United States
Consumer Product Safety Commission

Agency Financial Report

FISCAL YEAR 2021

November 15, 2021

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 of 2012 (DSA), and the Child Nicotine Poisoning Prevention Act of 2015 (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.

From left to right, the photograph shows the four members of the Commission who served at the CPSC during Fiscal Year (FY) 2021: Commissioner Peter A. Feldman, Commissioner Dana Baiocco, Acting Chair Robert S. Adler, and Commissioner Elliot F. Kaye.** Robert S. Adler served as Acting Chair through October 12, 2021. Effective October 13, 2021, Alexander Hoehn-Saric became the Chair of the CPSC. As of the publication of this document, the Commission has four members.

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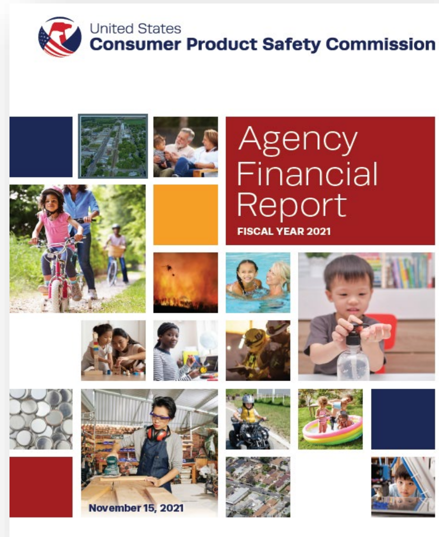
* Product categories, such as automobiles and boats; alcohol, tobacco, and firearms; foods, drugs, cosmetics, and medical devices; and pesticides are regulated by other federal agencies.

** Commissioner Elliot F. Kaye served through August 27, 2021.

About This Report



The purpose of the U.S. Consumer Product Safety Commission's FY 2021 *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, and improper payments reporting details.

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 (FMFIA)*
- *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*
- *Payment Integrity Information Act of 2019 (PIIA)*
- *Government Performance and Results Act Modernization Act of 2010 (GPRAMA)*

In accordance with OMB Circular No. A-11, Part 6, 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 the following website shortly after publication of each report: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/.

[*] The CPSC's FY 2021 APR is scheduled to be published concurrently with the CPSC's FY 2023 President's Budget Request in February 2022. The FY 2021 APR will provide more detailed performance information and analysis of performance results.

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

For the sixth 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 2020 AFR. The AGA presents these awards 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.

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MESSAGE FROM THE CHAIR

I am pleased to present the U.S. Consumer Product Safety Commission's (CPSC) FY 2021 Agency Financial Report (AFR). The CPSC is a tremendously important safety agency with a far-reaching mandate to protect the public. Indeed, the agency's work has an impact on every American, young and old, regardless of where they live. This report provides information on our financial performance and details our use of taxpayer dollars and the resources entrusted to the CPSC. As the report shows, the CPSC's dedicated, hardworking, and talented staff made significant strides this past year toward achieving the CPSC mission of ***Keeping Consumers Safe***.

I became the Chair of the CPSC on October 13, 2021 and am honored to be a part of this important agency. In transmitting this year's report, I am pleased to acknowledge that the accomplishments outlined in this year's AFR occurred under the able leadership of Commissioner Robert S. Adler, who served as the Acting Chair of the CPSC from October 1, 2019 through October 12, 2021. His commitment to protecting the public and his stewardship of the CPSC is commendable. I look forward to working with him and my fellow Commissioners.

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

Goal 1: Workforce

As one of the smallest federal health and safety agencies, a high-performing and motivated workforce is the key to our success. In my few short weeks here at the CPSC, I have had the opportunity to get to know some members of the team, and I have been consistently impressed with their hard work and dedication. Over the past year, the Commission has focused on engaging and investing in our staff. We have seen a strong increase in our Federal Employee Viewpoint Survey (FEVS) Employee Engagement Index over the previous year, and we have increased the training opportunities available to existing staff. We have also put effort into strengthening our capacity to attract and recruit a talented, diverse, and highly effective workforce.

Goal 2: Prevention

The most basic way to protect consumers from hazardous products is to prevent those products from getting into the marketplace and into homes. A key component of this involves identifying and assessing hazards to consumers. In FY 2021, the CPSC published reports on emerging trends in consumer product-related incidents during the COVID pandemic as well as examinations of emerging hazards from artificial intelligence (AI) and machine learning (ML) technologies in consumer products.

The CPSC also takes the lead in efforts to improve the safety of products before they enter the market. The Commission participates in the creation of voluntary safety standards and has moved forward with mandatory rulemaking to address several key consumer hazards, including updates to final rules for infant and child durable nursery products. These voluntary standards and rules provide assurances to consumers that the products they purchase are safer and provide clarity to industry.

The CPSC also recognizes the vital importance of identifying and stopping hazardous imports. The CPSC used American Rescue Plan Act (ARPA) funds in FY 2021 to increase its presence at traditional ports from 18 ports to 22 ports, and to strengthen its systems for monitoring imported goods. In FY 2021, the CPSC conducted more than 36,300 import examinations of consumer product shipments at U.S. ports of entry, far exceeding its annual target of 32,000 import examinations.

Goal 3: Response

When hazardous consumer products enter the marketplace, the CPSC works to keep consumers safe through timely identification and, as needed, removal of those harmful products. In FY 2021, 223 voluntary recalls were executed, resulting in approximately 43 million units being removed from the marketplace and the hands of consumers. And where companies are unwilling to voluntarily issue an effective recall, the CPSC's compliance staff has enforcement tools at its disposal to ensure that the safety of consumers is prioritized.

In addition, to keep pace with the evolving marketplace, including expansion of the digital marketplace and emerging hazards that consumers are exposed to on a daily basis, the CPSC continued adapting its compliance and enforcement operations to address changing needs. In FY 2021, the CPSC established – and, with ARPA funds, expanded – the eCommerce, Surveillance, Analysis, Field, and Enforcement (eSAFE) Team to consolidate and focus its work on eCommerce. In FY 2021, the CPSC made more than 10,500 internet site takedown requests. These actions also helped the CPSC take appropriate enforcement actions to address hazardous products on eCommerce platforms.

Another FY 2021 achievement was the CPSC's effort to upgrade its online reporting system for firms to report potentially hazardous products. Under Section 15(b) of the Consumer Product Safety Act, firms are required to report to the CPSC potentially hazardous products that they manufacture, distribute, import, or sell. The updated system – when it launches in FY 2022 – will be mobile-friendly so users can submit reports, and provide attachments, via their smart phones or tablets.

Goal 4: Communication

When consumers are armed with important safety information about a given product, they can make better decisions when purchasing or using that product. It is a core and essential part of CPSC's mission to provide information to consumers about hazardous products so that they are well-informed. This past year, the agency had significant success with social media-targeted advertising, social media engagements by consumers and others with CPSC social media messages—with more than 9.3 million engagements in FY 2021, the agency exceeded the annual target of 3 million by more than 200 percent. CPSC also engaged in public education campaigns, including the "Anchor It!" campaign, which is designed to alert the public to incidents associated with furniture, TV, and appliance tip-overs. TV and furniture tip-over incidents happen more often than many parents and caregivers realize.

Another core element of CPSC's communication strategy involves improving the usefulness and availability of safety information for the CPSC's stakeholders, which include consumers and businesses. In FY 2021, the CPSC's Small Business Ombudsman (SBO) also had great success by making inquiries to the CPSC easier for small businesses through improvements to the Regulatory Robot, an interactive online resource to help small businesses identify important safety requirements. For example, in FY 2021, the CPSC continued to improve and grow the content available in the Regulatory Robot by adding entries for COVID-19-related products and upholstered furniture. The number of Robot users increased from 21,000 in FY 2020 to 23,000 in FY 2021, demonstrating an increased interest in the resource for industry stakeholders. And FY 2021 was our first full year with a Consumer Ombudsman, who is focused on ensuring that consumer voices are represented in agency processes.

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 2021 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. I am also pleased to report that the financial and performance data presented are reasonably complete, accurate, and reliable.

Thank you for taking the time to review our results. I am honored to join the CPSC, and I look forward to working with my fellow Commissioners and the CPSC staff to protect the public and advance our lifesaving mission of keeping consumers safe.

Alexander Hoehn-Saric
Chair
November 15, 2021

Photo below from 2021 NSN Poster "Spring into Safety... as You Live the 'New Normal': Keep Kids Safe at Home"

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

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

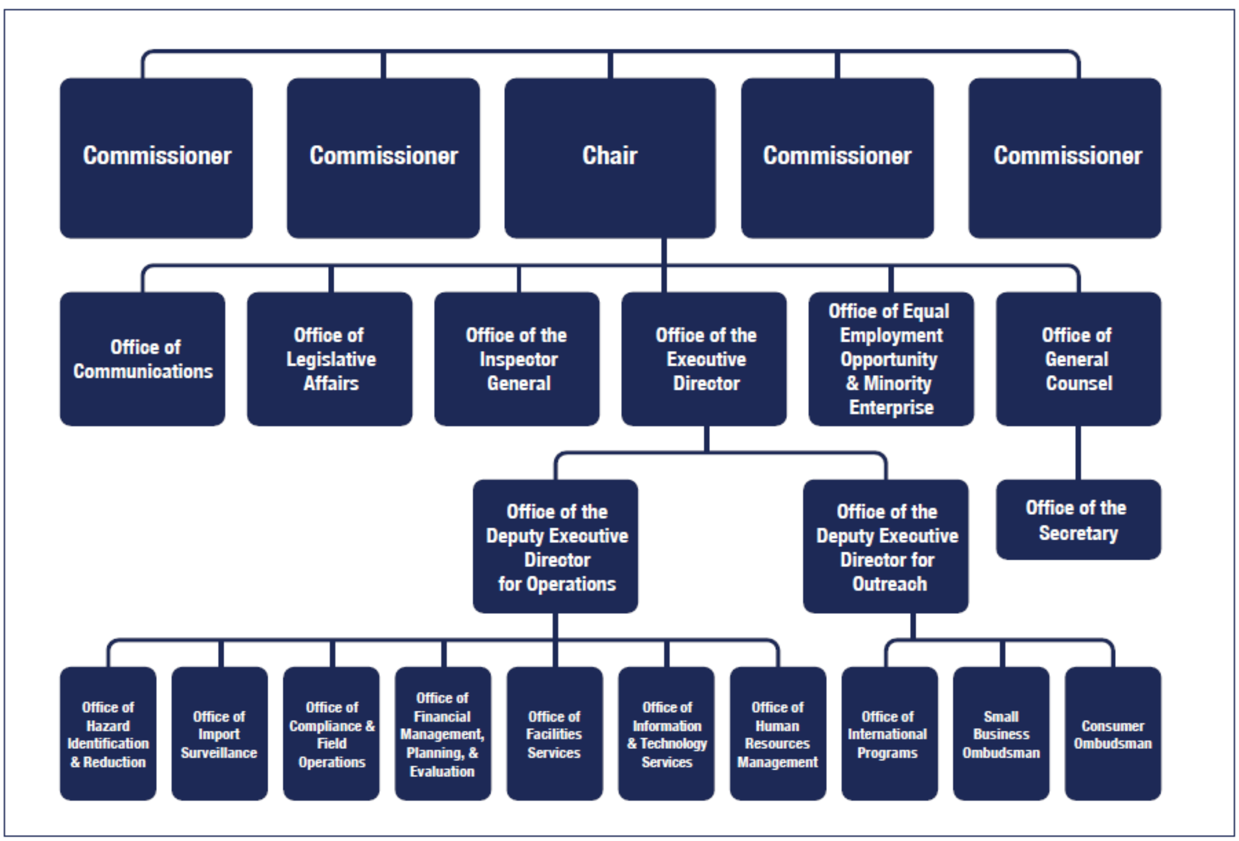
CPSC's Mission and Organizational Structure

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

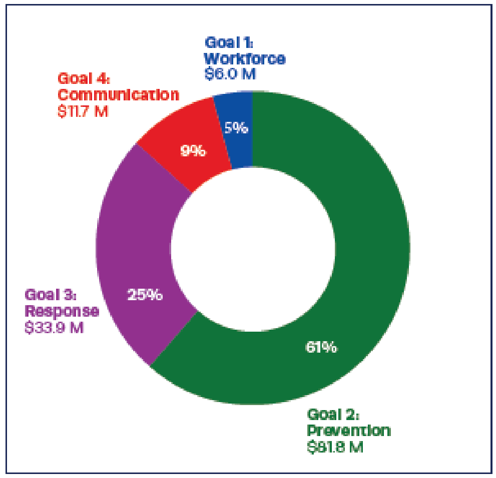
Figure 2: CPSC's Organizational Structure



Performance Summary: An Overview

FY 2021 Resources: The CPSC's enacted appropriation for FY 2021 was $135.0 million, comprised of $133.7 million in 1-year funds for mission-related salaries and expenses and $1.3 million for the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) Grant program (available until expended). Of the resources available for mission-related salaries and expenses, the CPSC obligated $133.4 million (see **Figure 3**): $6.0 million (5%) for Goal 1 (Workforce); $81.8 million (61%) for Goal 2 (Prevention); $33.9 million (25%) for Goal 3 (Response); and $11.7 million (9%) for Goal 4 (Communication) (see page 16 for FY 2021 Net Cost of Operations).

Figure 3: FY 2021 Obligations by Strategic Goal ($ In Millions)



Summary of FY 2021 Results: In FY 2021, the CPSC monitored 24 KMs, all of which are reported externally. Twenty-three KMs had established performance targets for FY 2021. The CPSC met the performance targets for 20 of the 24 KMs and did not meet FY 2021 performance targets for two KMs (see page 10 for more information on the missed targets). Results were not available for two KMs because the 2021 Federal Employee Viewpoint Survey has not been launched yet. **Figure 4** below shows the percentages of KMs that met FY 2021 performance targets, KMs that did not meet targets, and KMs with results that are not yet available.

Figure 4: FY 2021 Results for Key Measures by Strategic Goal

Key Performance Measures (KMs)

The table below presents the CPSC's FY 2021 KM results. Details on CPSC's performance measurement reporting and verification and validation (V&V) processes are provided in Appendix A (pages 80–81) of this report.

Program	Performance Measure Statement	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	Target met?
Strategic Goal 1: Workforce *Cultivate the Most Effective Consumer Product Safety Workforce*							
Strategic Objective 1.1: Enhance effective strategic human capital planning and alignment							
Personnel	**KM1.1.02** Percentage of full-time equivalents (FTEs) utilized	97%	98%	95%	**97%**	**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)	68%	66%	74%	**Not Avail**[1]	**70%**	**N/A**
Strategic Objective 1.3: Attract and recruit a talented and diverse workforce							
Personnel	**KM1.3.01** Percentage of hiring managers trained on recruitment	83%	86%	90%	**97%**	**80%**	✓
Strategic Objective 1.4: Increase employee engagement							
Personnel	**KM1.4.01** High-performing Federal Workforce - Employee Engagement Index Score	69%	66%	75%	**Not Avail**[2]	**70%**	**N/A**
Strategic Goal 2: Prevention *Prevent Hazardous Products from Reaching Consumers*							
Strategic Objective 2.1: Improve identification and assessment of hazards to consumers							
Hazard	**KM2.1.02** Number of hazard characterization annual reports completed on consumer product-related fatalities, injuries, and/or losses for specific hazards	10	11	11	**11**	**11**	✓
Hazard	**KM2.1.03** Percentage of consumer product-related injury cases correctly captured at NEISS[3] hospitals	93%	90%	91%	**91%**	**90%**	✓
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	77	74	78	**78**	**78**	✓
Hazard	**KM2.2.02** Number of candidates for rulemaking prepared for Commission consideration	19	14	14	**13**[4]	**10**	✓
Import	**KM2.2.07** Percentage of firms that are engaged with timely establishment inspections after being identified as a repeat offender	73%	90%	83%	**100%**	**75%**	✓
International	**KM2.2.08** Recalls[5] per Billion Dollars in Consumer Product Imports for Top 50 Import Source Countries or Administrative Areas	--	--	0.21	**0.21**	**<0.33**	✓
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	89%	86%	80%	**82%**	**80%**	✓

[1] The Office of Personnel Management (OPM) postponed the launch of the 2021 FEVS to November 2021.

[2] Ibid.

[3] 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 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.

[4] In FY 2021, CPSC staff prepared 13 rulemaking packages for Commission consideration—6 were from the original 10 planned candidates for rulemaking, and the other 7 were in response to emerging requirements. The remaining 5 planned rulemaking candidates that were not completed in FY 2021 are as follows: FR-Crib Bumpers; NPR-Magnet Sets; FR-Table Saws; and NPR-Window Coverings.

[5] This measure includes all corrective action plans, whether they result in a public recall or not.

Program	Performance Measure Statement	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	Target met?
Strategic Goal 2: Prevention (continued) *Prevent Hazardous Products from Reaching Consumers*							
Import	**KM2.3.02** Percentage of import shipments processed through the Risk Assessment Methodology (RAM) system that are cleared within 1 business day	99.8%	99.8%	99.9%	**99.8%**	**99%**	✓
Import	**KM2.3.04** Number of import examinations completed	41,117	39,010	18,561	**36,375**	**32,000**	✓
Strategic Goal 3: Response *Respond Quickly to Address Hazardous Consumer Products Both in the Marketplace and with Consumers*							
Strategic Objective 3.1: Rapidly identify hazardous consumer products for enforcement action							
Compliance	**KM3.1.01** Percentage of cases for which a preliminary determination is made within 85 business days of the case opening (Hazard Priorities A, B, and C)	75%	13%	83%	**64%**	**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 (excludes fireworks) **Fireworks cases were disaggregated from this measure in FY 2020 and captured by KM3.1.03.*	89%	85%	89%*	**86%**	**85%**	✓
Compliance	**KM3.1.03** Percentage of fireworks cases for which a compliance determination of a regulatory violation is made within 70 business days of sample collection	--	--	43%	**100%**	**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 (excludes fireworks) **Fireworks cases were disaggregated from this measure in FY 2020 and captured by KM3.2.05.*	87%	86%	86%*	**83%**	**85%**	✘
Compliance	**KM3.2.03** Percentage of Fast-Track[6] cases with corrective actions initiated within 20 business days of case opening	96%	97%	97%	**95%**	**90%**	✓
Compliance	**KM3.2.05** Percentage of fireworks cases for which a firm is notified of a regulatory violation within 75 business days from sample collection	--	--	43%	**100%**	**85%**	✓
Compliance	**KM3.2.06** Percentage of cases for which a corrective action plan (CAP) is accepted, or public notice of hazard is issued within 90 business days of a Preliminary Determination (Hazard Priorities A, B, and C)	--	--	--	**75%**	**Baseline**	✓
Strategic Objective 3.3: Improve consumer response to consumer product recalls							
Compliance	**KM3.3.01** Recall effectiveness rate[7] for all consumer products recalls	17%	21%	33%	**32%**	**25%**	✓
Strategic Goal 4: Communication *Communicate Useful Information Quickly and Effectively to Better Inform Decisions*							
Strategic Objective 4.1: Improve usefulness and availability of consumer product safety information							
Communications	**KM4.1.02** Number of engagements[8] with CPSC safety messaging on social media channels by stakeholders (in millions)	0.8	1.5	12.1	**9.3**	**3**	✓
Strategic Objective 4.2: Increase dissemination of useful consumer product safety information							
Communications	**KM4.2.04** Number of national media placements of CPSC stories	--	--	12	**16**	**10**	✓
Communications	**KM4.2.06** Percentage of recall press releases cycled through the Office of Communications in 2 business days or less, once received from the Office of Compliance & Field Operations	--	--	-	**96%**	**80%**	✓
Strategic Objective 4.3: Increase and enhance collaborations with stakeholders							
	(None)						

[6] "Fast-Track" is CPSC's program that allows an eligible firm to implement a consumer-level voluntary recall within 20 business days of submitting an initial report to the CPSC. The firm would immediately stop sale and distribution of the potentially hazardous product, thus, protecting consumers by quickly removing the product from the marketplace. "Corrective Action Initiated" is defined as the first action taken by the firm (*i.e.*, discontinuing the product or issuing a Stop Sale notice to stop distribution/sale of the product). This includes actions taken by the firm prior to CPSC's case opening date.

[7] "Recall effectiveness" is the degree to which a recall is successful in improving consumer safety by producing the desired results, including, but not limited to: (1) mitigation of the hazard, (2) notifying consumers of the problem, and (3) appropriately encouraging consumers to take action.

[8] "Engagements" refer to the number of interactions (likes, shares, comments) with CPSC social media content.

Selected Performance Results

The CPSC's selected FY 2021 achievements are listed below:

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

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

STRATEGIC OBJECTIVE 1.1
Enhance effective strategic human capital planning and alignment

STRATEGIC OBJECTIVE 1.2
Foster a culture of continuous development

STRATEGIC OBJECTIVE 1.3
Attract and recruit a talented and diverse workforce

STRATEGIC OBJECTIVE 1.4
Increase employeee engagement

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 2021 achievements include:

- Trained more than 97 percent of hiring managers on the recruitment process to attract and recruit a talented, diverse, and highly effective workforce.
- Trained 93 percent of managers on effective performance management to help them retain the best talent, engage and reward top performers, and properly address poor performance.
- According to the 2020 OPM Federal Employee Viewpoint Survey results released in April 2021, the overall Employee Engagement Index (EEI) increased more than 9 percent from 2019 to 2020. All three subindexes that comprised the EEI also increased between 2019 and 2020, with the *Leaders Lead* subindex demonstrating the biggest increase of 11 percent. The CPSC continued work on improving the employee perception of leadership's integrity, communication, support of employee development and work-life, and overall employee engagement. For example, in FY 2021, the agency continued to offer a coaching program and to encourage Individual Development Plans (IDPs), implemented in FY 2018, for employees, in achieving their personal and professional goals. The agency also implemented a plan that increased informational opportunities for work-life issues. Additionally, the agency developed and implemented an annual plan for wellness activities.

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.

STRATEGIC OBJECTIVE 2.1
Improve identification and assessment of hazards to consumers

STRATEGIC OBJECTIVE 2.2
Lead efforts to improve the safety of consumer products before they reach the marketplace

STRATEGIC OBJECTIVE 2.3
Increase capability to identify and stop imported hazardous consumer products

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 addressed appropriately by voluntary standards or mandatory regulations; (2) providing technical information to industry to support voluntary standards development; and (3) allocating effective inspection, surveillance, and enforcement resources to identify hazardous products before they reach the marketplace.

Selected FY 2021 achievements include:

- Actively participated in 78 voluntary standards activities, collaborating with industry leaders, consumer advocates, and other stakeholders to improve consensus voluntary standards across a wide range of consumer products. The 78 activities comprised establishing 7 new voluntary standards and revising 20 others. Among the most significant voluntary standards activities work in FY 2021 included: Standard Consumer Safety Specification for Child Safety Locks and Latches for Use with Cabinet Doors and Drawers; Guide for Ensuring the Safety of Consumer Connected Products; Evaluation of methods for assessing the release of nanomaterials from commercial, nanomaterial-containing polymer composites; and Standard Consumer Safety Performance Specification for Playground Equipment for Public Use.
- Pursuant to Title XX, Section 2001 of the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260) staff submitted a Report to Congress, which highlighted the risk posed by the influx of consumer products, especially those arriving by eCommerce, and the need to increase staffing in both the traditional and *de minimis* port environments. With subsequent funding received under the American Rescue Plan Act, CPSC co-located new staff at four additional high-volume ports of entry, including the establishment of a dedicated eCommerce team.
- To address potential emerging hazards, the agency published reports on emerging artificial intelligence (AI) and machine learning (ML) technologies in consumer products and on using AI and ML to strengthen CPSC's data analysis. This included hosting a stakeholder forum on AI/ML in consumer products, and several applications of ML to CPSC data for data coding, data quality assurance and analytics. For the possible emerging hazard of products making use of the Internet of Things (IoT), the CPSC continued to develop capabilities for testing software embedded in consumer products, including connected products and continued to lead the Interagency Working Group on IoT.
- To address infant sleep safety, the CPSC issued a Final Rule (FR) for Infant Sleep Products, establishing requirements that all products advertised for infant sleep meet basic safety requirements.
- As part of efforts to identify emerging hazard patterns and trends, given the COVID-19 pandemic, the CPSC published two reports characterizing changes in consumer product-related incidents during 2020. The results of these reports were used to target agency information and education campaigns to warn consumers about these emerging hazards.
- The CPSC initiated a multiyear upgrade to its NEISS, which collects data from a sample of hospital emergency departments to make national statistical estimates for injuries associated with consumer products. In FY 2021, CPSC initiated work to move NEISS from a legacy platform to a Web-based system that is more sustainable. The CPSC also developed a new NEISS sample in response to changes in hospitals and their use, and the agency-initiated work on recruiting hospitals to meet this new plan.
- To address emerging hazards associated with treadmills, the CPSC identified a gap in existing voluntary standards regarding protection versus entrapment. CPSC sent a letter to a leading standards development organization (SDO), urging activity in this key area. Additionally, CPSC has supported subsequent efforts by the SDO to address the hazard.
- The agency also implemented a new, fully functional "Online Clearinghouse" to provide stakeholders with self-service, open access to cleared CPSC incident data. Staff also updated agency Directives governing information release and provided training on requirements to ensure that Section 6b and Personally Identifiable Information (PII) information are protected.
- Staff maintained testing capabilities throughout the pandemic in FY 2021, including testing on 447 Priority Import Non-Firework Samples and 233 Priority Import Fireworks Samples, along with 341 non-priority samples. Operating Performance Measures for on-time performance were exceeded for each.

- During FY 2021, the Office of International Programs, working with the relevant subject matter experts throughout the agency, produced or engaged in 14 virtual training events, reaching, in real time, well over 1,000 registered foreign industry and government representatives from 79 different countries, as well as an untold number who viewed recorded sessions from our servers and from the U.S. Embassy's media account in China.

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

The CPSC learns about potential consumer product hazards from many sources, including incident reports, consumer notifications, the agency's Consumer Hotline (1-800-638-2772), www.SaferProducts.gov, 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

The eCommerce, Surveillance, Analysis, Field and Enforcement (eSAFE) team, formerly known as the Internet Surveillance Unit (ISU), conducts online surveillance to identify and remove violative products being offered for sale online, including banned or recalled products, counterfeit products that present a safety issue, and products that may be in violation of CPSC regulations. The eSAFE team researches companies, websites and individuals and analyzes online consumer reviews, comments and trade complaints to support investigative and enforcement action.

Strategies for *Response:* Essential elements of the CPSC's strategies for improving *Response* include investigating incidents 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 2021 achievements include:

- Sent 1,940 notices of violation and negotiated 193 corrective action plans (CAPs) to address hazardous consumer products, resulting in removing these hazardous products from the distribution chain.
- Worked with firms to conduct 223 voluntary recalls, resulting in removing approximately 43 million units from the marketplace and the hands of consumers, thus protecting consumers from further exposure to potential harm from consumer products.
- Completed approximately 900 establishment inspections, surveillance activities and recall effectiveness checks at firms for compliance with the CPSC's laws and regulations.
- Screened by the eSAFE team of more than 640,000 listings on websites, contacted approximately 17,100 online platforms and sellers who were offering for sale banned or previously recalled consumer products, and requested more than 10,500 internet site takedowns, resulting in removing 31,500 products.
- Conducted more than 4,000 in-depth investigations (IDIs) to support defect investigations and rulemaking activities.
- Conducted two civil penalty investigations resulting in nearly $20 million in penalties—one $7.95 million penalty assessed by CPSC and one $12 million penalty ordered after a referral to the Department of Justice.
- Filed two administrative complaints under Section 15 of the CPSA seeking mandatory corrective actions.

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

Consumers, safety advocates, industry, and government regulators need high-quality information about consumer product safety. Consumers need safety information to make better-informed decisions for themselves and their families. Safety advocates rely on accurate data to shape their policy recommendations. Industry needs information to help 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.

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

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

Selected FY 2021 achievements include:

- The CPSC's Small Business Ombudsman (SBO) continued to build out training videos for the CPSC YouTube channel to increase dissemination and longevity of useful CPSC product safety information. The shift towards more virtual multimedia content has increased the overall total number of viewers of SBO training materials. In FY 2021, SBO's videos, trainings, and webinars had approximately 17,200 views. The SBO expanded the number of followers of its social media channels from 150,500 in FY 2020, to 211,200 in FY 2021, enabling the CPSC to deliver safety messaging to a wider audience.
- The SBO also had great success by making inquiries to the CPSC easier for small businesses through improvements to the Regulatory Robot, an interactive online resource to help small businesses identify important safety requirements. The number of Robot users increased from 21,000 in FY 2020 to 23,000 in FY 2021, demonstrating an increased interest in the resource for industry stakeholders.
- OCM significantly outpaced its goal of 3 million engagements[9] of consumers and others with CPSC's social media messages on all CPSC social media accounts (@USCPSC), including Twitter, Facebook, and Instagram, by achieving more than 9.3 million engagements.
- Conducted focus group research in three campaign target states (Texas, Arizona, and Florida), including vulnerable populations, which generated insights that will inform CPSC's *Pool Safely* campaign messaging and tactics for FY 2022. Developed *Pool Safely* Stories series on PoolSafely.gov, engaging collaborators to collect stories that personalize the issue of drowning for greater impact. Public service announcement (PSA) distribution through Over-the-Top (OTT)/Connected TV (CTV),[10] YouTube, and Spotify allowed the campaign to achieve greater outreach to underserved communities.
- CPSC's agency branding launched in FY 2021, including branding guidelines documents, branded templates for staff, and CPSC Branding Resources intranet website. CPSC created 211 branded products in FY 2021, including branded public outreach products for the Office of Communications and many branded images for the redesign of CPSC.gov, in addition to the branding guidelines documents and branded templates.
- The Consumer Ombudsman's outreach efforts provided safety materials, explained agency

[9] "Engagements" refer to the number of interactions (likes, shares, comments) with CPSC social media content. Number of engagements serves as an indicator of direct consumer response to CPSC safety messaging.

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

procedures, supported the staff's public education efforts, and addressed inquiries from individual consumers and organizations.

Crosscutting Priorities

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

- **Operational Excellence:** To achieve operational excellence, the CPSC aspires to develop a high-performing workforce, improve performance management, and enhance financial stewardship.
- **Data Collection & Analysis:** The CPSC is a data-driven agency. Collection, management, and analysis of high-quality data are essential to achieving the CPSC's strategic goals and fulfilling the agency's mission. To achieve its Data Collection & Analysis crosscutting priority, the agency is developing and implementing an Enterprise Data Analytics Strategy to improve the CPSC's ability to identify emerging risks.
- **Information Technology (IT):** To achieve its IT crosscutting priority, the CPSC is considering options to improve the quality, transparency, reliability, and availability of data essential for achieving the agency's strategic goals and mission. The agency will also continue expanding the use of shared services and cloud-based service offerings to improve system availability, accelerate the delivery of new capabilities, and realize efficiencies.
- **Internal & External Collaboration:** To achieve effective internal collaboration, the CPSC strives for transparent communication across all levels of the agency, and endeavors to attain better integration of processes, systems, and resources across the CPSC. The CPSC will also continue its efforts to work effectively and collaboratively with many types of external organizations, including consumer advocacy organizations, manufacturers' associations and trade groups, voluntary standards organizations, federal agencies, state and local governments, and foreign governments.

Performance: Risks, Underlying Factors, and Plans for Improvement

For FY 2021, the CPSC had 24 KMs, 23 with established FY 2021 performance targets. Of the 24 KMs, the agency met 20 FY 2021 targets and did not meet targets for two KMs. Results were not available for two measures because the 2021 FEVS was launched in November 2021. A summary of the information on the two KMs with missed targets is provided below, with additional details on all the KMs and results to be presented in the FY 2021 APR.

- **Key Measure 3.1.01 Percentage of cases for which a preliminary determination is made within 85 business days of the case opening (Hazard Priorities A, B, and C):** The target was 65 percent; the FY 2021 actual result fell just short at 64 percent. Fourteen of the 22 products with a Hazard Priority of A, B, or C had a preliminary determination made within 85 days. The CPSC did not meet the target because a determination for a group of carbon monoxide detectors was made at once, which delayed the individual preliminary determinations.
- **Key Measure 3.2.02 Percentage of cases for which a firm is notified of a regulatory violation within 40 business days from sample collection (excludes fireworks):** The target was 85 percent; the FY 2021 actual result was 83 percent. The CPSC did not meet the target because of a sharp increase of nearly 400 percent in ATV cases from Q3 to Q4, and an increase of more than 1,200 percent from Q4 in FY 2020, due to expansion of the ATV program. With ATV product size and HAZMAT protocols, shipping time for ATVs is frequently longer than for other products. Also, ATVs are frequently imported unassembled, requiring technical staff to assemble these products upon arrival and then perform additional Human Factors steps for testing, including age-grading the ATVs.

Changes to Key Measures in FY 2021

Key measure changes from FY 2020 (as reported in the FY 2020 AFR and FY 2020 APR) to FY 2021 are listed below. The total number of key measures in FY 2021 decreased to 24 by one measure, compared to FY 2020, and two key measures were replaced.

Discontinued Measures: One FY 2020 Key Measure was discontinued:

- **KM 2.1.01 Percentage of consumer product-related incident reports warranting follow-up action**. The measure was initially established to demonstrate the large amount of incident report data needed to be processed by the CPSC but obtained a small amount of data that are actionable. This measure did not add much utility to CPSC's ability to improve the identification and assessment of hazards to consumers.

Replacement Measure: Two FY 2020 Key Measures were replaced:

- **KM 3.2.04 Percentage of cases for which a corrective action is accepted within 90 business days of preliminary determination** was replaced with *KM 3.2.06 Percentage of cases for which a corrective action plan (CAP) is accepted, or public notice of hazard is issued within 90 business days of a Preliminary Determination (Hazard Priorities A, B, and C)* to reflect better the effective work on substantial hazard matters.

- **KM 4.2.05 Percentage of recall press release issued in 22 business days or less from first draft** was replaced with *KM 4.2.06 Percentage of recall press releases cycled through OCM in 2 business days or less once received from* the Office of Compliance (*EXC)* to track the timely response by the Office of Communications (OCM), once it has received the first draft of recall press releases from EXC. This will measure the segment of the process that is within the CPSC's control. Offices within the CPSC and the recalling firm work together to formulate and announce recall press releases as expeditiously as possible, to protect consumers from hazardous recalled products.

Enterprise Risk Management

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

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

Consumer Product Injuries during the COVID-19 Pandemic*

In the early months of the pandemic, hospitals were overrun with COVID-19 cases. Consumers avoided hospitals, except for the most serious injuries.

-24% ER treatment for product-related injuries overall

-1% The most severe injuries treated in ERs

School-related Injuries (Including sports activities)

School-related injuries including sports activities dropped sharply by 81%. This drop is likely due to the suspension of school activities and youth sports leagues in the Spring and Summer months of 2020.

-81%

Fireworks

Fireworks and flares saw the largest increase across all age ranges. This increase is likely due to more consumers using these products at home, rather than in community settings with professional fireworks handlers.

56%

Bicycles

ER-treated injuries from riding bicycles went up 21% for consumers age 40 and older as they sought outdoor activity and exercise on bikes.

21%

Soaps & Detergents

Soaps and detergents saw a 60% increase in severe ER-treated injuries. These included injuries from liquid laundry packets, which continue to be a severe hazard for both small children and seniors if ingested.

60%

Face Shields & Masks

Face Shields and masks are part of a group of eye, ear, respiratory, and other similar products that rose nearly 40%, and for seniors over age 70, 109%. Most of the mask-related injuries were the result of skin irritations, with a smaller number due to being distracted while putting on or adjusting a mask, shortness of breath while wearing a mask, or vision being obscured from glasses fogging while wearing a mask.

38%

Cleaning Agents

Cleaning agents saw an 84% increase in severe ER-treated injuries likely due to increased exposure as consumers stayed home and increased cleaning and disinfecting efforts.

84%

Skateboards, Scooters, & Hoverboards

Skateboards, scooters, and hoverboards collectively saw a 39% increase in ER-treated injuries. This is likely due to more children using these products at home.

39%

Button Batteries

Injuries were often due to mouthing or swallowing or inserting in the child's nose. It is likely that the 93% increase in injuries to 5-9 year olds was due to increased exposure to batteries due to being at home more often.

93%

**Data from Consumer Product Safety Commission Report, "Effect of Novel Coronavirus Pandemic on Preliminary NEISS Estimates." January 2021.*
Report and COVID Safety Checklists available for download at CPSC.gov

NSN-06-032021

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ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

Financial Performance Overview

As of September 30, 2021, 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 total budgetary resources for FY 2021 were $193.9 million and consisted partially of funds received from three sources:

- Appropriations from Congress for the current fiscal year and unobligated balances from prior year budget authority,
- American Rescue Plan Act (ARPA) multi-year funds.
- Reimbursable agreements with other governmental organizations; and

The CPSC's FY 2021 salaries and expenses appropriation was $135 million. Of this amount, $133.7 million was available for obligation through September 30, 2021. The remaining $1.3 million was designated for awarding and administering grants under the VGB Act Grant Program; VGB Act grant funds are available until expended. Also, the American Rescue Plan Act of 2021 (ARPA), enacted on March 11, 2021, appropriated $50 million, available until September 30, 2026, to the CPSC.

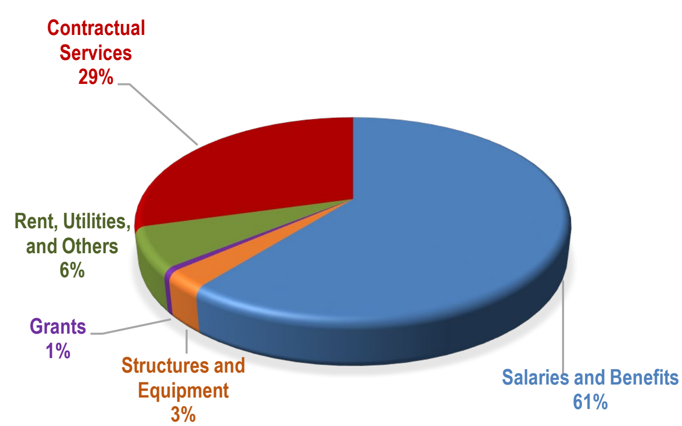
Other budgetary resources available in FY 2021 included $4.6 million of unobligated balances from prior years' budget authority, consisting of $2.5 million from the remaining balance of the appropriated VGB Act grants funds, available for obligation until expended, and a net of $2.1 million from prior years expired unobligated balances not available for obligation in FY 2021, but available for upward adjustments, if needed, for obligations incurred in prior years.
Further budgetary resources available in FY 2021 included $4.3 million from offsetting collections actually received related to CPSC's NEISS data collection, which is partially done on a reimbursable basis with other government agencies.

The CPSC made total obligations of $143.0 million in FY 2021. The amounts obligated are $133.9 million for mission-related salaries and expenses consisting of $133.4 million for current year budget authority; $0.5 million in upward adjustments from unobligated balances from prior years' budget authority; and $1.0 million awarded for the VGB Act Grant Program. The CPSC obligated $3.6 million of the ARPA appropriated funds and $4.3 million in total spending authority for reimbursable data collection for other federal government agencies, which consists of $3.5 million in offsetting collections actually received.

Looking at costs by type, approximately 61 percent of the FY 2021 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 2021 expense categories:

FY 2021 Spending Level Percentage



Salaries and benefits increased by $3.4 million, compared to FY 2020. This was due part to an increase in staff; CPSC had 542 staff onboard at the end of FY 2021, compared to 525 at the end of FY 2020. The increase in salary costs was also attributable to resources provided pursuant to the ARPA appropriation; 1.0 percent pay raise enacted; and applicable locality adjustments in FY 2021.

Contractual services increased by $ 4.2 million or 11 percent from the prior year. In FY 2021, the CPSC invested in its Global Data Synchronization Network (GDSN) Integration and Data Management and Mappings, Safety Equity Studies, IT Modernization and Security, and Safety Campaigns. The grant awards increased by $ 0.9 million from the prior year, because the agency awarded five new grants in FY 2021.

Structures and equipment costs increased by $1.5 million, compared to FY 2020. The increase was attributable to equipment purchases required at the ports and IT equipment purchases necessary for the virtual environment. Rent, utilities, and other expenses decreased by $1.7 million due to the beginning of FY 2021 lease terms at the NPTEC location.

The table below compares the increase/decrease by significant account for the fiscal years ended September 30, 2021, and September 30, 2020:

FINANCIAL AND RELATED HIGHLIGHTS

(In dollars)	% Changes 2021 over 2020	September 30, 2021	September 30, 2020
Fund Balance with Treasury	120.98%	$ 96,253,159	$ 43,557,756
AR and Advances	(-74)%	554,831	2,141,277
General Property and Equipment, Net	18.07%	6,779,815	5,742,318
Total Assets	101.37%	$ 103,587,805	$ 51,441,351
Accounts Payable	42.84%	$ 7,427,996	$ 5,200,045
Federal Employee Benefits Payable	1.71%	9,955,765	9,787,951
Other Liabilities	4.53%	4,998,095	4,781,628
Total Liabilities	13.21%	$ 22,381,856	$ 19,769,624
Net Position	156.40%	81,205,949	31,671,727
Total Liabilities and Net Position	101.37%	$ 103,587,805	$ 51,441,351
Total Earned Revenue	28.67%	$ (3,497,608)	$ (2,718,333)
Total Program Cost	3.83%	142,130,558	136,886,096
Net Cost of Operations	3.33%	$ 138,632,950	$ 134,167,763
Budgetary Resources Available for Spending	39.52%	$ 193,925,635	$ 138,990,465
Net (Collections) /Outlays	3.46%	$ 131,444,850	$ 127,052,337
Total Custodial Revenue	66153.57%	$ 7,957,716	$ 12,011

Audit Results: The CPSC received an unmodified audit opinion on its FY 2021 financial statements.

Financial Statement Highlights: The CPSC's financial statements summarize the financial position and financial activities of the agency. The audit report, financial statements, and the notes to the financial statements appear in the Financial Section of this report, beginning on page 27.

Analysis of the Balance Sheet

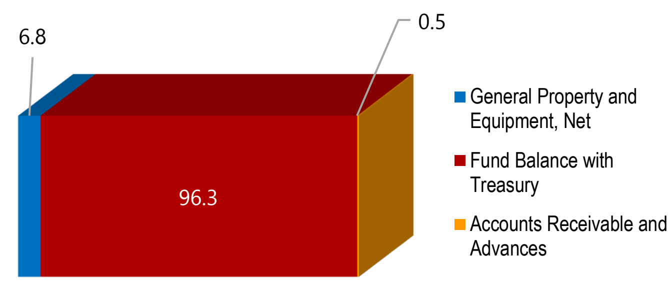
The CPSC's assets totaled $103.6 million as of September 30, 2021. The changes in key asset line items as of the fiscal year ended September 30, 2021, compared to September 30, 2020, are as follows:

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 $96.3 million as of September 30, 2021. The balance increased $52.7 million from the prior year, due to the CPSC receiving an increase of $2.5 million in its FY 2021 appropriation and $50 million in additional funding received under the ARPA.

Accounts Receivable (AR) and Advances and Prepayments (Advances) are comprised of year-end uncollected amounts from civil fines and penalties levied by the CPSC, unpaid Freedom of Information Act (FOIA) fees and employee debt. *Advances* represents advances to other federal agencies for interagency services, such as participation in the National Nanotechnology Initiative (NNI) (Nano.gov), operating services through the Department of Transportation (DOT) for employee transit benefits. The CPSC acquires services from other federal agencies through interagency agreements.

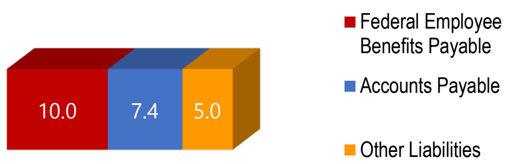
AR and Advances had a balance of $0.5 million as of September 30, 2021, a decrease of $1.6 million from the prior year. The decrease is primarily due to the liquidation of a $1.2 million tenant improvement allowance (TIA) from the General Services Administration (GSA). This allowance was provided under the new lease that began early FY 2021 for improvements at CPCS's lab (NPTEC) located in Rockville, MD. In addition, intragovernmental receivable balances were less because of a timelier collection by the Centers for Disease Control and Prevention (CDC) for reimbursable work and due to non-intragovernmental balances decreasing because there were less FOIA fees billed and no current civil penalty settlements. *General Property and Equipment (GPE), Net*, consists of the net value of the CPSC's leasehold improvements, equipment, furniture and fixtures, computer hardware and software, and construction in progress. General Property and Equipment, Net, had a balance of $6.8 million as of September 30, 2021, an increase of $1.1 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 $29million of GPE at acquisition cost, and the asset lives are for 3-12 years. Leasehold improvements account for $24 million at acquisition cost and have useful lives of 6 to14 years.

FY 2021 Total Assets Composition
($ in millions)



The CPSC's liabilities were $22.4 million and $19.8 million as of September 30, 2021, and September 30, 2020, respectively. The total liabilities increased $2.6 million from the prior year, with the largest fluctuation in accounts payable The Accounts Payable balances for intragovernmental and non-intragovernmental increased by $2.2 million. This is due to more projects being completed and the subsequent billing for goods and services than in FY 2020. The FY 2021 Accounts Payable balance also includes the Tenant Improvement Allowance due of $1.2 million for the lease at the CPSC's NPTEC lab that began in FY 2021, and $0.2 million remaining on the Headquarters lease.

FY 2021 Total Liabilities Composition
($ in millions)



Analysis of the Statement of Net Position

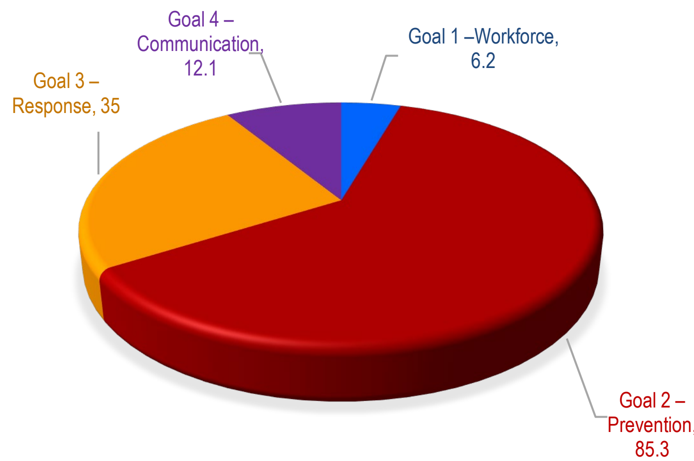
The Statement of Changes in Net Position reports the change in net position during the reporting period. The difference between total assets and total liabilities is net position. Net position is affected by changes in its two components: Unexpended Appropriations and Cumulative Results of Operations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

The CPSC's net position was $81.2 million as of September 30, 2021, representing an increase of $49.5 million from the prior year related to unexpended appropriations transactions. The increase in unexpended appropriations is due to the $50 million in additional funding received from the ARPA.

Analysis of the Statement of Net Cost

The Statement of Net Cost (SNC) 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 2021:

FY 2021 Net Cost Of Operations
($ in millions)



The CPSC's net cost of operations was $138.6 million for the fiscal year ended September 30, 2021, an increase of $4.5 million from the prior year.

Strategic Goal 1, *Workforce* has a net cost of $6.2 million, and the costs remained consistent with the prior year.

Strategic Goal 2, *Prevention*, has the highest net cost of operations, totaling $85.3 million. The significant costs allocated to this goal are associated with preventing hazardous products from reaching consumers and protecting the public. Gross costs decreased due to less overhead spending being allocated to this goal than in the prior year. . Earned revenues for the NEISS reimbursable program remained relatively consistent from prior year.

Strategic Goal 3, *Response*, costs totaled $35 million in FY 2021, an increase of $5.7 million from the prior year. The increase is due to more spending for CPSC information technology and support-related activities.

Strategic Goal 4, *Communication*, costs totaled $12 million in FY 2021, an increase of $1.4 million due to information and education outreach campaign costs.

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

Analysis of the Statement of Budgetary Resources

The *Statement of Budgetary Resources* (SBR) 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, 2021, the CPSC had available budgetary resources of $193.9 million, comprised of the FY 2021 appropriation of $185 million, prior years' unobligated balances of $4.6 million, and billed offsetting collections of $4.3 million.

The status of budgetary resources was $193.9 million, compared to $139 million the prior year. The $54.9 million overall increase is mainly attributable to the $2.5 million increase in the FY 2021 appropriation and the$50 million in additional funding received under the ARPA.

The net outlays totaled $131.4 million, which increased by $4.4 million from the prior year. This increase was due to an increase in budgetary authority in FY 2021.

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

The CPSC collected $7,950,000 in civil fines and penalty cash collections for the fiscal year ended September 30, 2021, and $250,000 as of September 30, 2020. There were no FY 2021 civil penalty settlements assessed by the agency.

CONTROLS, SYSTEMS, AND LEGAL COMPLIANCE

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

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

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

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

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

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

In FY 2021, the OIG issued an audit report on the CPSC's implementation of FMFIA and determined that the CPSC's operations did not comply with FMFIA for FYs 2018 and 2019. CPSC developed a corrective action plan (CAP) during FY 2021 to address these findings and has begun implementing them. In addition to the CAP and prior to the release of the OIG's audit report, the CPSC undertook efforts in FYs 2020 and 2021 to improve the agency's implementation of and compliance with FMFIA over its operations. These included, but were not limited to, revising procedures for the FMIFIA process to better align the AUs with the performance-based budget, overhauling the management assurance checklist used by the AUs regarding the adequacy of internal controls; and training senior managers regarding their responsibilities under FMFIA.

FY 2021 Results for the FMFIA
The CPSC evaluated its management control systems for operations for the fiscal year ended September 30, 2021. 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, 2021, except for the following material weakness related to improper disclosures of protected information consisting of both personally identifiable information (PII) and product manufacturer information (see the

Management Assurance Statement of page 22 for a detailed explanation).

FY 2021 Results for OMB Circular No. A-123, Appendix A (as described in OMB Memorandum M-18-16)
The CPSC evaluated its internal controls over reporting for the fiscal year ended September 30, 2021. This included an evaluation of financial risks, enterprise risks, and fraud risks, as well as management's assessment of financial internal controls. The six financial processes evaluated in FY 2021 included: Disbursement, Financial Reporting, Procurement, Grants, Property Management, and Purchase Card. Based on results of this evaluation, the CPSC provided reasonable assurance that its internal controls for reporting were operating effectively as of September 30, 2021.

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

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

FY 2021 Results for the FFMIA and Section 4 of the FMFIA
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 uses a financial system provided by a Shared Services Provider (SSP), operated by the Department of Treasury's Administrative Resources Center (ARC), for processing financial data. The CPSC reviewed the Independent Audit Report Statement on Standards for Attestation Engagements No. 18 (SSAE 18), conducted on behalf of ARC. The independent auditors assessed controls for this financial management system and found that it was in substantial compliance with the financial management system requirement, applicable federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. Management also reviewed the SSAE 18 attestation audit for the Department of Interior's (DOI) Federal Personnel and Payroll system (FPPS) that the CPSC uses for payroll services. There were no material weaknesses, nor any major deficiencies identified in the SSAE 18 reports that would negatively affect CPSC's system compliance review. In addition, the CPSC performed tests on complementary end-user controls and determined that controls were operating effectively. The 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. Government Standard General Ledger at the transaction level.

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

The PPA requires federal agencies to make timely payments to vendors for supplies and services, 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, 2021, 99.5 percent of CPSC's payments that were subject to the PPA were made on time. In FY 2021, the CPSC incurred $29.69 in interest penalties and made almost 100 percent of its vendor payments electronically.

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

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

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

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

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the federal government to service and collect debts. As of September 30, 2021, delinquent debt was $29,472. The CPSC pursues the collection of delinquent debt and refers all eligible delinquent debt more than 120 days delinquent to the U.S. Treasury for collection.

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

The DATA Act requires agencies to establish common standards for financial data provided by all government agencies and 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 2021.

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

As mandated by FISMA, the CPSC continues to maintain an information security program to support the confidentiality, integrity, and availability of agency information and information systems. The CPSC worked diligently throughout FY 2021 to protect agency information and systems. The agency performed routine IT security operations, as well as implemented programmatic and technological improvements to reduce agency cybersecurity risks.

The CPSC's IT security accomplishments for FY 2021, related to FISMA, included completion of independent security assessments of the agency's major information systems; significant enhancement of the agency's system auditing/logging capabilities; completion of the Department of Homeland Security's (DHS) Continuous Diagnostics and Mitigation (CDM) Phase I program; and increased vulnerability scanning of agency applications.

Financial Management Systems Strategy

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

The CPSC obtains financial and procurement hosting and application management services from the U. S. Treasury's ARC within the Bureau of Fiscal Service. ARC uses an Oracle-based financial reporting system for accounting, which interfaces with the ARC's travel management system, Concur. The Oracle financial management system is used for general ledger, accounts payable, accounts receivable, and budget execution and Oracle Business Intelligence (OBI) reporting capabilities. CPSC also uses the Procurement Request Information System Management (PRISM), through ARC's service platform, which is fully interfaced into Oracle for real-time contracting actions and awarding vendor contracts.

In FY 2021, CPSC worked to migrate financial data into the Onestream tool for future output of reconciliations and financial statements. Onestream is a corporate performance management tool, hosted by the cloud environment and administrated by ARC for their customers, and it is configured to consolidate financial data and automate workflows for financial reconciliations and financial reporting processes. For FY 2022, CPSC will generate these in parallel to their existing processes. The goal is to move to the Onestream process in the future for their reconciliation and financial statement reporting tool.

CPSC also migrated the grants reporting directly to Grant Solutions in FY 2021. Through this migration, CPSC built an interface directly with ARC for grants data to be reported into the Oracle financial reporting. This interface will continue to strengthen CPSC grants reporting and administration, and compliance with applicable regulations.

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

The GAO-IG Act requires each federal agency to include in its annual budget justification to Congress, a report that identifies each public recommendation, issued by the U.S. Government Accountability Office (GAO) or agency Offices of Inspector General (OIG), that has not been implemented for one or more year since the annual budget justification submission date. In addition, the Act requires a reconciliation between the agency records and the IGs' Semiannual Report to Congress (SAR). The CPSC has not provided this reporting in its Budget Justifications to Congress since the inception of the Act. However, the CPSC is preparing to include this information in its FY 2023 Budget Justifications to Congress in February 2022.

MANAGEMENT ASSURANCE STATEMENT

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

MANAGEMENT ASSURANCE STATEMENT

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

In accordance with the requirement of OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, CPSC management assessed its FY 2021 internal controls over the effectiveness and efficiency of programmatic operations, reliable reporting, and compliance with applicable laws and regulations. Based on the results of that assessment, I can provide reasonable assurance that internal controls over operations[1], reporting, and compliance were operating effectively as of September 30, 2021, except for the following material weakness reported:

In April 2019, the agency learned of improper disclosures of protected information consisting of both personally identifiable information (PII) 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 and was reported as a material weakness on the CPSC's FY 2019 and FY 2020 Statement of Assurance. In response, management developed and implemented additional internal controls, provided training to staff to prevent recurrences, and requested the Office of the Inspector General (OIG) to investigate. The OIG released its report on September 25, 2020, outlining several issues and recommendations. During FY 2021, management developed a corrective action plan (CAP) to address the findings in the OIG's report. Although the ongoing efforts by management to resolve issues related to the data breach have been substantial, this issue should nevertheless continue to be characterized as a material weakness given that numerous recommendations on the breach remain open.

[1] In FY 2021, the OIG issued an audit report on the CPSC's Implementation of FMFIA for FYs 2018 and 2019. Based on the actions taken in FYs 2020 and 2021 (see page 18 under FMFIA in the Controls, Systems, and Legal Compliance Section), reasonable assurance can be provided that internal controls over operations were effective as of September 30, 2021.

In addition, CPSC management assessed the federal financial system requirements in accordance with OMB Circular A-123 Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). The results of that assessment demonstrated that the agency 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 as of September 30, 2021.

Alexander D. Hoehn-Saric

Alexander Hoehn-Saric
Chair
November 15, 2021

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 October 2021, Alexander Hoehn-Saric became the Chair of the CPSC. Prior to this, Robert Adler served as the acting Chair from October 2019. Currently, there is one vacancy and one Commission position in holdover status. There are two nominees pending confirmation for these two Commission positions.

The CPSC appreciates the Management Challenges identified by the Inspector General (IG) and agrees that these are four critically important areas to focus on and to improve in FY 2022. These include internal control system, Enterprise Risk Management (ERM), resource management, and information technology security. In the internal control system and ERM, CPSC is committed to adhering and improving a strong system of internal controls and ERM process, which are integral to and complement each other. In FY 2020, the Office of Inspector General (OIG) audited the agency's implementation of FMFIA and determined that the CPSC did not comply with FMFIA for operations for FY 2018 and 2019. CPSC developed a corrective action plan during FY 2021 to address these findings and has begun implementing them. In addition to the CAP, prior to the release of the IG's audit report, the CPSC undertook efforts in FYs 2020 and 2021 to improve the agency's implementation of and compliance with FMFIA over its operations. Due to staffing issues, the agency was not able to advance a comprehensive ERM approach which would enable the agency to identify and adapt to threats that could affect operations and hinder achievement of agency goals. CPSC acknowledges the needs to fully develop and expand its ERM process across the agency and will commit additional resources to this effort.

The CPSC recognizes that resource management is an ongoing challenge. Management will continue to assess these issues and determine how best to address them. The CPSC also agrees that an ever-evolving IT security environment is a significant challenge to the agency and continues to dedicate resources, to improve the agency's IT security posture. In FY 2021, the CPSC made necessary IT security improvements (see under FISMA in the Controls, Systems, and Legal Compliance Section page 20). In FY 2022, the agency plans to continue enhancement of its system vulnerability identification capabilities for the agency's public websites and implement a web application firewall technology to protect the agency's publicly accessible applications from common web application and denial of service attacks.

The CPSC continued to receive financial management services with Treasury's Administrative Resource Center (ARC) during FY 2021. This shared-services agreement includes integrated financial, acquisitions, and travel systems; contracting support personnel; and electronic invoicing. In FY 2021, the CPSC migrated, tested, and implemented a module to automate collection of required financial data for preparation of the financial statements. The agency also integrated the government-wide grants management system, Grants Solutions, with its financial management system. The CPSC also continued developing new processes and procedures during FY 2021. During FY 2022, CPSC will also work closely with ARC to prepare for the October 2022 implementation of G-Invoicing, the long-term, government-wide solution for agencies to manage their intragovernmental transactions.

Lastly, the CPSC has reported a material weakness for FY 2021 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 in April 2019. The improper disclosures resulted from insufficient design and operation of internal controls and were reported as a material weakness in the CPSC's FY 2019 and FY 2020 Management Assurance Statements.

In FY 2020, the Office of Inspector General (OIG) was requested to investigate and released its report on September 25, 2020. During FY 2021, management developed a corrective action plan (CAP) to address findings in the OIG's report. Although ongoing efforts to resolve issues related to the data breach have been substantial, and staff is committed to ongoing improvements, this issue continues to be a material weakness given that numerous recommendations remain open.

As the CPSC looks ahead to FY 2022 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 2021 and FY 2020, 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 prepared for a component of the U.S. government, a sovereign entity.

Photo below from 2021 NSN Poster "Spring into Safety... as You Live the 'New Normal': Handle 3D Printers Safely"

FINANCIAL SECTION

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

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

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Agency Financial Report (AFR) provides a comprehensive view of the financial activities undertaken in FY 2021 to advance the CPSC's Mission: *Keeping Consumers Safe*. It integrates the agency's financial and program performance, highlights our FY 2021 achievements and challenges, and demonstrates our stewardship and accountability of the federal funds entrusted to us. FY 2021 was a year of many new opportunities and challenges for the CPSC in the financial arena. As Chief Financial Officer of the CPSC, I am proud of the agency's financial accomplishments and the staff's achievements in FY 2021.

A major occurrence happened in the CPSC's financial status in FY 2021. On March 11, 2021, Congress appropriated the CPSC $50 million in multi-year funds via the American Rescue Plan Act of 2021 (ARPA), which immediately increased our available budget authority by almost 40 percent. Financial management staff quickly jumped to action developing a spending plan; establishing new codes, internally and with U.S. Treasury and the Office of Management and Budget (OMB); complying with special reporting requirements associated with the new ARPA funds; and dealing with many other financial processes and details associated with a funding expansion of this type.

In FY 2021, the CPSC made two advances in the financial management systems arena. Along with the Department of Treasury's Bureau of Fiscal Services' Administrative Resource Center (ARC), which is the shared-services provider for CPSC's integrated financial management and acquisitions systems, we migrated, tested, and implemented a module to automate collection of required financial data for preparation of the financial statements. The CPSC also integrated the government-wide grants management system—Grants Solutions—with our financial management system. These advances leveraged technology to improve our processes and shift more of the financial management staff from transactional activities to high-value analysis.

We look forward to collaborating with ARC as we continue to improve our financial management capabilities. During FY 2022, CPSC, in conjunction with ARC, will work to implement by October 2022 G-invoicing, the long-term solution to improve the quality of Intragovernmental transactions.

The Office of Inspector General (OIG) audited our compliance with the Digital Accountability and Transparency Act (DATA Act). Part of this included assessing the completeness, accuracy, timeliness, and quality of FY 2021 first quarter financial and award data. The OIG's audit report, dated November 4, 2021, noted that CPSC continues to maintain a high level of data quality. Also, in FY 2021, the OIG reviewed the FY 2020 Improper Payments program (prior year) and determined that for FY 2020, CPSC continued to comply with the Payment Integrity Information Act of 2019 (PIIA).

The CPSC, for the sixth consecutive year, attained the Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants (AGA); the CEAR is awarded to agencies whose AFR demonstrates the highest standards of accountability and transparency in communicating results. This demonstrates the CPSC's commitment and consistent dedication to sound financial management and reporting.

We received an unmodified opinion on the FY 2021 financial statements, affirming that the statements and financial operations present fairly the CPSC's financial position as of September 30, 2021. This represents the results of not only the hard-working financial management professionals, but professionals across the agency who are committed to financial management excellence, accountability, and transparency. I also want to acknowledge and thank the Office of Inspector General, as we work together to effectively and efficiently use federal resources to achieve the CPSC's Mission of *Keeping Consumers Safe*.

James Baker

James D. Baker
November 15, 2021

INDEPENDENT AUDITORS' REPORT

November 15, 2021

TO: Alex Hoehn-Saric, Chair
Robert S. Adler, Commissioner
Dana Baiocco, Commissioner
Peter A. Feldman, Commissioner

FROM: Christopher W. Dentel, Inspector General CHRISTOPHER DENTEL Digitally signed by CHRISTOPHER DENTEL Date: 2021.11.15 11:35:23 -05'00'

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2021 Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by CliftonLarsonAllen, LLP (CLA), for the fiscal year (FY) ending September 30, 2021. 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. 21-04, *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, 2021, and 2020, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended, and the related notes to the financial statements; collectively known as the financial statements. The objective of the audit was to express an opinion on the fair presentation of those financial statements. In connection with the audit, CLA also considered the CPSC's internal 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, 2021, and 2020, in conformity with accounting principles generally accepted in the United States of America.

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Report on Internal Control

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

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

CLA's consideration of internal control was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. CLA did not identify deficiencies in internal control that CLA would consider to be significant deficiencies or material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. CLA did find deficiencies in the CPSC's internal control over financial reporting that CLA did not consider to be material weaknesses or significant deficiencies. These deficiencies still warrant CPSC management's attention. CLA has communicated these matters to CPSC management.

Report on Compliance with Laws and Regulations

CPSC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether the CPSC's financial statements are free of material misstatements, CLA performed tests of compliance with certain provisions of laws and regulations, noncompliance which could have a material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 21-04. 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 did not disclose any instances of non-compliance that are required to be reported by Government Auditing Standards.

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OIG Evaluation of CliftonLarsonAllen's Audit Performance

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

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

Attached:

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

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CliftonLarsonAllen LLP
CLAconnect.com

Independent Auditors' Report

Inspector General
United States Consumer Product Safety Commission

Chair
United States Consumer Product Safety Commission

In our audits of the fiscal years 2021 and 2020 financial statements of the United States Consumer Product Safety Commission (CPSC), we found:

- CPSC's financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- No material weaknesses for fiscal year 2021 in internal control over financial reporting based on the limited procedures we performed; and
- No reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

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

Report on the Financial Statements

We have audited the accompanying financial statements of CPSC, which comprise the balance sheets as of September 30, 2021, and 2020; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 21-04). We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

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[1] The RSI consists of the Management's Discussion and Analysis and the Combining Statement of Budgetary Resources by Fund, which are included with the financial statements.
[2] Other information consists of Inspector General's Management Challenges Report, Summary of Financial Statement Audit and Management Assurances, and Payment Integrity Information Act Reporting.

INDEPENDENT AUDITORS' REPORT (Continued)

Management's Responsibility

CPSC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. *Government Auditing Standards* require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements 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 auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 purpose 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. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, the United States Consumer Product Safety Commission's financial statements present fairly, in all material respects, CPSC's financial position as of September 30, 2021, and 2020, and its net cost of operations, changes in net position, budgetary resources, and the custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

INDEPENDENT AUDITORS' REPORT (Continued)

and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information
CPSC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audits were conducted for the purpose of forming an opinion on CPSC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of the CPSC's financial statements, we considered the CPSC's internal control over financial reporting, consistent with our auditors' responsibility discussed below. We performed our procedures related to the CPSC's internal control over financial reporting in accordance with *Government Auditing Standards*.

Management's Responsibility
CPSC management is responsible for (1) maintaining effective internal control over financial reporting, including 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; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)); and (3) providing an assurance statement on the overall effectiveness of internal control over financial reporting included in management's discussion and analysis (MD&A).

Auditors' Responsibility
In planning and performing our audit of CPSC's financial statements as of and for the year ended September 30, 2021, in accordance with *Government Auditing Standards*, we considered the CPSC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on the CPSC's internal control over financial reporting or on management's assurance statement on the overall effectiveness of internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

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

INDEPENDENT AUDITORS' REPORT (Continued)

disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

Results of Our Consideration of Internal Control over Financial Reporting
Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of the CPSC's internal control over financial reporting. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

During our fiscal year 2021 audit, we identified deficiencies in CPSC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant CPSC management's attention. We have communicated these matters to CPSC management and, where appropriate, will report on them separately.

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

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

In connection with our audits of CPSC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards.*

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

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility
Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to CPSC that have a direct effect on the determination of material amounts and disclosures in CPSC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CPSC.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters
Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instance of noncompliance or other matters for fiscal year 2021 that would be reportable under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CPSC. Accordingly, we do not express such an opinion.

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

Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of CPSC's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated November 13, 2020. The status of prior year findings is presented in Exhibit A.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 15, 2021

EXHIBIT A
Status of Prior Year Findings

Our assessment of the current status of the findings related to the prior year audit is presented below:

Fiscal Year 2020 Findings	Type	Fiscal Year 2021 Status
Control activities over Leasehold Improvements and ADP Software	Significant Deficiency	Resolved
Antideficiency Act Violation	Noncompliance Findings	Resolved

FINANCIAL STATEMENTS

U.S. Consumer Product Safety Commission
Balance Sheets
For the Years Ended September 30, 2021 and 2020
(In dollars)

	FY 2021	FY 2020
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 96,253,159	$ 43,557,756
Accounts Receivable, Net (Note 3)	141,644	1,471,380
Advances and Prepayments (Note 4)	385,973	654,382
Total Intragovernmental	96,780,776	45,683,518
With the Public:		
Accounts Receivable, Net (Note 3)	27,214	15,515
General Property and Equipment, Net (Note 5)	6,779,815	5,742,318
Total With the Public	6,807,029	5,757,833
Total Assets	**$ 103,587,805**	**$ 51,441,351**
LIABILITIES: (Note 6)		
Intragovernmental:		
Accounts Payable (Note 7)	$ 2,725,129	$ 2,379,485
Other Liabilities (Note 8)		
Employee Benefits	794,738	689,033
Workers' Compensation	432,957	573,042
Employer Contributions Payable	245,429	231,794
Other	12,411	11,885
Total Intragovernmental	4,210,694	3,885,239
With the Public:		
Accounts Payable	4,702,867	2,820,560
Federal Employee Benefits Payable (Note 9)	9,955,765	9,787,951
Other Liabilities (Note 8)		
Accrued Payroll	3,459,795	3,231,586
Other	52,735	44,288
Total With the Public	18,171,162	15,884,385
Total Liabilities	**$ 22,381,856**	**$ 19,769,624**

(Balance Sheet continued on next page)

NET POSITION:		
Unexpended Appropriations – Funds from Other than Dedicated Collections	$ 85,977,380	$ 36,479,895
Total Unexpended Appropriations	85,977,380	36,479,895
Cumulative Results of Operations – Funds from Dedicated Collections (Note 10)	18,953	18,953
Cumulative Results of Operations – Funds from Other than Dedicated Collections(Note 10)	(4,790,384)	(4,827,121)
Total Cumulative Results of Operations	(4,771,431)	(4,808,168)
Total Net Position	**$ 81,205,949**	**$ 31,671,727**
Total Liabilities and Net Position	**$ 103,587,805**	**$ 51,441,351**

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statements of Net Cost
For the Years Ended September 30, 2021 and 2020
(In dollars)

	FY 2021		FY 2020	
STRATEGIC GOAL 1 - WORKFORCE:				
Gross Cost	$	6,164,385	$	6,221,869
Earned Revenue		-		-
Net Cost Strategic Goal 1	**$**	**6,164,385**	**$**	**6,221,869**
STRATEGIC GOAL 2 - PREVENTION:				
Gross Cost	$	88,818,359	$	90,614,490
Earned Revenue		(3,497,608)		(2,718,333)
Net Cost Strategic Goal 2	**$**	**85,320,751**	**$**	**87,896,157**
STRATEGIC GOAL 3 - RESPONSE:				
Gross Cost	$	35,082,687	$	29,348,917
Earned Revenue		-		-
Net Cost Strategic Goal 3	**$**	**35,082,687**	**$**	**29,348,917**
STRATEGIC GOAL 4 - COMMUNICATION:				
Gross Cost	$	12,065,127	$	10,700,820
Earned Revenue		-		-
Net Cost Strategic Goal 4	**$**	**10,700,820**	**$**	**10,700,820**
TOTAL ENTITY:				
Total Gross Cost	$	142,130,558	$	136,886,096
Total Earned Revenue		(3,497,608)		(2,718,333)
Total Net Cost of Operations (Note 16)	**$**	**138,632,950**	**$**	**134,167,763**

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Changes in Net Position
For the Years Ended September 30, 2021 and 2020
(In dollars)

	FY 2021	FY 2020
UNEXPENDED APPROPRIATIONS:		
Beginning Balance, as adjusted	$ 36,479,895	$ 31,506,114
BUDGETARY FINANCING SOURCES:		
Appropriations Received	185,000,000	132,500,000
Other Adjustments - Appropriations Returned to Treasury	(859,746)	(793,186)
Appropriations Used	(134,642,769)	(126,733,033)
Total Budgetary Financing Sources	49,497,485	4,973,781
Total Unexpended Appropriations	**$ 85,977,380**	**$ 36,479,895**
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balance, as adjusted	$ (4,808,168)	$ (924,795)
BUDGETARY FINANCING SOURCES:		
Appropriations Used	134,642,769	126,733,033
Transfers In/Out Without Reimbursement	3,392	-
OTHER FINANCING SOURCES (NON-EXCHANGE):		
Imputed Financing (Note 9)	4,023,526	3,551,306
Other	-	50
Total Financing Sources	138,669,687	130,284,389
Net Cost of Operations (Note 16)	(138,632,950)	(134,167,763)
Net Change	(36,737)	(3,883,374)
Cumulative Results of Operations (Note 10)	**$ (4,771,431)**	**(4,808,168)**
Net Position	**$ 81,205,949**	**$ 31,671,727**

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Budgetary Resources
For the Years Ended September 30, 2021 and 2020
(In dollars)

	FY 2021	FY 2020
BUDGETARY RESOURCES:		
Unobligated balance from prior year budget authority, net	$ 4,575,702	$ 3,620,020
Appropriations	185,00,000	135,200,000
Spending authority from offsetting collections	4,349,933	2,870,445
Total Budgetary Resources	**$ 193,925,635**	**$ 138,990,465**
STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward Adjustments (Note 12)	$ 142,993,123	$ 134,554,672
Unobligated balance, end of year:		
Apportioned, unexpired account	49,404,209	2,579,048
Unapportioned, unexpired accounts	55,839	142,485
Expired Unobligated Balance, end of year	1,472,464	1,714,260
Unobligated balance, end of year (total)	50,932,512	4,435,793
Total Status of Budgetary Resources	**$ 193,925,635**	**$ 138,990,465**
OUTLAYS, NET:		
Outlays, net (total)	$ 131,444,850	$ 127,052,337
Distributed offsetting receipts	(7,603)	(12,849)
Total Agency Outlays, net (Note 16)	**$ 131,437,247**	**$ 127,039,488**

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Custodial Activity
For the Years Ended September 30, 2021 and 2020
(In dollars)

	FY 2021		FY 2020	
REVENUE ACTIVITY:				
Sources of Cash Collections:				
Civil Fines & Penalties	$	7,950,000	$	250,000
FOIA and Miscellaneous		7,603		12,849
Total Cash Collections		7,957,603		262,849
Accrual Adjustments		113		(250,838)
Total Custodial Revenue (Note 15)	**$**	**7,957,716**	**$**	**12,011**
DISPOSITION OF COLLECTIONS:				
Transferred to Others (by Recipient)	$	7,957,603	$	262,849
Increase/(Decrease) in Amounts Yet to be Transferred		113		(250,838)
Retained by the Reporting Entity		-		-
Total Disposition of Collections	**$**	**7,957,716**	**$**	**12,011**
Net Custodial Activity	**$**	**-**	**$**	**-**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Appropriated Funds: These funds consist of salaries and expense appropriation accounts used to fund agency operations and capital expenditures, the grant program under the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act), and COVID-19 relief under the American Rescue Plan Act (ARPA).

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

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

Budget Authority

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

Basis of Accounting and Presentation

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

Assets

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

A. Fund Balance with Treasury

The U.S. Department of Treasury (U.S. Treasury) collects and disburses cash on behalf of CPSC. Fund Balance with Treasury 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. Fund Balance with 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.

B. Accounts Receivable and Allowance for Uncollectible Accounts

The CPSC's accounts receivable are classified into two types of accounts. Entity accounts receivables include amounts due from customers for reimbursable agreement, overpayment to vendors and current and former employees. Non-entity accounts receivable are civil monetary penalties resulting from the CPSC's enforcement actions, and for fees billed to fulfill Freedom of Information Act requests. The CPSC holds these non-entity 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.

C. Property and Equipment

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

Beginning October 2019, equipment and software with a useful life of two or more years are capitalized when the acquisition value is $30,000 or greater. Bulk furniture, fixture, other equipment, and software purchases and leasehold improvements with an aggregate acquisition cost of $100,000 and a useful life of two or more years are capitalized. The CPSC reports property and equipment purchases and additions at historical costs. The CPSC treats property and equipment acquisitions that do not meet the capitalization criteria as an expense.

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

Liabilities

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

A. Accounts Payable

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

B. Salaries and Federal Employee Benefits

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

C. Accrued Annual Leave

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

D. Federal Employees' Compensation Act (FECA)

The CPSC records an estimated unfunded liability for future 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.

E. Commitments and 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**.**

Changes in Entity or Financial Reporting

Certain prior year amounts in the financial statements and notes have been reclassified to conform to the current year presentation.

Classified Activities

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

Note 2 – Fund Balance with Treasury

CPSC's Fund Balance with Treasury consist of apportioned and unapportioned funds. The status of these funds as of September 30, 2021 and September 30, 2020 is:

	2021	2020
Entity		
Unobligated Balance		
Available	$ 49,404,209	$ 2,579,048
Unavailable	1,528,303	1,856,745
Obligated Balance, Not Yet Disbursed	45,320,647	39,121,963
Total Entity Fund Balance with Treasury	96,253,159	43,557,756
Non-Entity		
Custodial Funds held for Treasury	-	-
Total Fund Balance with Treasury	$ 96,253,159	$ 43,557,756

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, 2021 and September 30, 2020 was $49,404,209 and $2,579,048 respectively.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The unavailable unobligated balance as of September 30, 2021 and September 30, 2020 was $1,528,303 and $1,856,745 respectively.

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

The custodial funds held for Treasury consist of collections of fines and penalties received from violators of the Consumer Product Safety Act (as amended) and Freedom of Information Act (FOIA) charges both of which are not available for CPSC to use. The custodial funds held for Treasury makes up the difference between the Fund Balance with Treasury amount reported in the CPSC general ledger and the balance reported in the Governmentwide Accounting (GWA) Statement Module. The custodial funds held for Treasury as of September 30, 2021 and September 30, 2020 was $0 for both years.

The increase in Fund Balance with Treasury from the prior year is due to an additional $2.5M in current year appropriated funds and $50M in additional funding received under the American Rescue Plan Act of 2021.

Note 3 – Accounts Receivable, Net

The CPSC's accounts receivable is comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided, amounts due from current and former employees and other public receivables. The non-entity receivables include Civil Fines and Penalties and Freedom of Information Act activity. The non-entity civil fines and penalties are aged and either in litigation, forbearance or a formal appeals process. No allowance for uncollectible amounts or related provision for estimated losses has been established for the CPSC's accounts receivable, as these amounts are fully collectible based on historical experience. The composition of accounts receivable as of September 30, 2021 and September 30, 2020 is:

Accounts Receivable	2021	2020
Entity		
Intragovernmental		
Accounts Receivable	$ 141,644	$ 1,471,380
Public		
Accounts Receivable	14,773	3,187
Non-Entity		
Public		
Civil Fines and Penalties	4,583	4,583
Other Receivable	7,858	7,745
Total Non-Entity Accounts Receivable	12,441	12,328
Total Accounts Receivable	$ 168,858	$ 1,486,895

Note 4 – Advances and Prepayments

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

The balance of advances to other federal agencies as of September 30, 2021 and September 30, 2020 is $385,973 and $654,382, respectively.

Note 5 – General Property and Equipment, Net

The composition of general property and equipment (GPE) as of September 30, 2021 is:

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

The composition of GPE as of September 30, 2020 is:

Classes of GPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	$ 23,058,974	$ 21,627,838	$ 1,431,136	6-14
Equipment	21,698,983	17,950,752	3,748,231	5-12
Furniture, Fixture & Other Equipment	2,608,689	2,608,689	-	3-5
ADP Software	2,550,843	2,243,202	307,641	5
ADP Software in Progress	134,100	-	134,100	
Construction in Progress	121,210	-	121,210	
Total	$ 50,172,799	$ 44,430,481	$ 5,742,318	

Note 6 – Liabilities Not Covered by Budgetary Resources

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

The liabilities on the CPSC's balance sheet as of September 30, 2021 and September 30, 2020 include liabilities not covered by budgetary resources. The intra-governmental liabilities are owed to DOL for the FECA (disability) payments and the General Services Administration (GSA) for the tenant improvement allowance provided as a part of the long-term lease on office facilities. The CPSC also recognizes liabilities for employee annual leave 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, 2021 and September 30, 2020 is:

Liabilities Not Covered by Budgetary Resources		2021		2020
Intra-governmental				
Worker's Compensation	$	432,957	$	573,042
Other Unfunded Liabilities		-		2,057
Tenant Improvement Liability		1,357,175		1,579,621
Total Intra-governmental		1,790,132		2,154,720
Accrued Annual Leave		6,576,708		6,321,772
Worker's Compensation Actuarial		3,221,525		3,325,094
Total Liabilities Not Covered by Budgetary Resources	$	11,588,365	$	11,801,586
Total Liabilities Covered by Budgetary Resources	$	10,781,050	$	7,955,710
Total Liabilities Not Requiring Budgetary Resources (see Note 8)	$	12,441	$	12,328
Liabilities Not Covered by Budgetary Resources	$	22,381,856	$	19,769,624

Note 7 – Accounts Payable, Tenant Improvement Liability (TIL)

The composition of TIL as of September 30, 2021 and September 2020 is:

Other Liabilities		2021		2020
Intra-governmental				
Tenant Improvement Liability – HQ	$	200,681	$	307,566
Tenant Improvement Liability – NPTEC		1,156,494		1,272,055
Total Tenant Improvement Liability	$	1,357,175	$	1,579,621

The unfunded intragovernmental 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 National Product Testing and Evaluation Center (NPTEC) located in Rockville, and the Sample Storage Facility (SSF) located in Gaithersburg. The three leases provided an allowance for customization of the properties. The TIL is amortized over the life of the lease. The TIL is reduced when the amortized amount is billed by the GSA and paid by the CPSC.

Note 8 – Other Liabilities

Other Liabilities		2021		2020
Intra-governmental				
Employee Benefits	$	794,738	$	689,033
Workers' Compensation		432,957		573,042
Employer Contributions Payable		245,429		231,794

Custodial Liability	12,441	9,829
Other Unfunded Employment Liability	-	2057
Total Intra-governmental	$ 1,485,565	$ 1,505,754
With the Public		
Accrued Payroll and Leave	$ 3,459,795	$ 3,231,586
Custodial Liability	-	2,500
Other Liabilities w/Related Budgetary Obligations	52,735	41,788
Total With the Public	$ 3,512,530	$ 3,275,874
Total Other Liabilities	$ 4,998,095	$ 4,781,628

CSRS, FERS, FICA, FEHB, and FEGLI contributions are shown on the balance sheets as an employee benefits and employer contributions liability. Amounts owed to OPM and Treasury as of September 30, 2021 and September 30, 2020, were $1,040,167 and $920,827, respectively.

The CPSC has authority to levy fines and penalties against manufacturers, retailers or distributors who violate the Consumer Product Safety Act (as amended), Federal Hazardous Substance Act, and the Flammable Fabrics Act. Civil penalty collections are deposited in the U.S. Treasury and are not available for the CPSC to use. The CPSC also charges a fee for the processing of Freedom of Information Act (FOIA) requests. FOIA fees are also deposited in the U.S. Treasury and are not available for the CPSC to use. Civil penalties and FOIA fees due and balances in the general fund receipt accounts are recognized as a custodial liability on the CPSC's Balance Sheet. As of September 30, 2021, and September 30, 2020, the total Custodial Liabilities are $12,441 and $12,328 respectively. The revenue and collection activities of these liabilities are presented in the Statement of Custodial Activities.

Note 9 – Federal Employee Benefits Payable

Federal employee benefits consist of the actuarial portion of future benefits earned by federal employees, but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits, excluding workers compensation. These benefits are administered by the Office of Personnel Management (OPM) and not the CPSC. Since the CPSC does not administer the benefit plans, the CPSC does not recognize any liability on the Balance Sheet for pensions, other retirement benefits and other postemployment 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. Imputed financing sources totaled $4,023,526 and $3,551,306 for the periods ending September 30, 2021 and September 30, 2020, respectively.

The federal employee benefits payable as shown on the Balance Sheet as of September 30, 2021 and September 30, 2020 are $9,955,765 and $9,787,951, respectively. The federal employee retirement benefit costs paid by OPM and imputed to CPSC for the period ended September 30, 2021 and September 30, 2020 is:

	2021	2020
Estimated future pension costs (CSRS/ FERS)	$ 594,757	$ 283,547
Estimated future postretirement health insurance (FEHB)	3,417,947	3,257,400

Estimated future postretirement life insurance (FEGLI)	10,822	10,359
Total Imputed Costs	$ 4,023,526	$ 3,551,306

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.

Note 10 – Cumulative Results of Operations

The cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of the CPSC's cumulative results of operations for the fiscal year ending September 30, 2021 and September 30, 2020 is:

	2021	2020
Investment in leasehold improvements, net	$ 1,870,398	$ 1,431,136
Investment in property and equipment, net	4,909,417	4,311,182
Tenant improvement allowance	-	1,228,960
Gift fund	18,953	18,953
Other assets and resources	18,166	3,188
Liabilities not covered by budgetary resources	(11,588,365)	(11,801,586)
Cumulative results of operations	$ (4,771,431)	$ (4,808,168)

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 6** for the composition of liabilities not covered by budgetary resources.

Note 11 – Operating Leases

The CPSC's lease agreements with the GSA are for three facilities in Maryland; HQ offices located in Bethesda, the NPTEC located in Rockville, and the SSF located in Gaithersburg. These operating lease agreements expire between fiscal years 2022 and 2035. The HQ and NPTEC facilities also have new negotiated occupancy agreements to start in the near future as disclosed below. Lease costs for the period ended September 30, 2021 and September 30, 2020 amounted to approximately $5,550,210 and $7,730,354 respectively. Estimated future minimum lease payments for the three facilities are:

Fiscal Year	Estimated Future Lease Payments
2022	$ 7,337,947
2023	7,610,669
2024	7,653,921
2025	7,954,575
2026	8,037,063
After 2026	40,700,198
Total Estimated Future Lease Payments	$ 79,294,373

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 Virginia Graeme Baker Pool and Spa Safety Act (VGB) grant program and COVID-19 relief under the American Rescue Plan Act (ARPA); and Reimbursable Category B, restricted and activity apportionment for reimbursable activities. CPSC, currently, does not have any Reimbursable Category A apportionments. Apportionment categories of obligations incurred for the fiscal years ending September 30, 2021 and September 30, 2020 are:

	2021	2020
Direct:		
Category A	$ 133,904,303	$ 131,359,752
Category B	4,672,316	152,738
Reimbursable:		
Category A	$ -	$ -
Category B	4,416,504	3,042,182
Total Obligations incurred	$ 142,993,123	$ 134,554,672

Note 13 – Undelivered Orders

The amount of budgetary resources obligated for orders undelivered as of September 30, 2021 and September 30, 2020 are:

	2021	2020
Intragovernmental, Undelivered Orders Unpaid	$ 1,458,921	$ 2,369,021
Public, Undelivered Orders Unpaid	36,248,547	31,216,947
Intragovernmental, Undelivered Orders Paid	$ 385,973	$ 654,382
Public, Undelivered Orders Paid	-	-
Total Undelivered Orders	$ 38,093,441	$ 34,240,350

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 2020statement of budgetary resources with the corresponding information presented in the fiscal year 2022 President's Budget is:

FY 2020	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 138,990,465	$ 134,554,672	$ 12,849	$127,052,337
Expired Unobligated Balance, end of year	$ (1,714,260)	$ -	$ -	$ -
Rounding	$ (276,205)	$ (554,672)	$ (12,849)	$ 947,663
FY 2022 Presidents Budget	$ 137,000,000	$ 134,000,000	$ -	$128,000,000

The FY 2023 Budget of the U.S. Government (also known as the President's Budget) will not be published prior to February 2022. Accordingly, a comparison between the fiscal year 2021 data reflected on the statement of budgetary resources and fiscal year 2021 data in the President's Budget cannot be performed. The Budget with the actual amount for fiscal year 2021 will be available later at https://www.whitehouse.gov/omb/budget. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance 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 Consumer Product Safety Act (as amended), Federal Hazardous Substance Act, and the Flammable Fabrics Act, 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 Freedom of Information Act (FOIA) expenses incurred by the agency when requests are made from the public for CPSC documents. During fiscal year 2021, there was one assessed civil penalty amounting in $7,950,000. All custodial revenue collections are deposited in the U.S. Treasury and are not available for the CPSC to use.

Note 16 – Reconciliation of Net Cost to Net Outlays

The Budget Accrual Reconciliation (BAR) is a reconciliation of net outlays that are presented on a budgetary basis and the net cost that are presented on an accrual basis, to provide an explanation of the relationship between budgetary and financial accounting information.

The BARs for the period ending September 30, 2021 and September 30, 2020 are:

Budget and Accrual Reconciliation
For the Year Ended September 30, 2021
(In dollars)

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 32,048,150	$ 106,584,800	$ 138,632,950
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
General Property and Equipment Depreciation Expense	-	(2,248,227)	(2,248,227)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(1,329,737)	11,586	(1,318,151)
Other Assets	(268,410	-	(268,410)
(Increase)/Decrease in Liabilities:			
Accounts payable	(345,643)	(1,882,308)	(2,227,951)
Federal Employee Benefits Payable	-	(167,814)	(167,814)
Other Liabilities	22,802	(239,155)	(216,353)
Financing Sources:			
Imputed Cost	(4,023,526)	-	(4,023,526)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (5,944,514)	$ (4,525,918)	$ (10,470,432)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	1,224,523	2,061,201	3,285,724
Financing Sources:			
Transfers Out (In) Without Reimbursements	(3,392)	-	(3,392)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ 1,221,131	$ 2,061,201	$ 3,282,332
Misc Items:			
Distributed Offsetting Receipts (SBR 4200)	-	-	(7,603)
Custodial/Non-Exchange Revenue	7,957,715	(7,957,715)	-
Total Other Reconciling Items	$ 7,957,715	$ (7,957,715)	$ (7,603)
Total Net Outlays (Calculated Total)	$ 35,282,482	$ 96,162,368	$ 131,437,247
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 131,437,247

Budget and Accrual Reconciliation
For The Year Ended September 30, 2020
(In dollars)

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 33,369,965	$ 100,797,798	$ 134,167,763
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
General Property and Equipment Depreciation Expense	-	(4,770,255)	(4,770,255)
General Property and Equipment Disposals & Evaluations	-	(7,284)	(7,284)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(628,551)	(248,887)	(877,438)
Other Assets	593,389	-	593,389
(Increase)/Decrease in Liabilities:			
Accounts payable	564,499	1,838,290	(2,402,789)
Federal Employee Benefits Payable	(234,352)	(643,223)	(877,575)
Other Liabilities	(469,269)	(958,286)	(1,427,555)
Financing Sources:			
Imputed Cost	(3,551,306)	-	(3,551,306)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (3,725,590)	$ (4,789,645)	$ (8,515,235)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	-	1,399,861	1,399,861
Financing Sources:			
Transfers Out (In) Without Reimbursements	-	-	-
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 1,399,861	$ 1,399,861
Misc Items:			
Distributed Offsetting Receipts (SBR 4200)	-	-	(12,849)
Custodial/Non-Exchange Revenue	9,511	(9,511)	-
Total Other Reconciling Items	$ 9,511	$ (9,511)	$ (12,849)
Total Net Outlays (Calculated Total)	$ 29,653,886	$ 97,398,503	$ 127,039,540
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 127,039,488

Note 17 – American Rescue Plan Funding

The American Rescue Plan Act (ARPA) of 2021 (P.L. 117-2) was signed into law by President Biden on March 11, 2021. This bill provided additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses.
CPSC received $50 million in FY 2021 supplemental appropriations to remain available until September 30, 2026 for the following purposes:

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

Of the $50 million received in supplemental appropriations, as of September 30, 2021, $5 million has been apportioned by the agency. A total of $3,633,335 has been obligated, $544,093 and $3,089,242 for payroll and non-pay activities respectively. Due to the additional appropriations received in FY 2021 under ARPA, the CPSC has seen an increase in assets, financing sources and budgetary resources. See Notes 2, 12, 13, and 14.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

U.S. Consumer Product Safety Commission
Combining Statement of Budgetary Resources by Fund
For the Year ended September 30, 2021
(In dollars)

	Salaries and Expenses and Other Funds	Gift Fund	Total
BUDGETARY RESOURCES:			
Unobligated balance from prior year budget authority, net	$ 4,556,749	$ 18,953	$ 4,575,702
Appropriations	185,000,000	-	185,000,000
Spending authority from offsetting collections	4,349,933	-	4,349,933
Total Budgetary Resources	**$ 193,906,682**	**$ 18,953**	**$ 193,925,635**
STATUS OF BUDGETARY RESOURCES:			
New Obligations and Upward Adjustments (Note 12)	$ 142,993,123	-	$ 142,993,123
Unobligated balance, end of year:			
Apportioned, unexpired account	49,404,209	-	49,404,209
Unapportioned, unexpired accounts	36,886	18,953	55,839
Expired Unobligated Balance, end of year	1,472,464	-	1,472,4641
Unobligated balance, end of year (total)	50,913,559	18,953	50,932,512
Total Status of Budgetary Resources	**$ 193,906,682**	**$ 18,953**	**$ 193,925,635**
OUTLAYS, NET:			
Outlays, net (total)	$ 131,444,850	-	$ 131,444,850
Distributed offsetting receipts	(7,603)	-	(7,603)
Total Agency Outlays, net (Note 11)	**$ 131,437,247**	**$ -**	**$ 131,437,247**

The accompanying notes are an integral part of these statements.

Photo below from 2021 NSN Poster "Spring into Safety... as You Live the 'New Normal': Use Power Tools Safely"

OTHER INFORMATION

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

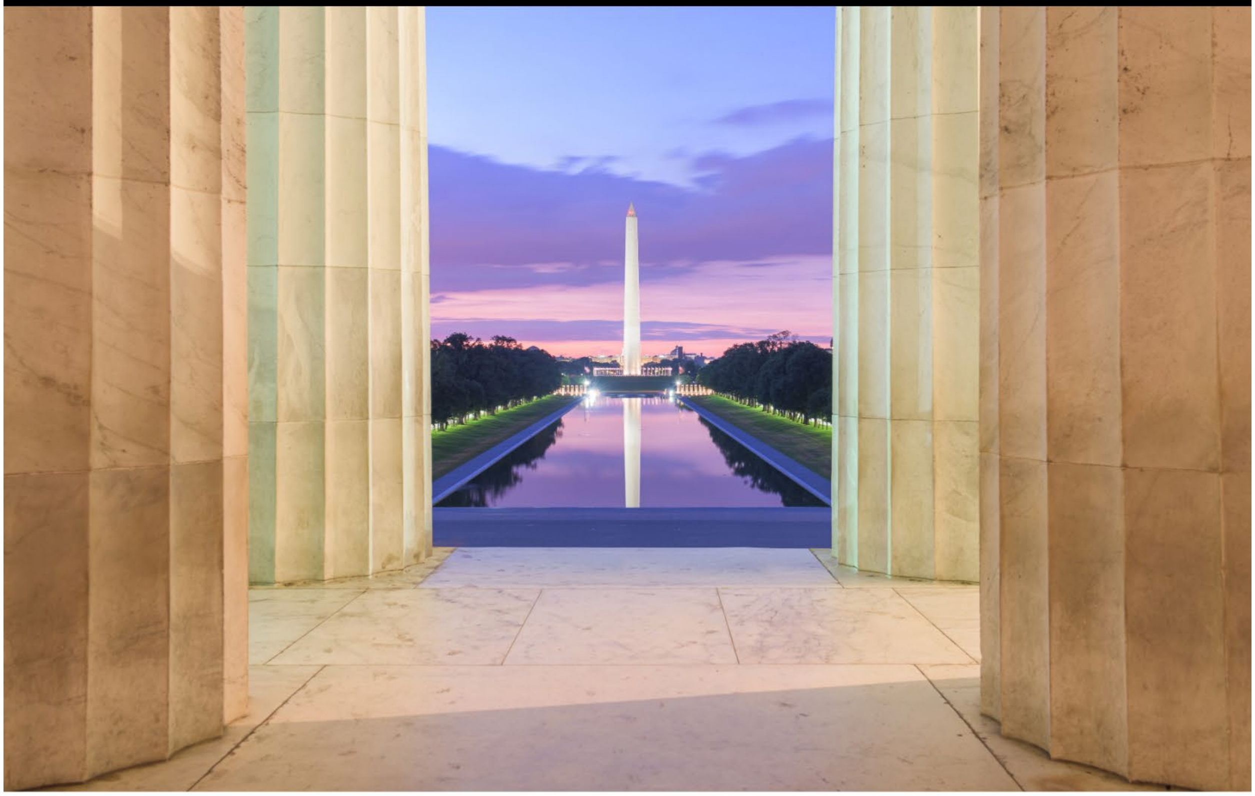
- Inspector General's Management Challenges Report
- Summary of Financial Statement Audit and Management Assurances
- Payment Integrity Information Act Reporting

INSPECTOR GENERAL'S MANAGEMENT CHALLENGES REPORT

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

TOP MANAGEMENT AND PERFORMANCE CHALLENGES FOR FISCAL YEAR 2022

October 21, 2021 22-O-01



VISION STATEMENT

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

STATEMENT OF PRINCIPLES

We will work with the Commission and the Congress to improve program management.

Maximize the positive impact and ensure the independence and objectivity of our audits, investigations, and other reviews.

Use our investigations and other reviews to increase government integrity and recommend improved systems to prevent fraud, waste, and abuse.

Be innovative, question existing procedures, and suggest improvements.

Build relationships with program managers based on a shared commitment to improving program operations and effectiveness.

Strive to continually improve the quality and usefulness of our products.

Work together to address government-wide issues.

October 21, 2021

TO: Alexander Hoehn-Saric, Chairman
Robert S. Adler, Commissioner
Dana Baiocco, Commissioner
Peter A. Feldman, Commissioner

FROM: Christopher W. Dentel, Inspector General CHRISTOPHER DENTEL Digitally signed by CHRISTOPHER DENTEL Date: 2021.10.20 12:07:38 -04'00'

SUBJECT: Top Management and Performance Challenges for Fiscal Year 2022

In accordance with the Reports Consolidation Act of 2000, I am providing you information on what I consider to be the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission (CPSC) in fiscal year (FY) 2022. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. Serious management and performance challenges are defined as mission critical areas or programs that have the potential to be a significant weakness or vulnerability that would greatly impact agency operations or strategic goals if not addressed by management.

We anticipate that there will be new senior leadership in several key positions at the CPSC in FY 2022. As detailed in the following pages, the challenges facing these new leaders will be magnified by the ongoing pandemic, changes caused by the anticipated return of the workforce to the office, an anticipated increase in agency resources, and a series of missteps made by previous leadership.

Moving forward, leadership must do a better job of setting high standards for employees' conduct and performance, measuring program performance appropriately, and holding employees accountable.

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

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

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INTRODUCTION

The fiscal year (FY) 2022 management and performance challenges directly relate to the U.S. Consumer Product Safety Commission's (CPSC) mission of "Keeping Consumers Safe" and address both the strategic goals and cross-cutting priorities which support the CPSC's mission. Although the ongoing pandemic has created challenges for the agency, these challenges are addressed across the management and performance challenges listed below rather than as a separate standalone challenge. Our work over the past year has evidenced that, although improvements have occurred in some areas, there has been an overall regression in the CPSC's efforts to establish an appropriate "tone at the top", to implement an effective internal control system over agency operations, and to implement past OIG recommendations. The FY 2022 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 the CPSC management and staff.

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

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

1. INTERNAL CONTROL SYSTEM

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

Federal standards for internal 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*. 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* (Green Book), and the internal control requirements of the Federal Manager's Financial Integrity Act (FMFIA).

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

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

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

- revising the procedures governing the statement of assurance process to better align with their performance-based budget
- providing training to senior managers on their responsibilities regarding the statement of assurance process
- working toward closing internal control recommendations related to the telework, grants, and NEISS programs
- attempting to increase the resources dedicated to improving agency internal controls by requesting 3 new employees for this purpose in the FY 2023 budget justification

The 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. For years, the CPSC has asserted that it had effective internal controls over all programs and complied with applicable laws and regulations. These assertions were made based on the results of signed letters of assurance made by management officials affirming that there were effective internal controls in place in the offices for which they were responsible. As demonstrated in the Clearinghouse Data Breach Investigation, numerous management officials made those affirmations despite knowing that the assertions they were making regarding the status of internal controls in their offices were not true.

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

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

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

A fundamental weakness in the CPSC's internal control system is the agency's failure to develop and maintain an up-to-date set of written policies and procedures. This problem, first documented over two years ago in our Audit of the CPSC's Directives System, has never been adequately addressed. Although some offices have begun utilizing the new directives process developed as a result of that audit, other offices have not and entirely too many areas of agency operation are either governed by out-of-date directives or lack formal directives.

As noted above, the OIG has found serious issues related to internal control deficiencies in a number of areas; however, these problems are almost exclusively limited to operational programs.

This management challenge aligns with the 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: Report of Investigation Regarding the 2019 Clearinghouse Data Breach, Audit of the CPSC's Grants Program, Evaluation of CPSC's FISMA Implementation for FY 2020, Audit of the CPSC's Implementation of FMFIA for FYs 2018 and 2019, Review of the CPSC's Compliance with the Payment Integrity Information Act for Fiscal Year 2020, and the Audit of the CPSC's NEISS Program.

Ongoing or upcoming OIG work in this area includes: evaluation of the CPSC's FISMA implementation for FY 2021 and audit of the CPSC's compliance with the Digital Accountability and Transparency Act.

2. ENTERPRISE RISK MANAGEMENT

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

- align ERM to mission objectives
- identify risks
- assess risks
- select risk responses

- monitor risks
- communicate and report on risks as conditions change

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

We note that the CPSC has experience using a risk-based methodology for its research and inspection operations. Although the Office of Financial Management, Planning, and Evaluation has begun work on a risk assessment process for the agency, very little progress has occurred in this area due to a lack of resources and support by senior management. We encourage the agency to properly resource and expand these risk management efforts to include its support operations and to allocate resources to the areas of greatest opportunities for improvement in agency programs.

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

"A mature ERM process would have allowed for a more nuanced approach which would have better balanced the risks to inspectors against the safety of American consumers."

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 and the resulting negative impact on the CPSC's ability to implement internal controls have been repeatedly noted in past Federal Information Security Modernization Act (FISMA) reviews, including the Evaluation of CPSC's FISMA Implementation for FY 2020, the most recently completed FISMA review, the Audit of the CPSC's Grants Program, and the Report of Investigation Regarding the 2019 Clearinghouse Data Breach.

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

3. RESOURCE MANAGEMENT

This challenge relates to management's stewardship of its resources including human capital, agency funds, and agency assets. This challenge is exacerbated by both the pandemic and the anticipated substantial increase in agency funding projected to occur over the next few years.

The agency needs to assess whether it currently has the right personnel for the job and is providing the right training, tools, structure, and incentives to achieve operational success. Management must continually assess the agency's needs regarding knowledge, skills, and abilities so that the agency can be effective now and prepare for the challenges of the future. These challenges have been highlighted by the adoption of full-time telework due to the ongoing pandemic.

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

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

The agency would improve the efficiency and effectiveness of the CPSC's mission-related safety operations by incorporating improvements described in government-wide directives and OIG recommendations.

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.

In FY 2021, the OIG presented and agency management concurred with 99 recommendations. During the same time period, agency management resolved only 20 recommendations. There are a total of 215 open recommendations. A number of these recommendations, all of which were determined to be meritorious by agency management, are over eight years old.

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

"There are a total of 215 open recommendations. A number of these recommendations, all of which were determined to be meritorious by agency management, are over eight years old."

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

The agency has made strides in updating its telework policies and procedures. The telework program has proven to be essential in the agency's transition to full-time telework and will continue to play a key role in its adoption of a hybrid work environment.

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 Grants Program, Report of Investigation Regarding the 2019 Clearinghouse Data Breach, Audit of the CPSC's Financial Statements for 2020, The Office of Inspector General's Survey on the Transition to Mandatory Fulltime Telework, Independent Risk Assessment of the CPSC's Charge Card Programs, and the Results of the OIG Survey on Returning to the Workplace.

The statutory audits and reviews related to financial statements, FISMA, and the Payment Integrity Information Act address this challenge annually. In addition to the statutorily required audits and reviews, the OIG has ongoing work in the area of Human Resource Management Practices.

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. The agency will need to reassess the balance between allocating resources to new systems versus securing and maintaining legacy systems. This challenge is not unique to the CPSC.

The FY 2020 FISMA evaluation found that the CPSC continues to make progress in implementing the FISMA requirements. For example, the CPSC had:

- continued development of a formal Enterprise Architecture
- made progress on completing Plans of Actions & Milestones
- continued the implementation of technology to support privileged user account management
- hired an additional person to support the privacy program

- continued the implementation of Information Security Continuous Monitoring (ISCM) program system level requirements
- further enhanced network defenses by baselining network activity through the use of network profiling techniques
- performed some business impact analysis tasks to enhance contingency planning

Additionally, in FY 2020 and FY 2021, the CPSC conducted training regarding the importance of protecting both Personally Identifiable Information and section 6(b) information.[1]

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

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

The IT challenges currently facing the CPSC include evolving threats, increasingly sophisticated attacks, new compliance requirements, and state sponsored attacks on government IT assets, and also the challenges presented by the remote work environment adopted to deal with the pandemic. These challenges will continue as the CPSC transitions to a hybrid work environment.

Over the years, this office has identified several security weaknesses in the CPSC's information security internal control policies, procedures, and practices that remain unremediated. These conditions have resulted in the unauthorized disclosure of sensitive information and could result in

[1] Section 6(b) refers to Section 6(b) of the Consumer Product Safety Act (CPSA) 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.

the unauthorized modification or destruction of data and inaccessibility of services and information required to support the mission of the CPSC.

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

Recently completed OIG work related to this CPSC cross-cutting priority includes the: Evaluation of CPSC's FISMA Implementation for FY 2020, Report of Investigation Regarding the 2019 Clearinghouse Data Breach, Report on the Penetration and Vulnerability Assessment of CPSC's Information Technology Systems, and Audit of the CPSC's Financial Statements for FY 2019 and 2020.

In addition to the statutorily required audits and reviews, the OIG is either in the process of assessing or has planned work related to this CPSC cross-cutting priority in the areas of records management, Privacy Act implementation, enterprise architecture, and Evaluation of the CPSC's Implementation of the Cybersecurity Framework.

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

To report Fraud, Waste, or Abuse, Mismanagement or Wrongdoing at the CPSC go to
OIG.CPSC.GOV or call (301) 504-7906

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

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit

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

Summary of Management Assurances

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance	Modified					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Unauthorized Disclosure	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

Effectiveness of Internal Control over Reporting (FMFIA § 2)

Statement of Assurance	Unmodified					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Federal Financial Management System Requirements (FMFIA § 4)

Statement of Assurance	Systems conform to financial management system requirements					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Nonconformance	0	0	0	0	0	0

PAYMENT INTEGRITY INFORMATION ACT REPORTING

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

The PIIA requires agencies to improve the quality of oversight for high-dollar and high-risk programs, and it mandates that agencies share data regarding recipient eligibility and payment amounts. For more detailed information on 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 (OMB) Memorandum M-19-21, which revised Appendix C in OMB Circular A-123, *Requirements for Payment Integrity Improvement*.

CPSC reviews transactions to identify improper payments and differentiate between improper payments resulting from payment processing errors where there was no monetary loss to the taxpayer, versus improper payments that resulted in a monetary loss to the taxpayer requiring payment recapture. The FY 2021 analysis did not evidence significant improper payments resulting in monetary loss to the taxpayer.

Review of Program Activities in FY 2021

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

Payment Reporting & PIIA Noncompliance Findings

The FY 2020 PIIA review, issued by the OIG in May 2021, found that the CPSC is in compliance with OMB Memorandum M-18-02.

The results of the FY 2021 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	$ 85,845,291	100%	$ -	0%	CPSC	N/A	N/A
Non-Payroll	$ 37,311,319	99%	$ 1,410	1%	CPSC	Overpayment	Administrative processing errors

Table 2- Recapture of Payments

Activity Name	2021 Identified amount	2021 Recovered Amount	2021 Unrecovered Amount	2020 Unrecovered Amount
Payroll	$ -	$ -	$ -	$ -
Non-Payroll	$ 1,410	$ 1,410	$ -	$ 2,500

Recapture of Improper Payments

PIIA Section V 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 versus contract staff. Neither alternative was cost effective to pursue a payment recapture audit based on the root cause and nature of the improper payments. Management informed the OMB and the IG of the analysis and decision.

Although the CPSC concluded that payment recapture audits are not cost effective, the agency identifies self-reported improper payments as noted above in the overpayment disclosure. For FY 2020, the self-reported payments are errors for overpayments. All the FY 2021 overpayments have been recaptured. There is an outstanding receivable for an overpayment that was found in FY 2020, that has not been recaptured, and a debt letter has been issued to the vendor.

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

Do-Not-Pay Initiative

The CPSC is cross serviced by 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 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, before entering into an agreement, the CPSC requires recipients of financial assistance to verify that entities with whom they transact are not excluded from receiving federal funds. For pre-payment processes, ARC verifies an entity against both SAM and the Internal Revenue Service's Taxpayer Identification Number (TIN) Match Program before establishing the vendor in the core financial accounting system.

Using the DNP Business Center helps the CPSC with improving the quality and integrity of information within the financial system. 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 the review also enables ARC to classify the vendor records into risk-based categories for further evaluation. ARC deactivates the highest risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

The CPSC performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. The monthly process verifies payee information against internal sources, reviews databases within the DNP Business Center, and confirms whether the CPSC applied appropriate business rules when making payments. Based on the reviews from DNP and SAM Exclusions from October 1, 2019 through September 30, 2020, no errant payments were identified.

Fraud Risk Reduction

CPSC has adopted the U.S. 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, including:

Establishing and communicating the fraud risk management program to demonstrate the expectations of senior management;

- Performing a comprehensive fraud risk assessment to identify risks factors, including incentives, opportunities and rationale;
- 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 OMB Circular A-123 Audits, ERM program, and the Statement of Assurance (SOA) process to determine whether all fraud principles are established and operating effectively.

In FY 2021, 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 monitor 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 is adequate compensating control in place to

Photo below from
2021 NSN Poster
"#PreparePreventProtect
Avoid Poisonings at Home"

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

APPENDIX A: PERFORMANCE MEASUREMENT REPORTING PROCESS

The Annual Performance Plan (APP), in conjunction with the FY 2021 Budget Request to Congress, includes performance measures with annual targets that are used for tracking progress toward achieving the strategic goals and objectives of the agency's *2018 -2022 Strategic Plan*.

During each new cycle of development of the APP, CPSC's functional components are encouraged to review their performance measures to ensure that they still adequately measure progress toward the strategic objectives and program outcomes, and, as needed, may propose changes to improve their performance measures. The functional components are also encouraged to set aspiring annual targets for their performance measures to improve program performance. The progress against their established targets is tracked and monitored on a quarterly basis, where the functional components are responsible for reporting actual progress for each performance measure in an internal agency database. A summary of the FY 2021 performance year-end results is presented on pages 3–11 of this report, and the detailed performance results will be published in the FY 2021 APR, scheduled for February 2022, which will be posted to the agency's website at: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget.

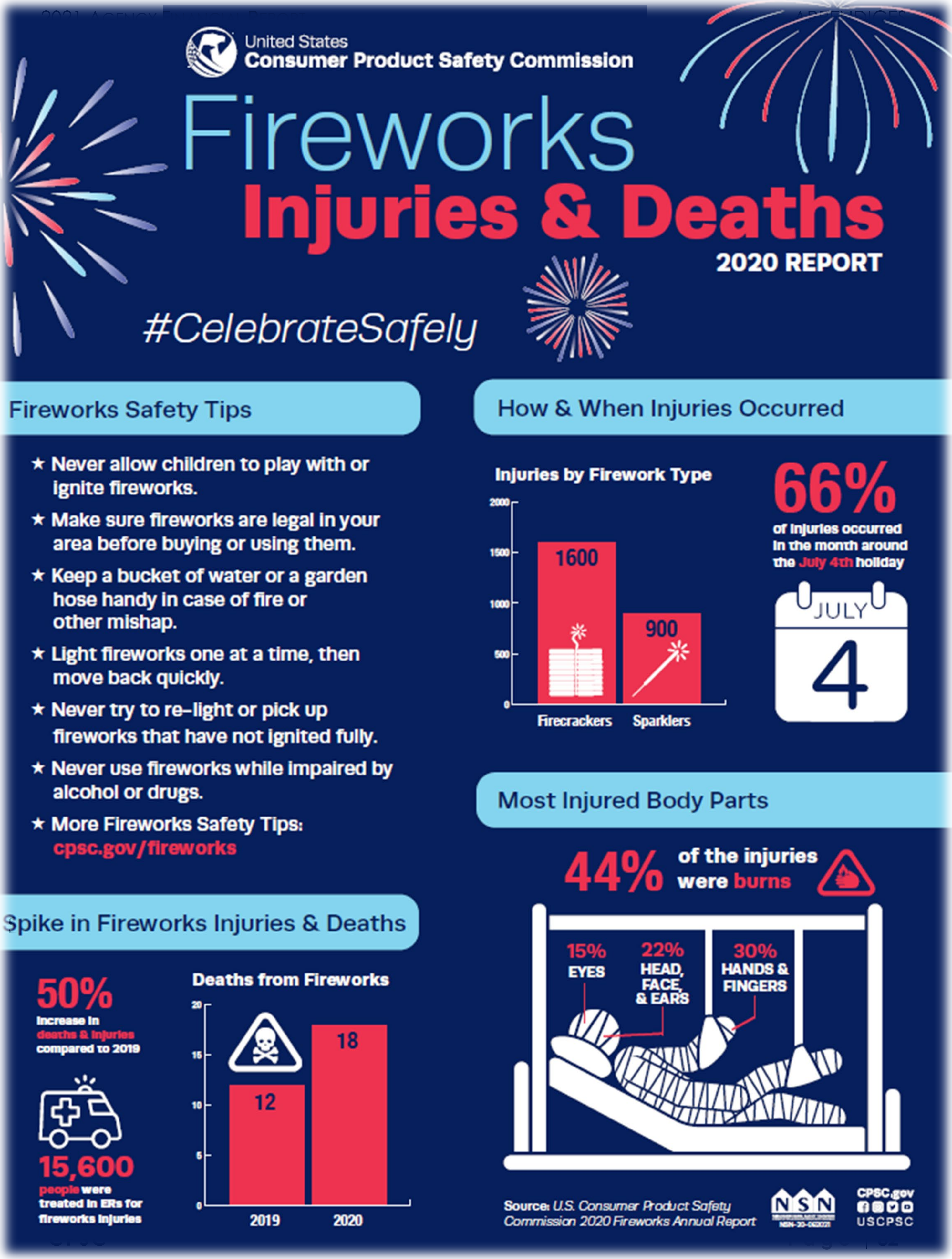
Verification and Validation of Performance Data

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 who are responsible for reporting key measures certify that procedures for ensuring performance data quality have been followed, and they also certify that the reported results are reasonably complete, accurate, and reliable.
4. In addition to the self-assessments and certification statements completed by major functional components, 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 2021, EXFM independently assessed 14 key performance measures out of 24 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 letters of assurance on the operating effectiveness of general- and program-level internal controls for their areas of responsibility. Those letters identify any known deficiencies or weaknesses in program-level internal controls where they exist, including any issues with the quality of program data.

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


United States
Consumer Product Safety Commission
Fireworks
Injuries & Deaths
2020 REPORT
#CelebrateSafely
Fireworks Safety Tips
★ Never allow children to play with or ignite fireworks.
★ Make sure fireworks are legal in your area before buying or using them.
★ Keep a bucket of water or a garden hose handy in case of fire or other mishap.
★ Light fireworks one at a time, then move back quickly.
★ Never try to re-light or pick up fireworks that have not ignited fully.
★ Never use fireworks while impaired by alcohol or drugs.
★ More Fireworks Safety Tips: cpsc.gov/fireworks
How & When Injuries Occurred
Injuries by Firework Type
2000
1500
1000
500
0
1600
900
Firecrackers
Sparklers
66%
of injuries occurred in the month around the July 4th holiday
JULY
4
Most Injured Body Parts
44% of the injuries were burns
15% EYES
22% HEAD, FACE, & EARS
30% HANDS & FINGERS
Spike in Fireworks Injuries & Deaths
50%
increase in deaths & injuries compared to 2019
15,600
people were treated in ERs for fireworks injuries
Deaths from Fireworks
20
15
10
5
0
12
18
2019
2020
Source: U.S. Consumer Product Safety Commission 2020 Fireworks Annual Report
NSN
CPSC.gov
USCPSC

APPENDIX B: STATUTORY AUTHORITY

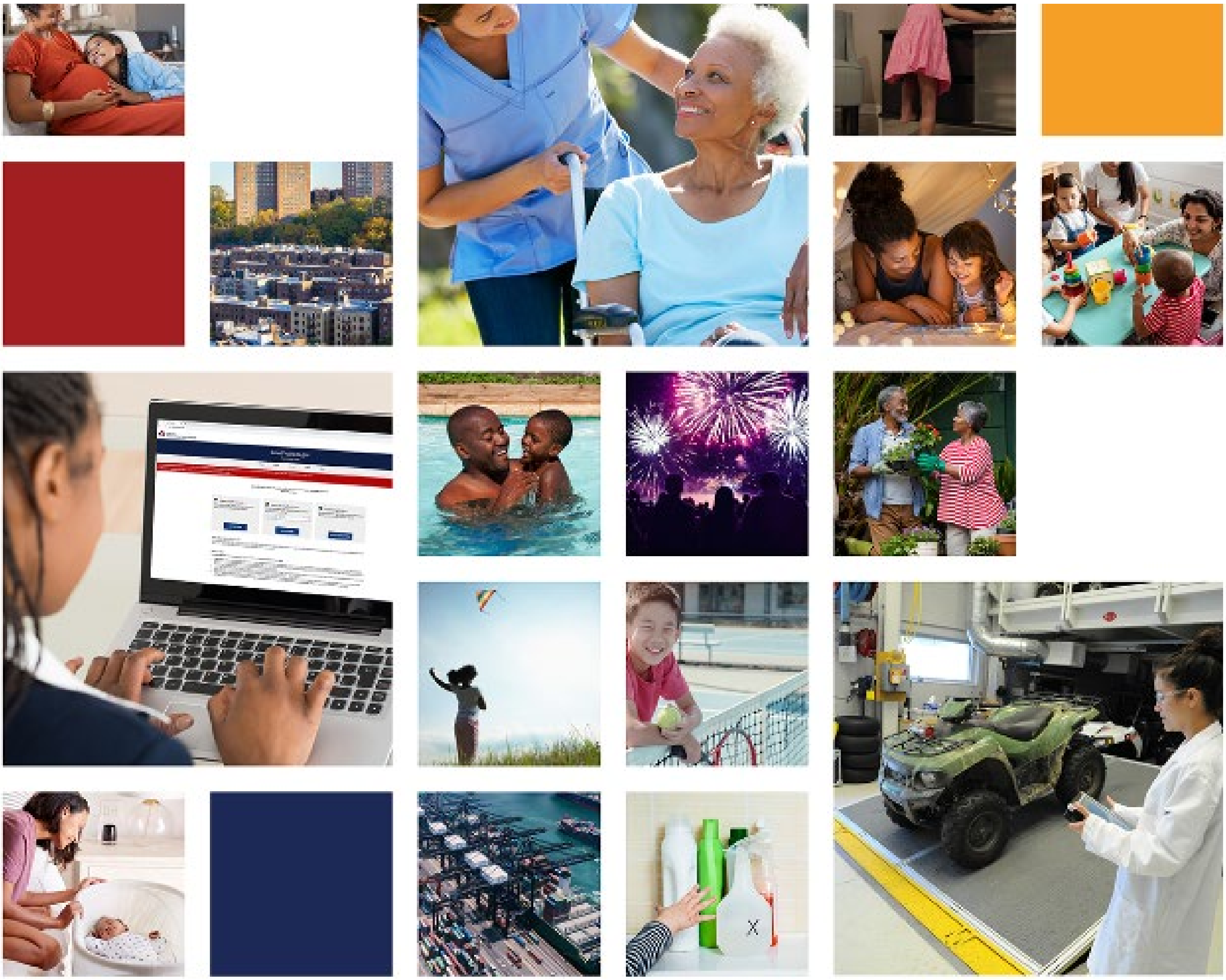
Provided below is a list of federal statutes administered by the CPSC. Links to these statutes are available on the CPSC's website at: www.cpsc.gov/Regulations-Laws--Standards/Statutes under *Regulations, Laws & Standards.*

- 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
- DSA Drywall Safety Act of 2012
- FFA Flammable Fabrics Act
- FHSA Federal Hazardous Substances Act
- LHAMA Labeling of Hazardous Art Materials Act
- 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
AI	Artificial Intelligence
APR	Annual Performance Report
ARC	Administrative Resource Center
ARPA	American Rescue Plan Act
BPR	Business Process Review
CAPs	Corrective Action Plans
CBP	U.S. Customs and Border Protection
CDC	Centers for Disease Control and Prevention
CEAR	Certificate of Excellence in Accountability Reporting
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
EDAS	Enterprise Data Analytics Strategy
DSA	Drywall Safety Act of 2012
ERM	Enterprise Risk Management
eSAFE	eCommerce, Surveillance, Analysis, Field, and Enforcement
ESC	Enterprise Services Center
EXFM	Office of Financial Management, Planning and Evaluation
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefits
FERS	Federal Employees' Retirement System
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 of 2014
FMFIA	Federal Managers' Financial Integrity Act of 1982
FOIA	Freedom of Information Act
FPPS	Federal Personnel and Payroll System
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GPE	General Property and Equipment
GSA	General Services Administration

HQ	Headquarters
IFS	Integrated Field System
IoT	Internet of Things
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPT	Integrated Product Team
ISU	Internet Surveillance Unit
IT	Information Technology
KM	Key Performance Measure
LHAMA	Labeling of Hazardous Art Materials Act
MD&A	Management Discussion and Analysis
NEISS	National Electronic Injury Surveillance System
NHTSA	National Highway Traffic Safety Administration
NNI	National Nanotechnology Initiative
NPTEC	National Product Testing and Evaluation Center
OECD	Organisation for Economic Cooperation and Development
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
OMB	Office of Management and Budget
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act
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
SAR	Semiannual Report
SBO	Small Business Ombudsman
SBR	Statement of Budgetary Resources
SES	Senior Executive Service
SNC	Statement of Net Costs
SNPR	Supplemental Notice of Proposed Rulemaking
SSAE 18	Statement on Standards for Attestation Engagements No. 18
SSF	Sample Storage facility
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
V&V	Verification and Validation
WPCPS	Working Party on Consumer Product Safety



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