Fiscal Year 2015
Agency Financial Report

UNITED STATES OF AMERICA

CONSUMER PRODUCT SAFETY COMMISSION

November 16, 2015

ABOUT THE CPSC

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

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

The CPSC is a bipartisan commission consisting of five presidentially appointed Commissioners. The Commission convenes at meetings that are open to the public.

From left to right: Commissioner Robert Adler, Commissioner Anne Marie Buerkle, Chairman Elliot Kaye, Commissioner Marietta Robinson, and Commissioner Joseph Mohorovic

[*] 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 2015 *Agency Financial Report* (AFR) is to assist Congress, the President, and the American people in assessing the agency's stewardship over resources with which it is entrusted. This annual report is required by legislation and complies with the requirements of the Office of Management and Budget's Circulars A-11, *Preparation, Submission, and Execution of the Budget*, and A-136, *Financial Reporting Requirements*.

The AFR is organized into four major sections:

Management's Discussion and Analysis—This section provides information about the agency's mission and organizational structure, our high-level performance results, financial highlights, and management assurances regarding internal controls.

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

Other Accompanying Information—This section provides the Office of the Inspector General's (OIG) Management and Performance Challenges and the agency's response, the schedule of spending (SOS), a summary of the financial statement audit and management assurance results, and improper payments reporting details.

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

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

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

For the third consecutive year, the CPSC is producing an AFR, with a primary focus on financial results, and an Annual Performance Report (APR),[*] which focuses on strategic goals and performance results, in lieu of a combined Performance and Accountability Report. This AFR and the prior year AFRs are electronically available at http://www.cpsc.gov/en/About-CPSC/Agency-Reports/Performance-and-Budget/.

[*] The APR is produced in conjunction with the FY 2017 President's Budget Request and provides more detailed performance information and analysis of performance results.

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Message from the Chairman

In presenting the CPSC's AFR for FY 2015, I am proud to highlight the strong work and fiscal stewardship of our staff in furtherance of our service to the public. The CPSC's mission to protect the public against unreasonable risks of injury associated with consumer products is carried out in many ways every day by our passionate, safety-focused employees. As Chairman, I am mindful of the remarkable number and types of products for which the agency is responsible. Undoubtedly, it is an outsized responsibility relative to the agency's modest level of funding. The dedication of our staff, strong stakeholder relationships, and cooperation with our partner government agencies allow the CPSC to tackle many consumer product safety issues; however, there is so much more that we want—and really need—to accomplish. In addition to working on individual products that pose real hazards, especially to children, the agency is focusing on some broad areas with the potential to improve significantly consumer product safety.

Chronic Chemical Exposure Hazards

Although there are a number of agencies with jurisdiction over acute and chronic chemical hazards, the CPSC is the only federal agency focused on chemical hazards in consumer products. Chronic hazards related to consumer products are especially insidious. Consumers cannot perceive these hazards, and therefore, consumers cannot make a truly informed decision on the risks associated with them. Furthermore, deaths and injuries are difficult to attribute to chronic chemical exposure because they result from a slow accumulation of these substances in our bodies over time. This year, the CPSC staff renewed critical partnerships with the U.S. Environmental Protection Agency, National Institute of Environmental Health Sciences and other federal health and safety agencies to improve federal coordination in this area and identify key areas of inquiry. Additionally, the CPSC continued limited, interagency work on nanotechnology in consumer products. Consumers, especially parents of young children, deserve to know that chemicals in consumer products are not causing harm.

Import Surveillance

The most effective way to keep dangerous, noncompliant goods out of consumers' hands is to stop these products at our ports of entry, well before they enter our stream of commerce. Currently, most consumer goods under the CPSC's jurisdiction are manufactured in other countries. Additionally, the majority of consumer product recalls are for imported products. Although we are administering a successful, risk-based pilot import surveillance system, we also have proposed a robust port surveillance program that aligns with the "single window" vision described in Executive Order 13659. This year, the CPSC engaged with importers, brokers, and other stakeholders to formulate a pilot program to test electronic filing of targeting/enforcement data at entry. With sufficient funding and related authorities, the CPSC can be fully integrated into the single window and can transform Congress' vision of a national-scope, risk-based, data-driven screening at the ports into a reality—a reality that would mean faster entry for importers of compliant products and safer products in the hands of American consumers.

Industry Call to Action

We view consumer product manufacturers and retailers as partners in safety. The CPSC staff regularly engages stakeholders through the consensus standards process. Working side-by-side with manufacturers, importers, and consumer advocates, the CPSC staff help to construct performance standards with direct stakeholder participation.

During the past year, staff has continued to focus on such dangerous products as window coverings, liquid laundry packets, recreational off-road vehicles, and generators, among other products. My office has reached out to manufacturers of many of these products to reinforce my view that we can work together to make consumer products safer. Addressing persistent safety issues from another angle, I am calling on designers, engineers, and inventors to find novel, innovative solutions to consumer safety hazards through the Chairman's Challenge, which can be viewed at: http://bit.ly/ChairmansChallenge. With this challenge, we are looking for real-life solutions to real-life hazards.

Beyond looking at just individual product hazards, we also engage industry and consumers on the hazards associated with common, day-to-day activities. We have expended substantial resources to warn consumers of child drowning in pools and spas, furniture and TV tip-overs, and unsafe sleep environments through creative and successful outreach campaigns, including *Pool Safely* (PoolSafely.gov), AnchorIt! (AnchorIt.gov), and Safe To Sleep® Initiative (CPSC.gov/Cribs). I continue to speak out about finding ways to help children enjoy the many benefits of sports, while promoting meaningful culture change in youth sports, in order to reduce the acute and chronic effects of repetitive hits to the brain.

These initiatives promote a culture of safety. Rather than focusing on a single product or product class in a reactive manner, these initiatives encourage our staff and stakeholders to consider an expansive view of product safety that is active and considers all aspects of the consumer product lifecycle, from design to disposal. Although these efforts require substantial resources and sometimes are not easy to initiate, a longer view shows that this direction will ultimately provide the most protection for the American consumer. We are not undertaking these steps alone. I want to thank our stakeholders and partner government agencies for their input and assistance in improving our effectiveness in protecting consumers. I expect to expand on these partnerships moving forward. We are a tiny agency relative to our mandate, and this support makes us more successful.

In closing, I want to emphasize the agency's commitment to high standards of financial operations, reporting, and accountability, and to the continued improvement of our financial management and internal controls. The Message from the Chief Financial Officer in this report underscores our improvements in FY 2015 and includes the results of the independent audit of our FY 2015 Financial Statements. To provide reasonable assurance that this report is complete and reliable, we worked with our Independent Auditor on the financial data and with our senior program managers on the summary performance data. It is with pleasure that I can provide reasonable assurance that the CPSC's financial statements are reliable and complete and that there are no material weaknesses in internal controls over financial reporting.

I thank you for your attention to this report and look forward to another productive year for consumer safety.

Elliot F. Kaye
Chairman
November 13, 2015

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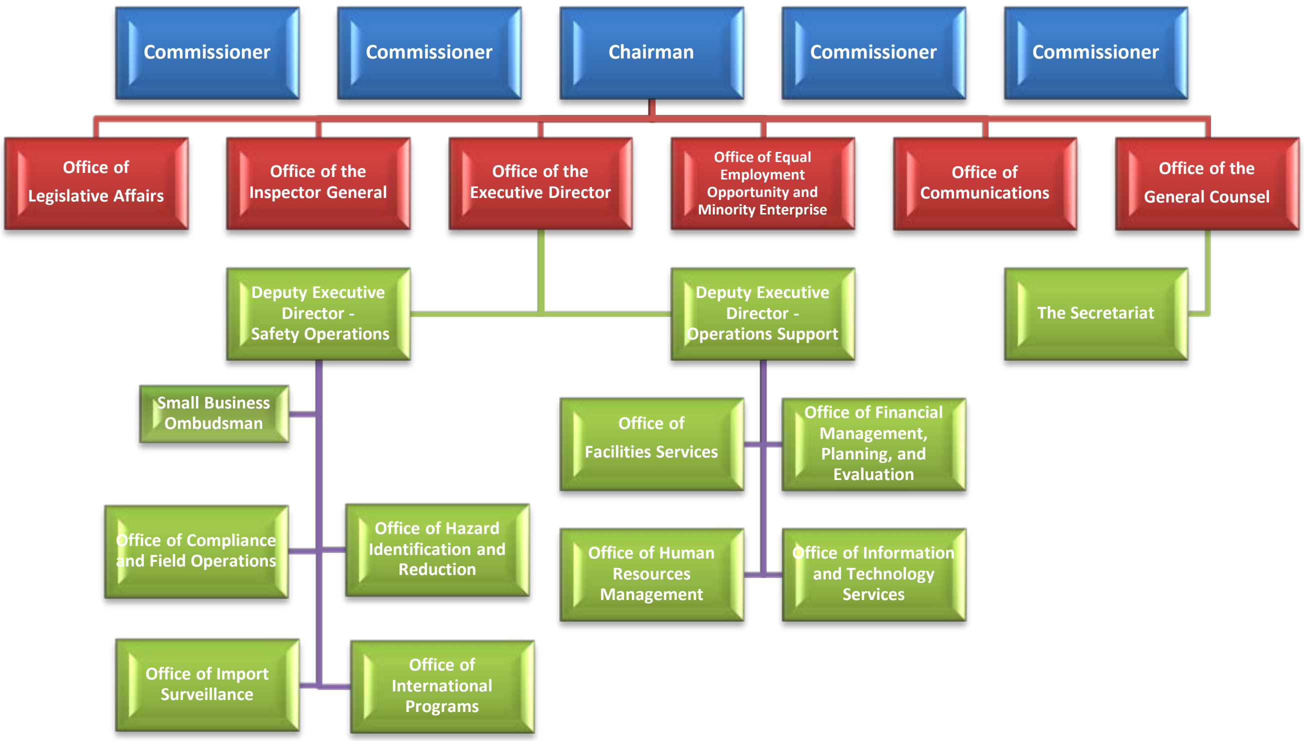
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following Management's Discussion and Analysis (MD&A) presents the financial condition and operating results of the CPSC.

This analysis serves as an overview and analytical summary for the FY 2015 AFR. The MD&A provides a concise description of the agency's performance measures, financial analysis, systems and controls, and compliance with laws and regulations.

ORGANIZATIONAL STRUCTURE

The Commission consists of five members appointed by the President with the advice and consent of the Senate. The Chairman is the principal executive officer of the Commission. The following chart depicts the organizational structure of the CPSC in FY 2015:



FY 2011–FY 2016 Strategic Plan Summary

Vision: The CPSC is the recognized global leader in consumer product safety.

The CPSC's Mission Statement

Protecting the public against unreasonable risks of injury from consumer products through education, safety standards activities, regulation, and enforcement.

Strategic Goal 1: Leadership in Safety

Take a leadership role in identifying and addressing the most pressing consumer product safety priorities and mobilizing action by our partners.

Strategic Objectives

1.1 Determine the most critical consumer product hazards and issues to define the Commission's annual priorities consistent with the agency's regulatory requirements.

1.2 Create and strengthen partnerships with stakeholders aimed at improving product safety throughout the supply chain.

1.3 Collaborate with partners ranging from state and federal authorities, colleges and universities, and other stakeholders to expand the CPSC's effectiveness and reach.

1.4 Work towards harmonizing global consumer product standards or developing similar mechanisms to enhance product safety.

1.5 Promote and recognize innovation and advancements in consumer product safety.

1.6 Attract, retain, and collaborate with leading experts to address consumer product hazards.

Strategic Goal 2: Commitment to Prevention

Engage public and private sector stakeholders to build safety into consumer products.

Strategic Objectives

2.1 Minimize hazardous defects early in the manufacturing process through increased participation in voluntary standards activities.

2.2 Improve the safety of consumer products by issuing mandatory standards, where necessary and consistent with statutory authority, in response to identified product hazards.

2.3 Facilitate the development of safer products by training industry stakeholders on the CPSC's regulatory requirements and hazard identification best practices.

2.4 Develop programs that provide incentives for manufacturers and importers to implement preventive actions that enable the safety of their products.

2.5 Engage foreign product safety regulators and foreign manufacturers to reduce the production of unsafe consumer products that may enter the U.S. market.

Strategic Goal 3: Rigorous Hazard Identification

Ensure timely and accurate detection of consumer product safety risks to inform agency priorities.

Strategic Objectives

3.1 Improve the quality and comprehensiveness of crucial product hazard data.

3.2 Reduce the time it takes to identify hazard trends by improving the collection and assessment of hazard data.

3.3 Establish a transparent, risk-based methodology to consistently identify and prioritize hazards to be addressed.

3.4 Expand import surveillance efforts to reduce entry of unsafe products at U.S. ports.

3.5 Scan the marketplace regularly to determine whether previously identified significant hazards exist in similar products.

3.6 Increase surveillance of used and resale consumer products to identify and remove recalled products and substantial product hazards.

Strategic Goal 4: Decisive Response

Use the CPSC's full range of authorities to quickly remove hazards from the marketplace.

Strategic Objectives

4.1 Expand the CPSC's ability to conduct a full range of inspections to monitor for noncompliant and defective products.

4.2 Use a risk-based methodology to prioritize the CPSC's targeted response to addressable product hazards.

4.3 Increase the effectiveness and speed of recalls of noncompliant and defective products.

4.4 Reduce the time it takes to inform consumers and other stakeholders of newly identified hazards and the appropriate actions to take.

4.5 Hold violators accountable for hazardous consumer products on the market by utilizing enforcement authorities.

Strategic Goal 5: Raising Awareness

Promote a public understanding of product risks and CPSC capabilities.

Strategic Objectives

5.1 Increase awareness of the CPSC to ensure the public knows where to turn for information on consumer product safety, where to report hazardous incidents, and knows about the enforcement capabilities used to address product dangers.

5.2 Provide stakeholders with easily accessible, timely, and useful safety information on consumer product hazards.

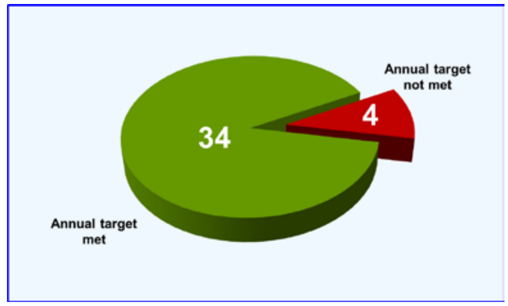
5.3 Deploy targeted outreach campaigns for priority hazards and vulnerable communities.

5.4 Increase access to consumer product safety information for industry and small businesses.

Performance Summary: An Overview

During FY 2015, the CPSC tracked 38 performance measures. The CPSC met the performance targets for 34 performance measures (89 percent) and did not meet the performance targets for four performance measures (11 percent). The FY 2015 results for the key performance measures are organized by the CPSC Strategic Goals (Figure 2) and are categorized by the CPSC organization (Figure 3).

Figure 1: A snapshot of the CPSC's FY 2015 key performance measures



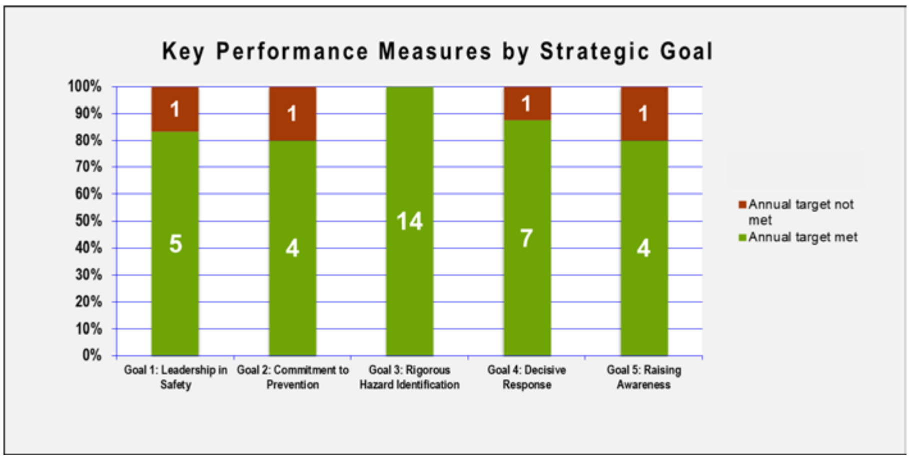
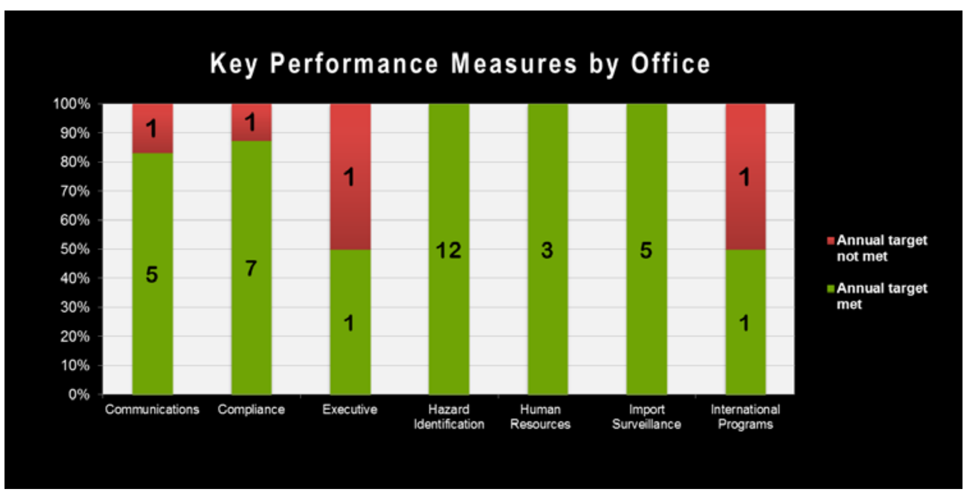


Figure 2: Summary of FY 2015 Results for Key Performance Measures by Strategic Goal

Figure 3: Summary of FY 2015 Results for Key Performance Measures by Organization



Key Performance Measures

ID	Program	Performance Measure Statement	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual	FY 2015 Target Met?
Strategic Goal 1: Leadership in Safety							
1.2.1	International	Number of training or outreach seminars for foreign manufacturers conducted by the CPSC staff	12	34	6	10	✓
1.2.2	International	Number of staff exchanges with foreign counterparts undertaken as part of the Extended Training Exchange Program	2	2	3	2	×
1.2.4	Executive	Number of collaborations undertaken with domestic nongovernment organizations such as trade associations, universities, or federations	--	--	2	2	✓
1.6.1	Personnel	Employee retention rate	84.7%	81%	85%	87%	✓
1.6.2	Personnel	Average hiring time (recruitment time using U.S. Office of Personnel Management 's (OPM) End-to-End hiring process) (days)	73	78	80	74	✓
1.6.3	Personnel	Training participation rate	83%	93%	88%	90%	✓
Strategic Goal 2: Commitment to Prevention							
2.1.2	Hazard	Number of collaborations established or maintained with other organizations to work on nanotechnology research or issues affecting consumer products	4	6	5	7	✓
2.1.3	Hazard	Number of reports produced on the results of collaboration on nanotechnology issues affecting consumer products	11	11	5	10	✓
2.1.1	Hazard	Number of voluntary standards activities that are actively participated in by the CPSC staff	--	--	81	81[a]	✓
2.2.1	Hazard	Number of candidates for rulemaking prepared for Commission consideration	14	9	20	20[b]	✓
2.3.1	Executive	Number of domestic training activities made available to industry stakeholders	14	23	11	7	×
Strategic Goal 3: Rigorous Hazard Identification							
3.1.1	Hazard	Percentage of National Electronic Injury Surveillance System (NEISS) member hospitals evaluated at least once a year	99%	100%	98%	100%	✓
3.1.2	Hazard	Percentage of consumer product-related injury cases correctly captured at NEISS hospitals	92%	91%	90%	91.6%	✓
3.2.1	Hazard	Time from incident received to integrated team adjudication of incident report (business days)	6.5	3.4	10	6.4	✓
3.2.2	Hazard	Percentage of priority import regulated samples (excluding fireworks) tested within 30 days of collection	92%	98.8%	85%	98.6%	✓
3.2.3	Hazard	Percentage of priority import fireworks samples tested within 60 days of collection	100%	100%	90%	98.6%	✓
3.2.4	Hazard	Percentage of all regulated non-import product samples that are tested within 90 days of receipt at NPTEC	--	--	Baseline	93.6%	✓
3.2.5	Hazard	Percentage of Section 15 Product Safety Assessment requests that are completed within the Hazard Level Completion time assigned	--	--	Baseline	92%	✓

[a] CPSC staff actively participated in 79 of the originally planned 81 voluntary standards, plus an additional 2 voluntary standards that emerged as priorities during FY 2015.
[b] CPSC staff prepared, for Commission consideration, 14 of the original 20 planned candidates for rulemaking, plus an additional 6 other candidates for rulemaking.

ID	Program	Performance Measure Statement	FY 2013 Actual	FY 2014 Actual	FY 2015 Target	FY 2015 Actual	FY 2015 Target Met?
3.4.1	Import	Number of import examinations	26,523	28,007	25,000	35,122	✓
3.4.3	Import	Percentage of import shipments processed through the Risk Assessment Methodology (RAM) pilot system that are cleared within one business day	99.5%	99.7%	99%	99.6%	✓
3.4.4	Import	Percentage of the CPSC import entry hold requests acted on by U.S. Customs and Border Protection (CBP)	86%	87.2%	86%	91.3%	✓
3.4.6	Import	Percentage of first-time violators who are engaged with an informed compliance inspection within 30 days of violation determination	--	--	Baseline	79%	✓
3.4.7	Import	Percentage of entries sampled as identified through the Risk Assessment Methodology (RAM) pilot system	--	--	Baseline	12.1%	✓
3.5.3	Hazard	Number of hazard characterization annual reports completed on consumer product-related fatalities, injuries, and/or losses for specific hazards	11	10	10	10	✓
3.5.4	Compliance	Total number of products screened by the CPSC field staff (excluding imports)	--	--	200,000	211,364	✓
Strategic Goal 4: Decisive Response							
4.1.1	Compliance	Number of establishment inspections conducted by the CPSC field staff	3,680	3,672	3,000	3,839	✓
4.1.2	Compliance	Percentage of products screened by the CPSC field staff resulting in violations	6.9%	6%	6%	5.9%	✓
4.3.1	Compliance	Percentage of all cases for which the preliminary determination is made within 85 business days of the case opening	84%	60.6%	70%	65.8%	×
4.3.2	Compliance	Percentage of cases for which the corrective action is accepted within 60 business days of the preliminary determination	88%	80.9%	80%	85.8%	✓
4.3.3	Compliance	Percentage of cases in which the firm is notified of a violation in a timely manner	94%	97.1%	90%	96.9%	✓
4.3.4	Compliance	Percentage of Fast-Track cases with corrective actions initiated within 20 business days	98%	100%	90%	97.3%	✓
4.4.2	Communications	Average number of business days between establishment of first draft and issuance of recall press release for the most timely 90 percent of all recall press releases	--	--	20	16	✓
4.5.2	Compliance	Percentage of compliance defect investigation cases referred within 20 business days to Office of the General Counsel (OGC) for review of firms' timely reporting pursuant to Section 15(b)	--	--	75%	90%	✓
Strategic Goal 5: Raising Awareness							
5.2.1	Communications	Number of public information campaigns conducted by the CPSC on targeted consumer product safety hazards	24	24	24	24	✓
5.2.2	Communications	Number of impressions of the CPSC safety messages received by consumers on targeted consumer product safety hazards (in millions)	4,628	9,361	6,245	16,983	✓
5.2.3	Communications	Number of media or social media events involving collaborations with other federal, state or local governments; consumer advocacy organizations; medical or industry groups; or other stakeholders that focus on a targeted hazard with high public concern	--	--	5	8	✓
5.3.1	Communications	Number of impressions of the CPSC safety messages received by consumers on priority hazards in vulnerable communities (in millions)	1,395	2,408	1,795	3,666	✓
5.3.4	Communications	Number of media or social media events involving collaborations with other federal, state or local governments; consumer advocacy organizations; medical or industry groups; or other stakeholders that focus on a priority hazard in vulnerable communities	--	--	15	12	×

SELECTED PERFORMANCE RESULTS

Goal 1: Leadership in Safety

Expansion of international trade, increasingly global supply chains, and technological advances have increased the spectrum of consumer products available to U.S. consumers. This has made the challenge more complex for the CPSC to oversee and regulate thousands of product types. The value of U.S. imports under the CPSC's jurisdiction skyrocketed from $411 billion in 2002 to $741 billion in 2014, an increase of 80 percent over the period. Product safety can suffer in countries where domestic regulation is not effective and quality control systems are lacking. The CPSC, other regulatory agencies, standards organizations, and consumer and industry groups worldwide are working to address consumer product safety across multiple geographies and priorities. Selected FY 2015 achievements include:

- Provided product safety training and in-depth briefings to product safety officials and industries from 15 foreign jurisdictions.
- Conducted international training exchanges with the consumer product safety authorities of Australia and South Korea.
- Participated in the Organization for Economic Cooperation and Development (OECD) *Working Party on Consumer Product Safety*'s March 2015 consumer outreach project that conducted an international campaign to alert consumers about the dangers of laundry pod ingestion by children.

Goal 2: Commitment to Prevention

The CPSC participates in the development of new safety standards, promulgates regulations, and educates manufacturers about safety requirements to build safety into consumer products. The CPSC continues to make significant strides in assessing and improving consumer product safety standards. The CPSC provides guidance and educational materials to explain federal safety regulations and conducts training and outreach events. Selected FY 2015 achievements include:

- Completed six final CPSIA-related rules during FY 2015, which contributed to a cumulative total of 49 final CPSIA-related rules completed between the passage of CPSIA in 2008 and the end of FY 2015.[3]
- Participated in the U.S. government's National Nanotechnology Initiative (Nano.gov), to sponsor research and data collection to identify releases of nanoparticles from selected consumer products to determine the potential health effects from exposure. Efforts included a symposium, Quantifying Exposure to Engineered Nanomaterials (QEEN) from Manufactured Products (http://www.nano.gov/node/1327), held in July 2015 that focused on methods to characterize and quantify exposure to nanomaterials. The symposium included approximately 180 attendees from industry, academia, non-governmental organizations, the European Union and scientists across the U.S. federal government. Publications included 10 reports or manuscripts on nanotechnology issues affecting consumer products.
- Participated in 81 voluntary standard activities[4], collaborating with industry leaders, consumer advocates, and other stakeholders to improve *consensus voluntary standards* across a wide range of consumer products.

[3] The CPSC completed a cumulative total of 189 CPSIA-related rulemaking activities between the passage of CPSIA in 2008 and the end of FY 2015.

[4] CPSC staff actively participated in 79 of the originally planned 81 voluntary standards, plus an additional 2 voluntary standards that emerged as priorities during FY 2015.

Goal 3: Rigorous Hazard Identification

The CPSC must determine quickly and accurately which product hazards represent the greatest risks to consumer safety. Information on injuries, deaths, and other consumer product safety incidents comes from a wide range of sources, including consumers and consumer groups, hospitals and clinics, industry, and the press. The CPSC uses a systematic approach to enhance the quality of crucial product hazard data and reduces the time needed to identify hazard trends. The approach includes systematic collection and assessment of hazard data, scanning the marketplace regularly, expanding import surveillance efforts, and increasing surveillance of used consumer products offered for resale. Selected FY 2015 achievements include:

- Screened more than 35,000 different imported consumer products at U.S. ports of entry.
- 99.6 percent of import shipments were cleared within one business day.
- The CPSC's Internet Surveillance unit contacted approximately 9,495 firms and individuals who were offering for sale banned or previously recalled consumer products via Internet websites, halting many sales and keeping dangerous products out of the marketplace.
- Received nearly 67,000 calls to the CPSC Hotline, where consumers can contact the agency directly with product safety hazard information or concerns.

Goal 4: Decisive Response

Once hazardous products have been identified, the CPSC takes action to protect consumers, remove the products from the marketplace, and hold violators accountable. The CPSC field staff investigates reports of incidents and injuries, and conducts inspections of manufacturers, importers, and retailers. Multidisciplinary teams review investigation reports and product samples to determine when possible violations and defects should be further investigated, and when confirmed violations warrant corrective action. The CPSC also holds violators accountable for hazardous consumer products. When companies fail to report potentially hazardous products as they are required, the CPSC uses its enforcement authority to seek civil, and in some cases, criminal penalties, as appropriate. Selected FY 2015 achievements include:

- Completed nearly 3,840 establishment inspections of firms for compliance with the CPSC's laws and regulations.
- Sent nearly 2,960 Notices of Non-Compliance and negotiated nearly 365 corrective action plans (CAPs) to address safety in consumer products.
- Conducted nearly 415 recalls, involving approximately 68 million units.
- Negotiated nearly $26 million in civil penalties through out-of-court settlements.

Goal 5: Raising Awareness

The CPSC uses a wide array of communication channels and strategies to provide the public with timely and targeted information about safety issues and the CPSC capabilities. The CPSC disseminates safety messages through press releases, social media, satellite, and radio media tours, television appearances, public appearances, and videos. The CPSC has significantly increased its presence on the Internet and a variety of social media platforms to disseminate information, including an OnSafety blog, Twitter, Google+, YouTube, Flickr, and Widgets. Selected FY 2015 achievements include:

- More than 16 billion impressions of the CPSC safety messages were received by consumers, including about 519 million impressions for the CPSC's crib safety education program (Safe to Sleep®); more than 81 million impressions for minority outreach efforts; and nearly 1.2 billion impressions for the pool drowning and drain entrapment prevention program.
- Increased the number of members of the Neighborhood Safety Network (NSN) from approximately 3,000 in 2009 to 9,300 in FY 2015. The NSN is a grassroots outreach program that provides timely information to member organizations and individuals, who in turn, share the CPSC safety messages with underserved consumers who might otherwise never hear of or receive information from the CPSC.

- More than 37,000 followers received the CPSC safety messages on Twitter in FY 2015. More than 24 million impressions were received by consumers from Hispanic media and media interviews in Spanish for all major media events.
- Conducted an award-winning CO Poster Contest for middle-school students; the CPSC received about 700 submissions from across the country.

Additional details on the key performance measures and results will be presented in the CPSC's FY 2015 Annual Performance Report and the FY2015 Summary of Performance and Financial Information which will be available at http://www.cpsc.gov/en/About-CPSC/Agency-Reports/Performance-and-Budget/ at the time of publication in February 2016.

ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

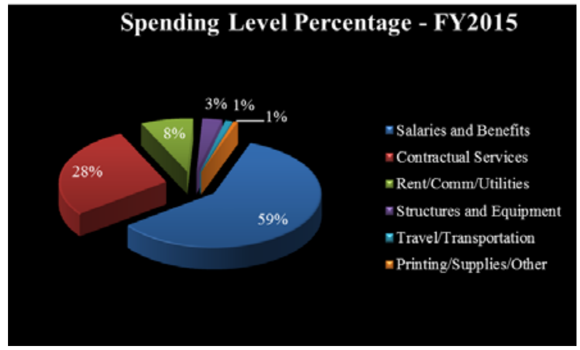
Financial Performance Overview

As of September 30, 2015, the financial condition of the CPSC was sound, with adequate funds to meet program needs and satisfactory controls in place to provide reasonable assurance that the CPSC obligations did not exceed budget authority. The CPSC prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and with Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

Sources of Funds: The CPSC's FY 2015 annual appropriation was $123.0 million. Additional funds available in FY 2015 were $1.0 million to implement the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) grant program, which is available until expended, $3.0 million from offsetting collections for the CPSC data collection work that is done on a reimbursable basis with partner government agencies and $9.1 million from prior-year unobligated appropriations.

The sum of all operating funds available for obligation in FY 2015 was $126.0 million, a $6.4 million increase relative to FY 2014. The difference from the prior year is mostly attributable to the increase in appropriations received to fund the CPSC's import surveillance activities.

Schedule of Spending (Costs by Function): The CPSC incurred costs of $126.0 million in FY 2015, an increase of $6.4 million, or 5 percent, from FY 2014. Approximately 59 percent of the FY 2015 costs were for salaries and benefits. The remaining 41 percent represented expenses to obtain technical assistance for the CPSC's regulatory programs; to pay for operating expenses; and to fund staff travel. The following graph provides additional details on the FY 2015 expense categories:

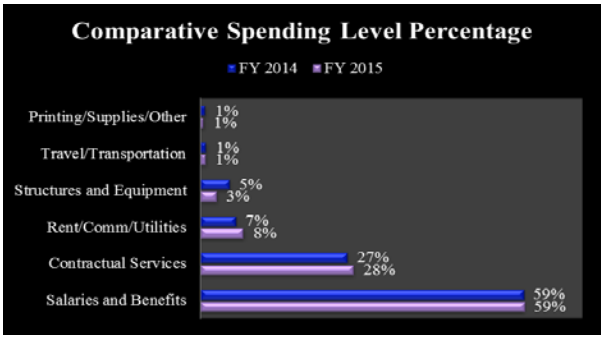


The table below is a comparison of costs by function for the fiscal years ended September 30, 2015 and September 30, 2014:

Costs by Function (millions)	FY 2015	FY 2014	Increase (Decrease)	Percentage (%)
Salaries and Benefits	$ 74.7	$ 70.8	$ 3.9	6%
Contractual Services	35.4	32.2	3.2	10%
Rent/Comm/Utilities	10.0	7.8	2.2	28%
Structures and Equipment	3.8	6.4	(2.6)	-41%
Travel/Transportation	1.3	1.3	0.0	0%
Printing/Supplies/Other	0.8	1.1	(0.3)	-27%
Total Costs	$ 126.0	$ 119.6	$ 6.4	5%

Salaries and benefits increased by $3.9 million, or 6 percent, as compared to FY 2014, due to pay increases including promotions, higher overall staffing levels, and inflationary increases to benefits, such as health insurance and public transit subsidies. The CPSC maintained a full-time equivalent (FTE) personnel-planning ceiling of 567 in FY 2015, a 19 FTE increase from FY 2014 levels. Contractual services increased $3.2 million or 10 percent from the prior year to conduct mission and related support activities. Structures and equipment costs decreased $2.6 million or 41 percent from FY 2014 levels, resulting from a cost reduction in the depreciation of properties. The overall CPSC cost levels in FY 2015 were largely consistent with the prior year levels of spending.

The graph below shows the percentage of cost incurred per function over the total spending:

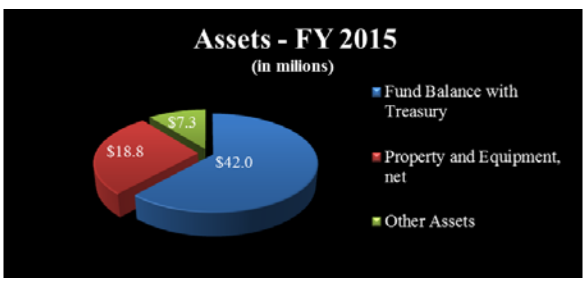


Audit Results. The CPSC received an unmodified audit opinion on its FY 2015 financial statements.

Financial Statement Highlights: The CPSC's financial statements summarize the financial position and financial activities of the agency. The financial statements and the notes to the financial statements appear in the Financial Section of this report, beginning on page 31.

Analysis of the Balance Sheet

The CPSC's assets totaled $68.1 million as of September 30, 2015, and are categorized into three key asset line items, as shown in the graph below:



The table below is a comparison of asset categories for the fiscal years ended September 30, 2015 and September 30, 2014:

Assets (millions)	FY 2015	FY 2014	Increase (Decrease)	Percentage (%)
Fund Balance with Treasury	$ 42.0	$ 44.1	$ (2.1)	-5%
Property and Equipment, net	18.8	19.9	$ (1.1)	-6%
Other Assets	7.3	5.3	$ 2.0	38%
Total Assets	$ 68.1	$ 69.3	$ (1.2)	-2%

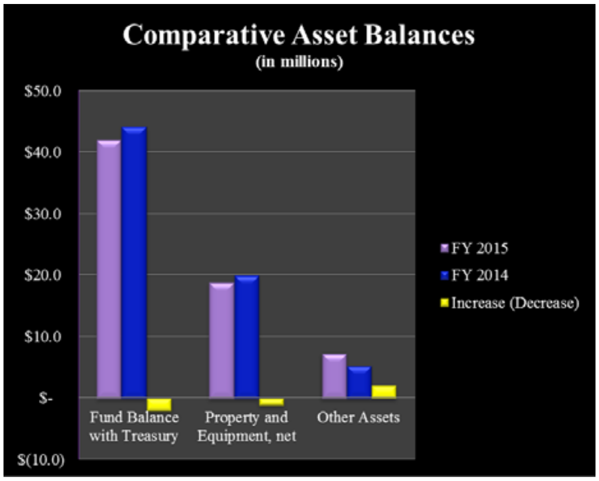
The Fund Balance with U.S. Treasury consists of appropriated funds and other funds maintained at the U.S. Treasury until final disposition.

Fund Balance with the U.S. Treasury represented the CPSC's largest asset of $42.0 million as of September 30, 2015, a decrease of $2.1 million from the prior year balance. The decrease was primarily due to increase in spending and payments of delivered goods and services.

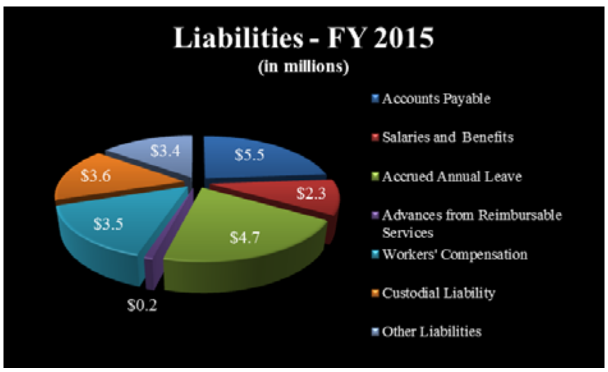
Property and Equipment, net, had a balance of $18.8 million as of September 30, 2015, a decrease of $1.1 million from the prior year, due to depreciation that exceeded the new property and equipment added to the account. The balance was comprised of the net value of the CPSC's leasehold improvements, equipment, furniture and fixtures, and computer hardware and software.

Other Assets had a balance of $7.3 million as of September 30, 2015. This balance represents advances to other federal agencies for interagency services, such as participation in the National Nanotechnology Initiative (Nano.gov) and operating services, such as payroll processing (Department of Interior) and financial systems and services (Department of Transportation); the CPSC acquires services from other federal agencies through interagency agreements. Included in *Other Assets* are accounts receivables, which are comprised of uncollected amounts from civil fines and penalties levied by the CPSC, as well as unpaid Freedom of Information Act (FOIA) fees. *Other Assets* also includes the unused tenant improvement allowance from the CPSC's rental lease agreement with the General Services Administration (GSA).

The changes in key asset line items as of the fiscal year ended September 30, 2015, compared to September 30, 2014, are shown in the graph below:



The CPSC's liabilities were $23.2 million as of September 30, 2015 and are categorized into seven categories as shown in the graph below:



The table below is a comparison of liability categories for the fiscal years ended September 30, 2015 and September 30, 2014:

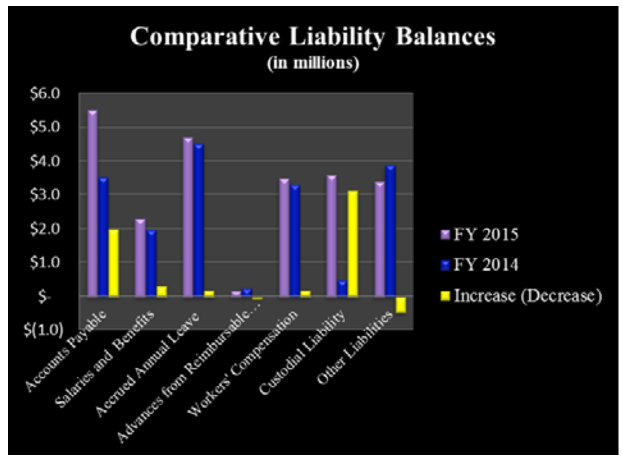
Liabilities (millions)	FY 2015	FY 2014	Increase (Decrease)	Percentage (%)
Accounts Payable	$ 5.5	$ 3.5	$ 2.0	57%
Salaries and Benefits	2.3	2.0	0.3	15%
Accrued Annual Leave	4.7	4.5	0.2	4%
Advances from Reimbursable Services	0.2	0.3	(0.1)	-33%
Workers' Compensation	3.5	3.3	0.2	6%
Custodial Liability	3.6	0.5	3.1	620%
Other Liabilities	3.4	3.9	(0.5)	-13%
Total Liabilities	$ 23.2	$ 18.0	$ 5.2	29%

The total liability increased by $5.2 million from FY 2014 and is attributable to the increases in Accounts Payable and Custodial Liability.

The increase in Accounts Payable is attributable to the accrual of unpaid invoices and unbilled but incurred expenses from contract work performed. The accrued invoices were largely for payments due in October 2015. Typically, the CPSC's contracts have a payment term of 30 days upon receipt of invoice, except for small businesses that have a payment term of 15 days. The accrual value is the estimated value of the services already provided minus paid invoices.

The increase in Custodial Liability resulted from $3.1 million in uncollected civil penalties with payment due dates occurring after September 30, 2015.

The comparative balances of liabilities as of September 30, 2015 and September 30, 2014, are shown in the graph below:



The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. The difference between total assets and total liabilities is net position. The CPSC's net position was $44.9 million as of September 30, 2015, representing a decrease of $6.4 million or 12 percent from the prior year (analysis below).

The table below is a comparison of net position for the fiscal years ended September 30, 2015 and September 30, 2014:

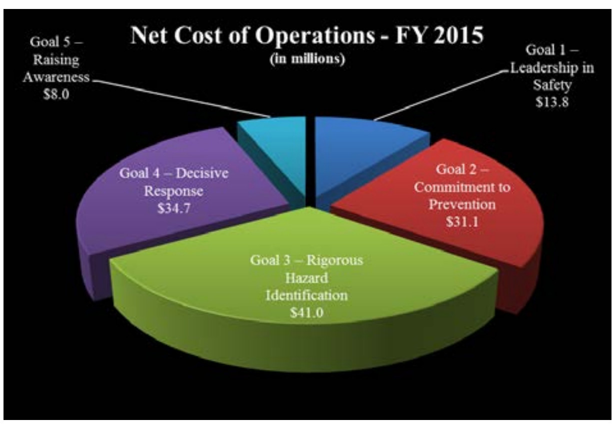
Net Position Summary (millions)	FY 2015	FY 2014	Increase (Decrease)	Percentage (%)
Unexpended Appropriations	$ 36.3	$ 41.3	$ (5.0)	-12%
Cumulative Results of Operations	8.6	10.0	(1.4)	-14%
Total Net Position	$ 44.9	$ 51.3	$ (6.4)	-12%

The decrease in unexpended appropriations was primarily due to fiscal year 2010 canceled appropriations of $2.6 million and unexpended fiscal year 2009/2010 VGB Act canceled appropriation of $2.0 million. The unexpended and canceled appropriations are returned to Treasury and are no longer available to the agency for obligation.

The $1.4 million decrease in cumulative results of operations was mainly due to the depreciation expenses charged to operations. The total depreciation for FY 2015 is $6.1 million, offset in part by additions to capitalized equipment in the amount of $5.0 million.

Analysis of the Statement of Net Cost

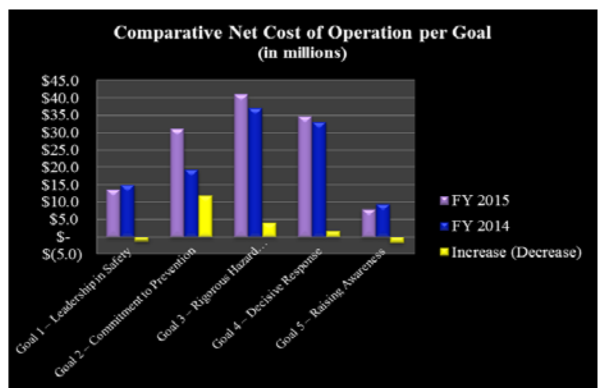
The Statement of Net Cost (SONC) shows the net cost for each of the five strategic goals in the CPSC's FY 2011–FY 2016 Strategic Plan, as shown in the graph below:



The table below is a comparison of net cost of operations for the fiscal years ended September 30, 2015 and September 30, 2014:

Net Cost of Operations (millions)	FY 2015	FY 2014	Increase (Decrease)	Percentage (%)
Goal 1 – Leadership in Safety	$ 13.8	$ 15.1	$ (1.3)	-9%
Goal 2 – Commitment to Prevention	31.1	19.4	11.7	60%
Goal 3 – Rigorous Hazard Identification	41.0	37.0	4.0	11%
Goal 4 – Decisive Response	34.7	33.0	1.7	5%
Goal 5 – Raising Awareness	8.0	9.5	(1.5)	-16%
Net Cost of Operations	$ 128.6	$ 114.0	$ 14.6	13%

The CPSC's net cost of operations was $128.6 million for the fiscal year ended September 30, 2015, an increase of $14.6 million from the prior year. The increase was due mainly to additional FTE hired to support Strategic Goal 2 and Strategic Goal 3, along with increases in technology and support costs to boost the import surveillance pilot program activities, and the completion of contractual services work obligated in prior years to advance mission-related activities. In addition, the SONC also includes costs that will be funded in future years and that are required to be recognized as part of the cost of operations. These include costs such as depreciation on property and equipment, imputed costs, and the impact of changes in actuarial estimates on workers compensation. These costs are not part of the costs presented in the SOS. The reconciliation of the SONC and the SOS is in Note 15 of the Notes to Financial Statement, in the Financial Section of this report.



Analysis of Statement of Changes in Net Position

The decrease in net position was described in the previous section.

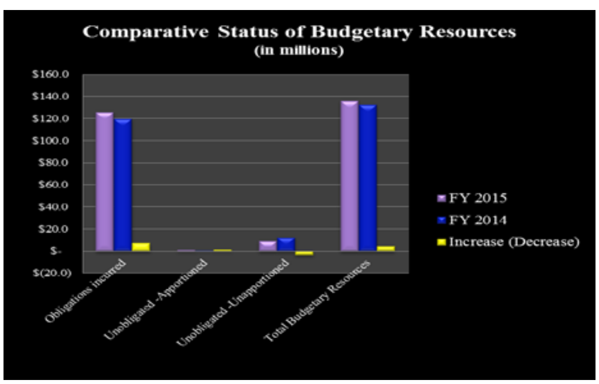
Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) shows the sources of funding available and their status as of September 30, 2015. This statement represents the relationship between budget authority and budget outlays and reconciles obligations to total outlays. This statement also includes unobligated balances from prior years.

Budgetary Resources (millions)	FY 2015	FY 2014	Increase (Decrease)	Percentage (%)
Unobligated balance from prior year budget authority	$ 12.7	$ 10.3	$ 2.4	23%
Recoveries of Prior year unpaid obligations	2.0	2.5	(0.5)	-20%
Permanently not available	-4.6	-1.3	3.3	254%
Appropriations	123.0	118.0	5.0	4%
Spending Authority from offsetting collections	3.0	2.9	0.1	3%
Total Budgetary Resources	$ 136.1	$ 132.4	$ 3.7	3%

For the fiscal year ended September 30, 2015, the CPSC had available budgetary resources of $136.1 million, mainly comprised of additional appropriations spending authority and prior-year unobligated balances. This represented a net increase of $3.7 million from the FY 2014 available budgetary resources of $132.4 million. This increase was mainly attributable to the increase in appropriations. The status of Budgetary Resources is presented in the table and graph below:

Status of Budgetary Resources (millions)	FY 2015	FY 2014	Increase (Decrease)	Percentage (%)
Obligations incurred	$ 126.1	$ 119.7	$ 6.4	5%
Unobligated balance:				
Apportioned	1.1	0.3	0.8	267%
Unapportion	8.9	12.4	(3.5)	-28%
Total Budgetary Resources	$ 136.1	$ 132.4	$ 3.7	3%



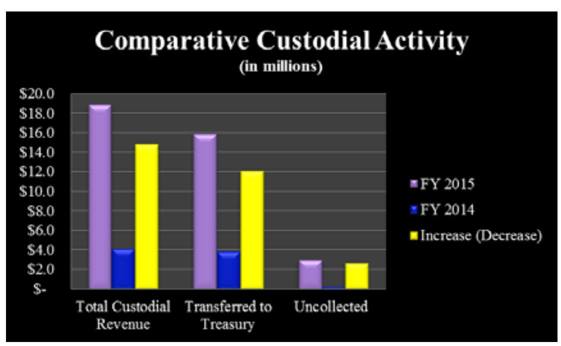
Total net outlays for FY 2015 were $120.6 million, an increase of $12.1 million from FY 2014 net outlays of $108.4 million. The spending increases were discussed in the previous section.

Analysis of the Statement of Custodial Activity

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

Custodial Activity (millions)	FY 2015	FY 2014	Increase (Decrease)	Percentage (%)
Total Custodial Revenue	$ 18.9	$ 4.1	$ 14.8	361%
Disposition of Collections				
Transferred to Treasury	(15.9)	(3.8)	12.1	318%
Uncollected	(3.0)	(0.3)	2.7	900%
Total Budgetary Resources	$ -	$ -	$ -	0

The CPSC reported $18.9 million in custodial revenue for the fiscal year ended September 30, 2015, compared to $4.1 million for the fiscal year ended September 30, 2014. The increase was due to civil penalties paid by manufacturers, retailers or distributors in settlement of the CPSC allegations of legal violations. During FY 2015, total fines levied by the CPSC totaled $25.8 million of which $6.9 million was transferred to the U.S. Department of Justice for collection. Of the remaining $18.9 million, $15.9 million was collected and transferred to Treasury. The remaining $3.0 million is from an uncollected civil penalty, payable on or before October 3, 2015, and reported on the balance sheet as accounts receivable as of September 30, 2015.



Controls, Systems, and Legal Compliance

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

- Federal Managers' Financial Integrity Act of 1982 (FMFIA)
- OMB Circular No. A-123, Management's Responsibility for Internal Control
- Federal Financial Management Improvement Act of 1996 (FFMIA)
- Prompt Payment Act
- Debt Collection Improvement Act of 1996

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

The FMFIA requires agencies to provide assurances in each of the following coverage areas:

- FMFIA Section 2 (Overall) – Management provides assurances of the overall adequacy and effectiveness of internal control within the agency and compliance with laws and regulations;
- FMFIA Section 2 (Financial Reporting) – OMB Circular No. A-123 Appendix A – Management provides a separate assurance over the effectiveness of internal control for financial reporting. OMB Circular No. A-123 and its appendices provide guidance on the assessment of controls and FMFIA reporting; and
- FMFIA Section 4 (System Compliance) – OMB Circular No. A-123 Appendix D – Management evaluates conformance of financial management systems to related requirements.

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

The CPSC's management is responsible for evaluating internal controls. Each manager assesses internal controls within the applicable area of responsibility. In FY 2015, additional support for the individual offices' assurance statements, in the form of internal controls diagnostic checklists were completed by the CPSC managers who lead major mission or support functions within the agency. The diagnostic checklists assisted the CPSC managers in inventorying internal controls in their areas of responsibility and to aid in identifying and addressing internal control deficiencies, weaknesses, or other issues. The diagnostic checklist evaluations are used in combination with the Managers' Statements of Assurance (SoA), which were also designed to evaluate internal controls within program offices. The results of the checklist and the Manager's SoAs were aggregated and assessed to inform the overall FMFIA Section 2 management assurance for the agency that provides reasonable assurance that management internal controls achieved their intended objectives. The SoA letters that were completed by all major offices within the CPSC assisted the Chairman in assessing reasonable assurance that internal controls achieved intended results, that resources used were consistent with the CPSC's mission, that laws and regulations were followed, and that reliable and timely information was obtained, maintained, reported, and used for decision-making. Major activities used to monitor internal controls were also evaluated and taken into consideration for the

SoAs. The SoAs were based on several sources of information, including:

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

The CPSC received an unmodified audit opinion on its FY 2015 financial statements. The independent auditor of the CPSC's financial statements stated that the financial statements present fairly, in all material respects, the financial position of the CPSC, and its net costs, changes in net position, budgetary resources and custodial activity in accordance with accounting principles generally accepted in the United States for the year ended September 30, 2015.

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

The CPSC evaluated its internal controls and undertook a separate assessment of internal control for financial reporting under OMB Circular No. A-123 Appendix A for FY 2015. The agency had implemented the Circular No. A-123 Appendix A Internal Control Program during FY 2012. For the past 3 years, the CPSC has conducted a comprehensive assessment of internal control over financial reporting to equip the CPSC with a documented and structured internal control program, and thereby, enhance the integrity and reliability of financial information. Management's internal controls activity in financial reporting includes periodic, risk-informed testing and evaluation of key internal controls; and developing and implementing of corrective action plans, as appropriate, to address nonconformance. Results of the internal controls testing for the financial cycles were disclosed to the independent auditor, and management found no evidence of significant deficiencies or material weaknesses within the agency's financial cycles. Based on the overall results of management's financial reporting internal controls evaluation, the CPSC provided reasonable assurance that the internal controls for financial reporting were operating effectively and that no material weaknesses were found in the design or operation of those internal controls as of September 30, 2015.

Federal Financial Management Improvement Act of 1996 (FFMIA)

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

FY 2015 FFMIA Results

As of September 30, 2015, the CPSC evaluated its core financial management systems to determine if they were compliant with applicable federal requirements and accounting standards required by the FFMIA. The CPSC uses financial systems through a shared service provider (SSP), operated by the U.S. Department of Transportation's Enterprise Services Center (ESC) for the processing of financial data. The CPSC managers reviewed the Independent Audit Report Statement on Standards for Attestation Engagements 16 (SSAE-16) conducted on behalf of the ESC. The independent auditors assessed controls for this financial management system and found that it was in substantial compliance with the federal financial management system requirements, applicable federal accounting standards, and the U.S standard general ledger at the transaction level. The system met federal requirements and accounting standards required by the FFMIA. Additionally, the CPSC uses the U.S. Department of the Interior's Federal Personnel and Payroll System (FPPS) for the processing of the CPSC's payroll data. The SSAE-16 report for FPPS conducted by an independent auditor provided reasonable assurance that controls were suitably designed and that the control objectives were achieved. Therefore, this system also meets the federal financial management system requirements, applicable federal accounting stands and the U.S. standard general ledger at the transaction level as required by the FFMIA. The CPSC managers' review of the CPSC's financial management systems in FY 2015 demonstrated that the agency complies with the FFMIA.

Prompt Payment Act

The Prompt Payment Act requires federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2015, 98 percent of the CPSC's payments that were subject to the Prompt Payment Act were made on time. In FY 2015, the CPSC incurred $1,793 in interest penalties and made 90 percent of its vendor payments electronically.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the federal government to service and collect debts. As of September 30, 2015, delinquent debt was approximately $8,332, which was approximately .01 percent of the agency's FY 2015 billings of $16 million. The CPSC pursues the collection of delinquent debt and refers all eligible delinquent debt more than 180 days delinquent to the U.S. Treasury for collection.

LOOKING AHEAD

In FY 2015 and beyond, the agency will continue with its efforts to identify noncompliant products through the CPSC's Import Surveillance program, enforcement of the CPSC regulations, and marketplace surveillance. Additionally, the agency will continue adopting regulations for durable nursery products and other consumer products that are likely to pose unreasonable risks of injury. Furthermore, the CPSC will continue to strive for injury prevention through its efforts in educating consumers, manufacturers, and other stakeholders at both the domestic and international levels.

The CPSC has received appropriations for the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) Grant program, which is intended to increase pool safety awareness and prevent injuries and deaths, associated with pool and spa drownings and drain entrapments. Established by the VGB Act, Public Law No.110-140, Title XIV, the VGB Act Grant program was funded by Congress in FY 2014 with a $1 million appropriation that is available until expended. The CPSC is anticipating that awards for the Pool Safely Grant Program will be announced in December 2015. The authorizing language was amended in FY 2014 to clarify certain eligibility requirements for potential state, local, and municipal applicants.

In the FY 2016 President's Budget Request, the CPSC proposed expanding the Import Surveillance pilot program to a full-scale national program over 5 years, beginning in FY 2018. The envisioned Import Surveillance program requires additional funding to initiate implementation of the full-scale program from the existing pilot-scale program. The existing pilot-scale program analyzes a fraction of entry lines under the CPSC's jurisdiction, while a full-scale program would have the capability to analyze 100 percent of entry lines under the CPSC's jurisdiction and align with the U.S. government's "single window" initiative. To fund the program in FY 2016 and beyond, the CPSC requested that Congress authorize an import surveillance user fee to be charged on products of jurisdiction at ports of entry as part of the FY 2016 appropriations process. The proposed import surveillance user fee ultimately is intended to offset the full program cost of the CPSC's import surveillance activities, estimated at $36 million annually. This proposal has not been enacted as of the issuance of this report.

The FY 2016 President's Budget request also proposed additional funding to increase the agency's work on nanotechnology research. Nanotechnology enables scientists to produce a wide array of materials in the size range of 1–100 nanometers (nm), with unique physical and chemical properties that can be incorporated into products to improve performance in areas such as greater strength, flexibility, stain resistance, or cleaning ability. The CPSC does not have the requisite robust testing methods for characterizing and quantifying nanotechnology materials in consumer products that are already entering U.S. consumer markets. As a result, the CPSC does not have the capability to identify and quantify readily consumer exposures to nanotechnology materials in consumer products and to assess the potential health risks of exposure to those materials in consumer products. The increased funding levels would be used to initiate research to close the identified gaps. This proposal has not been enacted as of the issuance of this report.

MANAGEMENT ASSURANCE STATEMENT

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

FY 2015 FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

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

In accordance with the requirements of OMB Circular No. A-123, "Management's Responsibility for Internal Control," the CPSC conducted its FY 2015 assessment of the efficiency and effectiveness of internal controls and compliance with applicable laws and regulations. Based on the results of this assessment, the CPSC is providing reasonable assurance that the internal controls over the efficiency and effectiveness of operations and compliance with applicable laws and regulations as of September 30, 2015, met their intended objectives in accordance with FMFIA.

In addition, management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. The CPSC assessed the effectiveness of internals control over financial reporting, in accordance with Appendix A of OMB Circular A-123. Based on the results of this assessment, the CPSC is providing reasonable assurance that the agency's internal controls over financial reporting as of June 30, 2015, were operating effectively and no material weaknesses were found in the design or operation of the agency's internal controls over financial reporting. Subsequent procedures through September 30, 2015 did not identify any material changes in key internal controls over financial reporting.

Furthermore, CPSC also conducted reviews of its financial management systems in accordance with OMB Circular A-123 Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). Based on the results of these reviews, CPSC can report that its financial management systems substantially comply with the requirements of the FFMIA as of September 30, 2015.

Elliot F. Kaye
Chairman
November 13, 2015

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 2015 and FY 2014, pursuant to the requirements of Title 31 of the U.S. Code, section 3515 (b).

Although the statements have been prepared from the books and records of the CPSC, in accordance with accounting principles generally accepted in the United States of America 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.

FINANCIAL SECTION

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

The CPSC prepares these statements in conformity with the U.S. Generally Accepted Accounting Principles (GAAP) for the federal government and OMB Circular A-136, Financial Reporting Requirements.

The financial statements provide a comparison of FY 2015 and FY 2014 results. The CPSC prepares the following required financial statements:

- *Balance Sheet* – presents, as of September 30, resources owned or managed by the CPSC that provide probable economic benefits (assets), amounts owed by the entity (liabilities), and amounts that comprise the difference (net position).
- *Statement of Net Cost* – presents the gross cost incurred by the CPSC, less earned revenue from its activities. The CPSC presents net cost of operations by strategic goal.
- *Statement of Changes in Net Position* – reports the change in net position during the reporting period. This statement presents changes to cumulative results of operations.
- *Statement of Budgetary Resources* – provides information about available budgetary resources and the status of the resources as of September 30.
- *Statement of Custodial Activity* – reports the collection of revenue deposited in the Treasury General Fund. The CPSC accounts for sources and disposition of the revenue collections as custodial activities on this statement.

The accompanying notes to the financial statements provide a description of significant accounting policies, as well as detailed information on the financial statement contents.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

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

This past fiscal year, the CPSC has built upon its commitment for sustained financial management excellence. The CPSC's financial management accomplishments in fiscal year 2015 are:

- The CPSC continued to build upon its Office of Management and Budget Circular A-123 Appendix-A internal controls program by actively testing financial controls for risk selected cycles throughout the year, and implementing corrective actions and process improvements to bolster the control environment, where necessary.
- The CPSC developed and initiated the implementation of a plan to comply with the new government-wide requirements of the Digital Accountability and Transparency Act of 2014 that will eventually require uniform reporting of 57 data elements to the Treasury Department on a quarterly basis and be made publicly available.
- The CPSC implemented a new travel management system that agency employees use to arrange and request reimbursement for official travel; the new system replaces a legacy travel system.
- The CPSC implemented updated policies and procedures for civil penalties collections, travel delegations and uncollectable debts to improve the overall controls and modernize processes.
- The CPSC updated its improper payments risk analysis and reporting to align with new Office of Management and Budget guidance.

The CPSC was satisfied to have received an unmodified opinion on its fiscal year 2015 financial statements. The accomplishments in fiscal year 2015 are the result of the efforts of dedicated, hard-working professionals across the CPSC. I appreciate the continued support of the entire Commission, with special thanks to the Office of Inspector General, as we continue to work together to sustain financial management excellence.

D. Jay Hoffman

Jay Hoffman
November 13, 2015

INDEPENDENT AUDITOR'S REPORT

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

Christopher W. Dentel
Inspector General

Tel: 301 504-7644
Fax: 301 504-7004
Email: cdentel@cpsc.gov

Date: November 13, 2015

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

FROM : Christopher W. Dentel, Inspector General

SUBJECT : Audit of the Consumer Product Safety Commission's Fiscal Year 2015 Financial Statements

Pursuant to the Chief Financial Officers Act of 1990, commonly referred to as the "CFO Act," as amended, this letter transmits the Independent Auditor's Report issued by CliftonLarsonAllen (CLA), for the fiscal year ending September 30, 2015. 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. 15-02, *Audit Requirements for Federal Financial Statements*, as amended.

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, 2015 and 2014, 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.

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

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In CLA's opinion, the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the years ending September 30, 2015 and 2014, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control

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

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

- A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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

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

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

Report on Compliance with Laws and Regulations

CPSC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether 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. 15-02. CLA did not test compliance with all laws and regulations applicable to the CPSC.

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CLA's tests of compliance with laws and regulations described in the audit report disclosed no instances of noncompliance with laws and regulations that are required to be reported under United States generally accepted government auditing standards or OMB guidance.

Audit Follow-up

The independent auditor's report contains no new recommendations, as no significant deficiencies were found by the auditors. Management was provided a draft copy of the audit report for comment and generally concurred with the findings. CLA reviewed the status of the recommendations related to findings from the prior year audit and determined that the compliance finding related to violations of the Antideficiency Act had been resolved in fiscal year 2015.

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 generally accepted government auditing standards, was not intended to enable the OIG to express, and we do not express an opinion on the CPSC's financial statements; nor do we provide conclusions about the effectiveness of internal control or conclusions on CPSC's compliance with laws and regulations. CLA is responsible for the attached auditor's report. However, the OIG review disclosed no instances where CLA did not comply, in all material respects, with *Government Auditing Standards*.

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

Christopher W. Dentel
Inspector General

Attached: Audit Report

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Inspector General
United States Consumer Product Safety Commission

Chairman
United States Consumer Product Safety Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the United States Consumer Product Safety Commission (Commission), which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

Commission management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); this includes the design, implementation and maintenance of internal control over financial reporting relevant to the preparation, and fair presentation of these 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. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 15-02). Those standards and OMB Bulletin 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITORS' REPORT (Continued)

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Consumer Product Safety Commission as of September 30, 2015 and 2014, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the U.S. require that the Commission's Management Discussion and Analysis (MD&A) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB), which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the MD&A because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Message from the Chairman, and Other Accompanying Information, is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. This information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Report on Internal Control over Financial Reporting

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

INDEPENDENT AUDITORS' REPORT (Continued)

the Commission's internal control or on management's assertion on internal control included in the MD&A. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or OMB Bulletin No. 15-02.

Management's Responsibilities for Internal Control and Compliance

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

Auditors' Responsibilities

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Commission. We limited our tests of compliance to certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of the Commission's corrective actions with respect to the findings included in the prior year's Independent Auditors' Report, dated November 14, 2014. The status of prior year findings is presented in Exhibit A.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 13, 2015

EXHIBIT A
Management's Response to Findings

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

FY 2014 Finding	*Type*	*FY 2015 Status*
Anti-Deficiency Act Violation	Compliance Finding	Resolved

FINANCIAL STATEMENTS

U.S. Consumer Product Safety Commission
Balance Sheet
As of September 30, 2015 and 2014
(in dollars)

	2015	2014
Assets		
Intragovernmental		
Fund Balance with the U.S. Treasury (Note 2)	$ 41,967,246	$ 44,138,261
Accounts Receivable (Note 3)	417,635	353,865
Advances to Other Federal Agency (Note 5)	1,967,345	2,530,557
Tenant Improvement Allowance (Note 6)	1,363,200	1,847,741
Total Intragovernmental	45,715,426	48,870,424
Accounts Receivable (Note 3)	3,579,882	529,943
Property and Equipment, Net (Note 4)	18,782,577	19,879,303
Other	505	1,017
Total Assets	$ 68,078,390	$ 69,280,687
Liabilities		
Intragovernmental		
Accounts Payable	$ 1,485,186	$ 668,808
Employee Benefits (Note 7)	469,845	385,223
Advances from Reimbursable Services	244,463	250,133
Workers' Compensation (Note 8)	582,923	551,653
Tenant Improvement Allowance (Note 10)	3,405,155	3,873,772
Custodial Liability (Note 9)	3,579,882	528,666
Total Intragovernmental	9,767,454	6,258,255
Accounts Payable and Others	4,073,483	2,848,903
Salaries and Benefits	1,814,018	1,595,568
Accrued Annual Leave (Note 8)	4,664,081	4,501,241
Workers' Compensation Actuarial (Note 8)	2,876,355	2,748,706
Other Liabilities	3,953	3,953
Total Liabilities	23,199,344	17,956,626
Net Position		
Unexpended Appropriations	36,246,784	41,256,114
Cumulative Results of Operations (Note 12)	8,632,262	10,067,947
Total Net Position	44,879,046	51,324,061
Total Liabilities and Net Position	$ 68,078,390	$ 69,280,687

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Net Cost
For the Periods ended September 30, 2015 and 2014
(in dollars)

		2015	2014
Net Cost By Goal (Note 13)			
Goal 1-	**Leadership in Safety**		
	Gross Cost	$ 13,803,973	$ 15,082,970
	Less: Earned Revenue	-	-
	Net Cost Goal 1	13,803,973	15,082,970
Goal 2-	**Commitment to Prevention**		
	Gross Cost	31,107,244	19,356,393
	Less: Earned Revenue	-	-
	Net Cost Goal 2	31,107,244	19,356,393
Goal 3-	**Rigorous Hazard Identification**		
	Gross Cost	43,528,413	39,054,692
	Less: Earned Revenue	(2,591,768)	(2,080,036)
	Net Cost Goal 3	40,936,645	36,974,656
Goal 4-	**Decisive Response**		
	Gross Cost	34,667,249	32,979,196
	Less: Earned Revenue	-	-
	Net Cost Goal 4	34,667,249	32,979,196
Goal 5-	**Raising Awareness**		
	Gross Cost	8,095,637	9,530,940
	Less: Earned Revenue	-	-
	Net Cost Goal 5	8,095,637	9,530,940
Total Net Cost of Operations (Note 15)		$ 128,610,748	$ 113,924,155

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Changes in Net Position
For the Periods ended September 30, 2015 and 2014
(in dollars)

	2015	2014
Cumulative Results of Operations		
Beginning Balances	$ 10,067,947	$ 12,784,549
Budgetary Financing sources		
Appropriations Used	123,399,262	106,956,226
Other Financing Sources (Non-Exchange)		
Transfers-In/Out Without Reimbursement (+/-)	(28,461)	-
Imputed Financing (Note 7)	3,804,262	4,251,327
Total Financing Sources	127,175,063	111,207,553
Net Cost of Operations	(128,610,748)	(113,924,155)
Net Change	(1,435,685)	(2,716,602)
Cumulative Results of Operations	8,632,262	10,067,947
Unexpended Appropriations		
Beginning Balance	41,256,114	31,570,352
Budgetary Financing Sources		
Appropriations Received	123,000,000	118,000,000
Permanently not available	(4,610,068)	(1,358,012)
Appropriations Used	(123,399,262)	(106,956,226)
Total Budgetary Financing Sources	(5,009,330)	9,685,762
Total Unexpended Appropriations	36,246,784	41,256,114
Net Position	$ 44,879,046	$ 51,324,061

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Budgetary Resources
For the Periods ended September 30, 2015 and 2014
(in dollars)

	2015	2014
Budgetary Resources		
Unobligated balance brought forward, October 1	$ 12,711,922	$ 10,347,558
Recoveries of prior year unpaid obligations	2,027,839	2,533,727
Unobligated balance from prior year budget authority, net	14,739,761	12,881,285
Appropriations	123,000,000	118,000,000
Permanently not available	(4,610,068)	(1,358,012)
Spending authority from offsetting collections	3,005,194	2,854,058
Total Budgetary Resources (Note 14)	136,134,887	132,377,331
Status of Budgetary Resources		
Obligations incurred (Note 14)	126,070,097	119,665,409
Unobligated balance, end of year:		
Apportioned	1,120,355	352,411
Unapportioned	8,944,435	12,359,511
Total unobligated balance, end of year	10,064,790	12,711,922
Total Status of Budgetary Resources	136,134,887	132,377,331
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	33,616,945	25,825,556
Obligations incurred	126,070,097	119,665,409
Outlays (gross)	(123,093,817)	(109,340,293)
Recoveries of prior year unpaid obligations	(2,027,839)	(2,533,727)
Unpaid obligations, end of year	34,565,386	33,616,945
Uncollected payments:		
Uncollected payments, Fed sources, brought forward, Oct 1(-)	(2,190,606)	(224,000)
Change in uncollected payments, Fed sources (+ or -)	(472,324)	(1,966,606)
Uncollected payments, Fed sources, end of year (-)	(2,662,930)	(2,190,606)
Memorandum (non-add) entries:		
Obligated balance, start of year (+ or -)	31,426,339	25,601,556
Obligated balance, end of year (net)	31,902,456	31,426,339
Budget Authority and Outlays, Net		
Budget authority, gross	126,005,194	120,854,058
Actual offsetting collections	(2,532,870)	(887,452)
Change in uncollected customer payments– Federal sources	(472,324)	(1,966,606)
Budget authority, net	123,000,000	118,000,000
Outlays, gross	123,093,817	109,340,293
Actual offsetting collections	(2,532,870)	(887,452)
Net Outlays	120,560,947	108,452,841
Distributed offsetting receipts	(10,379)	(9,737)
Net Outlays	$ 120,550,568	$ 108,443,104

The accompanying notes are an integral part of these statements.

U.S. Consumer Product Safety Commission
Statement of Custodial Activity
For the Periods ended September 30, 2015 and 2014
(in dollars)

	2015	2014
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous:		
Civil Penalties & Fines	$ 15,874,100	$ 3,749,100
FOIA and Miscellaneous	10,390	9,744
Total Cash Collections	15,884,490	3,758,844
Accrual Adjustments	3,051,216	350,616
Total Custodial Revenue	18,935,706	4,109,460
Disposition of Collections:		
Transferred to Others:		
Treasury General Fund	15,884,490	3,758,844
(Increase)/Decrease in Amount Yet to be Transferred	3,051,216	350,616
Retained by Reporting Entity	-	-
Total Disposition of Collections	18,935,706	4,109,460
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources and custodial activities of the U.S. Consumer Product Safety Commission (CPSC), an independent federal regulatory agency with a mission is 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.

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 mandated program activities. The funds appropriated are subject to OMB apportionment The CPSC also places internal restrictions on expenditures to provide for the efficient and proper use of all funds.

Basis of Accounting and Presentation

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

Assets

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

Fund Balances with the U.S. Treasury

Fund Balances with the U.S. Treasury consist of appropriated funds and general fund receipt accounts. Appropriated funds are available to pay current liabilities and authorized purchase commitments. General fund receipt accounts are used to record collections made by the CPSC on behalf of the U.S. Treasury's General Fund. The CPSC's Fund Balance with U.S. Treasury is carried forward until such time as goods or services are received and payment is made, or until the funds are returned to the U.S. Treasury.

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

Accounts Receivable and Allowance for Uncollectible Accounts

The CPSC's accounts receivable are classified into two types of accounts. Entity accounts 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.

Property and Equipment

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

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

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

Liabilities

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

Accounts Payable

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

Federal Employees Benefits

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

Liabilities Not Covered by Budgetary Resources exists when funding has not yet been made available through Congressional appropriations or reimbursable authority. The CPSC recognizes such liabilities for employee annual leave earned but not taken, amounts billed by the Department of Labor for Federal Employee's Compensation Act (disability) payments and actuarial liability for worker's compensation.

Accrued Annual Leave

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

Employee Health Benefits and Life Insurance

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

Federal Employees' Compensation Act (FECA)

The CPSC records an estimated liability for future 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.

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.

Reclassification

The custodial liability in the prior year's balance sheet had been reclassified to conform to the current year presentation.

Note 2 – Fund Balance with U.S. Treasury

The CPSC's funds with the U.S. Treasury consist only of appropriated funds. The status of these funds as of September 30, 2015 and September 30, 2014 is:

	2015	2014
Unobligated Balance		
Available	$ 1,120,355	$ 352,411
Unavailable	8,944,435	12,359,511
Obligated Balance, Not Yet Disbursed	31,902,456	31,426,339
Total Funds with U.S. Treasury	$ 41,967,246	$ 44,138,261

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

Note 3 – Accounts Receivable

The CPSC's accounts receivable is comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided and amounts due from current and former employees. The non-entity receivables include Civil Fines and Penalties and Freedom of Information Act activity. No allowance for uncollectible amounts or related 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, 2015 and September 30, 2014 is:

Accounts Receivable	2015	2014
Entity		
Intra-governmental		
Accounts Receivable - Reimbursable	$ 417,635	$ 353,865
Public		
Other Receivable	-	1,277
Total Entity Accounts Receivable	417,635	355,142
Non-Entity		
Public		
Civil Fines and Penalties	3,576,133	525,233
Other Receivable	3,749	3,433
Total Non-Entity Accounts Receivable	3,579,882	528,666
Total Accounts Receivable	$ 3,997,517	$ 883,808

Note 4 – Property, Plant and Equipment, Net

The composition of property, plant and equipment (PPE) as of September 30, 2015 is:

Classes of PPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	$ 22,240,915	$ 11,190,046	$ 11,050,869	6-14
Equipment	16,991,669	10,363,167	6,628,502	5-12
Furniture, Fixture & Other Equipment	2,437,528	1,808,500	629,028	3-5
ADP Software	1,675,954	1,201,776	474,178	5
Total	$ 43,346,066	$ 24,563,489	$ 18,782,577	

The composition of PPE as of September 30, 2014 is:

Classes of PPE	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Leasehold Improvement	$ 21,756,373	$ 8,467,780	$ 13,288,593	6-14
Equipment	13,323,841	7,590,820	5,733,021	5-12
Furniture, Fixture & Other Equipment	2,055,587	1,335,142	720,445	3-5
ADP Software	1,246,428	1,109,184	137,244	5
Total	$ 38,382,229	$ 18,502,926	$ 19,879,303	

Note 5 – Advances to Other Federal Agency

The balance of advances to other federal agencies as of September 30, 2015 and September 30, 2014 is $1,967,345 and $2,530,557 respectively. The majority of advances to other federal agencies are for the service contract with National Institute of Standards and Technology (NIST) in support of the CPSC's work with the National Nanotechnology Initiative (NNI). Other advances are for the CPSC's shared service contract with federal agencies for the accounting operations, payroll and employee transit benefit.

Note 6 – Tenant Improvement Allowance (TIA)

The TIA is the amount available for the CPSC to spend on customization of leased properties. The TIA is for the lease contracts with the General Services Administration for the CPSC's headquarters (HQ) offices located in Bethesda, Maryland and the sample storage facility (SSF) located in Gaithersburg, Maryland. The TIA is reduced upon completion of the work order on the leased property and the amount is capitalized as a leasehold improvement. The composition of the TIA as of September 30, 2015 and September 30, 2014 is:

	2015	2014
Intra-governmental		
Tenant Improvement Allowance - HQ	$ 1,332,685	$ 1,817,226
Tenant Improvement Allowance - SSF	30,515	30,515
Total TIA	$ 1,363,200	$ 1,847,741

Note 7 – Federal Employee Benefits

Federal Employee benefits consist of the actuarial portion of future benefits earned by federal employees, but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits. These benefits are administered by the Office of Personnel Management (OPM) and not the CPSC. Since the CPSC does not administer the benefit plans, the CPSC does not recognize any liability on the Balance Sheet for pensions and other retirement benefits. The CPSC does, however, recognize the imputed financing sources/costs related to these benefits on the Balance Sheet, the Net Cost of Operations, and the Statement of Changes in Net Position.

The federal employee retirement benefit costs paid by OPM and imputed to the CPSC for the period ended September 30, 2015 and September 30, 2014 is:

	2015	2014
Estimated future pension costs (CSRS/FERS)	$ 1,470,455	$ 2,089,473
Estimated future postretirement health insurance (FEHB)	2,323,203	2,151,718
Estimated future postretirement life insurance (FEGLI)	10,604	10,136
Total Imputed Costs	$ 3,804,262	$ 4,251,327

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 automatically 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.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in FERS, the TSP is automatically established, and the CPSC makes a mandatory 1 percent contribution to this plan. In addition, the CPSC matches contributions ranging from 1 to 4 percent for FERS eligible employees who contribute to their TSP. Employees participating in CSRS do not receive matching contributions to their TSP. The CPSC contributes the employer's matching amount to Social Security under the Federal Insurance Contributions Act (FICA), which fully covers FERS participating employees. The CPSC's contributions are recognized as current operating expenses.

Amounts owed to OPM and U.S. Treasury as of September 30, 2015 and September 30, 2014, were $469,845 and $385,223, respectively, for CSRS, FERS, FICA, FEHB, and FEGLI contributions and are shown on the balance sheets as an employee benefits liability.

Note 8 – Liabilities Not Covered by Budgetary Resources

The liabilities on the CPSC's balance sheet as of September 30, 2015 and September 30, 2014 include liabilities not covered by budgetary resources. These are liabilities that need Congressional action providing budgetary resources. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. The composition of the liabilities not covered by budgetary resources as of September 30, 2015 and September 30, 2014 is:

Liabilities Not Covered by Budgetary Resources	2015	2014
Intra-governmental		
Worker's Compensation	$ 582,923	$ 551,653
Tenant Improvement Allowance	3,405,155	3,873,772
Total Intra-governmental	3,988,078	4,425,425
Accrued Annual Leave	4,664,081	4,501,241
Worker's Compensation Actuarial	2,876,355	2,748,706
Other Liabilities	3,953	3,953
Total Liabilities Not Covered by Budgetary Resources	$ 11,532,467	$ 11,679,325

Note 9 – 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 in the CPSC's Balance Sheet. As of September 30, 2015 and September 30, 2014, the total Custodial Liabilities are $3,579,882 and $528,666 respectively. The revenue and collection activities are presented in the Statement of Custodial Activities.

Note 10 – Tenant Improvement Allowance (TIA)

The composition of TIA as of September 30, 2015 and September 30, 2014 is:

Other Liabilities	2015	2014
Intra-governmental		
Tenant Improvement Allowance - HQ	$ 1,747,123	$ 1,972,559
Tenant Improvement Allowance – NPTEC	1,529,851	1,745,349
Tenant Improvement Allowance – SSF	128,181	155,864
Total TIA Liabilities	$ 3,405,155	$ 3,873,772

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

Note 11 – Operating Leases

The CPSC leases 3 facilities from the General Services Administration to house the headquarter offices, its research facility and warehouse. These operating lease agreements expire between fiscal year 2019 and fiscal year 2023. Lease costs reported for the period ended September 30, 2015 and September 30, 2014 were $7,090,379 and $6,112,087, respectively. Estimated future minimum lease payments for the 3 facilities under the term of the leases are:

Fiscal Year		Estimated Future Lease Payments
2016	$	7,679,581
2017		7,744,675
2018		7,811,722
2019		7,880,780
2020		7,951,914
2021 and thereafter		15,182,176
Total Estimated Future Lease Payments	$	54,250,848

Note 12 – Cumulative Results of Operations

The cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of the CPSC's cumulative results of operations for the fiscal period ending September 30, 2015 and 2014 are:

		2015		2014
Investment in leasehold improvements, net	$	11,050,869	$	13,288,593
Investment in property and equipment, net		7,731,708		6,590,709
Tenant improvement allowance		1,363,199		1,847,741
Gift fund and other assets		18,953		20,229
Liabilities not covered by budgetary resources		(11,532,467)		(11,679,325)
Cumulative results of operations	$	8,632,262	$	10,067,947

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 significantly reduce the balance of cumulative results of operations. See Note 8 for the composition of liabilities not covered by budgetary resources.

Note 13 – Intra-governmental and Public Costs and Exchange

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

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

Intra-governmental costs arise from exchange transactions made between two reporting entities within the federal government in contrast with public costs, which arise from exchange transactions made with nonfederal entities. Intra-governmental and public costs and exchange revenue for the periods ended September 30, 2015 and September 30, 2014 are:

	Intra-governmental	With the Public	2015 Total
Gross Costs	$ 39,547,020	$ 91,655,496	$ 131,202,516
Less: Earned Revenue	2,591,768	-	2,591,768
Net Program Costs	$ 36,955,252	$ 91,655,496	$ 128,610,748

	Intra-governmental	With the Public	2014 Total
Gross Costs	$ 29,628,965	$ 86,375,226	$ 116,004,191
Less: Earned Revenue	2,080,036	-	2,080,036
Net Program Costs	$ 27,548,929	$ 86,375,226	$ 113,924,155

Note 14 – Budgetary Resources

Budgetary resources available to the CPSC during fiscal year 2015 include current year appropriations in the amount of $123,000,000, funds to implement the Virginia Graeme Baker Pool and Spa Safety Act grant program as provided by section 1405 of Public Law 110–140 (15 U.S.C. 8004) in the amount of $1,000,000 which shall remain available until expended, prior year's unobligated balances, reimbursements earned by the CPSC from providing services to other federal entities for a price and cost-sharing arrangements with other federal entities.

Reimbursable revenue is the money earned for goods and services that are provided to other agencies and the public. The CPSC recognizes reimbursable work agreement revenue when earned, i.e. goods have been delivered or services rendered. Beginning with fiscal year 2014, the CPSC no longer collects advances on its reimbursable agreements. Most of the fiscal year 2014 earned reimbursable work was billed and collected in the current year. The CPSC generated collections resulting from reimbursable agreements totaling $2,532,870 and $887,452 in September 30, 2015 and 2014 respectively. The relationships with the Centers for Disease Control and Prevention, National Institute for Occupational Safety and Health, and National Highway Traffic Safety Administration represent the majority of these agreements and fund national injury data collection and estimation.

A comparison of the CPSC's fiscal year 2014 statement of budgetary resources with the corresponding information presented in the 2015 President's Budget is:

	Budgetary Resources	Obligations Incurred
Fiscal Year 2014 Statement of Budgetary Resources	$ 132,377,331	$ 119,665,409
Unobligated balances, beginning of year - (fund activity on expired accounts)	(9,873,711)	
Recovery of prior year unpaid obligation	(2,533,727)	
Obligations incurred - expired years		(168,627)
Permanently not available - (fund activity on expired accounts)	1,358,012	
Other - rounding in President's Budget	(327,905)	(496,782)
2016 Presidents Budget - fiscal year 2014, actual	$ 121,000,000	$ 119,000,000

The fiscal year 2017 President's Budget will not be published until February 2016. Accordingly, a comparison between the fiscal year 2015 data presented on the statement of budgetary resources and fiscal year 2015 data presented in the President's Budget cannot be performed. CPSC's apportionments fall under Category A, quarterly apportionment for salaries and expenses and Category B, restricted and activity apportionment for reimbursable activities. Apportionment categories of obligations incurred for fiscal period ending September 30, 2015 and 2014 are:

	2015	2014
Direct Salaries and Expenses- Category A	$ 123,072,516	$ 117,029,614
Reimbursable Activities - Category B	2,997,581	2,635,795
Total Obligations incurred	$ 126,070,097	$ 119,665,409

Note 15 – Reconciliation of Net Cost of Operations to Budget

Details of the relationship between budgetary resources obligated and the net cost of operations for the fiscal period ending September 30, 2015 and September 30, 2014 is:

	2015	**2014**
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	$ 126,070,097	$ 119,665,409
Less: Spending Authority from Offsetting Collections and Recoveries	5,033,033	5,387,786
Net Obligations	121,037,064	114,277,623
Imputed Financing from Cost Absorbed by Others	3,804,262	4,251,327
Total Resources Used to Finance Activities	**124,841,326**	**118,528,950**

RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	1,959,313	(8,090,551)
Budgetary Offsetting Collections that do not Affect Net Cost of Operations	402,884	769,156
Resources that Finance the Acquisition of Assets Capitalized	(4,552,619)	(2,284,668)
Net Decrease in Other Liability – Tenant Improvement Allowance	(468,616)	(412,257)
Net Decrease in Receivables not Generating Resources until Collected	201	341
Total Resources Used to Finance Items not Part of the Net Cost of Operations	**(2,658,837)**	**(10,017,979)**
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Costs that will be Funded by Resources in Future Periods	162,840	(24,112)
Change in Unfunded FECA Liability	158,918	609,939
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	321,758	585,827
Components not Requiring or Generating Resources in the Current Period:		
Depreciation and Amortization	6,105,425	4,832,750
Revaluation of Assets or Liabilities		(5,393)
Other Costs that will not Require Resources	1,076	-
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	6,106,501	4,827,357
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**6,428,259**	**5,413,184**
Net Cost (Income) from Operations	**$ 128,610,748**	**$ 113,924,155**

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Budgetary Resources

The statement is prepared on a total Commission basis.

Statement of Custodial Activity

The Commission collects civil penalties and fines, Freedom of Information Act and miscellaneous collections, and U.S. Department of Justice fees.

OTHER ACCOMPANYING INFORMATION

This section provides additional information regarding the CPSC's financial and program management.

It includes "The Management Challenges Report" prepared by the Office of the Inspector General and Management's views on the reported challenges.

The Schedule of Spending provides an overview of how the CPSC spent its resources relative to the agency's five strategic goals.

The Summary of Financial Statement Audit and Management Assurances lists each material weakness and non-conformance found and/or resolved in FY 2015.

Lastly, this section reports the agency's compliance with the Improper Payments Information Act of 2002, as amended.

INSPECTOR GENERAL'S MANAGEMENT CHALLENGES REPORT

The Reports Consolidation Act requires that the Office of the Inspector General (OIG) identify the most serious management and performance challenges facing the agency and the agency's progress toward meeting these challenges. These challenges may be grouped into the following categories:

- Adequacy of Internal Controls
- Information Technology Security
- Budget Uncertainty

Adequacy of Internal Control

Across the federal government, internal control challenges exist in a number of areas. Internal controls are processes designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) Effectiveness and efficiency of operations; (b) Reliability of financial reporting; and (c) Compliance with laws and regulations.

This management challenge has been cited in the past and has led to significant deficiencies, including the CPSC's failure to comply with the Improper Payment Elimination and Reduction Act in 2015. This office acknowledges management's work to conduct comprehensive assessments of internal controls over financial management, develop cycle memoranda and control matrices, test and evaluate key controls, and develop and implement corrective actions to address some identified control gaps. As a result, the CPSC has made progress in resolving internal control findings from this office, and has resolved a number of significant deficiencies from earlier audits. However, recent changes in the rules regarding internal controls in the federal government have heightened the challenges facing the agency in this area.

OMB Circular A-123 establishes that the GAO Green Book is the standard that federal government agencies must follow to maintain effective internal control. The Green Book provides managers criteria for designing, implementing, and operating an effective internal control system. The Green Book defines the standards through components and principles and explains why they are integral to an entity's internal control system. The Green Book clarifies what processes are considered part of internal control. The Green Book was substantially revised in September of 2014. The revised Green Book uses the 17 underlying principles from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) revision of its Internal Control – Integrated Framework, adapting them for the federal government environment.

The 17 underlying COSO principles have been introduced to support the five overarching components of internal control, which have been carried over from the previous Green Book standards, control environment; risk assessment; control activities; information and communication; monitoring activities.

The updated Green Book aligns the 17 principles to the components of the existing internal control framework. It also identifies attributes that support the design and implementation of each of the principles.

The introduction of the underlying COSO principles in the Green Book is designed to help management of federal entities achieve an effective internal control system. Each of the Green Book's internal control framework's components contains several principles. The Federal Managers' Financial Integrity Act (FMFIA) requires federal executive branch entities to establish internal control in accordance with these standards. GAO's 2014 Green Book revision will be effective beginning with fiscal year 2016.

Historically the CPSC, as did most other federal agencies, has put far greater effort on establishing formal internal controls over its financial operations, reporting, and compliance than it did over its nonfinancial programs.

However, the 2014 Green Book makes explicit that the same standards that govern internal controls designed to ensure accurate financial reporting also apply to internal controls designed to measure program performance in nonfinancial programs. It also includes specific and heightened documentation requirements.

Successful application of the 17 underlying COSO principles introduced in the 2014 Green Book can help the CPSC achieve effective internal control and, in turn, obtain reasonable assurance that mission objectives are achieved. However, given the raised standards and the explicit requirement that the same standards apply to internal controls over nonfinancial as well as financial programs and reporting the CPSC, as well as most other federal agencies, has a great deal of work before it. The following are actions and considerations that can help the CPSC managers responsible for implementing and overseeing an internal control program over operations, reporting and compliance comply with the 2014 Green Book revisions:

—Assess whether the 17 principles are already incorporated within the relevant existing internal control framework.

—Consider how principles not already part of the existing internal control framework should be designed and implemented by reviewing the attributes of the specific principles described in the Green Book.

—Review the application material included in the Green Book, which further explains the principles and attribute requirements. In some cases, the Green Book also explains more precisely what each requirement means and is intended to cover; in others, it includes examples of procedures that may be appropriate.

Information Technology Security

As this office has expressed before, the CPSC will not be able to meet its current workload and the additional tasks projected for the future without using its IT resources to leverage its limited manpower. One of the key management challenges facing the CPSC remains how to best use this technology to meet the agency's increasing workload while still maintaining adequate IT security.

The most recently completed Federal Information Security Management Act of 2002 (FISMA) evaluation found that, although much work remains, management continues to make progress in implementing the FISMA requirements.[1] The CPSC's General Support System (GSS LAN) has completed the security accreditation process and retained an active security accreditation. In addition, the Consumer Product Safety Risk Management System (CPSRMS), the International Trade Data System/Risk Automation Methodology System (ITDS/RAM) application, and the CPSC public website, CPSC.gov, completed independent security assessments and retain active security accreditations.

Although much has been accomplished, a good deal of work remains. The OIG noted that management has not updated and approved all of the major applications' security documentation, even though management formally accepted the risk associated with operating these applications. Additionally, management has not fully implemented the National Institute of Technology and Standards (NIST) Special Publication (SP) 800-37, *Risk Management Framework*. Management has not accredited the information resources that reside outside of the GSS LAN security boundary. Management also has not performed an assessment to identify, categorize, accredit, and authorize the operation of all agency applications in accordance with OMB Memorandum M-10-15. It is particularly important that management assess the Division Epidemiology applications because of the applications' crucial importance to the agency mission and because of the potential of these applications to contain Personally Identifiable Information (PII). The OIG noted 53 findings, seven of which are considered high-risk, last

[1] This is based on the FY 2014 FISMA Review; the FY 2015 FISMA Review had not been completed at the time this document was drafted.

year's review. The IT challenges currently facing the agency are particularly relevant as the agency continues to deal with the implementation of the Consumer Product Safety Improvement Act (CPSIA) in general, and specifically with the CPSIA's impacts on the agency's IT operations.

Management continues to develop remediation strategies to address the known weaknesses, with a priority placed on what the Office of Information and Technology Services (EXIT) informally determines to be the highest risk issues. However, the full mitigation of these risks will require a significant amount of additional effort.

Budget Uncertainty

As of the drafting of this document, the CPSC is operating under a continuing resolution (CR), which provides funding only until December 11, 2015. Because no budget has been passed, the resources that the agency will have available to meet its statutory responsibilities over the course of FY 2016 are unclear. Because CRs only provide funding until agreement is reached on final appropriations, they create uncertainty for agencies about when they will receive their final appropriation and what level of funding ultimately will be available.

The budget uncertainty brought about by a CR can result in agency management delaying hiring or contracts during the CR period, potentially reducing the level of services provided and increasing costs. If the CPSC is forced to operate under CRs for a prolonged time, agency management could be faced with additional challenges in executing the CPSC's final budget, as funds may need to be spent in a compressed timeframe. At a minimum, agency management will be required to perform additional work to manage within CR constraints. This additional work could include agency officials taking actions to manage the inefficiencies resulting from CRs, including shifting contract cycles to later in the fiscal year to avoid repetitive work and providing guidance on spending, rather than allotting specific dollar amounts during CRs, to provide more flexibility and reduce the workload associated with changes in funding levels.

AGENCY'S RESPONSE TO MANAGEMENT CHALLENGES REPORT

The OIG identified three management and performance challenges faced by the CPSC:

- Adequacy of Internal Controls
- Information Technology Security
- Budget Uncertainty

The product safety environment continues to develop since passage of the CPSIA. The impacts on the CPSC and the resulting challenges to the agency have accelerated, due to the increase of imported products and the heightened awareness of safety hazards by American consumers. The CPSC acknowledges these management challenges.

Adequacy of Internal Controls

The CPSC Management takes seriously the responsibility for stewardship of the resources entrusted to the agency and continues to enhance and improve agency internal controls. The CPSC continues to augment the agency's internal control framework. The approach includes reviewing and updating cycle memoranda, developing and reviewing internal control matrices, testing and evaluating key internal controls, conducting a risk assessment of financial cycles, and developing and implementing corrective action plans, as needed. Additionally, a review of complementary controls was completed to help assure the integrity of the accounting processes between the CPSC and its accounting service provider, the Department of Transportation. Management appreciates the OIG's acknowledgement of the internal control improvements already implemented.

The CPSC Management acknowledges the OIG's observation that the new GAO Green Book revisions that update the internal controls framework for the federal government to align with the Committee of Sponsoring organizations Commission's (COSO) integrated framework is a major paradigm shift and management challenge for the CPSC and the federal government at-large. During FY 2015, the CPSC management team reviewed the new GAO Green Book requirements and conducted an initial gap analysis to guide implementation of the new framework in FY 2016 and beyond. The introduction of the 17 underlying principles that support the five overarching components of internal control have clarified and expanded the existing guidance. The defined attributes within each of the 17 principles will help guide agency managers as they review and substantiate that their processes meet the new criteria.

Information Technology Security

The CPSC Management acknowledges the OIG's observations pertaining to Information Technology (IT) security, and has been working to allocate agency resources to mitigate IT security risks. In the FY 2016 President's Budget Request, the agency requested new appropriations to address prior-year, OIG audit findings; that funding request is still pending with Congress as of the publication of this report.

In FY 2015, the CPSC made progress toward improving the IT security posture of the agency by reviewing and updating all relevant security documentation for each major agency application. This resulted in renewing each agency system's operating authorization. The CPSC Management is actively working to identify, categorize, accredit, and authorize the operation of all agency applications.

The agency also conducted an initial security assessment for the CPSC Laboratory Network that exists outside the accreditation boundary of the CPSC GSS LAN. The Laboratory Network security assessment included:

- Determination of system type and authorization boundary

- System categorization Federal Information Processing Standard Publication (FIPS PUB) 199 Impact Level)
- Selection, documentation and implementation of security controls
- Assessment of security controls
- Plans to address unacceptable risks
- Determination of risk acceptance and system authorization
- Transition to continuous monitoring

The CPSC undertook a project, with the assistance of an outside security consultant, to review and make recommendations on how to prioritize and implement IT security corrective actions. The CPSC Management has made progress in remediating the vulnerability associated with split-tunneling, identified as a high risk, and is currently implementing a solution to address two additional high risks, least privilege and privileged access, that will be completed in FY 2016.

Budget Uncertainty

The CPSC management is mindful that budget uncertainty exists and that the agency must continue to adapt to the changing budget environment to meet its statutory responsibilities. Budget uncertainty permeates the federal government and is not unique to the CPSC. The CPSC management is working to minimize the risks created by budget uncertainty through improved planning, prioritization, and analysis.

SCHEDULE OF SPENDING

The Schedule of Spending (SOS) is a summary and comparison of how the CPSC spent money during FY 2015 and FY 2014, relative to the CPSC's five strategic goals. The SOS presents all budgetary resources and obligations incurred for the CPSC. The data used to populate the SOS are from the agency's accounting records and are the same data used to populate the Statement of Budgetary Resources (SBR). In the SOS and the SBR, obligations incurred include personnel compensation and benefits, contracts, rent, equipment, supplies and materials, travel and credit card purchases below the micro-purchase threshold. The "*Total Amounts Agreed to Be Spent*" line item in the SOS agrees with the "Obligations Incurred" line in the SBR. The CPSC also reports obligation amounts through to USASpending.gov. The information reported by the CPSC in USASpending.gov includes only contract obligations that are above the micro-purchase threshold and reflects only a portion of the CPSC's total obligations.

What Money Is Available to Spend

This section presents total budgetary resources that are reported in the SBR.

Total Resources refers to budgetary resources approved for spending.

Amounts Not Agreed to Be Spent represents amounts that the CPSC was allowed to spend but did not take action on by the end of the fiscal year.

Amounts Not Available to Be Spent represents amounts that the CPSC was not approved to spend during the current fiscal year.

Total Amounts Agreed to be Spent represents spending actions by the CPSC, including salaries and benefits, travel, rent, contracts, and other legally binding agreements to pay for goods or services.

How Was the Money Spent?

This section presents the value of goods and services that the CPSC obligated for its consumer product safety program and mission support activities.

For purposes of this section, the breakdown of "How Was the Money Spent?" is based on budget object classification definitions as defined in OMB Circular A-11.

Salaries and Benefits represent compensation, including benefits directly related to duties performed by federal civilian employees.

Contracts represent purchases of contractual services.

Rent represents the CPSC's purchases of contractual services for the CPSC's headquarters facility, National Product Testing and Evaluation Center (NPTEC) and Sample Storage Facility (SSF), and includes related utilities and security costs.

Structures and Equipment represents the purchase of capital equipment and leasehold improvements.

Travel and Transportation represents the CPSC's payment for transportation, sustenance, and miscellaneous expenses for employees/persons on official business travel for the agency.

Schedule of Spending
For the Years Ended September 30, 2015 and 2014
(in dollars)

	2015	2014
What Money Is Available to Spend?		
Total Resources	$ 136,134,887	$ 132,377,331
Less Amount Available but not Agreed to Be Spent	1,120,355	352,411
Less Amount not Available to Be Spent	8,944,435	12,359,511
Total Amounts Agreed to Be Spent	$ 126,070,097	$ 119,665,409
How Was the Money Spent?		
Leadership in Safety		
Salaries & Benefits	$ 9,545,152	$ 9,005,277
Contracts	1,907,487	2,569,535
Rent	925,293	1,480,649
Structures & Equipment	263,729	875,193
Travel & Transportation	328,171	244,346
Supplies & Materials	68,574	84,790
Printing	25,184	41,001
Other	9,800	45
	13,073,390	14,300,836
Commitment to Prevention		
Salaries & Benefits	16,638,548	15,169,666
Contracts	8,904,504	8,434,814
Rent	2,329,676	1,493,206
Structures & Equipment	1,144,297	1,982,161
Supplies & Materials	368,094	676,191
Travel & Transportation	196,841	226,859
Printing	59,160	40,646
Other	24,500	45
	29,665,620	28,023,588
Rigorous Hazard Identification		
Salaries & Benefits	20,597,825	18,843,965
Contracts	18,933,354	13,635,618
Rent	2,788,552	1,495,244
Structures & Equipment	1,386,866	1,678,397
Travel & Transportation	326,641	290,251
Supplies & Materials	78,349	86,982
Printing	70,993	40,646
Other	29,400	45
	44,211,980	36,071,148

Decisive Response		
Salaries & Benefits	23,828,858	22,299,642
Contracts	3,459,117	2,674,475
Rent	2,894,087	1,578,693
Structures & Equipment	851,747	1,053,103
Travel & Transportation	536,880	471,064
Supplies & Materials	190,701	199,243
Printing	70,993	41,590
Other	29,400	45
	31,861,783	28,317,855
Raising Awareness		
Salaries & Benefits	4,066,001	5,463,289
Contracts	2,164,890	4,875,017
Rent	473,835	1,493,642
Printing	358,558	165,413
Structures & Equipment	129,773	859,660
Travel & Transportation	34,381	33,368
Supplies & Materials	24,986	61,548
Other	4,900	45
	7,257,324	12,951,982
Total Amounts Agreed to Be Spent	$ 126,070,097	$ 119,665,409

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

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

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

IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT REPORTING DETAILS

Improper payments are payments that should not have been made or were made in the incorrect amount, which can include duplicate payments, payments to ineligible recipients, or payments made without sufficient supporting documentation. To improve the integrity and accuracy of the federal government's payments, Congress enacted the Improper Payments Information Act (IPIA) of 2002 (Pub. L. No. 107-300). IPIA requires federal agencies to:

- Review their programs and activities annually;
- Identify programs that may be susceptible to significant improper payments;
- Estimate amounts improperly paid; and
- Report improper payment amounts and the actions taken to reduce them.

Congress passed the Improper Payments Elimination and Recovery Act (IPERA) of 2010, which amended IPIA and Section 831 of the Defense Authorization Act of 2002, also known as the Recovery Auditing Act. IPERA strengthened IPIA, by increasing management accountability and requiring additional efforts to recover improper payments. IPERA directed the OMB to issue implementing guidance to agencies. OMB Memorandum M-11-16, dated April 14, 2011, provided government-wide guidance on the implementation of IPERA. This guidance required all executive branch agencies to determine whether the risk of improper payments is significant (exceeds both 1.5 percent of program annual payments and $10 million, or exceeds $100 million) and to provide valid annual estimates of improper payments, if required. Other significant components of OMB's guidance include:

- Describing alternative improper payment measurements;
- Expanding payment recapture audits to all types of payments and activities with more than $1 million in annual outlays if cost-effective;
- Improving corrective action plans and incorporating lessons learned from the Recovery Act Implementation;
- Distributing funds recovered through payment recapture audits for authorized purposes; and
- Establishing compliance reviews and requirements for agencies deemed non-compliant.

In January 2013, Congress passed the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 to bolster efforts to identify, prevent, and recover payment error, waste, and fraud. The Act reinforces and accelerates the "Do Not Pay" initiative, increases emphasis on high-priority programs and establishing performance targets, and clarifies guidance for estimating improper payments. The enactment of the IPERIA of 2012 provided an opportunity for the OMB to review existing guidance and issue a compliance framework that is more unified, comprehensive and less burdensome. OMB Memorandum M-15-02, dated October 20, 2014, updates government-wide guidance on the implementation of IPERIA. This guidance is contained in Appendix C of OMB Circular A-123, *Requirements for Effective Estimation and Remediation of Improper Payments.* The new guidance provides for the following:

- Consolidates and streamlines reporting requirements for agencies and Inspectors General, and eliminates duplicative and old one-time requirements so agencies can spend less time producing compliance reports and more time focusing on game-changing solutions for achieving payment accuracy;
- Establishes new categories for reporting improper payments that provide more granularity on improper payment estimates, leading to more effective

corrective actions at the program level and more focused strategies for reducing improper payments at the government-wide level;

- Introduces a new internal control framework to ensure that payments are made in the right amount, to the right entity, and for the right purpose; and
- Provides guidance to agencies, as required by the most recent statute, IPERIA to strengthen the statistical validity of estimates, and broadens the definition of the types of payments the agencies must consider in their analysis.

The CPSC is dedicated to continuing to strengthen its improper payments program to assure that payments are justifiable, and processed correctly and efficiently. The program uses an experienced and trained staff, a financial management system that is designed with control functions to mitigate risk, and an internal analysis of processes and transactions. All executives and staff are required to comply with the CPSC's procurement and accounting policies and procedures, federal laws and regulations.

The CPSC conducts the following steps to comply with the IPERIA and OMB Circular A-123 Appendix C:

1. Reviews all programs and activities annually and determine if the statutory threshold for significant improper payments is met;
2. Conducts risk assessments every 3 years for all programs and activities;
3. If the results of No.1 above meet the statutory threshold for significant improper payment, updates the CPSC Improper Payment Plan and submits it to OMB and the CPSC Inspector General;
4. Performs a payment recapture audit cost benefit analysis annually on whether a payment recapture audit is cost effective; informs the OMB and the CPSC Inspector General of the CPSC's decision on whether to proceed with a payment recapture audit; and
5. Complies with the requirements of OMB A-136 section 11.5.8 *IPIA (as amended by IPERA and IPERIA) Reporting Details*.

The CPSC's Chief Financial Officer is responsible for reviewing and reporting annually the CPSC's improper payments. The process outlined above was followed in FY 2015.

Review of Programs and Activities

The CPSC reviews annually all programs and activities and identifies those that are susceptible to significant improper payments. Based on the review conducted using the FY 2015 disbursements, the CPSC determined that there are no payment activities based on amounts and rate that meet the definition of "significant improper payment."

Risk Assessment

The risk assessment is conducted every 3 years using a questionnaire (taking into account the risk factors likely to contribute to improper payments) and an internal control evaluation. Based on the consideration of the risk factors and reliance on the internal controls in place for payment activities, the CPSC determined that there are no programs and activities susceptible to "significant improper payments," defined as those that meet the statutory threshold. The CPSC does not have payment activities that are at-risk of incurring $10 million in improper payments, without being detected by internal controls for payment activities. The CPSC has robust internal controls over all of its payment activities: *i.e.,* payroll, acquisition, travel, purchase card, and disbursements. This includes important controls at multiple levels of the payment process, designed to detect and prevent improper payments. These controls are assessed periodically for design and operating effectiveness as part of the CPSC's self-assessment of internal controls conducted by the CPSC management, in accordance with OMB Circular A-123 Appendix A. The results of the internal control testing in 2014 and 2015 demonstrated no weakness of the internal controls and the controls are functioning as designed. The CPSC management also concluded at that time that sufficient controls are in place to detect, prevent, and recapture improper payments.

Recapture of Improper Payments

IPERA Section 2(h) requires agencies to conduct payment recapture audits (also known as recovery audits) for each program and activity that expends $1 million or more annually if conducting such audits would be cost-effective. A payment recapture audit is a detective and corrective control activity designed specifically to identify and recapture overpayments. The CPSC conducted a cost benefit analysis of two alternatives for payment recapture audits, exploring the use of federal staff vs. contract staff. Neither alternative was cost effective to pursue a payment recapture audit. Management informed the OMB and the agency's Inspector General of the decision in June 2015 and provided the results of the analysis that Management used to make the determination.

The self-reported improper payments for FY 2015 for payroll is zero and for non-payroll is $5,000, see Table 1 below.

Self-reported improper payments are mostly overpayment in travel reimbursement and vendors. Of the self-reported improper payments, 75 percent are due to overpayments of travel reimbursement discovered during management conducted post audits on travel reimbursements and 25 percent are due to overpayment of invoices identified by post audit of travel vouchers and COR review. During FY 2015, the CPSC moved from conducting audits post-travel to conducting pre-travel audits to reduce significantly the risk of improper payments from travel reimbursements. Although Management concluded that payment recapture audits are not cost effective, the CPSC will continue to collect and/or resolve improper payments through existing financial procedures, including pre audit of travel reimbursements, internal control review activities, internal and external audits, training of the CPSC staff and debt collection, as necessary.

Do-Not-Pay Initiative

The CPSC is cross-serviced by the U.S. Department of Transportation's Enterprise Service Center (ESC) for accounting system support and accounts payable processing.

The implementation of the Do-Not-Pay (DNP) initiative is a joint responsibility of the CPSC and ESC. In April 2012, the ESC enrolled in the U.S. Department of the Treasury's Do Not Pay portal, which includes access to the Single Online Search. In June 2013, the ESC initiated participation in the Do Not Pay analytics that provide additional analytic insight to avoid problem payments. Through this initiative, Treasury conducts pre-payment assessments against databases using payment files that agencies provide. Once a month, the Treasury compares disbursed payments to two databases to identify errant payments:

- The public version of the U.S. Social Security Administration's Death Master File (DMF)
- The System for Award Management (SAM, which includes the former Excluded Parties List)

Table 1 Overpayment Recaptured Outside of Payment Recapture Audits

Activity Name	2015 *Identified Amount	2015 Recovered Amount	2014 *Identified Amount	2014 Recovered Amount	Cumulative *Identified Amount	Cumulative Recovered Amount
Payroll	$ -	$ -	$ -	$ -	$ -	$ -
Non Payroll	5,224	5,224	10,410	10,410	15,634	15,634
Total	$ 5,224	$ 5,224	$ 10,410	$ 10,410	$ 15,634	$ 15,634

***** These overpayments were mostly recovered within the year each overpayment was identified.

The CPSC follows the Federal Acquisition Regulation (FAR) and adheres to pre-award procedures when researching potential contract awardees. Prior to making a new contract award, the CPSC checks the System for Award Management (SAM) and the Excluded Parties List System (EPLS). If the SAM matched and the vendor is not in the EPLS, the CPSC submits a new vendor request to ESC. The ESC Vendor Maintenance Team verifies all of the CPSC's new employees and non-federal vendor requests against the U.S. Department of the Treasury's DNP databases using the DNP Portal online search capability. If the ESC Vendor Maintenance Team identifies payees that are on the Do-Not-Pay list, the CPSC is notified before payment is made.

The contracting officer representative (COR) reviews all invoices received from the vendor through the ESC before payment. The COR certifies receipt of supplies and services, compares expenditures with funds obligated on the contract or other obligating documents, and approves payment when justified. The CORs are required to be certified and trained before performing COR duties.

Table 2 below shows payments screened by the Do Not Pay Initiative and SAM Exclusions from October 1, 2014 to August 31, 2015 and the results of those reviews. No errant payments were identified.

Table 2 Implementation of the Do Not Pay Initiative to Prevent Improper Payment

	Number of payments reviewed for improper payments	Amount of Payments reviewed for improper payments	Number of payments stopped	Amounts of payments stopped	Number of improper payments reviewed and not stopped	Amount of improper payments reviewed and not stopped
Reviews with the DMF only	1,761	$ 7,655,766	0	$ -	0	0
SAM Exclusions	1,761	$ 7,655,766	0	$ -	0	0

APPENDICES

APPENDIX A: PERFORMANCE MEASUREMENT AND 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 AND REPORTING PROCESS

The FY 2015 Annual Performance Plan, approved by a majority vote of the Commission, includes planned performance measures used to track progress toward achieving the strategic goals and objectives from the CPSC's FY 2011–2016 Strategic Plan. For each performance measure, annual targets were established and actual results data were collected and compared to targeted performance. Program staff was responsible for reporting data on the progress for each performance measure quarterly. The performance results were recorded in the internal agency Performance Management Database (PMD) and published in Quarterly Performance Reports for agency managers and staff. The results are discussed in detail by the senior management at the agency's Strategic Data Review sessions. A summary of the FY 2015 performance results appears on pages 5–6 of this report and detailed performance results will be published in an appendix to the FY 2015 Annual Performance Report (expected publication in February 2016).

Verification and Validation of Performance Data

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

1. The agency develops performance measures through its strategic planning and annual performance planning processes.
2. The CPSC's component organizations follow a standard reporting procedure to document the required performance measure attributes in the PMD. These include:
    - the performance measure definition,
    - the source of the data,
    - data collection methods,
    - the calculation procedure, and
    - data limitations.

    Detailed information on the attributes of each performance measure will be published in an appendix to the FY 2015 Annual Performance Report and available on the CPSC's website located at http://www.cpsc.gov/en/About-CPSC/Agency-Reports/Performance-and-Budget/.
3. The CPSC component organizations calculate and report data for the performance measures on a quarterly basis to the Office of Financial Management, Planning, and Evaluation using the PMD. The final reported results are reviewed and approved before publication.
4. Managers of major organizational units within the CPSC submit annual statements of assurance on the operating effectiveness of general and program-level internal controls for their areas of responsibility. Those statements of assurance identify any known deficiencies or weaknesses in program-level internal controls where they exist, including program performance.
5. Managers of major organizational units perform a self-assessment of the quality of the performance data for each measure. In 2015, the CPSC developed a process to perform independent verification of reported performance measures on a 2-year cycle, and that verification process will be implemented in FY 2016.

These procedures help to provide reasonable assurance that performance data reported are accurate and reliable and that internal controls are maintained and functioning as intended.

APPENDIX B: STATUTORY AUTHORITY

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

CPSIA	Pub. L. No. 112-28 Amends the CPSIA Consumer Product Safety Improvement Act
CGBPA	Children's Gasoline Burn Prevention Act
CPSA	Consumer Product Safety Act
CSPA	Child Safety Protection Act
DSA	Drywall Safety Act of 2012 Public Law No. 112-266
FFA	Flammable Fabrics Act
FHSA	Federal Hazardous Substances Act
LHAMA	Labeling of Hazardous Art Materials Act: Amends the FHSA
PPPA	Poison Prevention Packaging Act
RSA	Refrigerator Safety Act
VGB Act	Virginia Graeme Baker Pool and Spa Safety Act

APPENDIX C: ACRONYM LISTING

AFR	Agency Financial Report
APR	Annual Performance Report
CAP	Corrective Action Plans
CBP	U.S. Customs and Border Protection
COR	Contracting Officer Representative
COSO	Committee of Sponsoring Organizations
CPSA	Consumer Product Safety Act
CPSC	U.S. Consumer Product Safety Commission
CPSIA	Consumer Product Safety Improvement Act of 2008
CPSRMS	Consumer Product Safety Risk Management System
CR	Continuing Resolution
DMF	Death Master File
DNP	Do Not Pay
EPLS	Excluded Parties List System
ESC	Enterprise Services Center
EXIT	Office of Information and Technology Services
FAR	Federal Acquisition Regulation
FFMIA	Federal Financial Management Improvement Act of 1996
FIPS PUB	Federal Information Processing Standard Publication
FISMA	Federal Information Security Management Act OF 2002
FMFIA	Federal Managers’ Financial Integrity Act of 1982
FOIA	Freedom of Information Act
FPPS	Federal Personnel and Payroll System
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GSA	U.S. General Services Administration
GSS	General Support System
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IT	Information Technology
ITDS	International Trade Data System
LAN	Local Area Network
MD&A	Management Discussion & Analysis
NEISS	National Electronic Injury Surveillance System
NIST	National Institute of Technology and Standards
nm	nanometers
NNI	National Nanotechnology Initiative
NPTEC	National Product Testing and Evaluation Center
NSN	Neighborhood Safety Network
OECD	Organization for Economic Cooperation and Development
OGC	Office of the General Counsel
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
OMB	Office of Management and Budget
PII	Personally Identifiable Information

QEEN	Quantifying Exposure to Engineered Nanomaterials
RAM	Risk Assessment Methodology
SAM	System for Award Management
SBR	Statement of Budgetary Resources
SoA	Statement of Assurance
SONC	Statement of Net Costs
SOS	Schedule of Spending
SP	Special Publication
SSAE-16	Statement on Standards for Attestation Engagements 16
SSF	Sample Storage facility
SSP	Shared Service Provider
VGB Act	Virginia Graeme Baker Pool and Spa Safety Act

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CONSUMER PRODUCT SAFETY COMMISSION

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