related injuries occurring in the United States. The NEISS provides statistically valid national estimates of injuries from a probability sample of hospital emergency rooms; the system is a critical component of the CPSC's data-driven approach to identifying emerging trends and consumer product hazards. For more information on NEISS, please visit: www.cpsc.gov/Research--Statistics/NEISS-Injury-Data.

² In FY 2019, CPSC staff prepared 14 rulemaking packages for Commission consideration—7 were from the original 12 planned candidates for rulemaking and the other 7 were in response to emerging requirements. The remaining five planned rulemaking candidates that were not completed in FY 2019 are: NPR-Crib Mattresses, NPR-Adjudicative Rules, DFR-F963 Toys, FR-Freedom of Information Act Fee Update, and DFR-Lab Accreditation IBR Update.

Program	Performance Measure Statement	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	Target met?
Strategic Goal 2: Prevention (continued)		<i>Prevent Hazardous Products from Reaching Consumers</i>					
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	--	88.5%	89%	86%	80%	✓
Import	KM2.3.02 Percentage of import shipments processed through the Risk Assessment Methodology pilot system that are cleared within 1 business day	99.8%	99.8%	99.8%	99.8%	99%	✓
Import	KM2.3.03 Percentage of consumer product import entries that are risk-scored by the CPSC	--	4.2%	3.0%	3.4%	4%	✗
Import	KM2.3.04 Number of import examinations completed	36,523	38,726	41,117	39,010	32,000	✓
Strategic Goal 3: Response		<i>Respond Quickly to Address Hazardous Consumer Products Both in the Marketplace and with Consumers</i>					
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%	75%	12.5%	65%	✗
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%	88.8%	85.1%	85%	✓
Strategic Objective 3.2: Minimize further exposure to hazardous consumer products							
Compliance	KM3.2.02 Percentage of cases for which a firm is notified of a regulatory violation within 40 business days from sample collection	--	86%	87.2%	85.5%	85%	✓
Compliance	KM3.2.03 Percentage of Fast-Track cases with corrective actions initiated ³ within 20 business days	99.1%	98%	95.9%	97.4%	90%	✓
Compliance	KM3.2.04 Percentage of cases for which a corrective action is accepted within 90 business days of preliminary determination	--	--	92.7%	76.9%	60%	✓
Strategic Objective 3.3: Improve consumer response to consumer product recalls							
Compliance	KM3.3.01 Recall effectiveness rate for all consumer products recalls	--	41%	17.4%	21.4%	25%	✗
Strategic Goal 4: Communication		<i>Communicate Useful Information Quickly and Effectively to Better Inform Decisions</i>					
Strategic Objective 4.1: Improve usefulness and availability of consumer product safety information							
Communications	KM4.1.02 Number of engagement with CPSC safety messaging on social media channels by stakeholders (in thousands)	--	285	831	1,468	320	✓
Strategic Objective 4.2: Increase dissemination of useful consumer product safety information							
Communications	KM4.2.01 Number of impressions of CPSC safety messages (in millions)	--	6,314.8	7,597.8	4,689	4,000	✓
Communications	KM4.2.02 Average number of business days between establishment of first draft and issuance of recall press release for the timeliest 90% of recall press releases	17.8	17.5	17.3	17.8	< 18	✓
Strategic Objective 4.3: Increase and enhance collaborations with stakeholders							
Communications	KM4.3.01 Number of collaboration activities initiated with stakeholder groups	--	28	47	93	28	✓

³ Corrective action initiated is defined as the first action taken (i.e., product discontinued or stop sale issued) by a firm. This includes actions taken by a firm prior to the case open date.

Selected Performance Results

The CPSC's selected FY 2019 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 achieving the CPSC's life-saving mission. Agency staff's knowledge about product safety, commitment to the agency's mission, and "can-do" attitude make achieving the CPSC's mission possible.



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

Selected FY 2019 achievements include:

- Trained more than 85 percent of hiring managers on the recruitment process to attract and recruit a talented, diverse, and highly effective workforce; and
- Trained 90 percent of managers on effective performance management.

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. Working with stakeholders on voluntary standards and adopting

mandatory standards for consumer products, combined with improved mechanisms to identify hazardous products before they enter the marketplace, are the most effective ways to prevent hazardous products from reaching consumers.

Strategies for Prevention: The CPSC's approach to addressing *Prevention* challenges involves taking action to prevent injury or harm from consumer products through: (1) working at the national and international 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 effectively inspection, surveillance, and enforcement resources to identify hazardous products before they reach the marketplace.



Selected FY 2019 achievements include:

- Implemented best practices for the Internet of Things⁴ (IoT) and initiated an Interagency Working Group on Consumer Product Safety of Internet-Connected Products;
- Actively participated in 74 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 39,010 different imported consumer products at U.S. ports of entry;
- Collaborated with the U.S. Embassy in Mexico City to provide information about U.S. textile flammability requirements to the Procuraduría Federal del Consumidor (PROFECO), Mexico's consumer protection federal agency. The shared information will inform work on PROFECO's technical regulation related to fire-

⁴ "Internet of Things" (IoT), as it relates to consumer products, refers to an environment in which consumer products are connected to the Internet or other devices/products that are connected to the Internet. This type of connectivity is capable of introducing potential safety issues/hazards. The growth of IoT-related products is a challenge for the CPSC and its stakeholders. For more information on CPSC's FY 2019 efforts on IoT, please visit: www.cpsc.gov/About-CPSC/ann-marie-buerkle/Speeches/acting-chairman-ann-marie-buerkle-prepared-remarks-for-the.

retardant treatment for textiles and mattresses; and

- Concluded the “Early Consultation Initiative” with the North American Product Safety Agencies, a trilateral, multiyear effort that resulted in development of consensus recommendations to improve test methods for ensuring the safety of alternating current chargers and universal serial bus (USB) chargers. This collaboration represents the first example of a joint consumer product safety standard effort by multiple governments that are not members of the same administrative region.

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

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

STRATEGIC OBJECTIVE 3.1
Rapidly identify hazardous consumer products for enforcement action

STRATEGIC OBJECTIVE 3.2
Minimize further exposure to hazardous consumer products

STRATEGIC OBJECTIVE 3.3
Improve consumer response to consumer product recalls

Strategies for Response: Essential elements of the CPSC’s strategies for improving *Response* include investigating incidents to determine a preliminary cause and hazard posed to consumers; collaborating with firms to conduct voluntary recalls, or pursuing mandatory recalls, if necessary; and working to improve the effectiveness of recalls in removing unsafe products from consumer use.

Selected FY 2019 achievements include:

- Sent 1,368 notices of noncompliance and negotiated 246 corrective action plans (CAPs) to address hazardous consumer products;

- Worked with firms to conduct 259 voluntary recalls, involving approximately 20 million units;
- Completed 1,410 establishment inspections of firms for compliance with the CPSC’s laws and regulations;
- Contacted approximately 5,900 Internet firms and individuals who were offering for sale banned or previously recalled consumer products via Internet websites, preventing approximately 12,000 recalled or banned product units from being re-sold; and
- Awarded approximately \$1.0 million in *Pool Safely* grants to provide assistance for enforcement, training, and education on pool safety requirements to save lives and prevent serious injuries associated with drownings and drain entrapments.

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 help

STRATEGIC OBJECTIVE 4.1
Improve usefulness and availability of consumer product safety information

STRATEGIC OBJECTIVE 4.2
Increase dissemination of useful consumer product safety information

STRATEGIC OBJECTIVE 4.3
Increase and enhance collaboration with stakeholders

develop voluntary standards and comply with safety requirements. Foreign regulators and state and local government agencies also need high-quality information to advance consumer safety. These diverse audiences have different information needs, and they respond to different methods of communication.

Strategies for Communication: The CPSC uses a wide array of communication channels and strategies to provide timely, targeted information about consumer product safety to the public, industry, and other stakeholders. Central elements of the CPSC’s communications strategy include

improving the usefulness and availability of safety messages by collecting and analyzing data and designing new and innovative communication tools, and strengthening collaborations with stakeholder groups, including other government agencies and nonprofit organizations, to improve communication.

Selected FY 2019 achievements include:

- Conducted collaborative training in Chicago, IL on the CPSC's product safety requirements and the processing of imports at U.S. ports of entry. Trainees included customs brokers, importers, manufacturers, safety professionals, and other stakeholders;
- Expanded the number of followers of the CPSC's social media channels from 81,000 in FY 2018 to 98,000 in FY 2019;
- Increased the number of engagements by consumers and others with CPSC's social media messages on the CPSC's Twitter (@USCPSC), Facebook, and Instagram accounts by approximately 77 percent from 831,000 in FY 2018 to 1.47 million in FY 2019; and
- Improved the Regulatory Robot,⁵ an interactive resource to help small businesses identify important product safety requirements applicable to their products. In FY 2019, the Robot's functionality was improved for users navigating in English and six foreign languages – Chinese (simplified), Chinese (traditional), Spanish, Vietnamese, Bahasa Indonesian, and Korean.

Crosscutting Priorities

The CPSC's strategic plan identifies four crosscutting strategic priorities, which are fundamental to achievement of its strategic goals:

- **Operational Excellence:** To achieve operational excellence, the CPSC aspires to develop a high-performing workforce, improve performance management, and enhance financial stewardship.
- **Data Collection & Analysis:** The CPSC is a data-driven agency. Collection, management, and analysis of high-quality data are essential to achieving the CPSC's strategic goals and fulfilling the agency's mission. To achieve its Data Collection & Analysis crosscutting priority, the agency will develop an Enterprise Data

Analytics Strategy and improve the CPSC's ability to identify emerging risks.

- **Information Technology (IT):** To achieve its IT crosscutting priority, the CPSC is considering options to improve the quality, transparency, reliability, and availability of data essential for achieving the agency's strategic goals and mission. The agency will also continue expanding the use of shared services and cloud-based service offerings to improve system availability, accelerate the delivery of new capabilities, and realize efficiencies.
- **Internal & External Collaboration:** To achieve effective internal collaboration, the CPSC strives for transparent communication among all levels of the agency, including Commissioners' offices, and better integration of processes, systems, and resources across the CPSC. The CPSC will also continue its efforts to work effectively and collaboratively with many types of external organizations, including consumer advocacy organizations, manufacturers' associations and trade groups, voluntary standards organizations, federal agencies, state and local governments, and foreign governments.

Selected FY 2019 crosscutting priority achievements include:

- **Shared Services – Expansion & Cost Savings:** In FY 2019, the CPSC transitioned its financial management systems and services to the U.S. Department of Treasury's Administrative Resource Center (ARC) within the Bureau of the Fiscal Service, and ended its shared services agreement with the Department of Transportation (DOT). Because of the transition, the CPSC was able to retire its legacy contracting system, implement electronic invoicing, and integrate budget, accounting, and procurement data across core systems and reports. The agency expects this new shared services agreement to result in cost savings totaling more than \$3 million over 5 years.

⁵ The CPSC's "Regulatory Robot" can be accessed at: www.cpsc.gov/Business--Manufacturing/Regulatory-Robot/Safer-Products-Start-Here.

Performance: Risks, Underlying Factors, and Plans for Improvement

For FY 2019, the CPSC had 25 key performance measures, all of which had established FY 2019 performance targets. Of the 25 key measures, the agency met 18 (72 percent) FY 2019 targets and did not meet targets for seven key measures. A summary of the information on the key measures with missed targets is provided below, with additional details on all of the key performance measures and results to be presented in the CPSC's FY 2019 APR (scheduled for publication in February 2020 and will be available at: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget).

- **Key Measure 1.2.01 Percentage of employees satisfied with opportunities to improve their skills (as reported in the Federal Employee Viewpoint Survey):** The target was 74 percent; the FY 2019 actual result was 65.8 percent. The CPSC did not meet the target. The agency was impacted by the 5-week government shutdown in FY 2019, and nearly all CPSC employees were furloughed. The lengthy furlough likely affected the Federal Employee Viewpoint Survey (FEVS) responses this year. Although the CPSC did not meet the target, according to other FEVS data, 80.2 percent of employees agreed that their work unit has the job-relevant knowledge and skills necessary to accomplish organizational goals. The CPSC also made progress by surveying employees on training needs and conducting more than 40 on-site training opportunities. Additionally, 9 percent of employees participated in the agency Coaching Program, and 23 percent of employees have Individual Development Plans. The agency plans to improve its performance by requesting training participants to complete course surveys after each class to solicit input for future trainings. The agency also plans to ensure that every employee has at least one developmental activity identified for FY 2020.
- **Key Measure 1.4.01 Federal Employee Viewpoint Survey Employee Engagement Index Score:** The target was 75 percent; the FY 2019 actual result was 66 percent. The CPSC did not meet the target. It is challenging to meet the target for this key measure because the FEVS is a voluntary survey. For each year, new approaches are needed to encourage employees to participate in the survey. Specific challenges this year that may have impacted results include the absence of a permanent agency head and the extended furlough just prior to the administration of the survey. The agency plans to improve its performance by implementing the President's Management Agenda Agency Improvement Plan, focusing on the *Leaders Lead* portion of the Employee Engagement Index. The agency will execute an initiative developed from the survey results with employee focus group, Union, and Management feedback.
- **Key Measure 2.1.01 Percentage of consumer product-related incident reports warranting follow-up actions:** The target was 25 percent; the FY 2019 actual result was 23 percent. The CPSC did not meet the target. This was due to staffing shortages, the 5-week government shutdown, and ongoing changes to the CPSC's Integrated Product Teams (IPTs). This measure is being reevaluated due to the changes in the IPT.
- **Key Measure 2.1.03 Percentage of consumer product-related injury cases correctly captured at NEISS hospitals:** The target was 90 percent; the FY 2019 actual result was 89.5 percent. The CPSC did not meet the target. The CPSC monitors performance under this key measure by conducting on-site evaluation visits at NEISS hospitals to determine whether coders at those hospitals are capturing the reportable cases correctly. For FY 2019, several hospitals that were very large or relatively new to the CPSC's NEISS sample had identified issues with the CPSC-conducted evaluations. This resulted in the weighted-average capture rate being slightly below the 90-percent target, but within the 95 percent confidence interval (86.5% to 92.4%). To boost future performance, the CPSC will continue working with hospitals to help improve their capture rate.
- **Key Measure 2.3.03 Percentage of consumer product import entries that are risk-scored by the CPSC:** The target was 4 percent; the FY 2019 actual result was 3.4 percent. The CPSC did not meet the target. The result of this key measure is calculated by dividing the total number of import entry lines that are risk-scored by the total number of entry summary lines received.

Fluctuating import volume under the CPSC's jurisdiction is outside of the agency's control, and the fluctuation greatly affects this measure's denominator. The CPSC is discontinuing this performance measure in FY 2020.

- **Key Measure 3.1.01 Percentage of cases for which a preliminary determination is made within 85 business days of the case opening:** The target was 65 percent; the FY 2019 actual result was 12.5 percent. This measure was negatively affected by the 5-week government shutdown that furloughed most CPSC employees. In addition, the CPSC's Office of Compliance and Field Operations reorganized functions in FY 2019, resulting in a higher vacancy rate and fewer available resources to perform work under this key measure. The CPSC will evaluate this measure in FY 2020, make process improvements, and potentially revise the measure.
- **Key Measure 3.3.01 Recall effectiveness rate for all consumer product recalls:** The target was 25 percent; the FY 2019 actual result was 21.4 percent. The CPSC did not meet the target because of volatility in the recall rates. Recall rates are highly dependent upon the type of product and number of units involved in the recall. Recalling firms have difficulty identifying and informing consumers who are affected by the recalls, and in encouraging those consumers to take action on the recall.

Enterprise Risk Management

The CPSC developed an enterprise risk management (ERM) framework, in accordance with OMB Circular No. A-123. The ERM approach improves the agency's ability to manage risks and challenges related to delivering the organization's mission, achieving strategic objectives, and accomplishing performance goals. The key enterprise risks the agency identified are:

- **External Influence:** There are often perceptions and misperceptions about the level of risk posed by some consumer products. These misperceptions can distract the public and the agency from actual high-priority consumer product hazards.
- **Unidentified Hazard:** Identifying unreasonable risk of injury from consumer products in a U.S. population that exceeds 300 million people is difficult. The CPSC must rely on data and sophisticated analytics to identify emerging hazards. There is a risk that a hazard remains unidentified for a prolonged period, thereby exposing consumers to unreasonable injury risks.
- **Staffing Levels:** The CPSC is a small agency comprised of less than 550 staff. The consumer product marketplace is enormous and evolving rapidly. The CPSC risks not having sufficient staffing levels or knowledgeable staff in new product areas (*e.g.*, artificial intelligence) to identify and address hazards as they appear in the marketplace.
- **Data:** To identify emerging hazard patterns in consumer products, the CPSC relies on data. As the marketplace evolves, there is a risk that the data the CPSC relies upon could become obsolete or incomplete, making it difficult to identify emerging hazards.
- **Supply Chain:** The supply chain used to deliver products to consumers is rapidly evolving. Consumers can receive consumer products from local retailers, online retailers, and directly from the manufacturer, who could be located anywhere in the world. To protect consumers, the CPSC's compliance and investigative capabilities must evolve beyond traditional supply-chain models to identify and interdict noncompliant products through evolving supply chains.



Got Kids? Go Cordless!

Prevent Child Strangulation

**October is National Window
Covering Safety Month**



ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

Financial Performance Overview

As of September 30, 2019, the financial condition of the CPSC was sound, with adequate funds to meet planned programs 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 U.S. Generally Accepted Accounting Principles (GAAP) and with OMB Circular No. A-136, *Financial Reporting Requirements*.

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

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

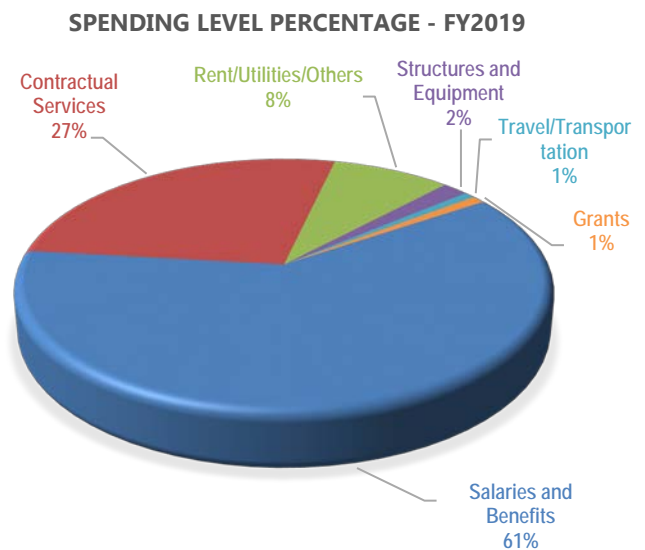
The CPSC’s FY 2019 appropriation from Congress was \$127.0 million, of which \$0.8 million was designated for awarding and administering grants under the VGB Act Grant Program; VGB grant funds are available until expended. Other budgetary resources available in FY 2019 included \$2.1 million from offsetting collections actually received related to the CPSC’s NEISS data collection, which is partially done on a reimbursable basis with other government agencies, and \$0.2 million of FY 2018 unobligated funds made available through a congressionally approved reprogramming. Additional budgetary resources included \$5.1 million of unobligated balances from prior years’ budget authority, consisting of \$1.5 million from the remaining balance of the appropriated VGB Act grants funds available for obligation until expended, and a net \$3.6 million from prior year expired unobligated balances not available for obligation in FY 2019, but available for upward adjustments (if needed) for obligations incurred in prior years. The total budgetary resources for FY 2019 were \$134.4 million.

The CPSC made obligations of \$130.8 million in FY 2019. The amounts obligated are \$126.4 million

for mission-related salaries and expenses; \$1.0 million awarded for the VGB Act Grant Program; \$3.1 million in total spending authority for reimbursable data collection for other government agencies that consists of \$2.1 million in offsetting collections actually received and \$1.0 million in accounts receivable; and \$0.3 million in upward adjustments from unobligated balances from prior years’ budget authority.

Looking at costs by type, approximately 61 percent of the FY 2019 total obligations were for salaries and benefits. The remaining 39 percent went to non-payroll operating expenses, such as services, supplies, and rent.

The following graph provides additional details on the FY 2019 expense categories:



Salaries and benefits increased by \$1.2 million, compared to FY 2018. CPSC had an average FTE level of 520, as opposed to 530 in FY 2018. The gross increase in salary costs, despite the slight reduction in FTEs, was attributable to the 1.4 percent

pay raise enacted, in addition to applicable locality adjustments in FY 2019.

Travel and transportation expenses decreased slightly by \$0.1 million or 7 percent from the prior year. The decrease is primarily due to canceled mission travel related to the government shutdown in FY 2019.

Contractual services and grant awards were comparable to the prior year, increasing by only \$0.3 million and \$0.1 million, respectively.

Structures and equipment costs increased by \$0.5 million or 29 percent. In FY 2019, the CPSC updated its telecom system to a cloud-based service.

Rent, utilities, and others expenses remained relatively stable. The CPSC is committed to reducing or maintaining the footprint of office space and had no tenant improvements.

The table below compares the increase/decrease by significant account for the fiscal years ended September 30, 2019 and September 30, 2018:

FINANCIAL AND RELATED HIGHLIGHTS			
(Dollars in Millions)	% Changes 2019 over 2018	September 30, 2019	RESTATED September 30, 2018
Fund Balance with Treasury	9.39%	\$ 38,903,278	\$ 35,564,193
Property, Plant and Equipment, Net	(26.70)%	9,119,996	12,442,023
Accounts Receivable and Other Assets	63.57%	2,425,328	1,482,742
Total Assets	1.94%	<u>\$ 50,448,602</u>	<u>\$ 49,488,958</u>
Accounts Payable	36.29%	\$ 6,123,213	\$ 4,492,854
Accrued Payroll, Benefits, and Leave	9.85%	12,769,098	11,623,859
Other Liabilities	(18.22)%	974,972	1,192,197
Total Liabilities	14.78%	\$ 19,867,283	\$ 17,308,910
Net position	(4.97)%	<u>30,581,319</u>	<u>32,180,048</u>
Total Liabilities and Net Position	1.94%	<u>\$ 50,448,602</u>	<u>\$ 49,488,958</u>
Total Earned Revenue	17.01%	\$ (2,979,069)	\$ (2,545,942)
Total Program Cost	(3.70)%	134,331,742	139,498,965
Net Cost of Operations	(4.09)%	\$ 131,352,673	\$ 136,953,023
Budgetary Resources Available for Spending	0.02%	\$ 134,408,673	\$ 134,381,021
Net Agency Outlays	(5.25)%	\$ 121,673,126	\$ 128,417,646
Total Custodial Revenue	(82.16)%	<u>\$ 4,863,031</u>	<u>\$ 27,262,082</u>

Audit Results: The CPSC received an unmodified audit opinion on its FY 2019 financial statements. For FY 2019, the independent auditor identified a material weakness in internal controls over reporting not operating as intended for properly documenting the agency's lease records. This material weakness resulted in incorrect amortization and depreciation of the tenant improvement allowance and leasehold

improvements for the National Product Testing and Evaluation Center (NPTEC). The financial entries have been corrected and are accurately reflected in this report (see Note 17).

Financial Statement Highlights: The CPSC's financial statements summarize the financial position and

financial activities of the agency. The audit report, financial statements and the notes to the financial statements appear in the Financial Section of this report, beginning on page 41.

Analysis of the Balance Sheet

The CPSC's assets totaled \$50.4 million as of September 30, 2019. The changes in key asset line items as of the fiscal year ended September 30, 2019, compared to September 30, 2018, are as follows:

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 \$38.9 million as of September 30, 2019. The balance increased \$3.3 million from the prior year, due to the change in total FY 2019 spending authority from offsetting collections from CPSC's reimbursable NEISS program.

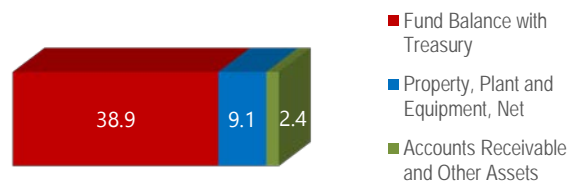
Property, Plant and Equipment (PPE), Net, consists of the net value of the CPSC's leasehold improvements, equipment, furniture and fixtures, computer hardware and software, and construction in progress. Property, Plant and Equipment, Net, had a balance of \$9.1 million as of September 30, 2019, a decrease of \$3.3 million from the prior year. The CPSC's capitalized asset balances have decreased steadily by approximately \$3.0 million a year, due to depreciation and amortization expenses for capitalized asset and leasehold improvement balances. Capitalized assets account for \$21 million of PPE, and the asset lives are for 5-12 years. There have been no significant capitalized projects since 2016. Leasehold improvements account for \$23 million and have useful lives of 6-14 years; and there are no tenant improvement balances left per lease agreements in FY 2019.

Accounts Receivable (AR) and Other Assets are comprised of yet uncollected amounts from civil fines and penalties levied by the CPSC and unpaid Freedom of Information Act (FOIA) fees. *Other Assets* represents advances to other federal agencies for interagency services, such as participation in the National Nanotechnology Initiative (NNI) (Nano.gov) and operating services, such as payroll processing

Department of the Interior (DOI) and financial systems and services (Departments of Transportation (DOT) and Treasury); the CPSC acquires services from other federal agencies through interagency agreements.

AR and Other Assets had a balance of \$2.4 million as of September 30, 2019, an increase of \$0.9 million from the prior year. The increase is due to intragovernmental AR for reimbursable NEISS activity billed and not yet collected, as well as civil fines and penalties pending collection.

FY 2019 Total Assets Composition
(\$ in millions)



The CPSC's liabilities were \$19.9 million as of September 30, 2019. The total liability increased by \$2.6 million from FY 2018 for intragovernmental and non-intragovernmental accounts payable balances. These balances result from year-end accruals for project work completed, but not paid. There were also increases related to actuarial estimates for workers compensation from the Department of Labor (DOL) updated annual rates, and increased accrued annual leave for employees, attributable to the government shutdown in FY 2019. During the government shutdown, employee planned leave was canceled for 5 weeks and subsequently not used, resulting in higher unused leave balances in FY 2019.

FY 2019 Total Liabilities Composition
(\$ in millions)



Analysis of the Statement of Net Position

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

The CPSC's net position was \$30.6 million as of September 30, 2019, representing a decrease of \$1.6 million from the prior year CRO and unexpended appropriations transactions. The CRO balance decreased by \$3.6 million due to total incurred depreciation exceeding new capital purchases in FY 2019. The CRO was offset by a \$2.0 million increase in unexpended appropriations resulting from contract deobligations executed prior to migrating the acquisition system data to the new shared-services provider (the Department of Treasury's Administrative Resources Center (ARC)).

Analysis of the Statement of Net Cost

The Statement of Net Cost (SONC) represents the CPSC's gross costs less revenue earned for each of the four strategic goals in the CPSC's 2018-2022 Strategic Plan. The graph depicts net cost of operations for FY 2019:



The CPSC's net cost of operations was \$131.4 million for the fiscal year ended September 30, 2019, a decrease of \$5.6 million from the prior year. The decrease is attributable to FY 2018 depreciation and amortization related to capital equipment and tenant improvement projects being completed.

In addition, the CPSC also had increased employee pension benefit costs related to the Office of Personnel Management's (OPM) updated retirement factors. The FY 2019 indirect costs have returned to historical levels.

Strategic Goal 1, *Workforce* has a net cost of \$6.3 million, which decreased \$2.4 million from the prior year. The decrease is due to realigning Chairman, Commissioner, and Small Business Ombudsman program support activities into other goals to define the strategic plan objectives better.

Strategic Goal 2, *Prevention*, has the highest net cost of operations, totaling \$86 million. The significant costs allocated to this goal are associated with preventing hazardous products from reaching consumers and protecting the public. Total costs remained constant in FY 2019; however, this was offset by an increase in earned revenue of \$0.4 million. Reimbursable agreements with other federal agencies to collect and analyze consumer-related injury data generates earned revenue. Total earned revenue in FY 2019 was \$2.9 million.

Strategic Goal 3, *Response*, costs totaled \$28.6 million in FY 2019, a decrease of \$2.7 million from the prior year. The significant decrease resulted from higher indirect costs in FY 2018 that returned to historical averages in FY 2019, as well as a higher vacancy rate related to a reorganization of functions.

Strategic Goal 4, *Communication*, costs totaled \$10.4 million in FY 2019, a decrease of \$0.5 million from the prior year, which is due to decreased indirect costs and new cost savings from contract negotiations.

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

Analysis of the Statement of Budgetary Resources

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

For the fiscal year ended September 30, 2019, the CPSC had available budgetary resources of \$134.4 million, comprised of the FY 2019 appropriation of \$127 million, prior years' unobligated balances of \$5.3 million, and billed offsetting collections of \$2.1 million.

The status of budgetary resources was \$134.4 million compared to \$134.4 million in the prior year. New obligations and upward adjustments increased by \$1.7 million related to the VGB grant appropriation and upward adjustments of \$0.3 million, offset by a net decrease in unexpired and expired appropriations of \$1.6 million for prior year obligations.

The net outlays totaled \$121.7 million, which decreased by \$6.7 million from the prior year. The majority of this decrease was due to the stabilization of indirect costs related to depreciation and amortization, as well as retirement factors discussed in the SNC section above.

Analysis of the Statement of Custodial Activity

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

The CPSC collected \$4.6 million in civil penalty cash collections for the fiscal year ended September 30, 2019, and \$27.3 million as of September 30, 2018. FOIA fees collected totaled \$9,000 in FY 2019, compared to \$11,000 the prior year.

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 (ERM) and Internal Control
- Federal Financial Management Improvement Act of 1996 (FFMIA)
- Prompt Payment Act (PPA)
- 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)

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

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

- Management knowledge gained from the daily operation of the agency's programs;
- Management reviews;
- Monitoring results of internal control reviews;
- The CPSC's Enterprise Risk Management Profile;
- Annual performance plans;
- Inspector General reports; and
- The results of the internal controls diagnostic checklists aligned to the 17 principles from the U.S. Government Accountability Office's (GAO)

"Standards for Internal Control in the Federal Government."

FY 2019 FMFIA Results

The CPSC evaluated its management control systems for operations for the fiscal year ending September 30, 2019. Because of the assurance process activities described above, the CPSC was able to provide reasonable assurance that internal controls over operations were operating effectively as of September 30, 2019, except for one material weakness related to improper disclosures (see the Management Assurance Statement on page 21 for a detailed explanation).

FY 2019 OMB Circular No. A-123, Appendix A

The CPSC evaluated its internal controls over reporting for the fiscal year ending September 30, 2019. This included an evaluation of financial risks, enterprise risks, and fraud risks, as well as management's assessment of financial internal controls. Based on the results of this evaluation, the CPSC provided reasonable assurance that its internal controls for reporting were operating effectively as of September 30, 2019, except for one material weakness for internal controls over reporting not operating as intended for properly documenting the agency's lease records. This weakness resulted in incorrect amortization and depreciation of the tenant improvement allowance and leasehold improvements for the National Product Testing and Evaluation Center. The financial entries have been corrected and are accurately reflected in this report (see the Management Assurance Statement on page 21 for a detailed explanation).

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 CAPs for noncompliant financial systems, as needed.

FY 2019 FFMIA and Section 4 of the FMFIA Results

The CPSC conducted reviews of its financial management systems in accordance with OMB Circular A-123, Appendix D; Compliance with the FFMIA for Financial Management Systems. The CPSC migrated to a new shared-services provider in the third quarter of FY 2019; system migrations for Procurement Request Information System Management (acquisition), Oracle (financial management) and travel were completed and now reside with the Department of Treasury. As part of the migration, the CPSC conducted a comprehensive review and update of its internal controls to align with the post-migration systems and processes. Management reviewed the Statement on Standards for Attestation Engagements 18 (SSAE-18) attestation audits for the Departments of Transportation and Treasury pertaining to services used by the CPSC. Management also reviewed the SSAE-18 attestation audit for the DOI Federal Personnel and Payroll system (FPPS) that the CPSC uses for payroll services. There were no material weakness or major deficiencies identified in the SSAE-18 reports that would negatively affect CPSC's system compliance review. The systems reviewed met federal requirements and accounting standards required by the FFMIA and Section 4 of the FMFIA.

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

Prompt Payment Act

The PPA 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, 2019, 98 percent of the CPSC's payments that were subject to the PPA were made on time. In FY 2019, the CPSC incurred \$2,218 in interest penalties and made 99 percent of its vendor payments electronically.

Improper Payment Elimination and Recovery Improvement Act (IPERIA)

The 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 the 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, 2019, delinquent debt was \$0. The CPSC pursues the collection of delinquent debt and refers all eligible delinquent debt more than 120 days delinquent to the U.S. Treasury for collection.

Digital Accountability and Transparency Act of 2014 (DATA ACT)

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 2019.

Federal Information Security Modernization Act (FISMA)

As mandated by FISMA, the CPSC continues to maintain an information security program to provide for the confidentiality, integrity, and availability of agency information and information systems. During FY 2019, the CPSC conducted independent security assessments of its major information systems, resulting in a reduction of 79 percent in the number of findings, compared to FY 2018. The CPSC also made good progress on its action plans, reducing the number of open milestones by 45 percent in FY 2019. The CPSC began implementing the U.S. Department of Homeland Security Phase I Continuous Diagnostic and Mitigation program, which will enhance the agency's hardware, software, configuration, and vulnerability management. The CPSC continues to leverage one Federal Risk and Authorization Management Program authorization for the cloud-hosting of the agency's public website. Based on the government-wide Office of the Inspector General (OIG) requirements, the CPSC has improved its security program and demonstrated progress in implementing the recommendations from the FISMA evaluations.

Financial Management Systems Strategy

The CPSC 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 obtained hosting and application management services from the DOT's Enterprise Services Center (ESC) for the period October 1, 2018 through June 30, 2019. ESC is a federal shared-services provider (SSP). ESC uses an Oracle based financial reporting system called Delphi for accounting and travel management services.

For the period up to June 30, 2019, the CPSC used the Delphi financial management system for general ledger, accounts payable, accounts receivable, and budget execution and reporting capabilities. The CPSC also received services from the DOI's Interior Business Center (IBC) for its FPPS, which is interfaced with Delphi. The CPSC

maintained its own contracting system through June 2019.

In response to the President's Management Agenda Goal 5 and the Agency Reform Plan, the Office of the Chief Financial Officer (CFO) undertook a business case analysis to explore expanding the agency's shared-services usage and achieving full integration between the financial management and the acquisition systems. Based on the business case analysis, the Office of the CFO ended the CPSC's financial management shared-services relationship with ESC and transitioned to a new SSP, the Department of Treasury's Administrative Resources Center (ARC).

The CFO organization led a 9-month effort, truncated by a 5-week government shutdown, to transition the agency's financial data, contracts, travel system, purchase and travel cards to ARC's financial systems platforms and professional services. This was a particularly major evolution in the CPSC's financial management because before moving to ARC, the agency had never achieved integration between the acquisition system and the financial accounting system. This lack of integration resulted in burdensome manual funds' control processes and reconciliations. In addition, the transition to ARC enabled the CPSC to move to electronic invoicing, which supports the CFO's payment accuracy and IPERA compliance objectives. On July 15, 2019, the CPSC began all financing activities on Treasury's ARC platform. At the same time, the CPSC retired its legacy acquisition system and ceased financing activities with the ESC. All fourth quarter activities, as well as the financial statements and information prepared for this report, were done through ARC.

The migration project was a significant workload driver for the Office of the CFO in FY 2019. In addition to transitioning all of the agency's financial data and setting up the new systems, the Office of the CFO oversaw delivery of 953 discrete trainings to agency personnel to prepare them for using the new SSP, moved to a new credit card bank provider for both purchase and travel cards, revised internal controls to align with ARC's SSAE-18 attestation audit and business processes, and continued providing day-to-day services to the CPSC. The transition to ARC will enable significant

improvements in operational efficiency and reporting, and the agency estimates cost savings of more than \$3 million over five years of operations. Beginning in July 2019, the CPSC used the ARC financial management system for general ledger, accounts payable, accounts receivable, budget

execution, reporting, and contract management. The CPSC continued to receive services from the DOI's Interior Business Center (IBC) for its FPPS, which is interfaced with ARC.

Management Assurance Statement




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

MANAGEMENT ASSURANCE STATEMENT

The CPSC management is responsible for managing risks and maintaining effective internal control to meet the objectives of Section 2 of the Federal Managers' Financial Integrity Act (FMFIA). The CPSC conducted an assessment of risks and evaluated internal control to support effective and efficient programmatic operations, reliable reporting, and compliance with applicable laws and regulations in accordance with the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on that assessment, I can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2019, except for the following material weaknesses:

- The agency made improper disclosures of protected information consisting of both personally identifiable information and product manufacturer information protected by section 6(b) of the Consumer Product Safety Act. The improper disclosures resulted from insufficient design and operation of internal controls. Since the improper disclosures were discovered, internal controls have been strengthened and training provided to staff to prevent recurrences. However, the results of an ongoing Office of Inspector General investigation are not yet available, and any additional corrective actions resulting from that investigation not yet implemented.
- The agency made incorrect entries pertaining to the amortization and depreciation of the tenant improvement allowance and leasehold improvements for the National Product Testing and Evaluation Center. The incorrect entries resulted from incomplete documentation of the agency's lease records. The errors have been corrected and the financial statements in this report reflect those corrections. The agency will implement improved internal controls and fully document the existing lease files to remediate the material weakness going forward.

The CPSC management also conducted an assessment of federal financial system requirements. The results of that assessment demonstrated that the agency is in substantial compliance with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level. Based on that assessment, I can provide reasonable assurance that the CPSC is in compliance with Section 4 of the FMFIA and OMB Circular A-123 Appendix D, with no material non-conformances as of September 30, 2019.



Robert S. Adler
Acting Chairman
November 18, 2019

LOOKING AHEAD

The CPSC's mission is 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.

In FY 2019, the acting Chairman withdrew her nomination as the permanent Chairman and departed the agency in October. As a result, the Commission selected a new vice Chairman, Robert Adler, who became the acting Chairman on October 1. Until a new Commissioner is nominated and confirmed, the agency will operate with four Commissioners and one vacancy. In addition, the agency will continue to operate with an acting Chairman until a permanent Chairman is nominated and confirmed. The change in the acting agency-head position and a four-member Commission make-up will likely result in new policy directions and new priorities for the agency in FY 2020.

In FY 2019, the Office of the Chief Financial Officer led an agency-wide Enterprise Data Analytics Strategy market research project, collaborating with key senior managers in the Hazard Identification, Compliance, Import Surveillance, and Chief Information Officer mission-delivery organizations. This data analytics initiative supported the acting Chairman's priority for a data-driven agency and aligned the CPSC's work in support of the President's Management Agenda Data, Accountability and Transparency priority goal. The CFO-led team conducted market research and assembled an ambitious proposal to modernize significantly the data analytics technology and analysis paradigm at the CPSC. The Commission approved the first two elements of the proposal: to develop an Enterprise Data Analytics Strategy and initiate a pilot project to validate the efficacy of artificial intelligence in the CPSC's mission work. In late FY 2019, the agency collaborated with the General Services Administration's Information Technology Modernization Center of Excellence to develop the new data analysis strategy. That partnership and work will continue into FY 2020. The CPSC envisions the new strategy will include a data

analysis paradigm of expanded data sources, artificial intelligence capabilities to organize data, centralized data storage, new open-source analytic and visualization tools, and modernized-use cases to improve mission outcomes. If successful, this will be a multiyear initiative to modernize the agency's approach to mission-facing data analytics and could potentially transform the ways in which the agency identifies consumer product risks.

The upcoming fiscal year will also be the first full year the CPSC will be receiving financial management services from Treasury's Administrative Resource Center (ARC). Under this new shared-services agreement, the CPSC is expanding its use of financial shared services that now include a new acquisition system operated by ARC, contracting support personnel, integration between the acquisition and financial systems, electronic invoicing, and a range of new reporting and analytic tools. The transition to ARC went well, and there are no major unresolved migration issues. However, using a new shared-services provider means there are new processes, procedures, and tools to learn, and this will be a major area of focus for the agency in FY 2020.

The CPSC appreciates the Management Challenges identified by the Office of the Inspector General and agrees that these are four critically important areas to focus on and to improve in FY 2020. The OIG acknowledges pockets of progress, but also correctly points out that the CPSC still has work ahead. The agency is committed to continuing to improve internal controls, both technically, and as a matter of organizational culture. While the CPSC is excited about the work it has accomplished in Enterprise Risk Management, particularly in developing a risk profile and building risk into the strategic data review sessions each quarter, the OIG correctly points out that more emphasis is needed with the program components to make ERM part of the management fabric at every level. The CPSC will assess the resource management and information technology security challenges. The CPSC will continue to work with the Office of Management and Budget and congressional

appropriators to justify funding requests in support of implementing OIG recommendations.

Lastly, the CPSC has reported a material weakness in program results pertaining to the unauthorized disclosure of personally identifiable information and manufacturer information in violation of section 6(b) of the Consumer Product Safety Act. The CPSC has already implemented process improvements and provided training to affected staff. However, the CPSC is still awaiting the results of an OIG investigation. It is expected that there may be other root causes and recommendations that will be identified by the upcoming report that will require additional agency action. It will be an agency priority in FY 2020 to implement the agreed upon recommendations and fully remediate the material weakness.

In addition, a material weakness was identified in internal controls over reporting not operating as intended for properly documenting the agency's lease records. This weakness resulted in incorrect amortization and depreciation of the tenant improvement allowance and leasehold

improvements for the National Product Testing and Evaluation Center. The financial entries have been corrected and are accurately reflected in this report. The agency will implement improved internal controls and fully document the existing lease files to remediate the material weakness going forward.

As the CPSC looks ahead to FY 2020 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 2019 and FY 2018, pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

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

(GAAP) for federal entities and the formats prescribed by OMB, the statements 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



This 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 No. 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. During FY 2019, the CPSC transitioned to a new federal shared-services provider for financial management, the Department of Treasury's Administrative Resource Center (ARC). The transition to ARC is expected to result in more than \$3 million in cost savings over 5 years and advances the CPSC's goal to expand the use of administrative shared services in support of the President's Management Agenda. In addition to the expected cost savings from the transition to ARC, the agency is also benefiting from:

- Integrating our acquisition and financial management systems with ARC, resulting in improved DATA Act reporting accuracy and enhanced internal funds controls for budget integrity;
- Implementing ARC's electronic invoicing system, enabling end-to-end electronic invoice receipt, approval, monitoring and payment, all at the touch of a button;
- Expanding the available ARC provided administrative support services, including accounting and acquisition professionals who can perform a range of financial management tasks on behalf of the agency;
- Eliminating the CPSC-owned acquisition system and its associated operations, maintenance, and security costs; and
- Having access to new financial management reporting and analysis tools from ARC, enabling reporting efficiency and illuminating financial insights from our CPSC analysts to help guide agency decisions.

Although we are excited about the future with ARC, I would also like to acknowledge the excellent support that we received from our former shared-services provider, the Department of Transportation's Enterprise Service Center (ESC) and to thank them for their many contributions to the CPSC. Since 2010, the team at ESC has partnered with the CPSC to support financial management excellence and usher in a number of improvements to financial reporting and operations.

The CPSC has many other notable accomplishments this past year, including:

- Refining the agency's approach to Enterprise Risk Management and broadening the risk conversation among the entire senior management team;
- Updating the agency's shutdown policies and procedures to incorporate important lessons learned from the 5-week partial government shutdown that affected the CPSC in FY 2019;
- Leading a cross-functional team of senior program executives to frame and initiate a new data analytics strategy and pilot program to improve mission analytics around consumer safety; and
- Receiving the Certificate of Excellence in Accountability Reporting (CEAR) award from the Association of Government Accountants for our FY 2018 Agency Financial Report – the CPSC's fourth consecutive CEAR award!

The CPSC was satisfied to receive an unmodified opinion on the financial statements from the independent auditor. However, work remains to improve the financial management capability of the agency. The independent auditor's report identified a material weakness in internal controls over reporting. The reporting errors have been corrected and are properly reflected in this report. The financial management team will work to improve the related internal controls to prevent a recurrence. .

The accomplishments in FY 2019 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
November 18, 2019

INDEPENDENT AUDITOR'S REPORT



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

November 19, 2019

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

FROM: Christopher W. Dentel, Inspector General 

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2019
Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by CliftonLarsonAllen, LLP (CLA), for the fiscal year ending September 30, 2019. 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. 19-03, 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, 2019 and 2018, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years 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, 2019 and 2018, 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 identify deficiencies in internal control that CLA would consider to be a material weakness, as defined above. This material weakness in internal controls related to the monitoring and tracking of lease activities. These control weaknesses resulted in material misstatements to the CPSC's financial statements related to the amortization and depreciation of the tenant improvement allowance and leasehold improvements for CPSC leased property.

CLA found that the CPSC did not have a robust system of standard operating procedures for leases. The lease files were incomplete in the Office of Finance because there was no formal system requiring Office of Facilities staff to provide Finance Office staff with lease information. This lack of communication resulted in the Finance Office not having all of the information necessary to manage CPSC leases and related transactions from a financial perspective. The communication breakdown prevented personnel from performing key roles in achieving objectives in financial reporting. Finally, the monitoring activities in this area were insufficient to identify potential errors. During fiscal year 2019, the CPSC recorded the appropriate assets and adjustments to cumulative results of operations and posted a prior period adjustment which required the restatement of the fiscal year 2018 financial statements. Due to the material errors that led to the restatement detailed above and in the accompanying audit report, our report on the fiscal year 2018 financial statements, issued on November 7, 2018, is not to be relied upon.

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. 19-03. 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 non-compliance that is required to be reported in accordance with Government Auditing Standards and OMB Bulletin 19-03.

The FY 2018 Improper Payments Elimination and Recovery Act (IPERA) review, issued by the OIG in May 2019, found that the CPSC was non-compliant with IPERA due to the CPSC having a gross improper payment rate of more than 10 percent for its non-payroll disbursements. OMB Memorandum M-15-02 requires agencies to report a "gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR . . ." The CPSC reported as improper about \$29.1 of \$29.1 million (100 percent) in non-payroll disbursements. All but \$22,000 of the improper payments were attributable to the CPSC not having an adequate policy to receive and document the receipt and acceptance of the deliverables associated with the acquisition of goods and services. There was no known monetary loss to the taxpayer. The CPSC implemented all of the OIG's recommendations to remediate the cause of the non-compliance on or before October 30, 2018.

The status of the CPSC's compliance with IPERA in FY 2019 is outside of the scope of the FY 2019 Financial Statement Audit conducted by CLA. As such, neither CPSC OIG nor CLA formally evaluated the CPSC's compliance with IPERA for FY 2019 and neither CLA nor CPSC OIG offers a formal opinion regarding same.

The CPSC's FY 2019 AFR states the CPSC determined that in FY 2019 there were \$151,705 in improper payments, which is about one percent of their non-payroll activity. The CPSC attributes these payments to administrative processing errors.

The statutorily required IPERA review covering FY 2019 will be completed in May 2020. 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
Financial Statements as shown in the agency's Annual Financial Report



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Inspector General
United States Consumer Product Safety Commission

Acting 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, 2019 and 2018, 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 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. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). Those standards and OMB Bulletin 19-03 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2019 and 2018, 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.

Emphasis of Matter – Correction of Error

As described in note 17, the CPSC restated the FY 2018 beginning cumulative results of operations. Our opinion is not modified with respect to this matter.

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 Required Supplementary Information (RSI) section, 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, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with 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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain internal control deficiencies, described below and in Exhibit A, which we consider a material weakness.

Controls over Leases and Leasehold Improvements

The CPSC uses three facilities for its operations located in Maryland. These locations are rented from the General Services Administration (GSA) through the use of occupancy agreements. We identified control weaknesses associated with the monitoring and tracking of leases. These control weaknesses resulted in material misstatements to CPSC's financial statements for the prior fiscal year.

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.

Management's Responsibility for Internal Control and Compliance

Commission 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.

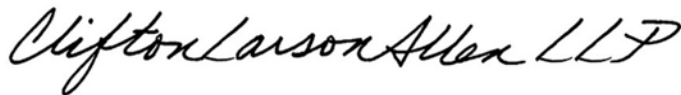
INDEPENDENT AUDITORS' REPORT (CONTINUED)

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**

Arlington, Virginia
November 18, 2019

EXHIBIT A Material Weakness

BACKGROUND:

The CPSC uses three facilities for its operations located in Maryland. These locations are rented from the General Services Administration (GSA) through the use of occupancy agreements. Further, CPSC has the authority to customize the properties for its operational purposes and received a tenant improvement allowance to fund the activities. CPSC management is responsible for monitoring, tracking, and accurate reporting of all activities associated with the leased properties in its property and accounting records.

CONDITION:

The accuracy and completeness of CPSC's property records and related accounting records is highly dependent upon the coordination efforts between the Office of Facilities Services, the Office of Financial Management, Planning and Evaluation and the third party service provider. Further, these records are the foundation for the accurate and timely recording of operating lease and leasehold improvement activities in CPSC's general ledger. During FY 2019, we found that the schedules used to track and report CPSC's lease financial activities (e.g. amortization expense, tenant improvement liability¹, leasehold improvement², etc.) contained errors and certain relevant information (e.g. lease terms, lease amounts, etc.) did not reconcile to the applicable occupancy agreements maintained by CPSC. In one instance the tenant improvement liability balance for one location did not reconcile to the remaining amount stated in the occupancy agreements.

CRITERIA:

OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control provides guidance to Federal managers on improving accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal controls. Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Agencies and Federal managers must take immediate systematic and proactive measure to:

- Develop and implement appropriate, cost-effective internal control,
- Assess the adequacy of internal control in programs and operations,
- Separately assess and document internal control over financial reporting,
- Identify needed improvements,
- Take corrective actions, and Report annually on internal control through management assurance statements.

Specifically GAO's *Standards for Internal Control in the Federal Government*, also known as the "Green Book" requires appropriate documentation of transactions and internal control: Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are to be properly managed and maintained.

¹ Tenant improvement allowance liability is the amount a lessor is willing to spend so that the tenant can renovate the office space.

² Leasehold improvements are defined as the enhancements paid for by a tenant to leased space.

EXHIBIT A
Material Weakness

CAUSE:

CPSC does not have a robust system of standard operating procedures for leases. The lease files were incomplete in the Office of Finance because there was no formal system requiring Office of Facilities staff to provide Finance Office staff with lease information. This created a disconnect and thus the Finance Office did not have all the necessary information to manage CPSC leases and related transactions. Further, CPSC management failed to establish appropriate methods to communicate which resulted in the lack of internal communication between offices. The communication breakdown prevented personnel from performing key roles to achieve objectives in financial reporting. Finally, the monitoring activities were insufficient to identify potential errors.

EFFECT:

The net effect of the errors resulted in misstatements to the Tenant Improvement Allowance Liability, Operating Expense, Amortization Expense, and Accumulated Amortization. These misstatements had a material impact on the prior year Cumulative Results of Operations balance. Ultimately, CPSC needed to record a prior period adjustment to fairly state its financial position.

CORRECTIVE ACTIONS RECOMMENDED:

We recommend that CPSC management:

1. Establish a formal policy (i.e. desktop procedures) that defines the key roles and controls within the business process. Management should update the policy periodically as necessary to reflect changes to the operation and communicate to all relevant parties for proper implementation.
2. Establish an appropriate communication and coordination protocol between the Office of Facilities Services, the Office of Financial Management, Planning and Evaluation and the third party service provider to ensure that all relevant documentation for lease activities is delivered timely and to the relevant personnel for proper tracking and accounting.
3. Enhance monitoring activities such as reconciliation between account balances recorded in the system and independent source documentation or reasonableness check comparing the invoice payments to lease/occupancy agreements. The results of these monitoring activities should have a separate evaluation to determine whether the controls are effective.

EXHIBIT B
Status of Prior Year Finding

Type of Finding	FY 2018 Finding	FY 2019 Status
Compliance Finding	Noncompliance with Improper Payments Elimination and Recovery Act	Open

Financial Statements

U.S. Consumer Product Safety Commission Balance Sheets For the Periods Ended September 30, 2019 and 2018 (in dollars)

	FY 2019	RESTATED FY 2018
ASSETS:		
Intragovernmental		
Fund Balance with the U.S. Treasury (Note 2)	\$ 38,903,278	\$ 35,564,193
Accounts Receivable (Note 3)	870,972	214,719
Advances to Other Federal Agencies (Note 4)	1,289,953	1,234,277
Total Intragovernmental	41,064,203	37,013,189
Accounts Receivable (Note 3)	264,403	33,746
Property and Equipment, Net (Note 5)	9,119,996	12,442,023
Total Assets	\$ 50,448,602	\$ 49,488,958
LIABILITIES:		
Intragovernmental		
Accounts Payable	\$ 1,464,364	\$ 1,716,072
Employee Benefits (Note 6)	780,735	635,072
Workers' Compensation (FECA) (Note 7)	620,306	642,029
Tenant Improvement Liability (Note 9)	711,756	1,158,451
Custodial Liability (Note 8)	263,216	33,746
Total Intragovernmental	3,840,377	4,185,370
Accounts Payable and Others	4,658,849	2,776,782
Salaries and Benefits	2,635,188	2,347,513
Accrued Annual Leave (Note 7)	5,395,700	5,060,281
Workers' Compensation (FECA) Actuarial (Note 7)	3,337,169	2,938,964
Total Liabilities	\$ 19,867,283	\$ 17,308,910
NET POSITION:		
Unexpended Appropriations	\$ 31,506,114	\$ 29,518,797
Cumulative Results of Operations (Note 11)	(924,795)	2,661,251
Total Net Position	\$ 30,581,319	\$ 32,180,048
Total Liabilities and Net Position	\$ 50,448,602	\$ 49,488,958

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Net Cost
For the Periods Ended September 30, 2019 and 2018
(in dollars)

	FY 2019	RESTATED FY 2018
STRATEGIC GOAL 1 - WORKFORCE:		
Gross Cost	\$ 6,333,223	\$ 8,707,909
Earned Revenue	-	-
Net Cost Strategic Goal 1	\$ 6,333,223	\$ 8,707,909
STRATEGIC GOAL 2 - PREVENTION:		
Gross Cost	\$ 88,986,991	\$ 88,574,647
Earned Revenue	(2,979,069)	(2,545,942)
Net Cost Strategic Goal 2	\$ 86,007,922	\$ 86,028,705
STRATEGIC GOAL 3 - RESPONSE:		
Gross Cost	\$ 28,567,688	\$ 31,292,736
Earned Revenue	-	-
Net Cost Strategic Goal 3	\$ 28,567,688	\$ 31,292,736
STRATEGIC GOAL 4 - COMMUNICATION:		
Gross Cost	\$ 10,443,840	\$ 10,923,673
Earned Revenue	-	-
Net Cost Strategic Goal 4	\$ 10,443,840	\$ 10,923,673
TOTAL ENTITY:		
Total Gross Cost	\$ 134,331,742	\$ 139,498,965
Total Earned Revenue	(2,979,069)	(2,545,942)
Total Net Cost of Operations (Note 16)	\$ 131,352,673	\$ 136,953,023

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Changes in Net Position
For the Periods Ended September 30, 2019 and 2018
(in dollars)

	FY 2019	RESTATED FY 2018
UNEXPENDED APPROPRIATIONS:		
Beginning Balance	\$ 29,518,797	\$ 35,105,855
BUDGETARY FINANCING SOURCES:		
Appropriations Received	127,000,000	126,000,000
Other Adjustments - Appropriations Returned to Treasury	(1,978,479)	(1,864,520)
Appropriations Used	(123,034,204)	(129,722,538)
Total Budgetary Financing Sources	1,987,317	(5,587,058)
Total Unexpended Appropriations	\$ 31,506,114	\$ 29,518,797
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balances	\$ 2,661,251	\$ 2,561,183
Correction of Errors (Note 17)	-	2,622,248
Beginning Balances, As adjusted	\$ 2,661,251	\$ 5,183,431
BUDGETARY FINANCING SOURCES:		
Appropriations Used	123,034,204	129,722,538
OTHER FINANCING SOURCES (NON-EXCHANGE):		
Imputed Financing (Note 6)	4,732,424	4,708,305
Total Financing Sources	127,766,628	134,430,843
Net Cost of Operations (Note 16)	(131,352,673)	(136,953,023)
Net Change	(3,586,045)	(2,522,180)
Cumulative Results of Operations (Note 11)	\$ (924,795)	\$ 2,661,251
Net Position	\$ 30,581,319	\$ 32,180,048

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Budgetary Resources
For the Periods Ended September 30, 2019 and 2018
(in dollars)

	<u>FY 2019</u>	<u>FY 2018</u>
BUDGETARY RESOURCES:		
Unobligated balance from prior year budget authority, Net	\$ 5,302,516	\$ 5,461,467
Appropriations	127,000,000	126,000,000
Spending authority from offsetting collections	2,106,157	2,919,555
Total Budgetary Resources	\$ 134,408,673	\$ 134,381,022
 STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward Adjustments (Note 12)	\$ 130,812,618	\$ 129,130,312
Unobligated balance, end of year:		
Apportioned, unexpired account	1,246,782	1,657,695
Unapportioned, unexpired accounts	18,953	18,953
Expired Unobligated Balance, end of year	2,330,320	3,574,062
Unobligated balance, end of year (total)	3,596,055	5,250,710
Total Status of Budgetary Resources	\$ 134,408,673	\$ 134,381,022
 OUTLAYS, NET:		
Outlays, net (total)	\$ 121,682,437	\$ 128,429,278
Distributed offsetting receipts	(9,311)	(11,633)
Total Agency Outlays, net (Note 16)	\$ 121,673,126	\$ 128,417,645

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Custodial Activity
For the Periods Ended September 30, 2019 and 2018
(in dollars)

	FY2019	FY 2018
REVENUE ACTIVITY:		
Sources of Cash Collections:		
Civil Penalties & Fines	\$ 4,624,250	\$ 27,299,100
FOIA and Miscellaneous	9,311	11,633
Total Cash Collections	4,633,561	27,310,733
Accrual Adjustments	229,470	(48,651)
Total Custodial Revenue (Note 15)	\$ 4,863,031	\$ 27,262,082
 DISPOSITION OF COLLECTIONS:		
Transferred to Others (by Recipient)	4,633,561	27,310,733
Increase/(Decrease) in Amounts Yet to be Transferred	229,420	(48,651)
Retained by the Reporting Entity	50	-
Total Disposition of Collections	\$ 4,863,031	\$ 27,262,082
 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 Keeping Consumers Safe by reducing the risk of injuries and deaths associated with consumer products. The CPSC was created in 1972 by Congress under the CPSA and 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 CPSA (as amended) authorizes the CPSC to:

- Develop voluntary standards
- Issue and enforce mandatory standards
- Obtain recall of products or arrange for their repair
- 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, FOIA fees, and other miscellaneous receipts, which, by law, are not retained by the CPSC. The U.S. Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the U.S. Treasury at the end of each fiscal year.

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

Budget Authority

Congress enacts appropriations that provide the CPSC with authority to obligate funds for necessary expenses to carry out authorized program activities. The funds appropriated are subject to 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 (June 2019). 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. Treasury comprise the majority of intra-governmental assets on the CPSC's balance sheet.

Fund Balances with Treasury

The U.S. Department of the Treasury (Treasury) collects and disburses cash on behalf of CPSC. Fund Balances with 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 such time as goods or services are received and payment is made, or until the funds are returned to the U.S. Treasury.

The CPSC's cash receipts and disbursements are processed by the U.S. Treasury. 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 receivable 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 FOIA requests. The CPSC holds these non-entity receivables in a custodial capacity. The CPSC calculates the allowance for uncollectible accounts using an analysis of historical collection data. No allowance for uncollectible amounts or related provisions for estimated losses has been established, as 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 October 2019, equipment and software with a useful life of 2 or more years are capitalized when the acquisition value is greater than \$15,000 and \$30,000, 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 2 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 because 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 pension, health 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 (FEGSIP). The CPSC contributes 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 worker's 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.

Restatements

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

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, 2019 and September 30, 2018 is:

	2019	2018
Unobligated Balance		
Available	\$ 1,246,782	\$ 1,657,694
Unavailable	2,349,273	3,593,015
Obligated Balance, Not Yet Disbursed	35,307,223	30,313,484
Total Funds with U.S. Treasury	<u>\$ 38,903,278</u>	<u>\$ 35,564,193</u>

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph. The available unobligated balance as of September 30, 2019 and September 30, 2018 was \$1,246,782 and \$1,657,694 respectively.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The unavailable obligated balance as of September 30, 2019 and September 30, 2018 was \$2,349,273 and \$3,593,015 respectively.

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

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, Penalties and FOIA activity. No allowance for uncollectible amounts or related provision for estimated losses has been established for the CPSC's accounts receivable, as these amounts are fully collectible based on historical experience. The composition of accounts receivable as of September 30, 2019 and September 30, 2018 is:

	<u>2019</u>	<u>2018</u>
Accounts Receivable		
Entity		
Intra-governmental		
Accounts Receivable - Reimbursable	\$ 870,972	\$ 214,719
Non-Entity		
Public		
Civil Fines and Penalties	260,013	31,435
Other Receivable	4,390	2,311
Total Non-Entity Accounts Receivable	<u>264,403</u>	<u>33,746</u>
Total Accounts Receivable	<u>\$ 1,135,375</u>	<u>\$ 248,465</u>

Note 4 – Advances to Other Federal Agencies

The majority of advances to other federal agencies are for the service contract with National Institute of Standards and Technology in support of the CPSC's work with the National Nanotechnology Initiative (NNI). Other advances are for the CPSC's shared services contracts with federal agencies for the accounting operations, payroll and employee transit benefit.

The balance of advances to other federal agencies as of September 30, 2019 and September 30, 2018 is \$1,289,953 and \$1,234,277, respectively.

Note 5 – Property, Plant, and Equipment, Net

The composition of property, plant and equipment (PPE) as of September 30, 2019 is:

<u>Classes of PPE</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Service Life in Years</u>
Leasehold Improvement	\$ 23,058,974	\$ 19,251,651	\$ 3,807,323	6-14
Equipment	21,456,389	17,247,871	4,208,518	5-12
Furniture, Fixture & Other Equipment	2,608,689	2,608,689	-	3-5
ADP Software	2,550,843	1,965,506	585,337	5
Construction in Progress	518,816	-	518,816	
Total	<u>\$ 50,193,711</u>	<u>\$ 41,073,717</u>	<u>\$ 9,119,994</u>	

The composition of PPE as of September 30, 2018 is:

Classes of PPE	Restated Acquisition Cost	Restated Accumulated Depreciation	Restated Net Book Value	Service Life in Years
Leasehold Improvement	\$ 23,058,974	\$ 16,855,787	\$ 6,203,188	6-14
Equipment	20,399,460	15,375,478	5,023,982	5-12
Furniture, Fixture & Other Equipment	2,608,689	2,584,917	23,772	3-5
ADP Software	2,502,966	1,709,492	793,474	5
Construction in Progress	397,607	-	397,607	
Total	<u>\$ 48,967,697</u>	<u>\$ 36,525,674</u>	<u>\$ 12,442,023</u>	

Note 6 – 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. Since 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 CPSC for the period ended September 30, 2019 and September 30, 2018 is:

	2019	2018
Estimated future pension costs (CSRS/FERS)	\$ 1,756,138	\$ 1,641,341
Estimated future postretirement health insurance (FEHB)	2,965,344	3,055,695
Estimated future postretirement life insurance (FEGLI)	10,942	11,269
Total Imputed Costs	<u>\$ 4,732,424</u>	<u>\$ 4,708,305</u>

The CPSC's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), depending on when they started working for the federal government. FERS and Social Security cover most employees hired after December 31, 1983. Employees who are rehired after a break in service of more than one year and 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 CSRS, CPSC contributes 7 percent to their plan. FERS is a three-tiered retirement system consisting of a Basic Benefit Plan, Thrift Savings Plan (TSP), and Social Security Benefits. For the FERS Basic Benefit Plan, CPSC contributes between 11.9 percent and 13.7 percent for regular employees.

The TSP under FERS is a savings plan in which CPSC automatically contributes one percent of base pay and matches any employee contributions up to an additional four percent of base pay. For most employees hired

after December 31, 1983, CPSC also contributes the employer's matching share for Social Security. The CPSC's contributions are recognized as current operating expenses.

CSRS, FERS, FICA, FEHB, and FEGLI contributions are shown on the balance sheets as an employee benefits liability. Amounts owed to OPM and Treasury as of September 30, 2019 and September 30, 2018, were \$780,735 and \$635,072, respectively.

Note 7 – Liabilities Not Covered by Budgetary Resources

The liabilities on the CPSC's balance sheet as of September 30, 2019 and September 30, 2018 include liabilities not covered by budgetary resources. The intra-governmental liabilities are owed to DOL for the FECA (disability) payments and the 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 earned but not yet taken and for workers' compensation actuarial liability. The CPSC also collects on receivables that are withdrawn to Treasury with no budgetary resource associated. The composition of the liabilities not covered by budgetary resources as of September 30, 2019 and September 30, 2018 is:

<u>Liabilities Not Covered by Budgetary Resources</u>	<u>2019</u>	<u>Restated 2018</u>
Intra-governmental		
Worker's Compensation (FECA)	\$ 620,306	\$ 642,029
Tenant Improvement Liability	711,756	1,158,451
Total Intra-governmental	<u>1,332,062</u>	<u>1,800,480</u>
Accrued Annual Leave	5,395,700	5,060,281
Worker's Compensation (FECA) Actuarial	3,337,169	2,938,964
Total Liabilities Not Covered by Budgetary Resources	<u>\$ 10,064,931</u>	<u>\$ 9,799,725</u>
Total Liabilities Covered by Budgetary Resources	9,539,137	7,475,439
Total Liabilities Not Requiring Budgetary Resources (see Note 8)	<u>263,216</u>	<u>33,746</u>
Total Liabilities	<u>\$ 19,867,284</u>	<u>\$ 17,308,910</u>

Note 8 – Custodial Liability

The CPSC has authority to levy fines and penalties against manufacturers, retailers or distributors who violate the CPSA (as amended), Federal Hazardous Substance Act, and the FFA. Civil penalty collections are deposited in the U.S. Treasury and are not available for the CPSC to use. The CPSC charges a fee for the processing of FOIA requests. FOIA fees are also deposited in the U.S. Treasury and are not available for the CPSC to use. 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, 2019 and September 30, 2018, the total Custodial Liabilities are \$263,216 and \$33,746 respectively. The revenue and collection activities are presented in the Statement of Custodial Activities.

Note 9 – Tenant Improvement Liability (TIL)

The composition of TIL as of September 30, 2019 and September 30, 2018 is:

Other Liabilities	2019	Restated 2018
Intra-governmental		
Tenant Improvement Liability – HQ	\$ 410,088	\$ 579,525
Tenant Improvement Liability – SRP	301,668	560,242
Tenant Improvement Liability – SSF	-	18,684
Total Tenant Improvement Liability	\$ 711,756	\$ 1,158,451

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

Note 10 – Operating Leases

The CPSC's lease agreements with the GSA are for three facilities in Maryland; HQ offices located in Bethesda, the NPTEC located in Rockville, and the SSF located in Gaithersburg. These operating lease agreements expire between fiscal years 2020 and 2023. Lease costs for the period ended September 30, 2019 and September 30, 2018 amounted to approximately \$7,450,410 and \$6,947,583 respectively. Estimated future minimum lease payments for the three facilities are:

Fiscal Year	Estimated Future Lease Payments
2020	\$ 7,626,514
2021	5,301,339
2022	4,756,293
2023	3,995,860
Total Estimated Future Lease Payments	\$ 21,680,006

Note 11 – 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, 2019 and September 30, 2018 is:

	2019	Restated 2018
Investment in leasehold improvements, net	\$ 3,807,323	\$ 6,203,188
Investment in property and equipment, net	5,312,673	6,238,835
Gift fund	18,953	18,953
Collections from Public, balance not transferred	1,187	-
Liabilities not covered by budgetary resources	(10,064,931)	(9,799,725)
Cumulative results of operations	<u>\$ (924,795)</u>	<u>\$ 2,661,251</u>

The CPSC does not hold title to the leased property where the leasehold improvements were made. Upon termination of the lease agreement, the total amount of leasehold improvements and tenant improvement allowance will be charged to operations and will reduce the balance of cumulative results of operations. See **Note 7** for the composition of liabilities not covered by budgetary resources.

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

The CPSC's apportionments fall under three Categories: Direct Category A, quarterly apportionment for salaries and expenses; Direct Category B, restricted and activity apportionment for the VGB grant program; and Reimbursable Category B, restricted and activity apportionment for reimbursable activities. Apportionment categories of obligations incurred for the fiscal years ending September 30, 2019 and September 30, 2018 are:

	2019	2018
Direct:		
Category A	\$ 126,601,501	\$ 125,073,530
Category B	1,152,288	1,087,415
Reimbursable:		
Category A	\$ -	\$ -
Category B	3,058,829	2,969,367
Total Obligations incurred	<u>\$ 130,812,618</u>	<u>\$ 129,130,312</u>

Note 13 – Undelivered Orders

The amount of budgetary resources obligated for orders undelivered as of September 30, 2019 and September 30, 2018 are:

	2019	2018
Intragovernmental, Undelivered Orders Unpaid	\$ (7,660,733)	\$ (4,196,860)
Public, Undelivered Orders Unpaid	36,325,025	30,147,768
Intragovernmental, Undelivered Orders Paid	\$ 1,289,953	1,234,021
Public, Undelivered Orders Paid	-	-
Total Undelivered Orders	<u>\$ 29,954,245</u>	<u>\$ 27,184,929</u>

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

A reconciliation of the CPSC’s fiscal year 2018 statement of budgetary resources with the corresponding information presented in the fiscal year 2020 President’s Budget is:

	Budgetary Resources	Obligations Incurred
Fiscal Year 2018 Statement of Budgetary Resources	\$ 134,381,022	\$ 129,130,312
Unobligated balances, beginning of year - (fund activity on expired accounts)	(6,620,006)	
Recovery of prior year unpaid obligations	(684,438)	
Obligations incurred - expired years		(294,150)
Permanently not available - (fund activity on expired accounts)	1,864,520	
Other - rounding in President's Budget	2,058,902	163,838
2020 Budget of the U.S. Government	<u>\$ 131,000,000</u>	<u>\$ 129,000,000</u>

The Budget of the U.S. Government (also known as the President’s Budget) will not be published prior to February 2020. Accordingly, a comparison between the fiscal year 2019 data reflected on the statement of budgetary resources and fiscal year 2019 data in the President’s Budget cannot be performed. The Budget with the actual amount for fiscal year 2019 will be available later at www.whitehouse.gov/omb/budget. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance to prepare the President’s Budget. The SBR includes both expired and unexpired appropriations, while the President’s Budget presents only unexpired budgetary resources that are available for new obligations.

Note 15 – Custodial Revenue

The CPSC has authority to levy fines and penalties against manufacturers, retailers or distributors who violate the CPSA (as amended), Federal Hazardous Substance Act, and the FFA, as mentioned in **Note 8**. Custodial revenue collections are derived from two primary sources: Civil Penalties paid by regulated entities for violations of consumer product laws and regulations and reimbursement of FOIA expenses incurred by the agency when requests are made from the public for CPSC documents. All custodial revenue collections are deposited in the U.S. Treasury and are not available for the CPSC to use.

Note 16 – Reconciliation of Net Cost to Net Outlays

Starting in FY 2019, agencies are required to report a Budget Accrual Reconciliation (BAR) in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 53. The BAR is a reconciliation of net outlays that are presented on a budgetary basis and the net cost that are presented on an accrual basis, to provide an explanation of the relationship between budgetary and financial accounting information. For the period ending September 30, 2019 the BAR is as follows (in dollars):

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	\$ 34,974,362	\$ 96,378,312	\$ 131,352,674
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation	-	(4,615,862)	(4,615,862)
Property, plant, and equipment disposal & re-evaluation	-	(52,983)	(52,983)
(Increase)/Decrease in assets not affecting			
Accounts receivable	656,253	230,657	886,910
Advances to Other Federal Agencies	55,676	-	55,676
(Increase)/Decrease in liabilities not affecting			
Budget Outlays:			
Accounts payable	351,708	(1,882,067)	(1,530,359)
Salaries and benefits	(321,488)	(111,850)	(433,338)
Other liabilities	138,948	(733,624)	(594,676)
Other financing sources:			
Imputed federal employee retirement benefit costs	(4,732,424)	-	(4,732,424)
Total Components of Net Operating Cost Not Part of the Budget Outlays	\$ (3,851,327)	\$ (7,165,729)	\$ (11,017,056)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	1,344,995	1,344,995
Collections of Civil Penalties, FOIA, and other	4,860,358	(4,861,644)	(1,286)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ 4,860,358	\$ (3,516,649)	\$ 1,343,709
Other Temporary Timing Differences:			
Net Outlays	\$ 35,983,393	\$ 85,695,934	\$ 121,679,327
Variance of SNC to SBR Outlays ⁽¹⁾	-	-	\$ (6,201)
Net Outlays, Adjusted	\$ 35,983,393	\$ 85,695,934	\$ 121,673,126
Related Amounts on the Statement of Budgetary Resources:			
Outlays, net			121,682,437
Distributed offsetting receipts			(9,311)
Outlays, Net			\$ 121,673,126

1 - FY 2019 is the initial year agencies are required to calculate the NBAR. CPSC calculated an immaterial variance of net costs versus net outlay expenditures.

Note 17- Restatement

In fiscal year 2019, CPSC identified erroneously recorded amortization for leasehold improvements and tenant allowance liabilities. The error was caused by a ten month prior period revision to the lease term for the National Product Testing and Evaluation Center (NPTEC). The CPSC corrected the errors in FY 2019 and restated the fiscal year 2018 financial statements to correct the errors for the amortization of leasehold improvements and tenant allowance liability balances.

The Balance Sheet as of September 2018 was affected by the prior period revision. The accumulated amortization for leasehold improvement assets were overstated in the amount of \$2,742,994. Other liabilities were also overstated by \$323,114 for the tenant improvement liability owed to GSA for NPTEC. These prior period adjustments affected the prior year ending cumulative results of operations' (CRO) for a restated balance of \$2,661,251. The Statement of Net Costs for the year ended September 30, 2018 had total decreased costs of \$443,861 related to a reduction in tenant improvement amortization expenses. The Statement of Net Position's CRO beginning balance for the year-ended September 30, 2018 had a restatement of \$2,622,248. The restatement was made to reduce the amount of leasehold amortization and tenant improvement liabilities previously discussed for the Balance Sheet assets and liabilities.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

U.S. Consumer Product Safety Commission Combining Statement of Budgetary Resources by Fund For the Period Ended September 30, 2019

(in dollars)

	<u>Salaries and Expenses and Other Funds</u>	<u>Gift Fund</u>	<u>Total</u>
BUDGETARY RESOURCES:			
Unobligated balance from prior year budget authority, net	\$ 5,283,563	\$ 18,953	\$ 5,302,516
Appropriations	127,000,000	-	127,000,000
Spending authority from offsetting collections	2,106,157	-	2,106,157
Total Budgetary Resources	\$ 134,389,720	\$ 18,953	\$ 134,408,673
STATUS OF BUDGETARY RESOURCES:			
New Obligations and Upward Adjustments (Note 12)	\$ 130,812,618	-	\$ 130,812,618
Unobligated balance, end of year:			
Apportioned, unexpired	1,246,782	-	1,246,782
Unapportioned, unexpired accounts	-	18,953	18,953
Expired Unobligated Balance, end of year	2,330,320	-	2,330,320
Unobligated balance, end of year (total)	3,577,102	18,953	3,596,055
Total Status of Budgetary Resources	\$ 134,389,720	\$ 18,953	\$ 134,408,673
OUTLAYS, NET:			
Outlays, net (total)	\$ 121,682,437	-	\$ 121,682,437
Distributed offsetting receipts	(9,311)	-	(9,311)
Total Agency Outlays, net (Note 16)	\$ 121,673,126	\$ -	\$ 121,673,126

The accompanying notes are an integral part of these statements.

OTHER INFORMATION



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

- Inspector General's Management Challenges Report
- Summary of Financial Statement Audit and Management Assurances
- Improper Payments Elimination and Recovery Act Report (IPERA)
- Fraud Reduction Report
- Reduce the Footprint

INSPECTOR GENERAL'S MANAGEMENT CHALLENGES REPORT



Office of Inspector General
U.S. Consumer Product Safety Commission

October 10, 2019

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

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Top Management and Performance Challenges for Fiscal Year 2020

In accordance with the Reports Consolidation Act of 2000, I am providing you information on what I consider to be the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission in fiscal year 2020. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. Serious management and performance challenges are defined as mission critical areas or programs that have the potential to be a significant weakness or vulnerability that would seriously impact agency operations or strategic goals if not addressed by management.

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

Table of Contents

Introduction.....	2
Internal Control System	2
Enterprise Risk Management	4
Resource Management	5
Information Technology Security.....	7

Top Management and Performance Challenges for Fiscal Year 2020 (20-O-01)	1
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Introduction

The fiscal year (FY) 2020 management and performance challenges directly relate to the U.S. Consumer Product Safety Commission's (CPSC) mission of "Keeping Consumers Safe" and address both the strategic goals and cross-cutting priorities which support CPSC's mission. Our work in these areas indicates that while improvements are needed, the CPSC is making progress toward implementing Office of Inspector General (OIG) recommendations and improving the efficiency and effectiveness of its programs. The FY 2020 management and performance challenges are:

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

These four topics represent what the Inspector General considers to be the most important and continuing challenges to agency operations. Some are likely to remain challenges from year to year, while others may be removed from the list as progress is made toward resolution. Challenges do not necessarily equate to problems; rather, they should be considered areas of continuing focus for CPSC management and staff.

These challenges focus on change and how uncertainty impacts CPSC operations. Change brings both challenges and opportunities. The challenges we identified speak to both the foundation of agency operations – internal controls - as well the ability of CPSC to manage risk and respond to changes in the external operating environment and within the agency.

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

1. Internal Control System

An agency's internal control system is a process used by management to help the organization achieve its objectives, navigate change, and manage risk. A strong internal control system provides stakeholders with reasonable assurance that

operations are effective and efficient, the agency uses reliable information for decision-making, and is compliant with applicable laws and regulations.

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

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

CPSC reports its overall compliance with the requirements of A-123 and FMFIA through the Chairman's Statement of Assurance published annually in the Agency Financial Report. As of FY 2018, the Chairman asserted that the CPSC had effective internal controls over all programs and complied with applicable laws and regulations.

CPSC has made progress in resolving internal control findings from this office, and has implemented a number of significant recommendations from earlier audits. OIG acknowledges management's work:

- Updating the CPSC's System of Directives
- Migrating to a more fully-integrated financial management services provider
- Addressing weaknesses identified in prior Improper Payments Elimination and Recovery Act (IPERA) reviews

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

Recently completed OIG work related to this CPSC cross-cutting priority includes: [Review of the CPSC's Compliance with IPERA for FY 2018](#), [Audit of the CPSC's Directives System](#), [Risk Assessment of the CPSC's Charge Card Programs](#), [Review](#)

¹ <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf>

² <https://www.gao.gov/products/GAO-14-704G>

[of Personal Property Management System and Practices for Calendar Year 2017](#), [Audit of the CPSC's Financial Statements for FY 2018](#), and [Evaluation of CPSC's \[Federal Information Security Modernization Act\] FISMA Implementation for FY 2018](#).

OIG is currently reviewing the CPSC's grants program and controls over National Electronic Injury Surveillance System (NEISS). OIG also plans to conduct audits or reviews of the agency's internal control implementation in FY 2020.

2. Enterprise Risk Management

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

- Align ERM to mission objectives
- Identify risks
- Assess risks
- Select risk response
- Monitor risks
- Communicate and report on risks as conditions change

The 2016 update to OMB A-123 emphasized the importance of having an appropriate risk management process for every federal agency. The guidance includes a requirement that agencies annually develop a risk profile which coordinates with their strategic plan. The June 29, 2018, update to OMB Circular A-11 requires that CPSC's risk assessment in the risk profile be discussed each year as part of the agency's strategic review and used to inform planning efforts.

We note that CPSC has experience using a risk-based methodology for its research and inspection operations. Further, the Office of Financial Management, Planning, and Evaluation has begun work on a risk assessment process for the agency. We encourage the agency to expand these risk management efforts to its support

operations and allocate resources to the areas of greatest opportunities for improvement in agency programs.

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

The CPSC's weaknesses in applying the principles of ERM have been repeatedly noted in past Federal Information Security Modernization Act (FISMA) reviews, including [Evaluation of CPSC's FISMA Implementation for FY 2018](#) and the most recent FISMA review currently in process.

OIG will continue to address ERM as part of its statutory audits and reviews, as well as a component in other planned engagements.

3. Resource Management

This challenge relates to management's stewardship of its resources including human capital, agency funds, and agency assets.

The agency needs to assess whether it has the right personnel for the job on board and are providing the right training, tools, structure, and incentives to achieve operational success. Management must continually assess the agency's needs regarding knowledge, skills, and abilities so that the agency can be effective now and prepare for the challenges of the future.

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

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

As part of resource management, the agency must incorporate potential improvements to agency operations such as those described in government-

wide directives and OIG recommendations to improve the efficiency and effectiveness of CPSC's mission-related safety operations.

All too often, insufficient resources are allocated to implementing OIG recommendations with which the agency has already concurred. This leads to the continuation of problems that have already been identified and that management has already agreed to address.

As previously discussed with senior agency management, the agency should explicitly take into account the efforts of its Senior Executive Service (SES) members and other responsible staff to address OIG recommendations within their areas of authority in its SES performance appraisal and performance-based award systems. This would create both a financial incentive and a record of individual senior managers' efforts to implement OIG recommendations. Implementing recommendations to improve human capital, financial management, and the protection of assets will allow CPSC to be more efficient and avoid future costs.

Effective resource management will allow CPSC to be agile while responding to change, mitigate risks to its resources, and support overall agency success.

We note CPSC has implemented a new financial management system to help address earlier findings from several financial statement and FISMA reviews. The agency has also made strides in developing an occupant emergency plan and updating its telework guidance.

This management challenge aligns with the CPSC's Strategic Goal 1: Cultivate the most effective consumer product safety workforce. It also supports all four agency strategic goals by addressing the cross-cutting priority of Operational Excellence, focused on enhancing resource management.

Recently completed OIG work related to this CPSC goal and cross-cutting priority include: [Audit of the CPSC's Financial Statements for FY 2018](#), [Risk Assessment of the CPSC's Charge Card Programs](#), and [Review of Personal Property Management System and Practices for Calendar year 2017](#). In addition, the OIG is completing an investigation on recent unauthorized information releases which directly deals with CPSC policies and procedures to safeguard data.

The statutory audits and reviews related to financial statements, FISMA, and IPERA address this challenge annually. In addition to the statutorily required audits and

reviews, OIG plans work related to CPSC operational excellence in the areas of grants management and position sensitivity designation.

4. Information Technology Security

In information technology (IT), there is competition for resources required to maintain current systems and the resources needed to develop new tools and systems. Additionally, there is competition for resources necessary to meet mission initiatives and resources required to address the ever-evolving IT security environment. As this office has expressed before, and the agency also noted, the CPSC will not be able to meet current and future demands with its current IT resources. This challenge is not unique to CPSC.

The FY 2018 FISMA evaluation found that management continued to make progress in implementing the FISMA requirements. These accomplishments include:

- Initiating development of a formal Enterprise Architecture
- Engaging with stakeholders in support of the establishment of an Executive Risk function, led by the CPSC Chief Financial Officer and including the Chief Information Officer, the Chief Information Security Officer, and various mission executives for adoption of information security related processes
- Improving security and awareness training and expanding the role-based training program
- Continuing maturation of the Information Security Continuous Monitoring (ISCM) program

The IT challenges currently facing CPSC are particularly relevant as the agency deals with evolving threats, increasingly sophisticated attacks, new compliance requirements, and recently identified data breach and unauthorized disclosure of information.

In addition to the hardware and software issues already identified in OIG reports, a current investigation highlights the need for increased training and oversight regarding the handling of Personally Identifiable Information (PII) and Section 6(b)³ information. In the past year there were two separate identified instances where

³ Section 6(b) refers to Section 6(b) of the Consumer Product Safety Act which prohibits the Commission from disclosing information about a consumer product that identifies a manufacturer or private labeler unless the Commission has taken "reasonable steps" to assure 1) that the information is accurate, 2) that disclosure of the information is fair in the circumstances, and 3) that disclosure of the information is reasonably related to effectuating the purposes of the CPSA and of the other laws administered by the Commission.

PII and 6(b) information of thousands of people and businesses was released to unauthorized recipients. CPSC moved quickly to notify manufacturers of the release of 6(b) information; however, work remains to be done to address the underlying issues that allowed the releases to occur in the first place.

While the root causes of the data breach and unauthorized disclosure have not been fully identified, it is extremely likely that CPSC will need to consider a wide variety of process changes in addition to implementing new IT-based solutions to mitigate the risk of future incidents. OIG is aware that the agency has dedicated resources to address many of the issues identified in past FISMA and Penetration Testing reviews. These efforts demonstrate management's commitment to improving the agency's IT security.

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

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

Recently completed OIG work related to this CPSC cross-cutting priority include: [Report on the Penetration and Vulnerability Assessment of CPSC's Information Technology Systems](#), [Review of Personal Property Management System and Practices for Calendar year 2017](#), Audit of the CPSC's [Financial Statements for FY 2018](#), and [Evaluation of CPSC's FISMA Implementation for FY 2018](#).

In addition to the statutorily required audits and reviews, OIG plans work related to this CPSC cross-cutting priority in the areas of records management, Privacy Act implementation, enterprise architecture, and the NEISS program.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	Yes				
	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Unauthorized Disclosure	0	1	0	0	1
Lease Documentation	0	1	0	0	1
Total Material Weaknesses	0	2	0	0	2

Summary of Management Assurances						
<i>Effectiveness of Internal Control over Operations (FMFIA § 2)</i>						
Statement of Assurance	Unmodified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Unauthorized Disclosure	0	1	0	0	0	1
Total Material Weaknesses	0	1	0	0	0	1
<i>Effectiveness of Internal Control over Reporting (FMFIA § 2)</i>						
Statement of Assurance	Modified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Lease Documentation	0	1	0	0	0	1
Total Material Weaknesses	0	1	0	0	0	1
<i>Conformance with Financial Management System Requirements (FMFIA § 4)</i>						
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, in 2002 Congress enacted the Improper Payments Information Act (IPIA) (Pub. L. No. 107-300) and Recovery Audit Act (Pub. L. No. 107-1070). In 2010, the Acts were amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. L. No. 111-204), which later was supplanted by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; P.L. 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 and Budget (OMB) Circular M-18-20, which revised Appendix C to Circular A-123, *Requirements for Payment Integrity Improvement*.

In accordance with the President's Management Agenda, Cross-Agency Priority (CAP) Goal 9, *Getting Payments Right*, the CPSC reviewed the streamlined payment reporting guidance for FY 2019 to identify improper payments and differentiate between improper payments resulting from payment processing errors where there was no monetary loss to the taxpayer, versus improper payments that resulted in a monetary loss to the taxpayer requiring payment recapture. The analysis did not evidence significant improper payments resulting in monetary loss to the taxpayer.

Review of Program Activities in FY 2019

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

Payment Reporting & IPERA Noncompliance Findings

The FY 2018 IPERA review, issued by the OIG in May 2019, found that the CPSC was noncompliant under one finding: exceeded Federal Improper Payment Rate. The CPSC implemented all of the OIG's recommendations to correct the underlying conditions of the noncompliance as of September 30, 2018. The noncompliance was for payment processing errors resulting from insufficient documentation of receipt and acceptance of goods and services. There was no monetary loss to the taxpayer.

All OIG findings were corrected, and all of the CPSC vendor payments are proper as of October 2018.

The results of the FY 2019 CPSC payments review are:

Table 1- Payment Analysis

Program / Activity	\$ Proper Payments	% Proper	\$ Improper Payments	% Improper	Federal Payment Made by	Type of Improper Payment	Root Cause
Payroll	\$79,513,961	100%	\$ -	0%	CPSC	N/A	N/A
Non-Payroll	\$27,001,334	99%	\$ 151,705	1%	CPSC	Overpayment	Administrative processing errors

Recapture of Improper Payments

IPERA Section III (C) 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 based on the root cause and nature of the improper payments. Management informed the OMB and the OIG of the analysis and decision.

Although CPSC concluded that payment recapture audits are not cost effective, the agency identifies self-reported improper payments as noted above in the overpayment disclosure. For FY 2019, the self-reported payments are errors for overpayments. All of these amounts have been recaptured.

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

Do-Not-Pay Initiative

Beginning in Q4 of FY 2019, the CPSC began receiving financial management shared services

from the U.S. Treasury’s ARC 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 ARC.

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 the agency’s existing processes. ARC uses the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment ARC’s data analytics capabilities.

The CPSC follows 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 the entities they transact with that are not excluded from receiving federal funds. For pre-payment processes, ARC verifies an entity against both SAM and the Internal Revenue Service’s Taxpayer Identification Number (TIN) Match Program before establishing 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. The ARC engages the DNP Analytics Services to match vendor records

with the Death Master File. The review identifies high-risk vendor records possibly associated with deceased individuals and enables ARC to classify the vendor records into risk-based categories for further evaluation. ARC deactivates the highest risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

The CPSC performs post-payment reviews to adjudicate conclusive matches identified by the

DNP Business Center. The monthly process verifies payee information against internal sources, reviews databases within the DNP Business Center, and confirms whether the CPSC applied appropriate business rules when making payments. Based on the reviews from DNP and SAM Exclusions from October 1, 2018 through September 30, 2019, no errant payments were identified.

FRAUD REDUCTION REPORT

The Fraud Reduction and Data Analytics Act of 2015 (FRDAA) Pub. L. No. 114-186, was signed into law on June 30, 2016. The FRDAA requires agencies to establish financial administrative controls to identify and assess fraud risks and design and implement control activities to prevent, detect, and respond to fraud, including improper payments. Agencies have three years per the law to implement FRDAA and to assess their efforts to combat fraud including improper payments and report to Congress for fiscal years 2017, 2018 and 2019 (through this report). Among other mandates, the legislation requires the OMB to establish guidelines for federal agencies to use the Government Accountability Office's (GAO) *A Framework for Managing Fraud Risks in Federal Programs* (GAO Framework) to implement control activities related to fraud risk management. The goal is to prevent, detect, and respond to fraud.

The CPSC has established control matrices to identify financial and program level controls to minimize fraud risks. These controls include all five Standards of Internal Controls in Federal Government Principles on fraud, to include the CPSC:

- Establishing and communicating the fraud risk management program to demonstrate the expectations of senior management;
- Performing a comprehensive fraud risk assessment to identify risks;
- Selecting, developing, and deploying preventive and detective fraud controls to mitigate fraud risk;
- Establishing a communication process to obtain information about ongoing or potential fraud activity; and
- Performing ongoing evaluations of fraud risks (Annual A-123 Audits and ERM program) to determine whether all fraud principles are established and operating effectively.

In FY 2019, EXFM conducted a fraud risk assessment on all CPSC's financial processes in collaboration with agency employees at many levels and across functions. The assessment represented a consensus about the financial, regulatory, and reputational impacts that specific kinds of fraud could create. The assessment also identified the significance and likelihood of occurrence of fraud risks. Subject matter experts assessed the inherent and residual risk of each process and the controls in place to mitigate those risks.

Based on the fraud risk analysis performed, management can report that there are efficient and effective controls in place to mitigate identified fraud risks. The assessment concluded that there are adequate compensating controls in place to mitigate residual fraud risks.

In addition, the agency has established an annual ERM program to identify and adapt to threats, and seize opportunities that could affect operations and achievement of agency goals. During the ERM risk-gathering process, all participants were asked about fraud risks in their program areas; no suspected or known fraud was identified, and managers were aware of their responsibility to report suspected fraud. The agency will continue to assess fraud risks annually.

REDUCE THE FOOTPRINT

The CPSC is committed to the goal of minimizing the total square footage leased at its HQ offices located in Bethesda, MD, the National Product Testing and Evaluation Center (NPTEC) in Rockville, MD, and the Sample Storage facility (SSF) in Gaithersburg, MD. The agency had no increase in square footage related to the three leased properties from FY 2018 to FY 2019. However,

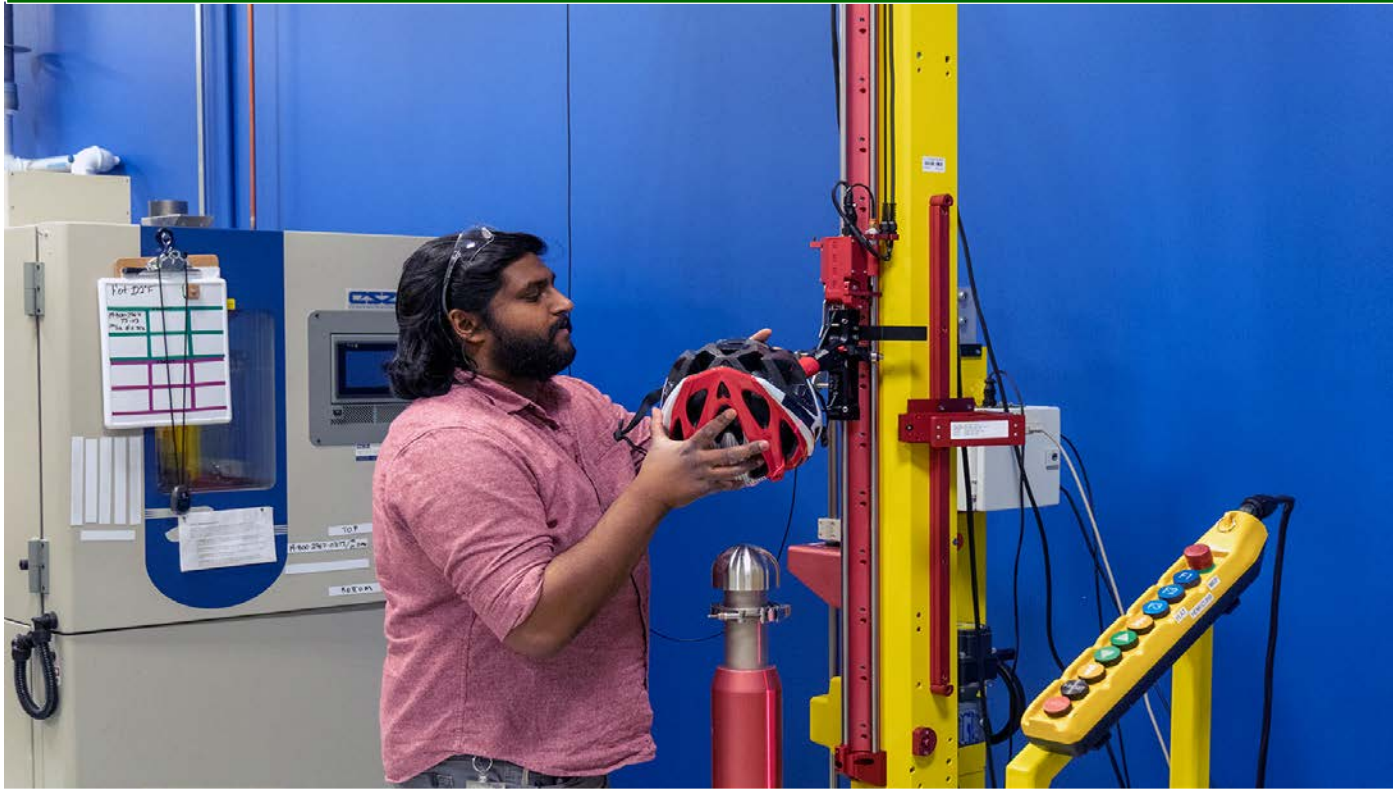
there were increases in repair and maintenance costs for routine heating and cooling repairs, among other repairs, at the Bethesda HQ. The CPSC will continue to meet its responsibilities of the initiative by disposing of unneeded federal real estate, increasing the use of under-utilized assets, minimizing operating costs, and improving efficiency.

Reduce the Footprint Baseline Comparison	FY 2015 Baseline *	FY 2019 *	Change (FY 2015 Baseline - FY 2019)*
HQ	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 2019	Change (FY 2015 Baseline - FY 2019)
HQ	\$ 159,236	\$ 228,566	\$ 69,330
NPTEC	\$ 82,020	\$ 115,584	\$ 33,564
SSF	\$ 31,700	\$ 44,672	\$ 12,972

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 performance measures with annual targets that are used for tracking progress toward achieving the strategic goals and objectives from the agency's *2018 -2022 Strategic Plan*. Each quarter, the CPSC's functional components are responsible for reporting actual progress for each performance measure to an internal agency database. A summary of the FY 2019 performance year-end results is presented on pages 3–10 of this report, and the detailed performance results will be published in the FY 2019 APR in February 2020 on the agency's website at: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget.

Verification and Validation of Performance Data

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

1. The agency develops performance measures through its strategic planning and annual performance planning processes.
2. The CPSC's functional components follow a standard reporting procedure to document detailed information for each performance measure in an internal agency database. This information includes, but is not limited to:
 - performance measure definition,
 - rationale for the performance measure,
 - source of the data,
 - data collection and computation methods, and
 - data limitations.
3. The agency's major functional components are responsible for assessing the completeness, consistency, timeliness, and quality of the data for their key performance measures, as well as identifying any data limitations. Managers of major functional components responsible for reporting key measures certify that procedures for ensuring performance data quality have been followed, and that the reported results are reasonably complete, accurate, and reliable.
4. In addition to the self-assessments and certification statements completed by major functional components, year-end results for key performance measures are reviewed by the Office of Financial Management, Planning and Evaluation (EXFM) team and approved by management before they are published in agency documents. Furthermore, EXFM also conducts an in-depth V&V review of each key performance measure within a 2-year cycle, following established operating procedures. In FY 2019, EXFM independently assessed 12 key performance measures out of 25 from across the agency's major functional components for quality and accuracy of the year-end reported performance results.
5. The CPSC also conducts periodic Strategic Data Review meetings, where managers of major functional components analyze progress toward performance measure targets and broader progress toward achieving the agency's strategic objectives and performance goals. Program risks are also discussed, and mitigation strategies are developed.
6. Managers of major functional components within the CPSC also submit annual statements of assurance (SoA) on the operating effectiveness of general- and program-level internal controls for their areas of responsibility. Those SoA identify any known deficiencies or weaknesses in program-level internal controls where they exist, including any issues with the quality of program data.

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

LOADS OF TEMPTATION

Single-load liquid laundry packets look like candy, toys and teething rings...

...but they're
POISON!



Preventing poisoning is simple.



+



=



Avoid temptation:

Store laundry packets locked up and out of sight.

Call Poison Help at
1-800-222-1222



NSN 13-9

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: www.cpsc.gov/Regulations-Laws--Standards/Statutes under *Regulations, Laws & Standards*.

- CGBPA Children's Gasoline Burn Prevention Act
- CNPPA Child Nicotine Poisoning Prevention Act of 2015
- 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

APPENDIX C: ACRONYM LISTING

AFR	Agency Financial Report
AGA	Association of Government Accountants
APR	Annual Performance Report
ARC	Administrative Resource Center
CAPs	Corrective Action Plans
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CGBPA	Children's Gasoline Burn Prevention Act
CNPPA	Child Nicotine Poisoning Prevention Act of 2015
CPSA	Consumer Product Safety Act
CPSC	U.S. Consumer Product Safety Commission
CPSIA	Consumer Product Safety Improvement Act of 2008
CRO	Cumulative Results of Operations
CSPA	Child Safety Protection Act
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
DNP	Do-Not-Pay
DOI	U.S. Department of Interior
DOL	U.S. Department of Labor
DOT	U.S. Department of Transportation
DSA	Drywall Safety Act of 2012
ERM	Enterprise Risk Management
ESC	Enterprise Service Center
EXFM	Office of Financial Management, Planning and Evaluation
FECA	Federal Employees' Compensation Act
FEGLIP	Federal Employees Group Life Insurance Program
FEHBP	Federal Employees Health Benefit Program
FERS	Federal Employees' Retirement System
FFA	Flammable Fabrics Act
FFMIA	Federal Financial Management Improvement Act of 1996
FEVS	Federal Employee Viewpoint Survey
FHSA	Federal Hazardous Substances Act
FISMA	Federal Information Security Modernization Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FOIA	Freedom of Information Act
FPPS	Federal Personnel and Payroll System
FRDAA	Fraud Reduction and Data Analytics Act of 2015
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GSA	General Services Administration
HQ	Headquarters
IBC	Interior Business Center
IoT	Internet of Things
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IT	Information Technology

KMs	Key Performance Measures
LHAMA	Labeling of Hazardous Art Materials Act
MD&A	Management Discussion and Analysis
NEISS	National Electronic Injury Surveillance System
NNI	National Nanotechnology Initiative
NPTEC	National Product Testing and Evaluation Center
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
OMB	Office of Management and Budget
PPA	Prompt Payment Act
PPE	Property, Plant, and Equipment
PPPA	Poison Prevention Packaging Act
RSA	Refrigerator Safety Act
RSI	Required Supplementary Information
SAM	System for Award Management
SBR	Statement of Budgetary Resources
SES	Senior Executive Service
SONC	Statement of Net Costs
SSAE-18	Statement on Standards for Attestation Engagements 18
SSF	Sample Storage facility
SSP	Shared-Services Provider
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

Consumer Hotline and General Information: (800) 638-2772

TTY (800) 638-8270

www.cpsc.gov