

# United States Consumer Product Safety Commission

Fiscal Year 2020  
Agency Financial Report



November 16, 2020

## 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.



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

---

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

## ABOUT THIS REPORT

---

The purpose of the U.S. Consumer Product Safety Commission's FY 2020 *Agency Financial Report* (AFR) is to assist Congress, the President, and the American people in assessing the agency's stewardship of the resources it is provided. This annual report is required by legislation and complies with the requirements of the Office of Management and Budget (OMB) Circulars No. A-11, *Preparation, Submission, and Execution of the Budget*, and A-136, *Financial Reporting Requirements*.

This AFR is organized into four major sections:

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

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

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

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

This report satisfies the reporting requirements contained in the following legislation:

- *Federal Managers' Financial Integrity Act of 1982*
- *Accountability of Tax Dollars Act of 2002*
- *Government Management Reform Act of 1994*
- *Federal Financial Management Improvement Act of 1996*
- *Reports Consolidation Act of 2000*
- *Improper Payments Elimination and Recovery Act of 2010 (as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012)*
- *Government Performance and Results Act Modernization Act of 2010.*

In accordance with OMB Circular No. A-11, Part 6, 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/](http://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/).



---

\* The CPSC's FY 2020 APR is scheduled to be published concurrently with the CPSC's FY 2022 President's Budget Request in February 2021. The FY 2020 APR will provide more detailed performance information and analysis of performance results.



# CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

For the fifth consecutive year, the Association of Government Accountants (AGA) recognized the CPSC with the prestigious Certificate of Excellence in Accountability Reporting (CEAR) award, and for the first time, the CPSC won a Best in Class award for "Process for Ensuring Data Quality," for its FY 2019 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.





# TABLE OF CONTENTS

	Page
<b>MESSAGE FROM THE ACTING CHAIRMAN</b>	i
<b><u>MANAGEMENT’S DISCUSSION AND ANALYSIS</u></b>	<b>1</b>
CPSC’s Mission, and Organizational Structure.....	2
Performance Summary: An Overview.....	3
Key Performance Measures (KMs).....	4
Selected Performance Results .....	6
Analysis of Financial Statements and Stewardship Information .....	13
Controls, Systems, and Legal Compliance.....	18
Management Assurance Statement.....	21
Looking Ahead.....	23
Limitations of the Financial Statements .....	25
<b><u>FINANCIAL SECTION</u></b>	<b>27</b>
Message from the Chief Financial Officer.....	28
Independent Auditor’s Report .....	29
Financial Statements.....	43
Notes to the Financial Statements .....	48
Required Supplementary Information (RSI).....	61
<b><u>OTHER INFORMATION</u></b>	<b>62</b>
Inspector General’s Management Challenges Report .....	63
Summary of Financial Statement Audit and Management Assurances .....	73
Payment Integrity Information Act Reporting.....	74
Real Property.....	78
<b><u>APPENDICES</u></b>	<b>79</b>
Appendix A: Performance Measurement Reporting Process.....	80
Appendix B: Statutory Authority .....	83
Appendix C: Acronym Listing.....	84

## MESSAGE FROM THE ACTING CHAIRMAN

I am honored to present to you the U.S. Consumer Product Safety Commission's (CPSC) FY 2020 Agency Financial Report (AFR). This report provides information on our financial performance, as well as insight into our use of taxpayer dollars and the resources entrusted to the CPSC. Our dedicated, hardworking, and talented staff achieved significant objectives this past year toward our mission of *Keeping Consumers Safe*. I am particularly grateful that our employees have adapted well to the challenges of working remotely under the conditions brought about by the COVID-19 pandemic. The CPSC continues this work as we pursue four major goals outlined in our 2018-2022 Strategic Plan.



### Goal 1: Workforce

The first strategic goal is *Cultivating the Most Effective Workforce*.

Because we are the smallest of the federal health and safety agencies, a high-performing and motivated workforce is the key to our success. Due to the COVID-19 pandemic, our employees began teleworking full-time in March 2020. Many of our employees were faced with school and daycare closures, as well as a reduction in available home health support. We recognized the challenges faced by our employees and provided them support by offering a variety of workplace flexibilities that allowed them to continue fulfilling the CPSC's mission despite the difficulties created by the pandemic. Additionally, this past year, we continued to support our employees by providing developmental opportunities to employees through the Agency Training Plan, far exceeding the annual target with a significant increase in employee participation. The agency also enhanced its formal Agency Coaching Program in FY 2020. As a result, the percentage of employees who participated in the program increased by 66.7 percent in FY 2020.

The agency continued training selecting officials on the recruitment process with a focus on interviewing to attract and recruit a talented, diverse, and highly effective workforce. The agency saw success in our Recent Graduate Program with eighty-eight percent of our appointees converted to permanent appointments. Additionally, manager hiring satisfaction was an eight and a half out of ten, which demonstrates success in recruiting a talented applicant pool for our positions. Overall, the agency had a successful year in achieving its *Workforce Strategic Objectives of Fostering a Culture of Continuous Development of its Workforce and Attracting and Recruiting A Talented and Diverse Workforce*.

## Goal 2: Prevention

A key ingredient for effective *Prevention* is robust data that can provide insights on emerging injury trends. In FY 2020, the agency completed a pilot for a revised Integrated Team process, including a new tool developed by staff to improve identification of emerging hazards through analysis of trends in incoming data. Also, the agency completed the first Use Case pilot initiative of the multi-year Enterprise Data Analytics Strategy (EDAS) to expand CPSC's analytics capability. The goal of the pilot was to address the challenges created by processing the high volume of incoming retailer data, a labor-intensive effort that currently involves manual review of the data by CPSC staff to classify the type of product and the severity of any injury. The pilot used machine learning, an analytics functionality that replicates human decision-making, analysis, and processing to classify this data. As a result of the pilot, we gained great insight into the potential for automating the classification of incident reports, and the results will help inform and refine the CPSC's EDAS and other potential Use Cases in the coming years. Staff also implemented the use of machine learning for quality assurance checks for agency data, helping to automate this labor-intensive process.

In addition to the significant accomplishment of piloting the first EDAS Use Case, our employees continued work throughout the pandemic on *Preventing Hazardous Products from Reaching Consumers* by using innovative solutions to execute the agency's mission while working remotely. For example, although the pandemic prevented the CPSC from providing in-person audits and training for key data sources,<sup>1</sup> staff shifted to virtual visits. Staff also used NEISS data to identify changes in consumer hazard patterns during the COVID-19 pandemic, identifying and implementing changes to safety messaging as a result. Another example involved standards development, which is normally informed by laboratory testing but was affected by CPSC's mandatory full-time telework. Staff found other ways to advance standards development, taking part in voluntary standards meetings and developing information to support both voluntary and mandatory standards through research and analysis outside of the laboratory. Finally, in the realm of Import Surveillance, which is a critical part of *Prevention*, staff deployed creative techniques to support this area of CPSC work. Although the agency conducted approximately 18,500 import examinations of consumer product shipments at U.S. ports of entry, falling short of its annual target of 32,000 import examinations due to COVID-19, CPSC port investigators still continued to conduct exams, even after the pandemic had started. CPSC port investigators were able to conduct import exams remotely on some products, thanks to CPSC's long-standing partnership with the U.S. Customs and Border Protection (CBP). I am proud of our port investigators, who adapted well to the CPSC's virtual workplace by developing innovative solutions for conducting remote import examinations through a collaboration with on-site CBP officers at ports, with whom CPSC port investigators are normally co-located, through video meetings, phone calls, and emails. Additionally, in FY 2020, the CPSC's Office of Import Surveillance and the CPSC's Small Business Ombudsman (SBO) collaborated to offer a joint webinar to educate stakeholders, entitled "Safety 101 and Importing Overview," which included a regulatory update, an overview of CPSC's importing requirements, and video demonstrations of field-screening used at U.S. ports of entry. The training was attended by 350 importers, customs brokers, and small businesses. While working remotely, CPSC

---

<sup>1</sup> Among the primary sources of data for the CPSC are: NEISS hospitals. Due to COVID-19, CPSC employees could not make in-person hospital visits for quality control purposes. Due to privacy concerns related to the Health Insurance Portability and Accountability Act of 1996 (HIPPA), quality control is largely done on-site.



employees were still able to carry out the agency's mission of *Keeping Consumers Safe*. With the return to onsite work toward the end of the FY 2020, staff resumed traditional import targeting and sampling of products at ports throughout the country.

### Goal 3: Response

Despite the agency's best efforts, it is not always possible to stop harmful products from making their way into the marketplace and, ultimately, into the hands of consumers. To Keep Consumers Safe, the CPSC also must *Respond Quickly to Address Hazardous Consumer Products Both in the Marketplace and with Consumers* through timely identification and, as needed, removal of those harmful products through recalls. This is a difficult task, indeed, considering the 15,000-plus product types within the CPSC's jurisdiction. Nevertheless, despite the constraints created by the pandemic, 240 voluntary recalls were executed in FY 2020, resulting in approximately 2.1 million units being removed from the marketplace and the hands of consumers. 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 is focused on adapting its compliance and enforcement operations to this new reality. During FY 2020, the agency identified several ways of addressing e-commerce challenges. At year end, the agency started consolidation of its Internet Surveillance Unit (ISU), which will enable the agency to better address e-commerce challenges in the coming years. Consolidation of the ISU, scheduled to be completed in FY 2021, will enable the agency to be more strategic and effective at addressing increased volume and compliance work related to e-commerce, including counterfeit products that pose a safety risk. It also will help the CPSC take appropriate enforcement actions to address hazardous products on e-commerce platforms, including focusing on the distinct roles and activities of particular platforms.

Another FY 2020 achievement under *Response* was the agency's completion of the Business Process Review (BPR), which is phase I of CPSC's IT Modernization of the Integrated Field System (IFS). The IFS is CPSC's compliance and enforcement database system that contains information about field activities, regulated products compliance, and recalls. IT Modernization of the IFS is a multi-year, internal collaborative effort to modernize the agency's case management system for regulatory enforcement work. The agency's FY 2020 work on the BPR involved assessment of the agency's current compliance and enforcement business processes and systems. The agency evaluated results of the BPR and made resource recommendations on two key components of the IT Modernization of the IFS effort—a business efficiency plan and an IT system development plan for the IFS database. Findings from the BPR (i.e., phase I) will help inform phase II of the IT Modernization of IFS effort, which is scheduled to begin in FY 2021 and will involve analyzing technological alternatives to develop an improved platform to replace or enhance the IFS.

### Goal 4: Communication

The agency's fourth strategic goal is *Communicating Useful Information Quickly and Effectively to Better Inform Decisions*. Simply put, when consumers are armed with important safety information about a given product, they can make better decisions when purchasing or using that product. 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—we saw an increase of more than 700 percent, from 1.47 million in FY 2019 to more than 12 million in FY 2020. This indicates a major success in achieving the agency's strategic objective of *Increasing Dissemination of Useful Consumer Product Safety Information*. Another major FY 2020 achievement was our completion of the survey for the "Anchor It!" campaign, designed to alert the public to incidents associated with furniture, TV, and appliance tipovers. On average, more than 27,000 emergency room-treated tipover-related injuries occur each year. Since year 2000, there have been 556 fatalities associated with tipovers—more than 80 percent involving children. The goal of the survey was to evaluate the effectiveness of the "Anchor It!" campaign. A key finding from the survey was that many parents or caregivers did not know about the hidden hazard of tipovers, and people who did not anchor furniture (*e.g.*, dressers) based their decision on a belief that it is not necessary to do so, as long as they are watching their children. Findings from the survey will help inform CPSC messaging of the campaign, so consumers are made aware that tip-overs can be prevented and lives can be saved.

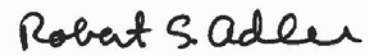
Another core element of CPSC's *Communication* strategy involves improving the usefulness and availability of safety information for the CPSC's stakeholders, which include consumers and businesses. In FY 2020, the agency redesigned [www.SaferProducts.gov](http://www.SaferProducts.gov) to make the website mobile-friendly and streamline the product reporting user experience to increase the number of reports being submitted to the agency through the website. In addition, 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, the Robot is now available in Spanish<sup>2</sup> for all consumer products. Previously, the Robot was available in Spanish for a limited number of products. The number of Robot users was 21,000 in FY 2020, matching the usership levels seen during FY 2019, before COVID-19 impacted small businesses.

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 2020 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. We did, however, identify one material weakness. The material weakness is related to program results for an unauthorized disclosure of personally identifiable information (PII), as well as manufacturer information protected by Section 6(b) of the Consumer Product Safety Act that occurred in April 2019 and was reported last year. The material weakness is described in more detail in the agency's *Management Assurance Statement* contained in this report, and we are committed to resolving this issue in the coming year.

---

<sup>2</sup> The CPSC's [Regulatory Robot](#) is also available in five other foreign languages on certain categories of products – Chinese (simplified), Chinese (traditional), Vietnamese, Bahasa Indonesian, and Korean.

Thank you for taking the time to review our results. I look forward to another year of working with my fellow Commissioners and the CPSC staff to accomplish our shared mission of *Keeping Consumers Safe*.

A handwritten signature in black ink that reads "Robert S. Adler". The signature is written in a cursive, slightly slanted style.

Robert S. Adler  
Acting Chairman  
November 16, 2020



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



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

## CPSC’s Mission and Organizational Structure

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

Figure 1: CPSC’s Strategic Goals



The Commission consists of five members. The Chairman is the principal executive officer of the Commission. The chart below depicts the organizational structure of the CPSC in FY 2020:

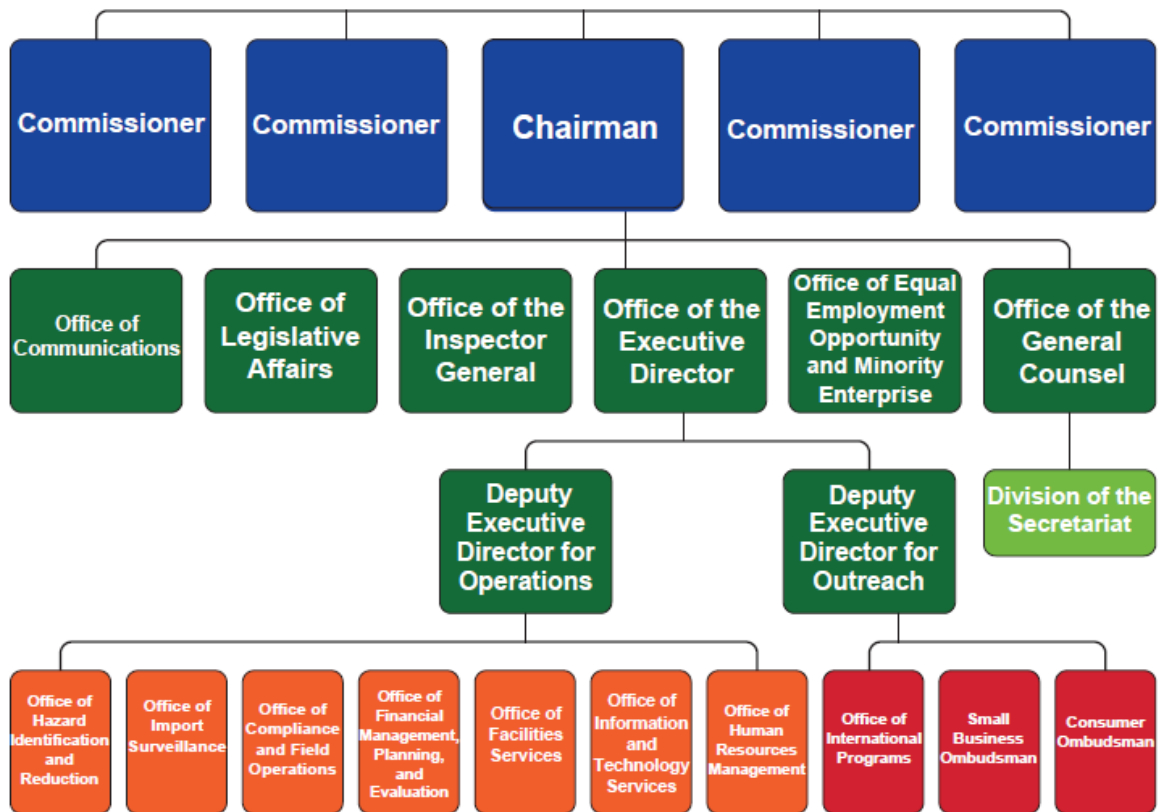


Figure 2: CPSC’s Organizational Structure

## Performance Summary: An Overview

**FY 2020 Resources:** The CPSC’s enacted appropriation for FY 2020 was \$132.5 million, comprised of \$131.2 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 \$130.9 million: \$6.2 million (5%) for Goal 1 (Workforce); \$83.6 million (64%) for Goal 2 (Prevention); \$28.7 million (22%) for Goal 3 (Response); and \$12.4 million (9%) for Goal 4 (Communication) (see p. 16 for FY 2020 Net Cost of Operations).

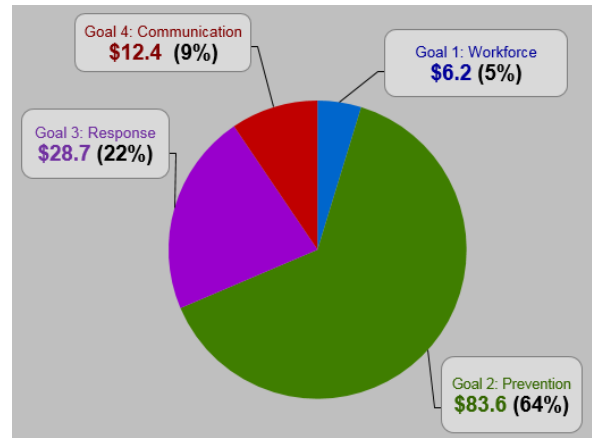
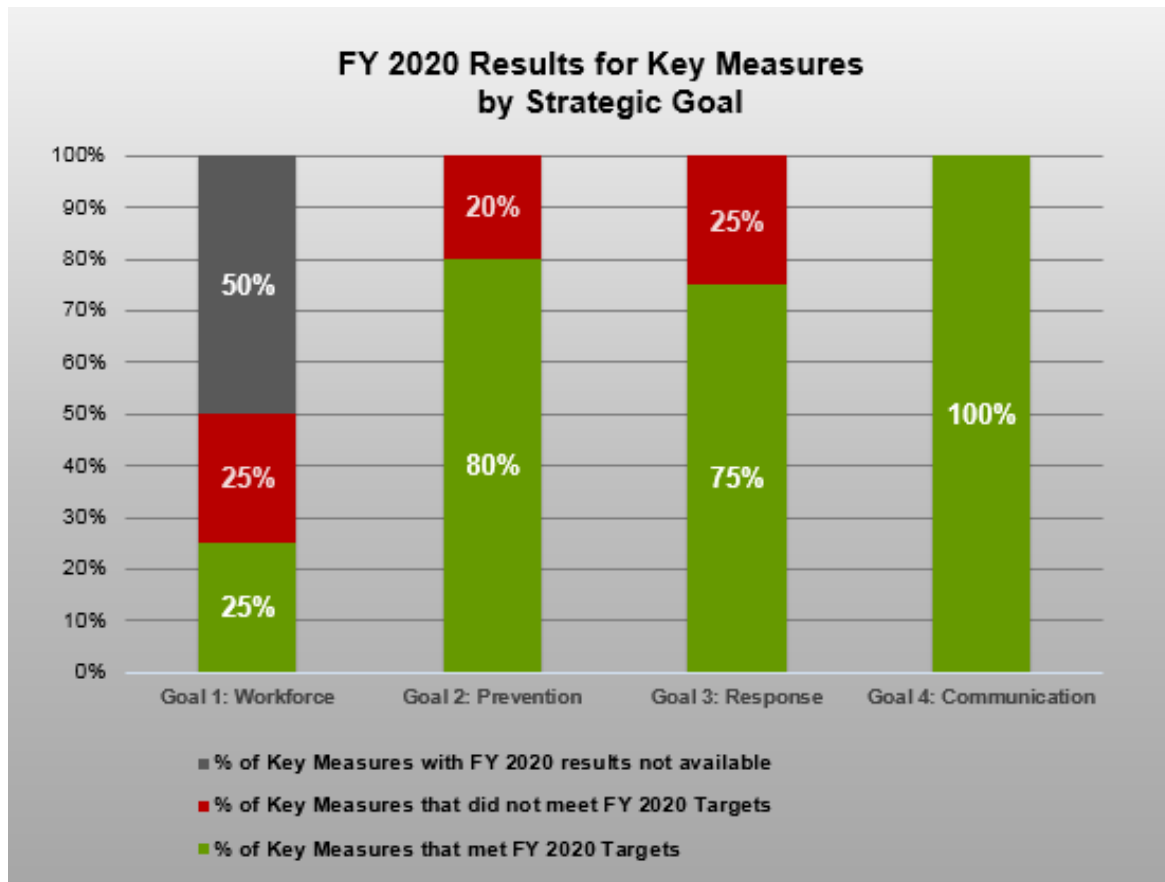


Figure 3 (above): CPSC’s FY 2020 Obligations by Strategic Goal (\$ in millions)

**Summary of FY 2020 Results:** In FY 2020, the CPSC monitored 25 key performance measures (KMs), all of which are reported externally. All 25 KMs had established performance targets for FY 2020. The CPSC met the performance targets for 18 of the 25 KMs and did not meet FY 2020 performance targets for five KMs (see p. 10 - 11 for more information on the missed targets). Results were not available for two KMs; they will be reported in the FY 2020 APR (scheduled for publication in February 2021). Figure 4 below shows the percentages of KMs that met FY 2020 performance targets, KMs that did not meet targets, and KMs with results that are not yet available.

Figure 4 (below): Summary of FY 2020 Results for Key Performance Measures by Strategic Goal





## Key Performance Measures (KMs)

The table below presents the CPSC's FY 2020 key performance measure results. Details on CPSC's performance measurement reporting and verification and validation (V&V) processes are provided in Appendix A (p. 80) of this report.

Program	Performance Measure Statement	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	Target met?
<b>Strategic Goal 1: Workforce</b>		<i>Cultivate the Most Effective Consumer Product Safety Workforce</i>					
<b>Strategic Objective 1.1: Enhance effective strategic human capital planning and alignment</b>							
Personnel	<b>KM1.1.02</b> Percentage of full-time equivalents (FTEs) utilized	--	97%	98%	95%	96%	✘
<b>Strategic Objective 1.2: Foster a culture of continuous development</b>							
Personnel	<b>KM1.2.01</b> Percentage of employees satisfied with opportunities to improve their skills (as reported in the Federal Employee Viewpoint Survey)	72.5%	68.1%	65.8%	Results not available <sup>3</sup>	70%	N/A
<b>Strategic Objective 1.3: Attract and recruit a talented and diverse workforce</b>							
Personnel	<b>KM1.3.01</b> Percentage of hiring managers trained on recruitment	56.1%	82.6%	85.5%	89.7%	80%	✔
<b>Strategic Objective 1.4: Increase employee engagement</b>							
Personnel	<b>KM1.4.01</b> High-performing Federal Workforce - Employee Engagement Index Score	73%	69%	66%	Results not available <sup>3</sup>	70%	N/A
<b>Strategic Goal 2: Prevention</b>		<i>Prevent Hazardous Products from Reaching Consumers</i>					
<b>Strategic Objective 2.1: Improve identification and assessment of hazards to consumers</b>							
Hazard	<b>KM2.1.01</b> Percentage of consumer product-related incident reports warranting follow-up actions	25%	26%	23%	20%	25%	✘
Hazard	<b>KM2.1.02</b> Number of hazard characterization annual reports completed on consumer product-related fatalities, injuries, and/or losses for specific hazards	11	10	11	11	11	✔
Hazard	<b>KM2.1.03</b> Percentage of consumer product-related injury cases correctly captured at NEISS <sup>4</sup> hospitals	92.4%	93%	89.5%	90.6%	90%	✔
<b>Strategic Objective 2.2: Lead efforts to improve the safety of consumer products before they reach the marketplace</b>							
Hazard	<b>KM2.2.01</b> Number of voluntary standards activities in which CPSC staff actively participates	76	77	74	78	78	✔
Hazard	<b>KM2.2.02</b> Number of candidates for rulemaking prepared for Commission consideration	18	19	14	14 <sup>5</sup>	12	✔
Import	<b>KM2.2.07</b> Percentage of firms that are engaged with timely establishment inspection after being identified as a repeat offender	--	73%	90%	83%	75%	✔
International	<b>KM2.2.08</b> Recalls per Billion Dollars in Consumer Product Imports for Top 50 Import Sources Countries or Administrative Areas	--	--	--	0.21	<0.33	✔

<sup>3</sup> The U.S. Office of Personnel Management (OPM) postponed its launch of the annual 2020 FEVS (actual survey period: September 24, 2020 through November 5, 2020). Results for the two measures are not available in this document but will be reported in the next public report after 2020 FEVS results are made available.

<sup>4</sup> 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](http://www.cpsc.gov/Research--Statistics/NEISS-Injury-Data).

<sup>5</sup> In FY 2020, CPSC staff prepared 14 rulemaking packages for Commission consideration—7 were from the original 12 planned candidates for rulemaking, and the other 7 were in response to emerging requirements. The remaining 5 planned rulemaking candidates that were not completed in FY 2020 are as follows, of which 4 were deferred to FY 2021 due to COVID-19: FR-Adjudicative Rules (completed as an SNPR, instead of planned FR); NPR-Clothing Storage Units Tip-Over (deferred); FR-Freedom of Information Act Fee Update (deferred); DFR-Lab Accreditation IBR Update (deferred); and FR-Table Saws (deferred).

Program	Performance Measure Statement	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	Target met?
<b>Strategic Goal 2: Prevention (continued)</b>		<i>Prevent Hazardous Products from Reaching Consumers</i>					
<b>Strategic Objective 2.3: Increase capability to identify and stop imported hazardous consumer products</b>							
Import	<b>KM2.3.01</b> Percentage of consumer product imports, identified as high-risk, examined at import	88.5%	89%	86%	80%	80%	✓
Import	<b>KM2.3.02</b> Percentage of import shipments processed through the Risk Assessment Methodology (RAM) system that are cleared within 1 business day	99.8%	99.8%	99.8%	99.9%	99%	✓
Import	<b>KM2.3.04</b> Number of import examinations completed	38,726	41,117	39,010	18,561	32,000	✗
<b>Strategic Goal 3: Response</b>		<i>Respond Quickly to Address Hazardous Consumer Products Both in the Marketplace and with Consumers</i>					
<b>Strategic Objective 3.1: Rapidly identify hazardous consumer products for enforcement action</b>							
Compliance	<b>KM3.1.01</b> Percentage of cases for which a preliminary determination is made within 85 business days of the case opening	74%	75%	12.5%	83.3%	65%	✓
Compliance	<b>KM3.1.02</b> Percentage of cases for which a compliance determination of a regulatory violation is made within 35 business days of sample collection (excludes fireworks) <i>*The FY 2020 result should not be compared to prior years' results because fireworks cases were disaggregated from this measure and captured by a new measure—KM 3.1.03.</i>	87%	88.8%	85.1%	89.2%*	85%	✓
Compliance	<b>KM3.1.03</b> Percentage of fireworks cases for which a compliance determination of a regulatory violation is made within 70 business days of sample collection	--	--	--	42.9%	85%	✗
<b>Strategic Objective 3.2: Minimize further exposure to hazardous consumer products</b>							
Compliance	<b>KM3.2.02</b> Percentage of cases for which a firm is notified of a regulatory violation within 40 business days from sample collection (excludes fireworks) <i>*The FY 2020 result should not be compared to prior years' results because fireworks cases were disaggregated from this measure and captured by a new measure—KM3.2.05.</i>	86%	87.2%	85.5%	85.6%*	85%	✓
Compliance	<b>KM3.2.03</b> <sup>6</sup> Percentage of Fast-Track cases with corrective actions initiated within 20 business days of case opening	98%	95.9%	97.4%	96.5%	90%	✓
Compliance	<b>KM3.2.04</b> Percentage of cases for which a corrective action is accepted within 90 business days of preliminary determination	--	92.7%	76.9%	71.4%	60%	✓
Compliance	<b>KM3.2.05</b> Percentage of fireworks cases for which a firm is notified of a regulatory violation within 75 business days from sample collection	--	--	--	42.9%	85%	✗
<b>Strategic Objective 3.3: Improve consumer response to consumer product recalls</b>							
Compliance	<b>KM3.3.01</b> Recall effectiveness rate <sup>7</sup> for all consumer products recalls	41%	17.4%	21.4%	32.6%	25%	✓
<b>Strategic Goal 4: Communication</b>		<i>Communicate Useful Information Quickly and Effectively to Better Inform Decisions</i>					
<b>Strategic Objective 4.1: Improve usefulness and availability of consumer product safety information</b>							
Communications	<b>KM4.1.02</b> Number of engagements <sup>8</sup> with CPSC safety messaging on social media channels by stakeholders (in thousands)	285	831	1,468	12,095	840	✓
<b>Strategic Objective 4.2: Increase dissemination of useful consumer product safety information</b>							
Communications	<b>KM4.2.04</b> Number of national media placements of CPSC stories	--	--	--	12	6	✓
Communications	<b>KM4.2.05</b> Percentage of recall press releases issued in 22 business days or less from first draft	--	--	--	63%	60%	✓
<b>Strategic Objective 4.3: Increase and enhance collaborations with stakeholders</b>							
	(None) <sup>9</sup>						

<sup>6</sup> "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.

<sup>7</sup> "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.

<sup>8</sup> "Engagements" refer to the number of interactions (likes, shares, comments) with CPSC social media content.

<sup>9</sup> The CPSC's FY 2020 Request to Congress (March 2019) included one key measure (KM 4.3.01) under Strategic Objective (SO) 4.3. In October 2019, the Commission voted to discontinue KM 4.3.01 for FY 2020. As such, there were no key measures under SO 4.3 for FY 2020.

## Selected Performance Results

The CPSC's selected FY 2020 achievements are listed below:

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

Having a highly trained, diverse, and engaged workforce is critical to meeting the dynamic challenges of the consumer product safety landscape and achieving the CPSC's life-saving mission.

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



#### Strategies for

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

Selected FY 2020 achievements include:

- Trained more than 89 percent of hiring managers on the recruitment process to attract and recruit a talented, diverse, and highly effective workforce
- Trained 100 percent of managers on effective performance management to help them retain the best talent, engage and reward top performers, and properly address poor performance
- Kicked-off initiatives to increase employee engagement. The "Integrating New Employees to CPSC" program consists of the Chairman hosting monthly Meet & Greets with new employees and a CPSC 101 presentation during onboarding. The new agency newsletter and the program, *What's On Your Mind?*, are new communication tools for employees and agency

leadership. The program provides a mechanism for employees to ask questions anonymously, offer suggestions, and provide feedback. Submissions and management responses are then shared with all employees on the agency's intranet site.

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

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



#### Strategies for

**Prevention:** The CPSC's approach to addressing *Prevention* challenges involves taking action to prevent injury or harm from consumer products through: (1) working at the national and international level to help ensure that hazards are 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 2020 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 included establishing 3 new voluntary standards and revising 24 other voluntary standards. Among the most significant



voluntary standards activities work in FY 2020 include:<sup>10</sup> ASTM F3429-20 (*Standard Specification for Performance of Flame Mitigation Devices Installed in Disposable and Pre-Filled Flammable Liquid Containers*); ASTM F1917 (*Standard Consumer Safety Performance Specification for Infant Bedding and Related Accessories*); and ASTM F3463-20 (*Standard Guide for Ensuring the Safety of Connected Consumer Products*).

- Developed a new "Online Clearinghouse" to provide stakeholders with self-service, open access to CPSC incident data
- To address potential emerging hazards, the CPSC established and filled new positions: a Chief Technologist—focused on emerging artificial intelligence (AI) and machine learning (ML) technologies in consumer products—and a Chief Analytics Officer—focused on how AI and ML can improve CPSC's data analysis. For the possible emerging hazard from products making use of the Internet of Things<sup>11</sup> (IoT), the CPSC developed a plan to establish the capability for testing software embedded in consumer products, including connected products.
- To address infant sleep safety, the CPSC issued a Supplemental Notice of Proposed Rulemaking (SNPR) for Infant Sleep Products.
- To address hazards associated with toddlers gaining access to unsafe areas, the CPSC issued a Final Rule (FR) for Gates and Other Enclosures, establishing push-out force requirements and other important safety measures.
- To address emerging hazards associated with micromobility products (e-scooters, self-balancing scooters, and e-bicycles), the CPSC published a report on the hazards and a report on incidents related to these products and held an online forum on micromobility. The CPSC also held meetings and published reports on Wearable products, and 3D printers and 3D-printed products. Letters were also sent to

leading standards development organizations (SDO) urging activity in these key areas.

- Conducted an e-Commerce Assessment to forecast e-Commerce trends, understand CPSC's current capabilities relative to e-Commerce, and identify other stakeholder practices. The results of the Assessment will provide the agency with a foundational understanding that sets the stage for CPSC's long-term planning to address e-Commerce challenges.
- Participated as vice-chair of the Organisation for Economic Cooperation and Development's (OECD) Working Party on Consumer Product Safety (WPCPS), which completed a comprehensive set of best practices to improve consumer product safety, replacing six OECD Legal Instruments<sup>12</sup> from the 1970s and 1980s. The document<sup>13</sup> emphasizes the importance of good data, communication between governments and businesses, and attention to emerging issues such as e-Commerce, the Internet of Things (IoT), Artificial Intelligence (AI), holiday lights, mattresses, and toys.

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

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

[www.SaferProducts.gov](http://www.SaferProducts.gov),

and company reports. Additionally, field staff investigates reports of incidents and injuries; conducts inspections of manufacturers, importers, and retailers; and identifies potential regulatory violations and



<sup>10</sup> ASTM F3429-20 was a new voluntary standard and was published in September 2020. It includes requirements that reduce the likelihood of flame jetting. The task group that developed this standard was led by CPSC staff, Scott Ayers. ASTM F1917 was revised as F1917-20 in March 2020 and published in May 2020. The revision encompassed many revisions throughout the standard, many that were balloted to align with the Notice of Proposed Rulemaking (NPR) that was also published in Spring 2020. ASTM F3463-20 was developed throughout FY 2020 with much help from CPSC staff. It was balloted as a new standard guide in May 2020 and was approved right before the end of the fiscal year. The standard guide was published in October 2020.

<sup>11</sup> "Internet of Things" (IoT), as it relates to consumer products, refers to an environment in which consumer products are connected to the Internet or other devices/products that are connected to the Internet. This type of connectivity is capable of introducing potential safety issues/hazards. The growth of IoT-related products is a challenge for the CPSC and its stakeholders.

<sup>12</sup> For definitions of "OECD Legal Instruments", please visit [www.oecd.org/legal/legal-instruments.htm](http://www.oecd.org/legal/legal-instruments.htm).

<sup>13</sup> To see the document, please visit <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0459>.

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.

**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 2020 achievements include:

- Sent 1,706 notices of noncompliance and negotiated 183 corrective action plans (CAPs) to address hazardous consumer products, resulting in removal of these hazardous products from the distribution chain
- Worked with firms to conduct 240 voluntary recalls, resulting in approximately 2.1 million units being removed from the marketplace and the hands of consumers, thus protecting consumers from further exposure to potential harm from consumer products
- Completed approximately 500 establishment inspections of firms for compliance with the CPSC's laws and regulations
- Contacted approximately 8,900 Internet firms and individuals who were offering for sale banned or previously recalled consumer products via Internet websites, preventing approximately 18,500 recalled or banned product units from being re-sold

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

Consumers, safety advocates, industry, and government regulators need high-quality information about consumer product safety.

Consumers need safety information to make more informed decisions for themselves and their families.

Safety advocates rely on accurate data to shape their policy recommendations.

Industry needs information to 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.

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

Selected FY 2020 achievements include:

- The CPSC's Small Business Ombudsman (SBO) collaborated with CPSC's Office of Import Surveillance to offer a joint webinar entitled, "Safety 101 and Importing Overview," which included a regulatory update, an overview of CPSC's importing requirements, and video demonstrations of field-screening used at U.S. ports of entry. Three hundred fifty importers, customs brokers, and small businesses attended the training.



- Expanded the number of followers of its social media channels from 98,000 in FY 2019, to 150,500 in FY 2020, enabling the CPSC to deliver safety messaging to a wider audience
- Significantly increased the number of engagements<sup>14</sup> by consumers and others with CPSC's social media messages on all CPSC social media accounts (@USCPSC), including Twitter, Facebook, and Instagram by more than 700 percent, from 1.47 million in FY 2019, to more than 12 million engagements in FY 2020. The major success was due in part to CPSC's creative advertising on various social media platforms, as well as CPSC's use of audience optimizing to maximize engagements from social media users who would be receptive to the agency's social media messaging.
- Completed a survey to evaluate the effectiveness of the "Anchor It!" campaign, which is CPSC's national public education campaign aimed at preventing furniture and TV tip-overs from killing and seriously injuring children.<sup>15</sup> A key finding from the survey was many parents or caregivers did not know about the hidden hazard of tip-overs, and people who did not anchor furniture (e.g., dressers) based their decision on a belief that it is not necessary to do so, as long as they are watching their children. The CPSC released a new public service announcement (PSA) titled, "[Even When You're Watching](#)," which was informed by the survey. Additional findings will be used in future tip-over-prevention messaging.
- Created an "Ask the Experts" video series with more than 17 pool safety experts, Olympians, and *Pool Safely*<sup>16</sup> collaborators to spread safety messages during the summer swim season, as more families stayed home during the COVID-19 pandemic. The CPSC also conducted a radio media interview tour in English and Spanish, with special emphasis on states with high child drowning rates and minority audiences with a disproportionate number of drownings.
- Improved the Regulatory Robot,<sup>17</sup> an interactive resource to help small businesses identify

applicable safety requirements, so it is now available in Spanish for all consumer products. Previously, the Robot was only available in Spanish for a limited number of product types.

- Created a full-time Consumer Ombudsman as a new position, to support the agency's longstanding goals of addressing the needs of individual consumers, advancing consumer understanding of CPSC's mission, and promoting positive, effective dialogue among stakeholders. This new role adds another resource dedicated to helping consumers understand agency activities and procedures so that they can contribute meaningfully to the agency's mission to the fullest extent allowed by law and policy.

## Crosscutting Priorities

The CPSC's strategic plan identifies four crosscutting strategic priorities, which 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

<sup>14</sup> "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.

<sup>15</sup> According to [CPSC's report](#), in the United States, 459 children died from tip-over incidents between 2000 and 2018. Available data from the period 2016 through 2018 show that about every 43 minutes, a child is injured by a TV or furniture tipping over.

<sup>16</sup> *Pool Safely* is CPSC's public education campaign to reduce child drowning entrapments. Please visit CPSC's official *Pool Safely* website to view the [video](#).

<sup>17</sup> The CPSC's "Regulatory Robot" can be accessed at: [www.cpsc.gov/Business--Manufacturing/Regulatory-Robot/Safer-Products-Start-Here](http://www.cpsc.gov/Business--Manufacturing/Regulatory-Robot/Safer-Products-Start-Here).

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 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 2020, the CPSC had 25KMs, all of which had established FY 2020 performance targets. Of the 25 KMs, the agency met 18 FY 2020 targets and did not meet targets for five KMs. Results were not available for two measures; they will be reported in CPSC's FY 2020 APR,<sup>18</sup> if results are available at that time. A summary of the information on the KMs with missed targets is provided below, with additional details on all of the KMs and results to be presented in the FY 2020 APR.

- **Key Measure 1.1.02 Percentage of full-time equivalents (FTEs) utilized:** The target was 96 percent; the FY 2020 actual result was 95 percent. The CPSC did not meet the target. The COVID-19 pandemic impacted recruiting, interviewing, and onboarding. The agency mitigated the issue by developing new hiring and onboarding procedures for the CPSC's virtual workplace, falling short of the annual target by only 1 percent.
- **Key Measure 2.1.01 Percentage of consumer product-related incident reports warranting follow-up actions:** The target was 25 percent; the FY 2020 actual result was 20 percent. The CPSC did not meet the target because most of the data received by the CPSC through incident reports are not actionable, warranting no follow-

up actions. Starting in FY 2021, this measure will be discontinued. The measure was initially established to demonstrate the large amount of incident report data needed to be processed by the CPSC to obtain 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. Although the CPSC fell short of the annual target, the agency had a successful FY 2020 pilot program of a new, improved approach of CPSC's Integrated Product Teams (IPTs), which are organized by type of hazard and consist of subject-matter experts from across the agency who review incoming incident report data. Success of the new, improved IPT approach was attributed to staff-developed algorithms that analyze changes in incident reports over time. This new approach is expected to improve the identification and assessment of hazards to consumers.

- **Key Measure 2.3.04 Number of import examinations completed:** The target was 32,000 import examinations; the FY 2020 actual result was 18,561 import examinations. Due to the COVID-19 pandemic, all CPSC employees began teleworking full-time in March 2020, which continued through the majority of the fiscal year. As a result, import examinations were significantly impacted and could only be conducted remotely by CPSC's port investigators through collaboration with U.S. Customs and Border Protection (CBP) officers. Only certain product types can be screened through the remote exam program, reducing greatly the number of products screened.
- **Key Measure 3.1.03 Percentage of fireworks cases for which a compliance determination of a regulatory violation is made within 70 business days of sample collection:** This was a new measure in FY 2020; it was established to track only fireworks cases and was disaggregated from its original measure (KM 3.1.02). The target was 85 percent; the FY 2020 actual result was 42.9 percent. The CPSC did not meet the target because the COVID-19 pandemic prevented staff from working full-time in the laboratory to perform testing from March 2020 through most of the remainder of the fiscal year. As a result,

<sup>18</sup> The CPSC's FY 2020 APR is scheduled for publication in February 2021 and will be available at: [www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget](http://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget).

the number of days between sample collection and a compliance determination based on lab testing results was affected.

- **Key Measure 3.2.05 Percentage of fireworks cases for which a firm is notified of a regulatory violation within 75 business days from sample collection:** This was a new key measure in FY 2020; it was established to track only fireworks cases and was disaggregated from its original measure (KM 3.2.02). The target was 85 percent; the FY 2020 actual result was 42.9 percent. The CPSC did not meet the target because testing of the fireworks cases was delayed during FY 2020 (see explanation in KM 3.1.03 above), impacting the result for this measure.

### Changes to Key Measures in FY 2020

Key measure changes from FY 2019 (as reported in the FY 2019 AFR and FY 2019 APR) to FY 2020 are listed below. The total number of key measures in FY 2020 remained at 25, compared to FY 2019.

- **Discontinued Measures:** Four FY 2019 Key Measures were discontinued in FY 2020—KM 2.1.04, KM 2.3.03, KM 4.2.01, and KM 4.3.01. For more details on the four measures, please refer to Appendix C of the [FY 2019 APR](#), which presents detailed information on FY 2019 key measures and results.
- **Replacement Measure:** One FY 2019 Key Measure (KM 4.2.02) was replaced with KM 4.2.05 in FY 2020.
- **New Measures:** The agency added four new key measures in FY 2020: KM 2.2.08, KM 3.1.03, KM 3.2.05, and KM 4.2.04.

### Enterprise Risk Management

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

The CPSC continued to mature its ERM program in FY 2020. During the year, the Risk Management Council organized risk working groups, to develop and implement mitigating actions for identified risks.





# Got Kids? Go Cordless!

**Prevent Child Strangulation**

**October is National Window  
Covering Safety Month**



## ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

### Financial Performance Overview

As of September 30, 2020, the financial condition of the CPSC was sound, with adequate funds to meet planned programs and satisfactory controls in place to provide reasonable assurance that the CPSC's obligations did not exceed budget authority. The CPSC prepared its financial statements in accordance with the U.S. Generally Accepted Accounting Principles (GAAP) and with OMB Circular No. A-136, *Financial Reporting Requirements*.

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

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

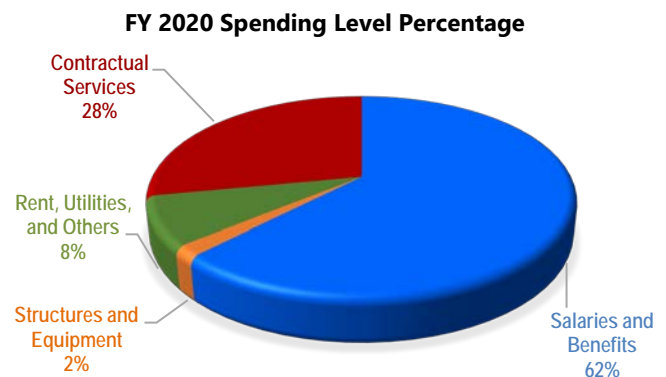
The CPSC's FY 2020 appropriation from Congress was \$132.5 million, of which \$1.3 million was designated for awarding and administering grants under the VGB Act Grant Program; VGB grant funds are available until expended. Other budgetary resources available in FY 2020 included \$2.9 million from offsetting collections actually received related to the CPSC's NEISS data collection, which is partially done on a reimbursable basis with other government agencies, and \$3.6 million of unobligated balances from prior years' budget authority, consisting of \$1.3 million from the remaining balance of the appropriated VGB Act grants funds, available for obligation until expended, and a net of \$2.3 million from prior years' expired unobligated balances not available for obligation in FY 2020, but available for upward adjustments (if needed) for obligations incurred in prior years. The total budgetary resources for FY 2020 were \$139 million.

The CPSC made obligations of \$134.6 million in FY 2020. The amounts obligated are \$131.3 million for mission-related salaries and expenses, of which \$130.9 million is for current year budget authority, and \$0.4 million in upward adjustments from unobligated balances from prior years' budget authority; \$0.2 million awarded for the VGB Act Grant Program; and \$3.1 million in total spending authority

for reimbursable data collection for other government agencies, which consists of \$2.9 million in offsetting collections actually received, and \$0.2 million in accounts receivable.

Looking at costs by type, approximately 62 percent of the FY 2020 total obligations were for salaries and benefits. The remaining 38 percent went to non-payroll operating expenses, such as services, supplies, and rent.

The following graph provides additional details on the FY 2020 expense categories:



Salaries and benefits increased by \$3.0 million, compared to FY 2019. The CPSC had an average FTE level of 516, compared to 520 in FY 2019. The gross increase in salary costs, despite the slight reduction in FTEs, was attributable to the 2.6 percent pay raise enacted, in addition to applicable locality adjustments in FY 2020.

Contractual services increased by \$2.4 million or 7 percent from the prior year. In FY 2020, the CPSC invested in its Enterprise Data Analytics infrastructure, IT Security, and modernizing the CPSC.gov website. The grant awards decreased by \$1 million from the prior year, because the agency did not award any new grants in FY 2020.

Structures and equipment costs are comparable to last year, increasing by only \$0.1 million.

Rent, utilities, and others expenses remained relatively stable.

The table below compares the increase/decrease by significant account for the fiscal years ended September 30, 2020, and September 30, 2019:

<b>FINANCIAL AND RELATED HIGHLIGHTS</b>				
(Dollars in Millions)	% Changes 2020 over 2019	September 30, 2020	September 30, 2019	
Fund Balance with Treasury	11.96%	\$ 43,557,756	\$	38,903,278
AR and Advances	(62.38)%	912,317		2,425,328
Property, Plant and Equipment, Net	(37.04)%	5,742,318		9,119,996
Tenant Improvement Allowance	100%	1,228,960		-
Total Assets	1.97%	<u>\$ 51,441,351</u>	<u>\$</u>	<u>50,448,602</u>
Accounts Payable	(40.19)%	\$ 3,662,212	\$	6,123,213
Accrued Payroll, Benefits, and Leave	13.66%	14,513,406		12,769,098
Other Liabilities	63.49%	1,594,006		974,972
Total Liabilities	(0.49)%	<u>\$ 19,769,624</u>	<u>\$</u>	<u>19,867,283</u>
Net Position	3.57%	31,671,727		30,581,319
Total Liabilities and Net Position	1.97%	<u>\$ 51,441,351</u>	<u>\$</u>	<u>50,448,602</u>
Total Earned Revenue	(8.75)%	\$ (2,718,333)	\$	(2,979,069)
Total Program Cost	1.90%	136,886,096		134,331,742
Net Cost of Operations	2.14%	<u>\$ 134,167,763</u>	<u>\$</u>	<u>131,352,673</u>
Budgetary Resources Available for Spending	3.41%	\$ 138,990,465	\$	134,408,673
Net (Collections) /Outlays	4.41%	\$ 127,039,488	\$	121,673,126
Total Custodial Revenue	(99.75)%	<u>\$ 12,011</u>	<u>\$</u>	<u>4,863,031</u>

**Audit Results:** The CPSC received an unmodified audit opinion on its FY 2020 financial statements. A significant deficiency was identified in internal controls related to leasehold improvements and ADP software amortization. Management will work on strengthening quality control reviews over amortization schedules to prevent future errors.

**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 43.

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

The CPSC's assets totaled \$51.4 million, as of September 30, 2020. The changes in key asset line items as of the fiscal year ended September 30, 2020, compared to September 30, 2019, 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 \$43.6 million as of September 30, 2020. The balance increased \$4.7 million from the prior year, due to the CPSC receiving an increase of \$5.5 million in its FY 2020 appropriation.

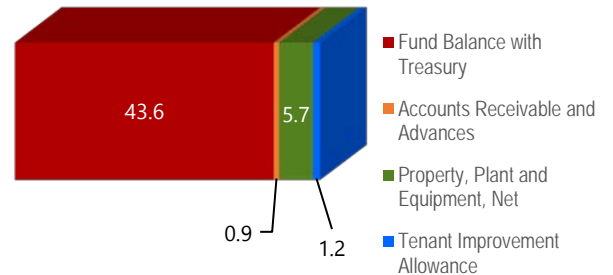
*Accounts Receivable (AR) and Advances to Other Federal Agencies* are comprised of year-end uncollected amounts from civil fines and penalties levied by the CPSC and unpaid Freedom of Information Act (FOIA) fees. *Advances* represents advances to other federal agencies for interagency services, such as participation in the National Nanotechnology Initiative (NNI) ([Nano.gov](http://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 \$912,317 as of September 30, 2020, a decrease of \$1.5 million from the prior year. The decrease is due to intragovernmental receivable balances being less because of more timely collection by the Centers for Disease Control (CDC) and the National Highway Traffic Safety Administration (NHTSA) for reimbursable work, and due to non-intragovernmental balances decreasing because there were less FOIA fees billed and no current civil penalty settlements. Additional advances to other federal agencies decreased because the CPSC did not incur advances to DOT’s Enterprise Services Center (ESC) for shared financial services in FY 2020.

*Tenant Improvement Allowance (TIA)* is comprised of a \$1.2 million allowance for improvements at CPSC’s lab in Rockville, MD upon a new lease to begin in FY 2021. The entire balance is comprised of the TIA in this one location.

*Property, Plant and Equipment (PPE), Net*, consists of the net value of the CPSC’s leasehold improvements, equipment, furniture and fixtures, computer hardware and software, and construction in progress. Property, Plant and Equipment, Net, had a balance of \$5.7 million as of September 30, 2020, a decrease of \$3.4 million from the prior year. The CPSC’s capitalized asset balances have decreased steadily by approximately \$3.0 million a year, due to depreciation and amortization expenses for capitalized asset and leasehold improvement balances. Capitalized assets account for \$21.7 million of PPE at acquisition cost, and the asset lives are for 5-12 years. Leasehold improvements account for \$23 million at acquisition cost and have useful lives of 6 to 14 years.

**FY 2020 Total Assets Composition**  
(\$ in millions)



*The CPSC’s liabilities* were \$19.8 million and \$19.9 million as of September 30, 2020, and September 30, 2019, respectively. The total liabilities remained relatively consistent from FY 2019 to FY 2020, with larger fluctuations between specific accounts. The Account Payable balances for intragovernmental and non-intragovernmental decreased by \$2.5 million. This is due to efficient reviews of undelivered order (UDO) balances in prior fiscal years and timely payments to vendors.

The above decrease is offset by an increase in the Tenant Improvement Allowance of \$1.2 million for the lease at the CPSC’s lab to begin in FY 2021. Another increase is attributable to accrued annual leave of approximately \$0.9 million for employees taking less leave during the FY 2020 year due to the COVID-19 pandemic, as well as a slight increase in salaries and benefits.

**FY 2020 Total Liabilities Composition**  
(\$ in millions)





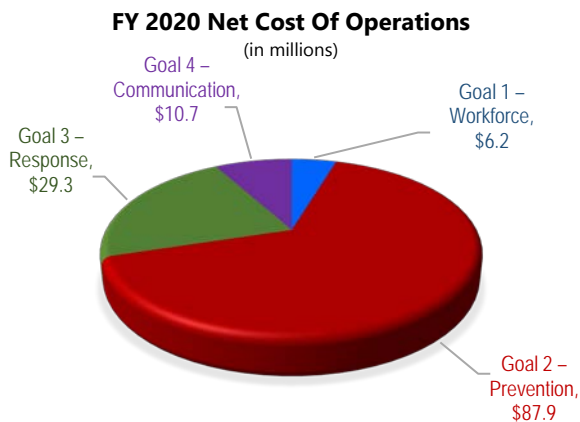
**Analysis of the Statement of Net Position**

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 \$31.7 million as of September 30, 2020, representing an increase of \$1.1 million from the prior year related to CRO and unexpended appropriations transactions. The CRO balance decreased by \$3.9 million primarily due to depreciation expenses exceeding new capital purchases in FY 2020. The CRO was offset by a \$5.0 million increase in unexpended appropriations resulting from an increase in CPSC’s FY 2020 appropriation.

**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 2020:



The CPSC’s net cost of operations was \$134.2 million for the fiscal year ended September 30, 2020, an increase of \$2.8 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 \$87.9 million. The significant costs allocated to this goal are associated with preventing hazardous products from reaching consumers and protecting the public. Gross costs increased mainly to support the agency’s multiyear Enterprise Data Analytics Strategy and associated infrastructure. Earned revenues for the NEISS reimbursable program remained consistent from prior year.

Strategic Goal 3, *Response*, costs totaled \$29.3 million in FY 2020, an increase of \$0.8 million from the prior year. The slight increase is due to costs from the Business Process Review (BPR), which was phase I of CPSC’s IT Modernization of the agency’s Integrated Field System.

Strategic Goal 4, *Communication*, costs totaled \$10.7 million in FY 2020, and costs remained consistent with prior year.

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, 2020, the CPSC had available budgetary resources of \$139 million, comprised of the FY 2020 appropriation of \$132.5 million, prior years’ unobligated balances of \$3.6 million, and billed offsetting collections of \$2.9 million.

The status of budgetary resources was \$139 million, compared to \$134.4 million the prior year. The \$4.6



million overall increase is mainly attributable to the increase in the FY 2020 appropriation.

The net outlays totaled \$127 million, which increased by \$5.4 million from the prior year. The majority of this increase was due to the increase in the FY 2020 appropriation.

***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 \$250,000 in civil penalty cash collections for the fiscal year ended September 30, 2020, and \$4.6 million as of September 30, 2019. There were no FY 20 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
- Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208)
- Prompt Payment Act (PPA) (Pub. L. No. 97-177)
- Improper Payments Elimination and Recovery Improvement Act (IPERIA) (Pub. L. No. 112-248)
- 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)

### 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 Chairman to provide an annual assurance statement on the adequacy of management controls and conformance of financial systems with government-wide standards.

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

- Management knowledge gained from the daily operation of the agency's programs
- Management reviews
- Monitoring results of internal control reviews
- CPSC's Enterprise Risk Management (ERM) risk profile
- Annual Performance Plans (APP)
- Inspector General (IG) 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)

#### *FY 2020 Results for the FMFIA*

The CPSC evaluated its management control systems for operations for the fiscal year ended September 30, 2020. 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, 2020, except for one material weakness related to improper disclosures (see the Management Assurance Statement on page 21 for a detailed explanation).

#### *FY 2020 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, 2020. This included an evaluation of financial risks, enterprise risks, and fraud risks, as well as management's assessment of financial internal controls. Based on the results of this evaluation, the CPSC provided reasonable assurance that its internal controls for reporting were operating effectively as of September 30, 2020.

### 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 Chairman to determine the agency's financial management system compliance with the FFMIA and to develop Corrective Action Plans (CAPs) for noncompliant financial systems, as needed.

*FY 2020 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 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) (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, 2020, 99.8 percent of CPSC's payments that were subject to the PPA were made on time. In FY 2020, the CPSC incurred \$62.33 in interest penalties and made 100 percent of its vendor payments electronically.

**Improper Payments Elimination and Recovery Improvement Act (IPERIA) (Pub. L. No. 112-248)**

The IPERIA 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, 2020, delinquent debt was \$15,075. 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](https://USASpending.gov). The CPSC met the government-wide DATA Act reporting requirements in FY 2020.

**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 2020 to protect agency information and systems. The agency performed routine IT security operations, as well as implemented many programmatic and technological improvements to reduce agency cyber risks.

The CPSC's accomplishments for FY 2020 related to FISMA include timely performed independent security assessments of all major information systems and the agency's general support system (GSS); and implemented the systems hardware, software, and network connectivity required to integrate the agency's systems in accordance with the Department of Homeland Security's (DHS) Continuous Diagnostics and Mitigation (CDM) program.

The CPSC also implemented enhancements to the agency's Plan of Action and Milestones (POAM) processes, which resulted in a 22 percent decrease in open POAMs across all major agency systems. Additionally, the agency deployed an endpoint detection and response (EDR) tool to help identify and contain malicious activities in agency systems; and the agency deployed Data Loss Protection (DLP) capability to scan and prevent outgoing agency email containing Social Security Numbers.

**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 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 and travel management services.

The Oracle financial management system is used for general ledger, accounts payable, accounts receivable, and budget execution and Oracle Business Intelligence (OBI) reporting capabilities. The CPSC also received services from the DOI's Interior Business Center (IBC) for FPPS payroll, which is interfaced with Oracle.

The 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.

## 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 the objectives of the Federal Managers' Financial Integrity Act (FMFIA).

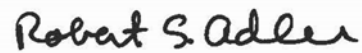
In accordance with the requirement of OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, CPSC management assessed its FY 2020 internal controls over the effectiveness and efficiency of programmatic operations, reliable reporting, and compliance with applicable laws and regulations. Based on the results of that assessment, I can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2020, except for the following material weakness:

In April 2019, the agency made 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 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 a number of issues and recommendations. Given the recency of the IG report and the significance of the issues, EXHR has not had sufficient time to develop and implement all necessary corrective actions. Accordingly, I have determined that this control deficiency should continue to be classified as a material weakness.

In addition, CPSC management also 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, 2020.

A handwritten signature in black ink that reads "Robert S. Adler". The signature is written in a cursive style and is centered within a light gray rectangular box.

Robert S. Adler  
Acting Chairman  
November 16, 2020

## LOOKING AHEAD

The CPSC's mission is to keep consumers safe, and the agency 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 2019, the previous Acting Chairman, Anne Marie Buerkle, departed the agency, and previous Vice Chairman, Robert S. Adler, became the Acting Chairman. In March 2020, the President nominated Dr. Nancy Beck to be Chairman of the CPSC. She has not yet been confirmed. The agency will continue to operate with four Commissioners and one vacancy on the Commission, and will continue with an acting Chairman until a permanent Chairman is nominated and confirmed.

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 2021. These include internal control system, Enterprise Risk Management (ERM), resource management, and information technology security. Regarding the internal control system, the CPSC is committed to adhering and improving a strong system of internal controls. In FY 2020, the agency reviewed its statement of assurance process and revamped the checklist that managers use to assess the internal controls within their organization. ERM and internal controls are integral to the agency, and they complement each other. The CPSC acknowledges the need to fully develop and expand its ERM process across the agency. Additionally, the IG is currently auditing the agency's implementation of FMFIA. In FY 2021, CPSC management will evaluate the IG's findings and recommendations and, if deemed appropriate, will incorporate them into the ERM and internal control development processes.

The CPSC recognizes that resource management is an ongoing challenge. Management will continue

to assess these issues and determine the best way to address them with the agency's limited funds and without jeopardizing the CPSC's mission. The CPSC also agrees that an ever-evolving IT security environment is a significant challenge to the agency, and thus, dedicates resources, when available, to improve the agency's IT security posture. In FY 2020, due to an increase in the CPSC's appropriations, the agency was able to increase funds to IT security and make necessary improvements (see FISMA subheading under the Controls, Systems, and Legal Compliance section on p. 20). In FY 2021, the agency plans to enhance its system vulnerability identification capabilities for the agency's public websites and improve continuous monitoring capabilities of all critical agency systems.

FY 2020 was the first full year the CPSC received financial management services from the Department of the Treasury's Administrative Resource Center (ARC). This shared-services agreement includes integrated financial, acquisitions, and travel systems; contracting support personnel; and electronic invoicing. The CPSC developed new processes and procedures during FY 2020, and that effort will continue to be a focus in FY 2021. The CPSC will also work closely with ARC during FY 2021 to prepare for the FY 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 2020 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 Management Assurance Statement. In response, management

developed and implemented additional internal controls, provided training to staff to prevent recurrences, and requested IG to investigate. The IG released its report on September 25, 2020, outlining a number of issues and recommendations. Given the recency of the IG report, management has not had time to develop and implement the corrective actions.

As the CPSC looks ahead to FY 2021 and beyond, the agency will need to continue communicating its broad and important mission to Congress—

putting forward strong, analytically justified requests for appropriations, and prioritizing 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 2020 and FY 2019, pursuant to the requirements of Title 31 of the U.S. Code, Section 3515 (b).

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

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

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

This page intentionally left blank.



# 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 2020 to advance the Consumer Product Safety Commission's (CPSC's) Mission: Keeping Consumers Safe. It integrates the agency's financial and program performance, highlights our FY 2020 achievements and challenges, and demonstrates our stewardship and accountability of the federal funds entrusted to us.

FY 2020 represents the first full-fiscal year that the CPSC used the integrated financial management and acquisitions systems platform provided under a shared-service agreement with the Treasury Department's Administrative Resource Center (ARC). We continued to refine processes and procedures to optimize the efficiencies provided by the ARC systems. This resulted in the following FY 2020 financial achievements:

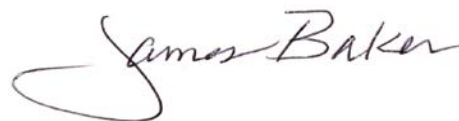
- Reduced non-invoice processing platform costs by nearly 70 percent.
- Strengthened the controls and accuracy of invoice payments by transitioning to the electronic invoice processing platform. This was a contributing factor to closing all open non-compliance findings related to the Office of Inspector General's (OIG's) Improper Payments Elimination and Recovery Improvement Act (IPERIA) audit.
- Streamlined the review of undelivered orders and strengthened our controls for de-obligating those funds. As a result, we closed-out all cancelling funds three months prior to the close of the fiscal year.

We look forward to working together with ARC as we continue to improve our financial management capabilities. Looking ahead, the CPSC in conjunction with ARC will implement G-invoicing, the long-term sustainable solution to improve the quality of Intragovernmental transactions.

In FY 2020, significant changes were made to the reporting requirements under the Digital Accountability and Transparency Act of 2014 (DATA Act) related to the reporting of COVID-19 funds. Because the CPSC did not receive any COVID-19 funds, there were no major changes in FY 2020 to our DATA Act quality plan. Due to the COVID-19 pandemic, the CPSC financial management staff began teleworking full-time in March 2020 for the remainder of the fiscal year. The remote environment offered its challenges, but the agency's financial functions continued to operate effectively.

Also, for the fifth consecutive year, the CPSC received the Certificate of Excellence in Accountability Reporting (CEAR) award issued by the Association of Government Accountants for our FY 2019 Agency Financial Report. We also received the Best-in-Class Award for ensuring data quality.

Finally, we received an unmodified opinion on the FY 2020 financial statements affirming that the statements fairly present the CPSC's financial position as of September 30, 2020. This represents the results of not only the hard-working financial management professionals but professionals across the agency. These results were also achieved because of the entire Commission's and Senior Leadership's strong support for and commitment to financial management excellence, accountability, and transparency. I also want to acknowledge and thank the Office of Inspector General as we work together to effectively and efficiently use federal resources to achieve the CPSC's Mission.



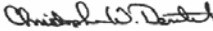
James D. Baker  
November 16, 2020

## INDEPENDENT AUDITORS' REPORT



November 16, 2020

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

FROM: Christopher W. Dentel, Inspector General 

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2020  
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, 2020. The audit was performed under a contract with, and monitored by, the Office of Inspector General (OIG), in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 19-03, Audit Requirements for Federal Financial Statements.

### Opinion on the Financial Statements

CLA audited the financial statements of the U.S. Consumer Product Safety Commission (CPSC), which comprise the balance sheet as of September 30, 2020 and 2019, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended, and the related notes to the financial statements (financial statements). The objective of the audit was to express an opinion on the fair presentation of those financial statements. In connection with the audit, CLA also considered the CPSC's internal control over financial reporting and tested the CPSC's compliance with certain provisions of applicable laws and regulations that could have a material effect on its financial statements.

In CLA's opinion, the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and

4330 East-West Hwy. Room 702 • Bethesda, MD • 20814 • 301-504-7905  
[www.CPSC.gov/OIG](http://www.CPSC.gov/OIG)

custodial activity of the CPSC as of, and for the years ending September 30, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

#### Report on Internal Control

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

Because of inherent limitations in internal controls, including the possibility of management override of controls; misstatements, losses, or noncompliance may nevertheless occur and not be detected. According to the American Institute of Certified Public Accountants:

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

CLA's consideration of internal control was for the limited purpose described in the first paragraph in this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. CLA did identify deficiencies in internal control that CLA would consider to be a significant deficiency, as defined above. This significant deficiency in internal control relates to a material weakness discovered last year regarding the monitoring and tracking of the amortization of leasehold improvements and automated data processing software. The CPSC made improvements in this area; however, CLA found errors in the amortization schedules again in this year's audit. These errors resulted in misstatements in FY 2020. These errors were similar to the errors found in the prior year that contributed to the FY 2019 material misstatement.

#### Report on Compliance with Laws and Regulations

CPSC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether the CPSC's financial statements are free of material misstatements, CLA performed tests of compliance with certain provisions of laws and regulations, noncompliance



which could have material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 19-03. CLA did not test compliance with all laws and regulations applicable to the CPSC.

CLA's tests of compliance with laws and regulations described in the audit report disclosed one instance of non-compliance that is required to be reported by Government Auditing Standards and OMB Bulletin No. 19-03.

The CPSC violated the Antideficiency Act, 31 U.S.C. §1342, Limitations on Voluntary Services, when an employee, without legal authority, continued to work during the FY 2019 government shutdown. The CPSC has reported this violation to the President, Congress, and the GAO. The CPSC reported a similar violation during a government shutdown in FY 2014.

Neither of the violations of fiscal law described above had a material impact on the financial statements of the CPSC. However, the CPSC has now reported five violations of the Antideficiency Act over the past seven years. Recent audits have found several potential instances of non-compliance with fiscal law that may ultimately be found to constitute additional violations of the Antideficiency Act.

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

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

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

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





CliftonLarsonAllen LLP  
CLAconnect.com

## Independent Auditors' Report

Inspector General  
United States Consumer Product Safety Commission

Acting Chairman  
United States Consumer Product Safety Commission

In our audits of the fiscal years 2020 and 2019 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, 2020, and 2019, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- A significant deficiency for fiscal year 2020 in internal control over financial reporting based on the limited procedures we performed; and
- A reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and other matters.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)<sup>1</sup> and other information<sup>2</sup> included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements and other matters; and (4) CPSC's response to our findings and recommendations.

### Report on the Financial Statements

We have audited CPSC's financial statements 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. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). CPSC's financial statements comprise the balance sheets as of September 30, 2020, and 2019; 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 believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

<sup>2</sup>Other information consists of Inspector General's Management Challenges Report, Summary of Financial Statement Audit and Management Assurances, Payment Integrity Information Act Reporting, and Real Property.



## 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, 2020, and 2019, 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

### INDEPENDENT AUDITORS' REPORT (Continued)

for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audits of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

#### Other Information

CPSC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. In addition, management has included references to information on websites or other data outside of the Agency Financial Report. 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 assurance statement on the overall effectiveness on 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, 2020, 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 on 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.



## INDEPENDENT AUDITORS' REPORT (Continued)

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

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

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

### 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, material weaknesses and/or significant deficiencies may exist that have not been identified. However, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency, described below and in Exhibit A.

#### *Control Activities over Leasehold Improvements and ADP Software*

The leasehold improvements and ADP software schedules, used to calculate and track the amortization expense and accumulated amortization, contained errors identified in fiscal year 2020.

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 2020 audits, we identified other 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

## INDEPENDENT AUDITORS' REPORT (Continued)

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.

#### 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 one instance of noncompliance or other matters for fiscal year 2020, described below and in Exhibit B, that are 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.

#### Antideficiency Act Violation

CPSC violated the Antideficiency Act, 31 U.S.C. Section 1342, Limitations on voluntary services, when an employee provided voluntary services during the fiscal year 2019 government shutdown.

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

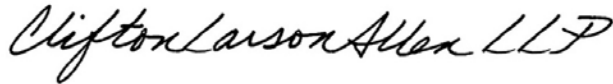
The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit 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.

**INDEPENDENT AUDITORS' REPORT (Continued)****CPSC's Response to Audit Findings and Recommendations**

CPSC's response to the findings and recommendation identified in our report is included in Exhibit C. CPSC's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

**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 18, 2019. The status of prior year findings is presented in Exhibit D.

**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 13, 2020



## EXHIBIT A Significant Deficiency

### Control activities over Leasehold Improvements and ADP Software

#### Background:

The CPSC management is responsible for monitoring, tracking, and accurate reporting of all activities associated with the property records. The manual tool used by CPSC to track all depreciable/amortizable assets is a Microsoft Excel schedule. Further, these schedules are used to calculate the depreciation or amortization expense and related accumulated depreciation or amortization.

#### Condition:

During fiscal year 2020, CPSC implemented corrective actions to remediate the prior year weaknesses identified in the controls over leases and leasehold improvements. Specifically, CPSC management updated their procedures to establish an appropriate communication and coordination protocol between the parties involved to ensure all relevant documentation for lease activities are monitored for proper tracking and accounting. Although improvements were made, we found that the calculations for leasehold improvements and ADP software amortization contained errors which resulted in misstatements in fiscal year 2020. We found similar errors in the prior year that contributed to a material misstatement in CPSC's financial records. Therefore, CPSC's review over these schedules needs improvement to ensure accurate reporting of these activities.

#### Criteria:

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

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

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

## **EXHIBIT A**

### **Significant Deficiency**

**Cause and Effect:**

The excel schedules had historical errors that were carried forward and were not adequately reviewed in its entirety to ensure all amounts were calculated correctly. The net effect of the errors resulted in adjustments to amortization expense and accumulated amortization for leasehold improvements and ADP software.

**Corrective Actions Recommended:**

We recommend that CPSC management:

1. Strengthen their quality control review over the excel-based leasehold improvements and ADP software schedules.
2. Consider transitioning from an excel-based schedule to another software/platform or enhance excel capabilities such as adding formulas to calculate number of months in service, locking formulas to avoid overriding with incorrect data input, and restricting cells to limit data input that are required to help prevent errors.

**EXHIBIT B**  
**Noncompliance Findings**

**Antideficiency Act Violation**

In fiscal year 2019, CPSC management identified a violation of the Antideficiency Act, 31 U.S.C. Section 1342, *Limitations on voluntary services*, which was communicated to the Office of Management and Budget (OMB). The violation occurred when a furloughed employee worked during the partial government shutdown period of December 2018 through January 2019. OMB provided an affirmative clearance on October 2, 2020, which allowed CPSC to transmit the remaining letters, dated October 7, 2020, to the Comptroller General of the United States (GAO), the Speaker of the House, and the President of the Senate.

## EXHIBIT C

### CPSC's Response to Audit Findings and Recommendations



United States  
Consumer Product Safety Commission  
4330 East West Highway  
Bethesda, MD 20814

Date: November 13, 2020

To: Christopher Dentel  
Inspector General

From: Mary Boyle  
Executive Director MARY BOYLE Digitally signed by MARY BOYLE  
Date: 2020.11.13 09:22:46 -0500

Re: Management Response to Financial Statement Audit Report

I acknowledge your report's conclusion that a significant deficiency in internal controls existed in the reporting process in fiscal year (FY) 2020. Management has taken steps to improve the weakness noted as a part of last year's audit over leasehold improvements, and will continue to remediate the controls over this account and ADP software. Management will work on strengthening quality control reviews over the excel-based schedules, as well as the consideration of transitioning to another platform to enhance controls over this type of data input to prevent future errors.

CPSC Hotline: 1-800-638-CPSC (2772) \* CPSC's Web Site: <http://www.cpsc.gov>

**EXHIBIT D**  
**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 2019 Findings	Type	Fiscal Year 2020 Status
Controls over Leases and Leasehold Improvements	Material Weakness	Modified Repeat to a Significant Deficiency

## FINANCIAL STATEMENTS

### U.S. Consumer Product Safety Commission Balance Sheet For the Years Ended September 30, 2020 and 2019 (In dollars)

	FY 2020	FY 2019
<b>ASSETS:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 43,557,756	\$ 38,903,278
Accounts Receivable (Note 3)	242,420	870,972
Advances to Other Federal Agencies (Note 4)	654,382	1,289,953
Tenant Improvement Allowance	1,228,960	-
Total Intragovernmental	45,683,518	41,064,203
Accounts Receivable (Note 3)	15,515	264,403
Property and Equipment, Net (Note 5)	5,742,318	9,119,996
<b>Total Assets</b>	<b>\$ 51,441,351</b>	<b>\$ 50,448,602</b>
<b>LIABILITIES:</b>		
Intragovernmental:		
Accounts Payable	\$ 799,864	\$ 1,464,364
Employee Benefits (Note 6)	920,827	780,735
Workers' Compensation (Note 7)	573,042	620,306
Tenant Improvement Liability (Note 9)	1,579,621	711,756
Custodial Liability (Note 8)	9,828	263,216
Other Unfunded Liabilities	2,057	-
Total Intragovernmental	3,885,239	3,840,377
Accounts Payable	2,862,348	4,658,849
Salaries and Benefits	3,372,671	2,635,188
Accrued Annual Leave (Note 7)	6,321,772	5,395,700
Workers' Compensation Actuarial (Note 7)	3,325,094	3,337,169
Custodial Liability	2,500	-
<b>Total Liabilities</b>	<b>\$ 19,769,624</b>	<b>\$ 19,867,283</b>
<b>NET POSITION:</b>		
Unexpended Appropriations	\$ 36,479,895	\$ 31,506,114
Cumulative Results of Operations (Note 11)	(4,808,168)	(924,795)
<b>Total Net Position</b>	<b>\$ 31,671,727</b>	<b>\$ 30,581,319</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 51,441,351</b>	<b>\$ 50,448,602</b>

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, 2020 and 2019**  
(In dollars)

	<u>FY 2020</u>	<u>FY 2019</u>
<b>STRATEGIC GOAL 1 - WORKFORCE:</b>		
Gross Cost	\$ 6,221,869	\$ 6,333,223
Earned Revenue	-	-
<b>Net Cost Strategic Goal 1</b>	<b>\$ 6,221,869</b>	<b>\$ 6,333,223</b>
<b>STRATEGIC GOAL 2 - PREVENTION:</b>		
Gross Cost	\$ 90,614,490	\$ 88,986,991
Earned Revenue	(2,718,333)	(2,979,069)
<b>Net Cost Strategic Goal 2</b>	<b>\$ 87,896,157</b>	<b>\$ 86,007,922</b>
<b>STRATEGIC GOAL 3 - RESPONSE:</b>		
Gross Cost	\$ 29,348,917	\$ 28,567,688
Earned Revenue	-	-
<b>Net Cost Strategic Goal 3</b>	<b>\$ 29,348,917</b>	<b>\$ 28,567,688</b>
<b>STRATEGIC GOAL 4 - COMMUNICATION:</b>		
Gross Cost	\$ 10,700,820	\$ 10,443,840
Earned Revenue	-	-
<b>Net Cost Strategic Goal 4</b>	<b>\$ 10,700,820</b>	<b>\$ 10,443,840</b>
<b>TOTAL ENTITY:</b>		
Total Gross Cost	\$ 136,886,096	\$ 134,331,742
Total Earned Revenue	(2,718,333)	(2,979,069)
<b>Total Net Cost of Operations (Note 16)</b>	<b>\$ 134,167,763</b>	<b>\$ 131,352,673</b>

The accompanying notes are an integral part of these statements.

**U.S. Consumer Product Safety Commission**  
**Statement of Changes in Net Position**  
**For the Years Ended September 30, 2020 and 2019**  
(In dollars)

	<u>FY 2020</u>	<u>FY 2019</u>
<b>UNEXPENDED APPROPRIATIONS:</b>		
Beginning Balance, as adjusted	\$ 31,506,114	\$ 29,518,797
<b>BUDGETARY FINANCING SOURCES:</b>		
Appropriations Received	132,500,000	127,000,000
Other Adjustments - Appropriations Returned to Treasury	(793,186)	(1,978,479)
Appropriations Used	(126,733,033)	(123,034,204)
Total Budgetary Financing Sources	4,973,781	1,987,317
<b>Total Unexpended Appropriations</b>	<b>\$ 36,479,895</b>	<b>\$ 31,506,114</b>
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>		
Beginning Balance, as adjusted	\$ (924,795)	\$ 2,661,251
<b>BUDGETARY FINANCING SOURCES:</b>		
Appropriations Used	126,733,033	123,034,204
<b>OTHER FINANCING SOURCES (NON-EXCHANGE):</b>		
Imputed Financing (Note 6)	3,551,306	4,732,424
Other	50	-
Total Financing Sources	130,284,389	127,766,628
Net Cost of Operations (Note 16)	(134,167,763)	(131,352,673)
Net Change	(3,883,374)	(3,586,045)
<b>Cumulative Results of Operations (Note 11)</b>	<b>\$ (4,808,168)</b>	<b>(924,795)</b>
<b>Net Position</b>	<b>\$ 31,671,727</b>	<b>\$ 30,581,319</b>

The accompanying notes are an integral part of these statements.

**U.S. Consumer Product Safety Commission**  
**Statement of Budgetary Resources**  
**For the Years Ended September 30, 2020 and 2019**  
(In dollars)

	<u>FY 2020</u>	<u>FY 2019</u>
<b>BUDGETARY RESOURCES:</b>		
Unobligated balance from prior year budget authority, net	\$ 3,620,020	\$ 5,302,516
Appropriations	132,500,000	127,000,000
Spending authority from offsetting collections	2,870,445	2,106,157
<b>Total Budgetary Resources</b>	<b>\$ 138,990,465</b>	<b>\$ 134,408,673</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>		
New Obligations and Upward Adjustments (Note 12)	\$ 134,554,672	\$ 130,812,618
Unobligated balance, end of year:		
Apportioned, unexpired account	2,579,048	1,246,782
Unapportioned, unexpired accounts	142,485	18,953
Expired Unobligated Balance, end of year	1,714,260	2,330,320
Unobligated balance, end of year (total)	4,435,793	3,596,055
<b>Total Status of Budgetary Resources</b>	<b>\$ 138,990,465</b>	<b>\$ 134,408,673</b>
<b>OUTLAYS, NET:</b>		
Outlays, net (total)	\$ 127,052,337	\$ 121,682,437
Distributed offsetting receipts	(12,849)	(9,311)
<b>Total Agency Outlays, net (Note 16)</b>	<b>\$ 127,039,488</b>	<b>\$ 121,673,126</b>

The accompanying notes are an integral part of these statements.

**U.S. Consumer Product Safety Commission**  
**Statement of Custodial Activity**  
**For the Years Ended September 30, 2020 and 2019**  
(In dollars)

	<u>FY2020</u>	<u>FY2019</u>
<b>REVENUE ACTIVITY:</b>		
Sources of Cash Collections:		
Civil Penalties & Fines	\$ 250,000	\$ 4,624,250
FOIA and Miscellaneous	12,849	9,311
Total Cash Collections	262,849	4,633,561
Accrual Adjustments	(250,838)	229,470
<b>Total Custodial Revenue (Note 15)</b>	<b>\$ 12,011</b>	<b>\$ 4,863,031</b>
<b>DISPOSITION OF COLLECTIONS:</b>		
Transferred to Others (by Recipient)	\$ 262,849	\$ 4,633,561
Increase/(Decrease) in Amounts Yet to be Transferred	(250,838)	229,420
Retained by the Reporting Entity	-	50
<b>Total Disposition of Collections</b>	<b>\$ 12,011</b>	<b>\$ 4,863,031</b>
<b>Net Custodial Activity</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these statements.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 – Summary of Significant Accounting Policies

#### Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources and custodial 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 Chairman who is the agency head. The Consumer Product Safety Act (as amended) authorizes the CPSC to:

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

#### Fund Accounting Structure

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

General Funds: These funds consist of salaries and expense appropriation accounts used to fund agency operations and capital expenditures, and the grant program under the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act).

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

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

#### Budget Authority

Congress enacts appropriations that provide the CPSC with authority to obligate funds for necessary expenses to carry out authorized program activities. The funds appropriated are subject to OMB apportionment. The CPSC's Administrative Control of Funds directive complies with Federal budgetary accounting guidelines of OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*, 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. Funds with the U.S. Treasury comprise the majority of intragovernmental assets on the CPSC's balance sheet.

### A. Fund Balance with Treasury

The U.S. Department of Treasury (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. Funds with the U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by the CPSC.

### 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 consists 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 greater than \$15,000 and \$30,000 respectively. Furniture and fixtures, bulk internal use software purchases, other equipment, and leasehold improvements with an aggregate acquisition cost of \$100,000 and a useful life of two or more years are capitalized. The CPSC reports property and equipment



purchases and additions at historical costs. The CPSC treats property and equipment acquisitions that do not meet the capitalization criteria as an expense.

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

## **Liabilities**

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

### **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 (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI). 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. 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.

### 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 funds with the U.S. Treasury consist of apportioned and unapportioned funds. The status of these funds as of September 30, 2020 and September 30, 2019 is:

	2020	2019
Unobligated Balance		
Available	\$ 2,579,048	\$ 1,246,782
Unavailable	1,856,745	2,349,273
Obligated Balance, Not Yet Disbursed	39,121,963	35,307,223
Total Funds with U.S. Treasury	<u>\$ 43,557,756</u>	<u>\$ 38,903,278</u>

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph. The available unobligated balance as of September 30, 2020 and September 30, 2019 was \$2,579,048 and \$1,246,782 respectively.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The unavailable obligated balance as of September 30, 2020 and September 30, 2019 was \$1,856,745 and \$2,349,273 respectively.

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

## Note 3 – Accounts Receivable

The CPSC's accounts receivable is comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided, 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. 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, 2020 and September 30, 2019 is:

<b>Accounts Receivable</b>	2020	2019
Entity		
Intragovernmental		
Accounts Receivable - Reimbursable	\$ 242,420	\$ 870,972
Public		
Other Receivable	3,187	1,187
Non-Entity		
Public		
Civil Fines and Penalties	4,583	254,583
Other Receivable	7,745	8,633
Total Non-Entity Accounts Receivable	12,328	263,216
Total Accounts Receivable	\$ 257,935	\$ 1,135,375

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

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

The balance of advances to other federal agencies as of September 30, 2020 and September 30, 2019 is \$654,382 and \$1,289,953, respectively.

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

The composition of property, plant and equipment (PPE) as of September 30, 2020 is:

Classes of PPE	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	

The composition of PPE as of September 30, 2019 is:

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

## Note 6 – Federal Employee Benefits

Federal Employee benefits consist of the actuarial portion of future benefits earned by federal employees, but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits, 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.

The federal employee retirement benefit costs paid by OPM and imputed to CPSC for the year ended September 30, 2020 and September 30, 2019 is:

	2020	2019
Estimated future pension costs (CSRS/ FERS)	\$ 283,547	\$ 1,756,138
Estimated future postretirement health insurance (FEHB)	3,257,400	2,965,344
Estimated future postretirement life insurance (FEGLI)	10,359	10,942
Total Imputed Costs	<u>\$ 3,551,306</u>	<u>\$ 4,732,424</u>

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

For employees participating in CSRS, CPSC contributes 7 percent to their plan. FERS is a three-tiered retirement system consisting of a Basic Benefit Plan, Thrift Savings Plan (TSP), and Social Security Benefits. For the FERS Basic Benefit Plan, CPSC contributes between 11.9 percent and 13.7 percent for regular employees.

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

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

CSRS, FERS, FICA, FEHB, and FEGLI contributions are shown on the balance sheets as an employee benefits liability. Amounts owed to OPM and Treasury as of September 30, 2020 and September 30, 2019, were \$920,827 and \$780,735, respectively.

## Note 7 – 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, 2020 and September 30, 2019 include liabilities not covered by budgetary resources. The intragovernmental liabilities are owed to DOL for the FECA (disability) payments and the General Services Administration (GSA) for the tenant improvement allowance 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, 2020 and September 30, 2019 is:

Liabilities Not Covered by Budgetary Resources	2020	2019
Intra-governmental		
Worker's Compensation	\$ 573,042	\$ 620,306
Other Unfunded Liabilities	2,057	-
Tenant Improvement Liability	1,579,621	711,756
Total Intra governmental	2,154,720	1,332,062
Accrued Annual Leave	6,321,772	5,395,700
Worker's Compensation Actuarial	3,325,094	3,337,169
Total Liabilities Not Covered by Budgetary Resources	\$ 11,801,586	\$ 10,064,931
Total Liabilities Covered by Budgetary Resources	\$ 7,955,710	\$ 9,539,137
Total Liabilities Not Requiring Budgetary Resources (see Note 8)	\$ 12,328	\$ 263,216
Total Liabilities	\$ 19,769,624	\$ 19,867,284

## Note 8 – Custodial Liability

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 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. The uncollected civil penalties, FOIA fees and balances in the U.S. Treasury's miscellaneous receipt funds are recognized as a Custodial Liability on the CPSC's Balance Sheet. As of September 30, 2020 and September 30, 2019, the total Custodial Liabilities are \$12,328 and \$263,216 respectively. The revenue and collection activities are presented in the Statement of Custodial Activities.

## Note 9 – Tenant Improvement Liability (TIL)

The composition of TIL as of September 30, 2020 and September 30, 2019 is:

Other Liabilities	2020	2019
Intra-governmental		
Tenant Improvement Liability - HQ	\$ 307,566	\$ 410,088
Tenant Improvement Liability – 5RP	1,272,055	301,668
Tenant Improvement Liability – SSF	-	-
Total Tenant Improvement Liability	\$ 1,579,621	\$ 711,756

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 10 – Operating Leases

The CPSC's lease agreements with the GSA are for three facilities in Maryland; HQ offices located in Bethesda, the NPTEC located in Rockville, and the SSF located in Gaithersburg. These operating lease agreements expire between fiscal years 2020 and 2023. 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, 2020 and September 30, 2019 amounted to approximately \$7,730,354 and \$7,450,410 respectively. Estimated future minimum lease payments for the three facilities are:



Fiscal Year	Estimated Future Lease Payments
2021	\$ 5,616,407
2022	7,346,925
2023	7,610,980
2024	7,654,231
2025	7,954,886
After 2025+	48,740,419
Total Estimated Future Lease Payments	\$ 84,923,848

### Note 11 – Cumulative Results of Operations

The cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of the CPSC's cumulative results of operations for the fiscal year ending September 30, 2020 and September 30, 2019 is:

	2020	2019
Investment in leasehold improvements, net	\$ 1,431,136	\$ 3,807,323
Investment in property and equipment, net	4,311,182	5,312,673
Tenant improvement allowance	1,228,960	-
Gift fund	18,953	18,953
Other Assets	3,188	1,187
Liabilities not covered by budgetary resources	(11,801,586)	(10,064,931)
Cumulative results of operations	\$ (4,808,168)	\$ (924,795)

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

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

The CPSC's apportionments fall under three Categories: Direct Category A, quarterly apportionment for salaries and expenses; Direct Category B, restricted and activity apportionment for the Virginia Graeme Baker Pool and Spa Safety Act (VGB) grant program; 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, 2020 and September 30, 2019 are:

	2020	2019
Direct:		
Category A	\$ 131,359,752	\$ 126,601,501
Category B	152,738	1,152,288
Reimbursable:		
Category A	\$ -	\$ -
Category B	3,042,182	3,058,829
Total Obligations incurred	<u>\$ 134,554,672</u>	<u>\$ 130,812,618</u>

### Note 13 – Undelivered Orders

The amount of budgetary resources obligated for orders undelivered as of September 30, 2020 and September 30, 2019 are:

	2020	2019
Intragovernmental, Undelivered Orders Unpaid	\$ (6,794,818)	\$ (7,660,733)
Public, Undelivered Orders Unpaid	40,380,786	36,325,025
Intragovernmental, Undelivered Orders Paid	\$ 654,382	\$ 1,289,953
Public, Undelivered Orders Paid	-	-
Total Undelivered Orders	<u>\$ 34,240,350</u>	<u>\$ 29,954,245</u>

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

A reconciliation of the CPSC's fiscal year 2019 statement of budgetary resources with the corresponding information presented in the fiscal year 2021 President's Budget is:

FY 2019	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
FY 2019 Budgetary Resources	\$ 134,408,673	\$ 130,812,618	\$ 9,311	\$121,682,437
Offsetting Collections	\$ (12,849)	\$ -	\$ -	\$ -
Expired Unobligated Balance, end of year	\$ (2,330,320)	\$ -	\$ -	\$ -
Rounding	\$ (65,504)	\$ 187,382	\$ (9,311)	\$ (682,437)
FY 2021 Presidents Budget	\$ 132,000,000	\$ 131,000,000	\$ -	\$121,000,000

The Budget of the U.S. Government (also known as the President's Budget) will not be published prior to February 2021. Accordingly, a comparison between the fiscal year 2020 data reflected on the statement of budgetary resources and fiscal year 2020 data in the President's Budget cannot be performed. The Budget with the actual amount for fiscal year 2020 will be available at a later date at <https://www.whitehouse.gov/omb/budget>. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance 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. 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, 2020 and September 30, 2019 are:

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

	Intragovernmental	With the Public	Total
Net Operating Cost	\$ 33,369,965	\$ 100,797,798	\$ 134,167,763
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays:</b>			
Property, plant, and equipment depreciation	-	(4,770,255)	(4,770,255)
Property, plant, and equipment disposal & re-evaluation	-	(7,284)	(7,284)
<b>(Increase)/Decrease in assets not affecting Budget Outlays:</b>			
Accounts receivable	(628,551)	(248,887)	(877,438)
Other assets	593,389	-	593,389
<b>(Increase)/Decrease in liabilities not affecting Budget Outlays:</b>			
Accounts payable	564,499	1,838,290	2,402,789
Salaries and benefits	(234,352)	(643,223)	(877,575)
Other liabilities	(469,269)	(958,286)	(1,427,555)
<b>Other financing sources:</b>			
Imputed federal employee retirement benefit costs	(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)
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost:</b>			
Acquisition of capital assets	-	1,399,861	1,399,861
Other	9,511	(9,511)	-
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ 9,511	\$ 1,390,350	\$ 1,399,861
<b>Other Temporary Timing Differences:</b>			
Net Outlays	\$ 29,653,886	\$ 97,398,503	\$ 127,052,389
<b>Related Amounts on the Statement of Budgetary Resources:</b>			
Outlays, net			127,052,337
Distributed offsetting receipts			(12,849)
Agency Outlays, Net			\$ 127,039,488

**Budget and Accrual Reconciliation**  
**For The Year Ended September 30, 2019**  
(In dollars)

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

## REQUIRED SUPPLEMENTARY INFORMATION

### U.S. Consumer Product Safety Commission Combining Statement of Budgetary Resources by Fund For the Years ended September 30, 2020

(In dollars)

	<u>Salaries and Expenses and Other Funds</u>	<u>Gift Fund</u>	<u>Total</u>
<b>BUDGETARY RESOURCES:</b>			
Unobligated balance from prior year budget authority, net	\$ 3,601,067	\$ 18,953	\$ 3,620,020
Appropriations	132,500,000	-	132,500,000
Spending authority from offsetting collections	2,870,445	-	2,870,445
<b>Total Budgetary Resources</b>	<b>\$ 138,971,512</b>	<b>\$ 18,953</b>	<b>\$ 138,990,465</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>			
New Obligations and Upward Adjustments (Note 12)	\$ 134,554,672	-	\$ 134,554,672
Unobligated balance, end of year:			
Apportioned, unexpired account	2,579,048	-	2,579,048
Unapportioned, unexpired accounts	123,532	18,953	142,485
Expired Unobligated Balance, end of year	1,714,260	-	1,714,260
Unobligated balance, end of year (total)	4,416,840	18,953	4,435,793
<b>Total Status of Budgetary Resources</b>	<b>\$ 138,971,512</b>	<b>\$ 18,953</b>	<b>\$ 138,990,465</b>
<b>OUTLAYS, NET:</b>			
Outlays, net (total)	\$ 127,052,337	-	\$ 127,052,337
Distributed offsetting receipts	(12,849)	-	(12,849)
<b>Total Agency Outlays, net (Note 16)</b>	<b>\$ 127,039,488</b>	<b>\$ -</b>	<b>\$ 127,039,488</b>

The accompanying notes are an integral part of these statements.



# OTHER INFORMATION



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

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

## INSPECTOR GENERAL'S MANAGEMENT CHALLENGES REPORT



October 9, 2020

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

**FROM:** Christopher W. Dentel, Inspector General

**SUBJECT:** Top Management and Performance Challenges for Fiscal Year 2021

In accordance with the Reports Consolidation Act of 2000, I am providing you information on what I consider to be the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission in fiscal year 2021. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. Serious management and performance challenges are defined as mission critical areas or programs that have the potential to be a significant weakness or vulnerability that would seriously impact agency operations or strategic goals if not addressed by management.

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

---

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

[www.CPSC.gov/OIG](http://www.CPSC.gov/OIG)

## Table of Contents

Introduction.....	1
1. Internal Control System.....	1
2. Enterprise Risk Management .....	3
3. Resource Management .....	4
4. Information Technology Security.....	6

## Introduction

The fiscal year (FY) 2021 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. Our work in these areas indicates that while improvements are needed, the CPSC is making progress toward implementing Office of Inspector General (OIG) recommendations and improving the efficiency and effectiveness of its programs. The FY 2021 management and performance challenges are:

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

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

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

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

### 1. Internal Control System

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

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

Federal standards for internal control are established in Office of Management and Budget's (OMB) Circular A-123 (A-123), *Management's Responsibility for Enterprise Risk Management and Internal Control*.<sup>1</sup> 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*<sup>2</sup> (Green Book), and the internal control requirements of the Federal Manager's Financial Integrity Act (FMFIA).

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

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. As of FY 2019, the Chairman asserted that the CPSC had effective internal controls over all programs and complied with applicable laws and regulations.

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

- Strengthening internal controls over the amortization and depreciation process regarding plant, property, and equipment
- Implemented internal controls regarding lab accreditation
- Continued work toward closing internal control recommendations related to the telework program

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.

The OIG has found serious issues related to internal control deficiencies in a number of programs. Most notably, problems have been found that call into question the

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

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

accuracy of some of the statements of assurance relied upon by the agency in making its annual overall statement of assurance. 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](#), [Review of the CPSC's Compliance with IPERA for FY 2019](#), and [Evaluation of CPSC's Federal Information Security Modernization Act \(FISMA\) Implementation for FY 2019](#).

The OIG is currently reviewing the CPSC's implementation of the FMFIA and the internal controls over its National Electronic Injury Surveillance System (NEISS). The OIG also plans to conduct other audits or reviews of the agency's internal control implementation in FY 2021.

## 2. Enterprise Risk Management

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

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

The 2016 update to OMB A-123 emphasized the importance of having an appropriate risk management process for every federal agency. The guidance includes a requirement that agencies annually develop a risk profile which coordinates with their strategic plan. The OMB Circular 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. Further, the Office of Financial Management, Planning, and Evaluation has begun work on a risk assessment process for the agency. We encourage the agency to expand these risk management efforts to its support operations and allocate resources to the areas of greatest opportunities for improvement in agency programs.

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

The CPSC's weaknesses in applying the principles of ERM 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 2019](#), the most recent FISMA review currently in process, 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 reviews, as well 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.

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

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

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

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

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

We note the CPSC has indicated that it has included an element in all SES performance reviews regarding actions taken to address findings made by the OIG. The agency has also made strides in developing an occupant emergency plan and updating its telework guidance. The telework program has proven to be essential in the agency's transition to fulltime telework.

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

Recently completed OIG work related to this CPSC goal and cross-cutting priority includes: [Audit of the CPSC's Grants Program](#), and the [Report of Investigation Regarding the 2019 Clearinghouse Data Breach](#), [Audit of the CPSC's Financial Statements for FY 2019](#), and [Risk Assessment of the CPSC's Charge Card Programs](#).

The statutory audits and reviews related to financial statements, FISMA, and IPERA address this challenge annually. In addition to the statutorily required audits and reviews, the OIG has ongoing work in the areas of the NEISS program, and implementing strategic initiatives in the Office of Communications.

#### 4. Information Technology Security

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

The FY 2019 FISMA evaluation found that management continues to make progress in implementing the FISMA requirements. The CPSC has continued to focus its efforts on the implementation of the following processes/systems:

- Automation of privileged access management for elevated network access
- Development of a formal Enterprise Architecture (EA)
- Engagement with stakeholders in support of the establishment of an Executive Risk function
- Rollout of a role-based training program
- Information Security Continuous Monitoring (ISCM) program
- Documenting and enforcing protocols controlling the destruction/reuse of media containing Personally Identifiable Information (PII) or other sensitive agency data (e.g., proprietary information)
- Enforcement of Personal Identification Verification (PIV) authentication
- Utilization of Simple Mail Transfer Protocol (SMTP) Domain-based Message Authentication, Reporting and Conformance (DMARC) checks
- Enhanced network defense support
- Participation in DHS's EINSTEIN 3 Accelerated program.

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

In addition to the hardware and software issues previously identified in OIG reports, the [Report of Investigation Regarding the 2019 Clearinghouse Data Breach](#) highlights the need for increased training and oversight regarding the handling of Personally Identifiable Information (PII) and Section 6(b)<sup>3</sup> information. In the past two years there have been multiple instances where the PII and 6(b) information of thousands of people and businesses was either released to unauthorized recipients, transmitted without being properly encrypted, or was accessible to CPSC personnel with no need or authorization to view it. The CPSC moved quickly to notify manufacturers of the release of 6(b) information; however, work remains to be done to address the underlying issues that allowed the releases to occur in the first place.

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

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

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

---

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

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, federal data strategy, and the NEISS program.

21-O-01

8

## SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
Lease Documentation	1	0	1	0	0
<b>Total Material Weaknesses</b>	1	0	1	0	0

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



## PAYMENT INTEGRITY INFORMATION ACT REPORTING

To improve the integrity and accuracy of the federal government's payments, in 2002, Congress enacted the Improper Payments Information Act (IPIA) (Pub. L. No. 107-300) and 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.

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

The CPSC is dedicated to continuing to strengthen its improper payments program to ensure that payments are justifiable and processed correctly and efficiently. The program uses an experienced and trained staff, a financial management system designed with control functions to mitigate risk, and an internal analysis of processes and transactions. The CPSC strives to comply with the

(OMB) Memorandum M-18-20, which revised Appendix C in OMB Circular A-123, *Requirements for Payment Integrity Improvement*.

In accordance with the President's Management Agenda, Cross-Agency Priority (CAP) Goal 9, *Getting Payments Right*, the CPSC reviewed the streamlined payment reporting guidance for FY 2020, to identify improper payments and differentiate between improper payments resulting from payment processing errors where there was no monetary loss to the taxpayer, versus improper payments that resulted in a monetary loss to the taxpayer requiring payment recapture. The analysis did not evidence significant improper payments resulting in monetary loss to the taxpayer.

### **Review of Program Activities in FY 2020**

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

### **Payment Reporting & IPERA Noncompliance Findings**

The FY 2019 IPERA review, issued by the OIG in May 2020, found that the CPSC is in compliance with OMB M-18-02.

The results of the FY 2020 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	\$ 81,980,019	100%	\$ -	0%	CPSC	N/A	N/A
Non-Payroll	\$ 33,354,881	99%	\$ 214,118	1%	CPSC	Overpayment	Administrative processing errors

**Table 2- Recapture of Payments**

Activity Name	2020 Identified amount	2020 Recovered Amount	2020 Unrecovered Amount
Payroll	\$ -	\$ -	\$ -
Non-Payroll	\$ 214,118	\$ 211,618	\$ 2,500

### Recapture of Improper Payments

IPERA Section III (C) requires agencies to conduct payment recapture audits (also known as recovery audits) for each program and activity that expends \$1 million or more annually, if conducting such audits would be cost effective. A payment recapture audit is a detective and corrective control activity designed specifically to identify and recapture overpayments. The CPSC conducted a cost-benefit analysis of two alternatives for payment recapture audits, exploring the use of federal staff 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 of these amounts have been recaptured other than \$2,500 noted above, in which 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 they transact with 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 to improve the quality and integrity of information within the financial system. The ARC engages the DNP Analytics Services to match vendor records with the Death Master File. The review identifies high-risk vendor records possibly associated with deceased individuals, and 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 Reduction Report**

The Fraud Reduction and Data Analytics Act of 2015 (FRDAA) Pub. L. No. 114-186, was signed into law on June 30, 2016. The FRDAA requires agencies to establish financial administrative controls to identify and assess fraud risks and design and implement control activities to prevent, detect, and respond to fraud, including improper payments. Agencies have 3 years, per the law, to implement FRDAA and to assess their efforts to combat fraud, including improper payments, and report to

Congress for fiscal years 2017, 2018, and 2019 (through this report). Among other mandates, the legislation requires the OMB to establish guidelines for federal agencies to use the 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 2020, EXFM conducted a fraud risk assessment on all of CPSC's financial processes, in collaboration with agency employees at many levels and across functions. The assessment represented a consensus about the financial, regulatory, and reputational impacts that specific kinds of fraud could create. The assessment also identified the significance and likelihood of occurrence of fraud risks. Subject-matter experts assessed the inherent and residual risk of each process and the controls in place to mitigate those risks.

Based on the fraud risk analysis performed, management can report that there are efficient and effective controls in place to mitigate identified

fraud risks. The assessment concluded that there are adequate compensating controls in place to mitigate residual fraud risks.

In addition, the agency continues to implement its annual ERM program to identify and adapt to

threats and seize opportunities that could affect operations and achievement of agency goals. No suspected or known fraud was identified, and managers are aware of their responsibility to report suspected fraud. The agency will continue to assess fraud risks annually.

## REAL PROPERTY

The CPSC is committed to the goal of minimizing the total square footage leased at its HQ offices located in Bethesda, MD, the National Product Safety Testing and Evaluation Center (NPTEC) in Rockville, MD, and the Sample Storage Facility (SSF) in Gaithersburg, MD. The agency had no increase in square footage related to the leased properties from FY 2019 to FY 2020.

CPSC's real property information can be found through the General Services Administration's

(GSA) website at: <https://www.gsa.gov/policy-regulations/policy/real-property-policy/asset-management/federal-real-property-profile-frpp/federal-real-property-public-data-set>.

The CPSC will continue to meet its responsibilities of the initiative by disposing of unneeded federal real estate, increasing the use of under-utilized assets, minimizing operating costs, and improving efficiency.

# APPENDICES

## Home Safety Tips During #Coronavirus: *Everyone*

### FIRES



- Make sure smoke alarms work, and replace batteries once every year.
- Have a smoke alarm on every floor, outside sleeping areas and inside bedrooms.
- Stand by Your Pan! Always stay in the kitchen when cooking.
- Have a fire escape plan (two ways out of each room).

### DROWNING



- Backyard pool? Know how to swim, and always watch your children around water.
- Make sure to have alarms, fences, doors, and self-latching gates.
- Never leave your baby alone in bathtub or in the care of elder siblings.

### CARBON MONOXIDE



- CO is an invisible killer, you cannot see or smell it.
- Replace batteries once a year in all CO alarms on every level of your home and outside sleeping area.
- If the CO alarm rings, get outside immediately, and call 911.

### POISONS



- Keep household cleaning products and medicines in their original bottles.
- Lock them up, or store them out of reach of children.
- Put the Poison Control Center's hotline number (800) 322-1222 in your cell phone.



USCPSC



NSN-11-042020

Tips by age group  
CPSC.gov



### Appendix A: Performance Measurement Reporting Process

Provides a brief description of the performance reporting framework

### Appendix B: Statutory Authority

Provides a listing of federal statutes administered by the CPSC

### Appendix C: Acronym Listing

Defines acronyms cited in the report. Lists acronyms in alphabetical order.



## APPENDIX A: PERFORMANCE MEASUREMENT REPORTING PROCESS

The Annual Performance Plan (APP), approved by a majority-Commission vote in conjunction with the FY 2020 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 2020 performance year-end results is presented on pages 3–11 of this report, and the detailed performance results will be published in the FY 2020 APR, scheduled for February 2021, which will be posted to the agency's website at: [www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget](http://www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget).

### Verification and Validation of Performance Data

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

1. The agency develops performance measures through its strategic planning and annual performance planning processes.
2. The CPSC's functional components follow a standard reporting procedure to document detailed information for each performance measure in an internal agency database. This information includes, but is not limited to:
  - performance measure definition,
  - rationale for the performance measure,
  - source of the data,
  - data collection and computation methods, and
  - data limitations.
3. The agency's major 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 2020, EXFM independently assessed 11 key performance measures out of 25 from across the agency's major functional components for quality and accuracy of the year-end reported performance results.
5. The CPSC also conducts periodic Strategic Data Review meetings, where managers of major functional components analyze progress toward performance measure targets and broader progress toward achieving the agency's strategic objectives and performance goals. Program risks are also discussed, and mitigation strategies are developed.

6. Managers of major functional components within the CPSC also submit annual Statements of Assurance (SoA) on the operating effectiveness of general- and program-level internal controls for their areas of responsibility. Those SoAs identify any known deficiencies or weaknesses in program-level internal controls where they exist, including any issues with the quality of program data.

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

# LOADS OF TEMPTATION

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

*...but they're*  
**POISON!**



Preventing poisoning is simple.



+



=



***Avoid temptation:***

***Store laundry packets locked up and out of sight.***

**Call Poison Help at**  
**1-800-222-1222**



NSN 13-9

## APPENDIX B: STATUTORY AUTHORITY

Provided below is a list of federal statutes administered by the CPSC. Links to these statutes are available on the CPSC's website at: [www.cpsc.gov/Regulations-Laws--Standards/Statutes](http://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
BPR	Business Process Review
CAPs	Corrective Action Plans
CBP	U.S. Customs and Border Protection
CDC	Centers for Disease Control
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
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
FRDAA	Fraud Reduction and Data Analytics Act of 2015
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GSA	General Services Administration
HQ	Headquarters
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
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

[www.cpsc.gov](http://www.cpsc.gov)