



Office of Inspector General

U.S. Consumer Product Safety Commission

Audit of the CPSC's Financial Statements for FY 2019

November 19, 2019

Vision Statement

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

Statement of Principles

We will:

Work with the Commission and the Congress to improve program management;

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

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

Be innovative, question existing procedures, and suggest improvements;

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

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

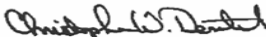
Work together to address government-wide issues.



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

November 19, 2019

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

FROM: Christopher W. Dentel, Inspector General 

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

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by CliftonLarsonAllen, LLP (CLA), for the fiscal year ending September 30, 2019. The audit was performed under a contract with, and monitored by, the Office of Inspector General (OIG), in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 19-03, Audit Requirements for Federal Financial Statements.

Opinion on the Financial Statements

CLA audited the financial statements of the U.S. Consumer Product Safety Commission (CPSC), which comprise the balance sheet as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements (financial statements). The objective of the audit was to express an opinion on the fair presentation of those financial statements. In connection with the audit, CLA also considered the CPSC's internal control over financial reporting and tested the CPSC's compliance with certain provisions of applicable laws and regulations that could have a material effect on its financial statements.

In CLA's opinion, the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the years ending September 30, 2019 and 2018, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control

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

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

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

CLA's consideration of internal control was for the limited purpose described in the first paragraph in this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. CLA did identify deficiencies in internal control that CLA would consider to be a material weakness, as defined above. This material weakness in internal controls related to the monitoring and tracking of lease activities. These control weaknesses resulted in material misstatements to the CPSC's financial statements related to the amortization and depreciation of the tenant improvement allowance and leasehold improvements for CPSC leased property.

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

Report on Compliance with Laws and Regulations

CPSC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether the CPSC's financial statements are free of material misstatements, CLA performed tests of compliance with certain provisions of laws and regulations, noncompliance which could have material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 19-03. CLA did not test compliance with all laws and regulations applicable to the CPSC.

CLA's tests of compliance with laws and regulations described in the audit report disclosed one instance of non-compliance that is required to be reported in accordance with Government Auditing Standards and OMB Bulletin 19-03.

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

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

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

The statutorily required IPERA review covering FY 2019 will be completed in May 2020. This office will issue a formal opinion regarding the CPSC's compliance with IPERA at that time.

OIG Evaluation of CliftonLarsonAllen's Audit Performance

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

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

Attached: Audit Report
Financial Statements as shown in the Agency Financial Report



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Inspector General
United States Consumer Product Safety Commission

Acting Chairman
United States Consumer Product Safety Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the United States Consumer Product Safety Commission (Commission), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, the combined statements of budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

Commission management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). Those standards and OMB Bulletin 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Consumer Product Safety Commission as of September 30, 2019 and 2018, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Emphasis of Matter – Correction of Error

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Commission's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control or on management's assertion on internal control included in the MD&A.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain internal control deficiencies, described below and in Exhibit A, which we consider a material weakness.

Controls over Leases and Leasehold Improvements

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

Compliance with Laws, Regulations, Contracts and Grant Agreements

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Management's Responsibility for Internal Control and Compliance

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

Auditors' Responsibilities

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

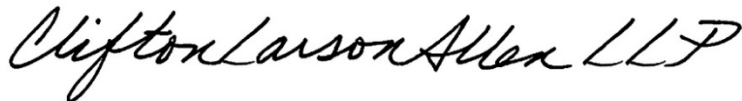
INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

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

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



CliftonLarsonAllen LLP

Arlington, Virginia
November 18, 2019

EXHIBIT A

Material Weakness

BACKGROUND:

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

CONDITION:

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

CRITERIA:

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

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

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

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

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

EXHIBIT A
Material Weakness

CAUSE:

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

EFFECT:

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

CORRECTIVE ACTIONS RECOMMENDED:

We recommend that CPSC management:

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

Exhibit B
Status of Prior Year Finding

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



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

**U.S. Consumer Product Safety Commission's (CPSC)
Financial Statements for
Fiscal Years 2019 and 2018**

Extracted from CPSC's Fiscal Year 2019
Agency Financial Report, Pages 41-57

For the full Agency Financial Report please see:

https://www.cpsc.gov/s3fs-public/FY2019CPSCAgencyFinancialReport.pdf?LwgN9Gw4we1sOceMFSYIaLz_3fDw8fz8

Financial Statements

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

	<u>FY2019</u>	<u>FY 2018</u>
REVENUE ACTIVITY:		
Sources of Cash Collections:		
Civil Penalties & Fines	\$ 4,624,250	\$ 27,299,100
FOIA and Miscellaneous	9,311	11,633
Total Cash Collections	4,633,561	27,310,733
Accrual Adjustments	229,470	(48,651)
Total Custodial Revenue (Note 15)	\$ 4,863,031	\$ 27,262,082
 DISPOSITION OF COLLECTIONS:		
Transferred to Others (by Recipient)	4,633,561	27,310,733
Increase/(Decrease) in Amounts Yet to be Transferred	229,420	(48,651)
Retained by the Reporting Entity	50	-
Total Disposition of Collections	\$ 4,863,031	\$ 27,262,082
 Net Custodial Activity	 \$ -	 \$ -

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the U.S. Consumer Product Safety Commission (CPSC), an independent federal regulatory agency with a mission to Keeping Consumers Safe by reducing the risk of injuries and deaths associated with consumer products. The CPSC was created in 1972 by Congress under the CPSA and began operating in 1973. The agency is headed by five commissioners nominated by the President and confirmed by the Senate for staggered 7-year terms. The President designates one of the commissioners as Chairman who is the agency head. The CPSA (as amended) authorizes the CPSC to:

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

Fund Accounting Structure

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

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

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

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

Budget Authority

Congress enacts appropriations that provide the CPSC with authority to obligate funds for necessary expenses to carry out authorized program activities. The funds appropriated are subject to OMB apportionment. The CPSC's Administrative Control of Funds directive complies with federal budgetary accounting guidelines of OMB Circular No. A-11, Preparation, Submission and Execution of the Budget, Revised (June 2019). This directive places internal restrictions on the apportioned funds by designating the amount, use, and authorized party of any division of the apportioned funds. These restrictions – known as allotments, sub-allotments, and allowances – limit the amounts available so obligations will not exceed the appropriated or apportioned amounts.

Basis of Accounting and Presentation

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

Assets

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

Fund Balances with Treasury

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

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

Accounts Receivable and Allowance for Uncollectible Accounts

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

Property and Equipment

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

Beginning October 2019, equipment and software with a useful life of 2 or more years are capitalized when the acquisition value is greater than \$15,000 and \$30,000, respectively. Furniture and fixtures, bulk internal use software purchases, other equipment, and leasehold improvements with an aggregate acquisition cost of \$100,000 and a useful life of 2 or more years are capitalized. The CPSC reports property and equipment

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

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

Liabilities

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

Accounts Payable

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

Federal Employees Benefits

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

Accrued Annual Leave

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

Employee Health Benefits and Life Insurance

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

Federal Employees' Compensation Act (FECA)

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

Contingencies

The CPSC has claims and lawsuits pending against the agency. The CPSC's policy is to include provision in the financial statements for any losses considered probable and estimable. Management believes that losses from certain other claims and lawsuits are reasonably possible but are not material to the fair presentation of the CPSC's financial statements, and provisions for these losses are not included in the financial statements.

Estimates and Assumptions

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

Restatements

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

Note 2 – Fund Balance with Treasury

CPSC's funds with the U.S. Treasury consist of apportioned and unapportioned funds. The status of these funds as of September 30, 2019 and September 30, 2018 is:

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

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

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

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

Note 3 – Accounts Receivable

The CPSC's accounts receivable is comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided and amounts due from current and former

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

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

Note 4 – Advances to Other Federal Agencies

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

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

Note 5 – Property, Plant, and Equipment, Net

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

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

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

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

Note 6 – Federal Employee Benefits

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

The federal employee retirement benefit costs paid by OPM and imputed to CPSC for the period ended September 30, 2019 and September 30, 2018 is:

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

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

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

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

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

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

Note 7 – Liabilities Not Covered by Budgetary Resources

The liabilities on the CPSC's balance sheet as of September 30, 2019 and September 30, 2018 include liabilities not covered by budgetary resources. The intra-governmental liabilities are owed to DOL for the FECA (disability) payments and the GSA for the tenant improvement allowance provided as a part of the long-term lease on office facilities. The CPSC also recognizes liabilities for employee annual leave earned but not yet taken and for workers' compensation actuarial liability. The CPSC also collects on receivables that are withdrawn to Treasury with no budgetary resource associated. The composition of the liabilities not covered by budgetary resources as of September 30, 2019 and September 30, 2018 is:

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

Note 8 – Custodial Liability

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

Note 9 – Tenant Improvement Liability (TIL)

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

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

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

Note 10 – Operating Leases

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

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

Note 11 – Cumulative Results of Operations

The cumulative results of operations represent the excess of financing sources over expenses since inception. Details of the components of the CPSC's cumulative results of operations for the fiscal year ending September 30, 2019 and September 30, 2018 is:

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

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

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

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

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

Note 13 – Undelivered Orders

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

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

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

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

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

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

Note 15 – Custodial Revenue

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

Note 16 – Reconciliation of Net Cost to Net Outlays

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

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

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

Note 17- Restatement

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

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

CONTACT US

If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving CPSC's programs and operations, please contact the CPSC Office of Inspector General.



Call:

301-504-7906
1-866-230-6229



On-line complaint form:

Click [here](#) for complaint form.
Click [here](#) for CPSC OIG Website.



Write:

Office of Inspector General
Consumer Product Safety Commission
4330 East-West Highway, Room 702
Bethesda MD 20814