United States
Consumer Product Safety Commission

Agency Financial Report

FISCAL YEAR 2024 | NOVEMBER 15, 2024

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About CPSC

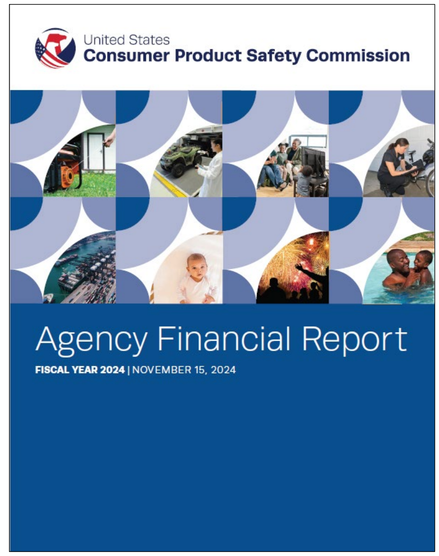
The U.S. Consumer Product Safety Commission (CPSC) is an independent federal regulatory agency, created in 1972 by the Consumer Product Safety Act (CPSA). In addition to the CPSA, as amended by the Consumer Product Safety Improvement Act of 2008 (CPSIA) and Pub. L. No. 112-28, CPSC administers the following laws, in chronological order: Flammable Fabrics Act; Refrigerator Safety Act; Federal Hazardous Substances Act; Poison Prevention Packaging Act; Labeling of Hazardous Art Materials Act; Child Safety Protection Act; Virginia Graeme Baker Pool and Spa Safety Act (VGB Act); Children's Gasoline Burn Prevention Act; Drywall Safety Act; Child Nicotine Poisoning Prevention Act; Portable Fuel Container Safety Act of 2020 (15 U.S.C. § 2056d); Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022 (Pub. L. No. 117–103, Division Q, Title II); Safe Sleep for Babies Act; Reese's Law; imitation firearms provisions of Pub. L. Nos. 100-615 and 117-167; and the STURDY requirements of Pub. L. No. 117-328 (Division BB, Title II).

CPSC has jurisdiction over thousands of types of consumer products used in and around the home, in schools, for recreation, or in other settings. Although CPSC's regulatory purview is quite broad, several product categories regulated by other agencies are outside of CPSC's jurisdiction.[1] The Chair is the principal executive officer and head of the Commission, which convenes at meetings typically open to the public.

The photograph below shows the five members of the Commission who served at CPSC during the FY 2024 reporting period of October 1, 2023, through September 30, 2024. CPSC is a bipartisan commission that is authorized to have five Commissioners. From left to right, the photograph shows Commissioner Douglas Dziak, Commissioner Peter A. Feldman, Chair Alexander Hoehn-Saric, Commissioner Richard L. Trumka Jr., and Commissioner Mary T. Boyle. For information on CPSC's organization, please visit: www.cpsc.gov/Organization-Chart.

[1] Excluded product categories include automobiles, planes, and boats; alcohol, tobacco, and firearms; foods, drugs, cosmetics, and medical devices; and pesticides.

About this Report



The purpose of the U.S. Consumer Product Safety Commission's FY 2024 *Agency Financial Report* (AFR) is to assist Congress, the President, and the American people in assessing the agency's stewardship of the resources with which it has been entrusted. This annual report is required by law and prepared in accordance with the requirements of Office of Management and Budget (OMB) Circulars No. A-11, *Preparation, Submission, and Execution of the Budget*, and A-136, *Financial Reporting Requirements*.

This AFR is organized into four major sections:

Management's Discussion and Analysis (MD&A): Includes information on the agency's mission and organizational structure, high-level performance results, financial highlights, compliance with pertinent laws and regulations, and management assurances.

Financial Section: Includes a message from the Chief Financial Officer, an independent auditors' report, financial statements and accompanying notes.

Other Information: Includes the CPSC Office of Inspector General (OIG) Management Challenges Report, a summary of the financial statement audit results, management statement of assurance, and improper payment reporting details.

Appendices: Provides information on CPSC's performance measurement reporting process, the federal statutes administered by CPSC, and a glossary of acronyms and abbreviations.

This report is intended to satisfy the reporting requirements of the following statutes:

- *Federal Managers' Financial Integrity Act of 1982 (FMFIA);*
- *Government Management Reform Act of 1994;*
- *Federal Financial Management Improvement Act of 1996;*
- *Reports Consolidation Act of 2000;*
- *Accountability of Tax Dollars Act of 2002;*
- *Government Performance and Results Act Modernization Act of 2010 (GPRAMA); and*
- *Payment Integrity Information Act of 2019 (PIIA).*

In accordance with OMB Circular No. A-11, Part 6, *The Federal Performance Framework for Improving Program and Service Delivery*, CPSC produces the AFR, with a primary focus on reporting financial results, and it expects to publish the FY 2024 Annual Performance Report (APR) in January 2025, with a primary focus on reporting performance results. Electronic copies will be available on CPSC's website shortly after its publication: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/.

Message from the Chair

Chair Alexander Hoehn-Saric

I am pleased to present the U.S. Consumer Product Safety Commission's (CPSC) FY 2024 Agency Financial Report (AFR). This report provides information about our stewardship of the funds that have been entrusted to us for fulfillment of our mission at the CPSC.

This report embodies the work of more than 500 colleagues around the country who do their part every day to keep America's consumers safe from product hazards. Thanks to our committed staff, we are a small but incredibly productive agency that improves the daily lives of every American.

In FY 2024, CPSC faced significant budgetary challenges. The Further Consolidated Appropriations Act (Pub. L. No. 118-47), which became law in March 2024, reduced the agency's FY 2024 appropriations below the FY 2023 level. In addition, funds provided under the American Rescue Plan Act of 2021 have largely been exhausted through assignment to the purposes Congress specified. Cost increases made CPSC's financial situation even more challenging.

The combination of these factors made it necessary for CPSC to decrease its pay and non-pay spending in FY 2024 below a level that is sustainable to fulfill our safety mission. Despite this constrained budgetary environment, I am pleased that CPSC earned an unqualified audit opinion on our financial statements for FY 2024, having overcome several challenges from the prior year. Our dedicated financial professionals worked diligently on remediation activities for each of the three material weakness identified for FY 2023. We acknowledge there is work yet to do, and the agency will continue to implement remediation activities until all the identified weaknesses are fully resolved.

I would like to thank the Office of Inspector General (OIG) and the KPMG audit team for their partnership and continued support during the FY 2024 annual audit of CPSC's financial statements. The agency continues to take its fiscal responsibilities seriously and remains committed to maintaining a high level of integrity of CPSC financial operations and programs.

Thank you for taking the time to review our results. I am proud of the work our Agency has done over the past year, particularly given the limits of available funding. I look forward to continued partnership with the OIG and the audit team in FY 2025 to complete corrective actions to address identified weaknesses. Above all, I look forward to building on the Agency's accomplishments from this past year, with the support of my fellow Commissioners and the agency's talented staff, to tackle emerging safety challenges.

Alexander Hoehn-Saric
Chair
November 15, 2024

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

Photo above from the Carbon Monoxide Safety Campaign

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

CPSC's Mission, Vision, and Strategic Plan

The CPSC published its 2023–2026 Strategic Plan in FY 2023. The CPSC's mission of "Protecting the public from hazardous consumer products" is grounded in the statutes that authorize the work of the agency, and the agency's overarching vision is: "A nation free from unreasonable risks of injury and death from consumer products." The chart below shows the four Strategic Goals that contribute to realizing the agency's vision and achieving its mission.

The Strategic Goals set the framework for agency planning, communication, management, and reporting, and they provide direction for resource allocation, program design, and management decisions. Strategic Objectives reflecting the key component outcomes necessary to achieve each of the strategic goals have been identified. Strategic Objectives are supported by strategies and initiatives that are achieved through CPSC-supported programs and activities. Key performance measures (KMs) are identified to monitor and report on progress toward the Strategic Objectives. Results of CPSC's KMs will be reported in its FY 2024 APR, scheduled to be submitted in January 2025. The next page of this document highlights some of CPSC's achievements during FY 2024.

MISSION

Protecting the public from hazardous consumer products

VISION

A nation free from unreasonable risks of injury and death from consumer products

STRATEGIC GOAL 1: PREVENT

Prevent hazardous products from reaching consumers

- **Strategic Objective 1.1**
  Improve identification and timely assessment of hazards to consumers
- **Strategic Objective 1.2**
  Lead efforts to improve the safety of consumer products before they reach the marketplace through robust and effective safety standards
- **Strategic Objective 1.3**
  Increase capability to identify and stop imported hazardous consumer products

STRATEGIC GOAL 2: ADDRESS

Address hazardous consumer products in the marketplace and with consumers in a fast and effective manner

- **Strategic Objective 2.1**
  Rapidly identify and prioritize hazardous consumer products for enforcement action
- **Strategic Objective 2.2**
  Minimize further exposure to hazardous consumer products through effective and timely enforcement that also deters future unlawful actions
- **Strategic Objective 2.3**
  Advance timely, comprehensive, effective, and efficient consumer product recalls for hazardous consumer products
- **Strategic Objective 2.4**
  Monitor post-recall firm actions to identify need for additional compliance, enforcement, or communication activities

STRATEGIC GOAL 3: COMMUNICATE

Communicate actionable information about consumer product safety quickly and effectively

- **Strategic Objective 3.1**
  Improve accessibility, usefulness and actionability of consumer product safety information for diverse audiences
- **Strategic Objective 3.2**
  Increase dissemination of actionable consumer product safety information to a variety of diverse audiences
- **Strategic Objective 3.3**
  Increase and enhance CPSC collaborations to reach diverse audiences, including vulnerable and underserved communities

STRATEGIC GOAL 4: SUPPORT

Efficiently and effectively support the CPSC's mission

- **Strategic Objective 4.1**
  Attract, recruit, cultivate, and retain a high performing, diverse, inclusive, and engaged workforce
- **Strategic Objective 4.2**
  Ensure strong stewardship and effective use of agency resources
- **Strategic Objective 4.3**
  Foster public trust in the Commission by holding employees and officials to a high standard of ethics; updating and maintaining agency's internal governance system; and promoting transparency in agency operations
- **Strategic Objective 4.4**
  Deliver high quality effective mission-oriented information and technology solutions

Summarized Performance Results

Some of CPSC's FY 2024 achievements include:

Goal 1 - Prevent: *Prevent hazardous products from reaching consumers*

- Successfully piloted electronic delivery of mortality data using the State and Territorial Exchange of Vital Events (STEVE) system. This accelerates the delivery of mortality data to the agency and creates efficiencies in integrating the data into agency databases.

- In partnership with CPSC's Information & Technology Services office, CPSC's Import Surveillance office developed and implemented an Import Shipment Tracking Tool, which allows importers and customs brokers to get real-time updates on the status of their shipment. This increased transparency for the trade community and reduced the amount of staff time dedicated to fielding questions by approximately 50%.

Goal 2 - Address: *Address hazardous consumer products in the marketplace and with consumers in a fast and effective manner*

- Negotiated and implemented 333 recalls of 153 million consumer product units, compared to 313 recalls of 97 million product units negotiated and implemented in FY 2023.

- Conducted more than 4,100 in-depth investigations (IDIs), including 1,696 IDIs in support of defect investigations and more than 2,400 IDIs in support of rulemaking activities and studies. IDIs are critical components of substantial product hazard investigations that result in the removal of defective products from commerce and the advancement of rulemaking to prevent future harm.

Goal 3 – Communicate: *Communicate actionable information about consumer product safety quickly and effectively*

- Launched successful safety education campaigns, including *Pool Safely*, Anchor It!, Carbon Monoxide Safety, and Baby Safety, which generated more than 7 billion print and online impressions in national and local news media.

- Garnered more than 19 million engagements across major social media platforms, amplifying the reach of safety and recall messaging.

Goal 4 – Support: *Efficiently and effectively support CPSC's mission*

- To improve agency transparency through increased timeliness of Freedom of Information Act (FOIA) responses to the public, CPSC's Office of the General Counsel met timeliness benchmarks for releasing information to the public for 86% of responses, exceeding the annual target of 75%.

- Achieved 99.97% of operating uptime for the agency's IT networks, exceeding the annual target of 98%. This demonstrates the agency's high degree of availability of its networks.

Analysis of Financial Statements and Stewardship Information

Financial Performance Overview

As of September 30, 2024, CPSC's financial condition was sound, with planned programs appropriately sized to available funds and satisfactory controls in place to provide reasonable assurance that CPSC's obligations did not exceed budget authority. CPSC prepared its financial statements in accordance with the U.S. Generally Accepted Accounting Principles (GAAP) and with OMB Circular No. A-136, *Financial Reporting Requirements*. CPSC engaged with OMB and Treasury to request (and received) approval to report FY 2024 financial information using single-year presentation.

Sources and Uses of Funds: CPSC's total budgetary resources for FY 2024 were $174.3 million and consisted of funds received from these three sources:

- Appropriations from Congress for the current fiscal year and unobligated balances from prior years' budget authority;
- American Rescue Plan Act of 2021 (ARPA) (Pub. L. No. 117-2) multiyear funds; and
- Reimbursable agreements with other federal government agencies.

CPSC's FY 2024 salaries and expenses appropriation was $150.975 million. Of this amount, $146.9 million was available for obligation through September 30, 2024. Of the remaining $4.0 million, $2.0 million was designated for awarding and administering grants under the VGB Act Grant Program (available until expended), and $2.0 million was designated for awarding and administering grants under the Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022 (Division Q, Title II of Pub. L. No. 117-103) grant program ("CO Grants") (also available until expended).

Other budgetary resources available in FY 2024 included $19.1 million of unobligated balances from prior years' budget authority, consisting mostly of $11.6 million in unobligated ARPA funds available for use through FY 2026; $1.4 million from the remaining balance of the appropriated VGB Act grant funds, available for obligation until expended; and $1.9 million from the remaining balance of the appropriated CO Grants funds.

CPSC made total obligations of $167 million in FY 2024. The amounts obligated were: $146.8 million for mission-related salaries and expenses; $0.3 million in upward adjustments from unobligated balances from prior years' budget authority; $2.8 million awarded for the VGB Act Grant Program; $3.2 million awarded for the CO Grants program, and $4.5 million for reimbursables. CPSC also obligated $9.4 million of ARPA-appropriated funds.

Audit Results: CPSC received an unqualified (clean) audit opinion on its FY 2024 financial statements.

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

Analysis of the Balance Sheet

CPSC's assets totaled $64.0 million as of September 30, 2024. The changes in key asset line items as of the fiscal year ended September 30, 2024, are as follows:

Intragovernmental Assets

The *Fund Balance with Treasury* consists of appropriated funds and other funds maintained at the U.S. Treasury until final disposition. The *Fund Balance with Treasury* represented CPSC's largest asset of $53.1 million as of September 30, 2024.

Accounts Receivable (AR), Net is comprised primarily of reimbursable agreement activity being billed and not yet collected from other federal agencies. AR had a balance of $606,305 as of September 30, 2024.

Advances represents advances to other federal agencies for interagency services, such as operating services through the U.S. Department of Transportation (DOT) for employee transit benefits. CPSC acquires services from other federal agencies through interagency agreements. This balance is $207,035.

Other than Intragovernmental Assets

Accounts Receivable, Net is $13,448 for FY 2024 and is comprised of year-end uncollected amounts of civil fines and penalties levied by CPSC, unpaid FOIA fees, and debt.

Property, Plant, and Equipment (PPE), Net, consists of the net value of CPSC's leasehold improvements, equipment, furniture and fixtures, computer hardware and software, and construction in progress. The *PPE, Net Book Value*, is $7.9 million as of September 30, 2024.

Analysis of the Statement of Net Position

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

CPSC's net position was $42.4 million as of September 30, 2024.

Analysis of the Statement of Net Cost

The *Statement of Net Cost* (SNC) represents CPSC's gross costs less revenue earned for each of the four strategic goals in CPSC's *2023−2026 Strategic Plan:*

The following depicts Net Cost of Operations for FY 2024:

CPSC's *Net Cost of Operations* was $176.6 million for the fiscal year ended September 30, 2024.

Strategic Goal 1 – *Prevent*:
- The net cost of Strategic Goal 1 totaled $65.4 million.

Strategic Goal 2 – *Address*:
- The cost of Strategic Goal 2 totaled $26.7 million.

Strategic Goal 3 – *Communicate*:
- The cost of Strategic Goal 3 totaled $17.2 million.

Strategic Goal 4 – *Support*:
- The cost of Strategic Goal 4 totaled $67.3 million.

The reconciliation of the SNC of Operations with Budgetary Outlays is described in Note 15 of the Notes to Financial Statements, found in the Financial Section of this report.

Analysis of the Statement of Budgetary Resources

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

For the fiscal year ended September 30, 2024, CPSC had available budgetary resources of $174.3 million, comprised of the FY 2024 appropriation of $151.0 million, prior years' unobligated balances of $19.1 million, and billed offsetting collections of $4.3 million. The Status of Budgetary Resources, new obligations, and upward adjustments totaled $167.1 million.

Analysis of the Statement of Custodial Activity

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

Civil penalties constitute a significant portion of the custodial collections and are based on assessments of companies violating CPSC safety statutes. The number of cases and dollars assessed vary from year to year based on priorities of the Chair and the Commission. Civil penalty collections are not available for CPSC to use and instead are returned to the U.S. Treasury annually.

In FY 2024, the CPSC collected $36.5 million in civil penalties.

Controls, Systems, and Legal Compliance

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

- Prompt Payment Act of 1982 (PPA) (Pub. L. No. 97-177)
- Federal Managers' Financial Integrity Act of 1982 (FMFIA) (Pub. L. No. 97-255)
- Antideficiency Act (ADA) (31 U.S.C. § 1341) (Pub. L. No. 97-258, 96 Stat. 923)
- Debt Collection Improvement Act of 1996 (Pub. L. No. 104-134)
- Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208)
- OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, Revised 2006
- Digital Accountability and Transparency Act of 2014 (DATA Act) (Pub. L. No. 113-101)
- Federal Information Security Modernization Act of 2014 (FISMA 2014) (Pub. L. No. 113-283)
- Good Accounting Obligation in Government Act (GAO-IG Act) of 2019 (Pub. L. No. 115-414)
- Payment Integrity Information Act of 2019 (PIIA) (Pub. L. No. 116-117)

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

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

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

- Management knowledge gained from daily operations of the agency's programs;
- Management reviews;
- Monitoring results of internal control reviews;
- Annual Performance Plan (APP);
- OIG reports; and,
- Results of the internal control diagnostic checklists aligned to the 17 principles from the GAO's "Standards for Internal Control in the Federal Government" (GAO-14-704G), also known as "GAO Green Book."

In FY 2021, the OIG issued an audit report on CPSC's implementation of FMFIA and determined that CPSC's operations did not comply with FMFIA for FY 2018 and FY 2019. The Office of Financial Management, Planning and Evaluation (EXFM) developed a Corrective Action Plan to address these findings. CPSC obtained contract support to assist with developing a formal internal control program over operations. By the end of FY 2024, all 14 AUs had conducted process-level risk and control assessments. Also, in FY 2024, CPSC established internal guidance on CPSC's Internal Control program by integrating information from the GAO Green Book with FMFIA requirements.

FY 2024 Results for the FMFIA

CPSC evaluated its management control systems for operations for the fiscal year ended September 30, 2024. Because of the assurance process activities described above, CPSC was able to provide reasonable assurance that internal controls over operations were operating effectively as of September 30, 2024. (See the Management Assurance Statement on p. 20 for a detailed explanation.)

FY 2024 Results for OMB Circular No. A-123, Appendix A (as described in OMB Memorandum M-18-16)

CPSC evaluated its internal controls over reporting for the fiscal year ended September 30, 2024. This included an evaluation of financial risks, enterprise risks, and fraud risks, as well as management's assessment of financial internal controls. The seven financial processes evaluated in FY 2024 included: Disbursement, Financial Reporting, Procurement, Budget, Purchase Card, Grants, and Travel. Based on the evaluation, CPSC reasonably ensured that most of its internal controls over reporting were operating effectively as of September 30, 2024, with some exceptions. The agency identified internal control deficiencies related to Budget and Travel, with which CPSC has developed corrective action plans and is working to remediate. Testing for Financial Reporting, Travel, and Disbursement could not be completed due to delays related to insufficient documentation.

Federal Financial Management Improvement Act of 1996 (FFMIA)

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

FY 2024 Results for the FFMIA and Section 4 of the FMFIA

CPSC utilizes the Oracle Federal Financial System for processing financial data, which is owned and managed by the Administrative Resources Center (ARC) within the U.S. Treasury's Bureau of Fiscal Service. ARC is CPSC's financial shared services provider. CPSC reviewed ARC's Statement on Standards for Attestation Engagements No. 18 (SSAE 18), which is an independent audit report on ARC's Shared Services System and the Suitability of the Design and Operating Effectiveness of Its Controls. Their independent auditors assessed controls for the financial management system and found that it was in substantial compliance with all the following: (i) the financial management system requirement; (ii) applicable federal accounting standards; and (iii) the U.S. Government Standard General Ledger, at the transaction level. The Management also reviewed the SSAE 18 independent audit report for the Department of Interior's (DOI) Federal Personnel and Payroll system (FPPS) that CPSC uses for payroll services. There were no material weaknesses, nor any major deficiencies identified in the SSAE 18 reports that would negatively affect CPSC's system compliance review. In addition, CPSC performed tests on complementary end-user controls and determined that controls were operating effectively. The reviewed systems met federal requirements and accounting standards required by the FFMIA and Section 4 of the FMFIA as presented by the respective independent auditors.

In addition to the compensating controls established, CPSC has reasonable assurance that the financial management systems were in substantial compliance with the federal financial management system requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger, at the transaction level.

Prompt Payment Act (PPA) of 1982

The PPA requires federal agencies to make timely payments to vendors for supplies and services, pay interest penalties when payments are made after the due date, and take cash discounts when they are economically justified. As of September 30, 2024, 99.8 percent of CPSC's payments that were subject to the PPA were made on time. In FY 2024, CPSC incurred $298.09 in interest penalties. CPSC made nearly 100 percent of its vendor payments electronically.

Payment Integrity Information Act of 2019 (PIIA)

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

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, 2024, delinquent debt due to CPSC was $12,546. CPSC pursues the collection of delinquent debt and refers all eligible delinquent debt more than 120 days delinquent to the U.S. Treasury for collection.

Digital Accountability and Transparency Act of 2014 (DATA Act)

The DATA Act requires agencies to establish common standards for financial data provided by all government agencies and expand the amount of data that agencies must provide to the government website, USASpending.gov. CPSC met the government-wide DATA Act reporting requirements in FY 2024.

Federal Information Security Modernization Act of 2014 (FISMA 2014)

As mandated by FISMA, CPSC continues to maintain an information security program to support the confidentiality, integrity, and availability of agency information and information systems. CPSC worked diligently throughout FY 2024 to protect agency information and systems. The agency performed routine IT security operations, as well as implemented programmatic and technological improvements, to reduce agency cybersecurity risks.

CPSC's IT security accomplishments for FY 2024, as related to FISMA, include the following:

- Remediated 76 findings/recommendations that resulted from penetration tests and FISMA, Financial, and OIG audits.
- Remediated 59 findings/recommendations from internal assessments.
- Developed a Zero Trust Architecture (ZTA) gap analysis and three-year roadmap to establish alignment with the Cybersecurity and Infrastructure Security Agency's (CISA) ZTA maturity levels and develop policies that meet OMB Memorandum M-22-09 requirements.
- Achieved significant advancements in the agency's ZTA by configuring, testing, and deploying Zscaler to replace its legacy virtual private network.
- Conducted table-top contingency exercises for all eight of the agency's major systems and produced after-action reports for each (for the first time within an audit period) and held a tabletop exercise for the Breach Response Team.
- Continued to advance CPSC's implementation of CISA's Continuous Diagnostics and Mitigation (CDM) program, including improving agency dashboard views for critical security related findings and vulnerabilities.
- Continued to improve the automation of the incident response program and achieved Event Logging Level 2 (EL2) on six major systems while working toward full compliance with OMB Memorandum M-21-31.
- Completed implementation of services to provide security and privacy role-based training to CPSC staff with significant security/privacy roles.
- Launched an enterprise-wide inventory of the agency's systems that use personally identifiable information.
- Implemented an email encryption feature and trained employees and contractors in its use during the agency's second annual *Privacy and Privacy Breaches* training.
- Developed and implemented *Social Security Number (SSN) Collection and Use Reduction Policy and Procedures* to minimize the agency's use of SSNs.

Financial Management Systems Strategy

CPSC does not own or directly oversee any financial systems. Thus, CPSC obtains financial and procurement system and application management services from the ARC within the U.S. Treasury's Bureau of Fiscal Service. ARC uses an Oracle-based financial reporting system for accounting, which interfaces with ARC's travel management system, ConcurGov. The Oracle Federal Financial system is used for general ledger, accounts payable, accounts receivable, and budget execution, as well as Oracle Business Intelligence (OBI) reporting capabilities. CPSC also uses PRISM through ARC's service platform, which is fully interfaced with Oracle for real-time contracting actions and awarding vendor contracts.

Good Accounting Obligation in Government Act (GAO-IG Act) of 2019

The GAO-IG Act requires each federal agency to include, in its annual budget justification to Congress, a report that identifies each public recommendation issued by the GAO or the agency's OIG. In addition, the Act requires a reconciliation between the agency's records and the Inspector General's Semiannual Report to Congress (SAR). CPSC included this information in its FY 2025 President's Budget Request. CPSC will continue to update and submit these recommendations in future budget requests.

Antideficiency Act (ADA)

CPSC had no ADA violations in FY 2024.

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

Management Assurance Statement

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

In accordance with the requirement of OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, CPSC management assessed its internal controls over the effectiveness and efficiency of programmatic operations, reliable reporting, and compliance with applicable laws and regulations. Based on the results of that assessment, I can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2024[†] [‡] with the exception of three material weaknesses contained in the FY 2024 financial statement audit report. These involve process and controls related to the recording of property, plant, and equipment additions, including the related depreciation expense; the weakness in entity-level financial management controls; and the journal entry approval process. I have directed agency staff to address these matters.

In addition, CPSC management assessed the federal financial system requirements in accordance with OMB Circular A-123 Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996* (FFMIA). The results of that assessment demonstrated that the agency complied with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level. Based on that assessment, I can provide reasonable assurance that the CPSC complied with Section 4 of the FMFIA as of September 30, 2024.

Alexander Hoehn-Saric
Chair
November 15, 2024

† In FY 2021, the Inspector General issued an audit report on the CPSC's Implementation of FMFIA for FYs 2018 and 2019. Based on the actions taken in FYs 2023 and 2024 (see FMFIA in the Controls, Systems, and Legal Compliance Section), reasonable assurance can be provided that internal controls over operations were effective as of September 30, 2024.

‡ Several assessable units provided modified assurances to disclose certain deficiencies, though not considered material.

Looking Ahead

CPSC’s mission is to protect the public from hazardous consumer products and work to reduce consumer product-related injury and death rates by using analysis, regulatory policy, compliance and enforcement, and education to identify and address product safety hazards.

In FY 2024, we focused on continuous improvement efforts, particularly regarding internal controls, the Enterprise Risk Management (ERM) program, resource management, and information technology security.

The agency has established internal control programs for all 14 of CPSC’s AUs. Full or partial risk assessments and Management Assurance of Internal Control (MAIC) checklists have been completed for all AUs.

In accordance with OMB Circular No. A-123, CPSC has established a pilot ERM governance structure and drafted its charter. ERM integrates risk management and internal control activities into an agency-wide approach to improve mission delivery, reduce costs, and focus preventive or corrective actions towards significant risks. In FY 2024, CPSC leveraged work completed by the AUs for the internal control system to capture risk levels for each AU. CPSC also established a Pilot Senior Management Council (SMC), responsible for overseeing risk management activities and approving CPSC's risk policy. The goal of the Pilot SMC is to address the challenges of risk identification by determining risk appetite and developing a risk registry and risk profile. This effort will inform a best practices approach before engaging the entire enterprise. CPSC will continue its phased approach to ERM in FY 2025, building upon lessons learned from the initial pilot, integrating internal controls and identifying risks. The CPSC recognizes that resource management is an ongoing challenge, especially with the current budget environment of the agency. For CPSC to adequately address its broad mandate, the agency needs a significant increase in its appropriation. The agency has requested additional resources in its FY 2025 Budget Request to Congress, not only for internal controls and ERM, but also for increased port surveillance, hazard identification, applied research, compliance efforts, communications, human resources, information technology, procurement, OIG, and legal support. Critical projects and initiatives in these areas will be impacted should funding levels continue to decrease.

Going forward, CPSC remains committed to enhancing its IT security posture. Key initiatives for FY 2025 include continuing the agency’s ZTA roadmap implementation, better integrating the agency’s Continuity of Operations Plan (COOP) with its Information System Contingency Plans (ISCPs) and achieving Event Logging Level 3 to comply fully with OMB Memorandum M-21-31.

Also, CPSC will continue to remediate prior year corrective action plans and receive financial management services from ARC in FY 2025. This shared services agreement includes integrated financial, acquisition, and travel systems; contracting support personnel; and electronic invoicing. Furthermore, CPSC will continue to receive and accept interagency agreements in G-Invoicing, a long-term, government-wide solution established by Treasury for agencies to manage their intragovernmental transactions.

As CPSC looks ahead to FY 2025 and beyond, the agency intends to continue to communicate its broad and important mission to Congress and prioritize the most important consumer product safety work within the limitations of available appropriations.

Limitations of the Financial Statements

The financial statements were prepared to report the financial position and results of CPSC's operations consistent with the requirements of 31 U.S.C. § 3515(b).

The statements were prepared from CPSC's records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and the formats prescribed by OMB. Additionally, the reports used for monitoring and controlling budgetary resources were prepared from the same records.

The statements should be read with the realization that they were prepared 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 Auditors' Report, the CPSC's financial statements, notes to financial statements, and required supplementary information (RSI).

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

Photo above from the Water Beads Safety Campaign

Message from the Acting Chief Financial Officer

Our Annual Financial Report offers a detailed overview of the financial activities CPSC undertook in FY 2024 to further its mission of protecting the public from hazardous consumer products. This report weaves together the agency's financial and program performance, showcasing CPSC's achievements and challenges, while underscoring our commitment to responsible stewardship and accountability for the federal funds entrusted to us.

As highlighted in the Message from the Chair, CPSC faces significant challenges related to consumer product safety, including the rapidly evolving marketplace, emerging hazards, and the need to adapt compliance and enforcement operations to meet changing demands. Additionally, reduced funding and uncertainty regarding future resource levels prompted the agency to utilize voluntary retirement and separation buyouts to reduce personnel costs for FY 2025.

Other critical management challenges include ERM, Resource Management, and information technology security. CPSC's Performance Budget Request to Congress for FY 2025 has requested additional funding to address these challenges effectively. We are making every effort to tackle these issues within our current resource constraints, as discussed in the Looking Ahead section of this report.

In FY 2021, Congress appropriated $50 million in multiyear funding for CPSC through the American Rescue Plan Act (ARPA). These funds are earmarked for enhancing port coverage, surveillance and screening of imported products, monitoring online sales of violative consumer products, and improving consumer product safety awareness, particularly for socially disadvantaged individuals and vulnerable populations. During FY 2024, CPSC obligated $9.4 million of these funds, and we anticipate fully utilizing the remaining ARPA resources in FY 2025. To sustain the expanded staffing and services initiated with these ARPA funds into FY 2025 and beyond, several ongoing ARPA-related costs, including full-time equivalents (FTEs), are being transitioned to our annual appropriation, further straining our budget. These pressing budgetary challenges have also been highlighted in our FY 2025 and FY 2026 Performance Budget Requests to Congress.

I am pleased to report that CPSC received an unqualified audit opinion on the FY 2024 financial statements, successfully navigating a challenging year with limited resources. We made substantial improvements in estimating accrued expenses and refining the depreciation calculation by performing an in-depth useful analysis for property, plant, and equipment (PPE). While we have made significant strides, we continue to pursue remediation efforts to enhance various processes, including entity-level controls and overall PPE management. Additionally, CPSC has proactively addressed several management challenges by developing a robust internal controls system, conducting risk assessments, and updating our directives system. Although the OIG determined that CPSC did not comply with the PIIA of 2019 for FY 2023 (audited in FY 2024) due to a missed reporting deadline, CPSC remains steadfast in our commitment to sound financial management and reporting, including maintaining the staffing necessary for these critical activities.

I want to acknowledge, and thank, the hard work and dedication of our finance, budget, and procurement professionals, audit partners, ARC's accounting professionals, and other agency staff committed to strong financial management, accountability, and transparency. I look forward to our continued partnership in effectively utilizing federal resources to advance CPSC's mission.

Casey Waithe
Acting Chief Financial Officer
November 15, 2024

Independent Auditors' Report

November 15, 2024

TO: Alexander D. Hoehn-Saric, Chair
Peter A. Feldman, Commissioner
Richard L. Trumka Jr., Commissioner
Mary T. Boyle, Commissioner
Douglas Dziak, Commissioner

FROM: Christopher W. Dentel, Inspector General CHRISTOPHER DENTEL Digitally signed by CHRISTOPHER DENTEL Date: 2024.11.15 17:51:00 -05'00'

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2024 Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by KPMG, LLP (KPMG), for the fiscal year (FY) ending September 30, 2024. 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. 24-02, *Audit Requirements for Federal Financial Statements*.

Last year, as a result of internal control weaknesses surrounding financial management, the Consumer Product Safety Commission (CPSC) faced a number of challenges regarding the issuance of its financial statements. Those challenges primarily related to the loss of key personnel in the Office of Financial Management, Planning, and Evaluation which, coupled with a related lack of adequate succession planning, led to a lack of adequate professional expertise to successfully prepare auditable financial statements. This occurred despite this office having repeatedly warned agency management about the key person risk created by overreliance on an individual employee and the agency's lack of succession planning.

Realizing that it would not be able to meet the financial statement audit requirements that ordinarily apply to federal agencies, the CPSC requested and received permission from the Office of Management and Budget to issue its financial statements on January 26, 2024, rather than November 15, 2023, and to use a "single year" presentation rather than the ordinarily required comparative (two year) presentation. Later, when it became apparent that the CPSC would not be able to make the January 26, 2024, deadline, it requested and received a second extension until February 2, 2024. The CPSC issued audited financial statements on February 1, 2024. However, it received a "qualified" rather than a "clean" or "unqualified"

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audit opinion. This was due to the agency inappropriately calculating the accumulated depreciation and depreciation expense related to its Property, Plant, and Equipment and being unable to recalculate said accumulated depreciation and depreciation expense in a timely manner.

This year, the agency again requested and received permission from OMB to pursue a single year presentation. Using the single year presentation allowed the agency to avoid having to calculate what the accumulated depreciation and depreciation expense related to its Property, Plant, and Equipment for FY 2023 should have been and still obtain an unmodified or clean audit opinion for FY 2024.

To their credit, CPSC management took decisive action to ensure that the agency would receive a clean audit opinion in FY 2024. In large part due to investing substantial resources into contracting for financial management and audit remediation support, the agency was able to issue its financial statements in a timely manner and address its issues with calculating depreciation. As a result, it received an "unqualified" or "clean" audit opinion. The FY 2024 financial statements present fairly, in all material respects, the financial position of the United States Consumer Product Safety Commission as of September 30, 2024, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles.

However, due to the agency not implementing corrective actions to address the underlying problems with its organic financial management and internal control identified in the FY 2023 Financial Statement Audit, there was a continuing lack of: CPSC personnel with the required competence in financial management operations and reporting experience, training, communication across offices, risk assessments, and monitoring processes. Due to the lack of effective entity level controls, which was itself a material weakness, the CPSC experienced two additional material weaknesses and a significant deficiency. These issues increase the risk of both fraud occurring and the risk that misstatements due to error or fraud may go undetected and uncorrected by management. They also resulted in certain deficiencies in process level controls that resulted in known misstatements that were subsequently corrected. These matters are discussed in greater detail below and in the Independent Auditor's Report.

Opinion on the Financial Statements

KPMG audited the financial statements of the CPSC, which comprise the balance sheet as of September 30, 2024, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended, and the related notes to the financial statements; collectively known as the financial statements. The objective of the audit was to express an opinion on the fair presentation of those financial statements. In connection with the audit, KPMG also considered the CPSC's internal controls 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 KPMG's opinion, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the year ending September 30, 2024, are presented 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, KPMG considered the CPSC's internal controls over financial reporting (internal controls) 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 controls. Accordingly, KPMG did not express an opinion on the effectiveness of the CPSC's internal controls.

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

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

KPMG's consideration of internal controls was for the limited purpose described above and would not necessarily identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses. KPMG did identify multiple deficiencies in internal control as detailed below.

KPMG found that CPSC management had still not addressed the material weakness at the entity level of internal control over its financial reporting and financial management it had found last year. Entity level internal controls help management achieve desired results through effective stewardship of public resources. This foundational level weakness played a key role in the agency receiving a qualified opinion last year and in it receiving three material weaknesses and a significant deficiency in its internal controls this year, as well as a finding that weaknesses in its controls over the review of journal entries increased the risk of fraud. Although management drafted a corrective action plan regarding these matters after the FY 2023 Financial Statement Audit, they did not implement it. As a result of the ongoing deficiency at the entity level of internal control, KPMG found that the CPSC:

- Still lacked a comprehensive succession plan to ensure appropriate personnel with the required competence in financial management operations and reporting experience were available to perform the requisite responsibilities. Management also lacked a process to ensure historical information regarding key financial reporting decisions was maintained. This failure is particularly noteworthy given that: the Office of Personnel Management first noted the CPSC's shortcomings in the area of succession planning in 2008; this office issued a report recommending that the agency develop a formal succession plan in March of 2023; and that the agency, has to date, refused to concur with the recommendation that it develop an agency-wide succession plan.
- Had still not adequately trained employees to ensure they had the necessary knowledge and information to meet their control objectives.

- Still had inadequate communication channels between offices within the CPSC to ensure financial information was communicated timely and accurately.
- Had still not performed regular and comprehensive risk assessments to identify and evaluate potential risks that could impact financial reporting objectives.
- Still did not have sufficient monitoring processes in place to assess its internal control over financial reporting.

Due to the lack of effective entity level controls discussed above, there were errors and omissions of certain notes and amounts in the financial statements that required adjustments, and the CPSC experienced two additional material weaknesses and a significant deficiency. First, due to inadequate implementation of segregation of duties regarding manual journal entries, it was possible for the preparer of a journal entry to also serve as the final approval authority over that entry. As these entries can record transactions to any general ledger account for any amount necessary, they require appropriate segregation of duties for approval. KPMG found a number of occasions in which the preparer of an entry approved that same entry. Although fraud was not found, the lack of segregation of duties impacts the agency's ability to achieve its financial reporting and financial management objectives and increases the risk that fraud or material misstatements may go undetected and uncorrected by management, or not be prevented.

Second, CPSC management has still not designed, documented, or implemented adequate processes and controls related to the recording of Property, Plant, and Equipment (PP&E), including calculating the related depreciation expense. The CPSC has a long history of PP&E issues. These include: findings made in the Review of Personal Property Management System and Practices for Calendar Year 2017 that the CPSC had not implemented sufficient internal controls to ensure that property was properly accounted for and reliable data entered into the CPSC's property management systems, the CPSC having to restate its FY 2018 financial statements due to errors for the amortization of leasehold improvements and tenant allowance liability balances, and the finding of a material weakness in the FY 2020 Financial Statement Audit related to controls over leases and leasehold improvements. This issue was also found to be a material weakness in FY 2023. This year, it resulted in overstatements in net book value, incorrectly identifying a leasehold improvement as an expense, and multiple issues regarding the tracking of accountable property.

Finally, the CPSC still did not have a formally documented control or process in place to capture and report all prepayment activity that occurred throughout the fiscal year. This lack of adequate internal control may result in CPSC management failing to detect and correct a material misstatement in the financial statements. As in FY 2023, KPMG considered this final matter to constitute a significant deficiency.

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, KPMG performed tests of compliance with certain provisions of laws and regulations, noncompliance which could have a material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 24-02. KPMG did not test compliance with all laws and regulations applicable to the CPSC.

KPMG's tests of compliance with laws and regulations described in the audit report did not disclose any instances of non-compliance that are required to be reported by Government Auditing Standards.

OIG Evaluation of KPMG's Audit Performance

We reviewed KPMG'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. KPMG is responsible for the attached auditors' report. However, the OIG review disclosed no instances where KPMG did not comply, in all material respects, with Government Auditing Standards.

We appreciate the courtesies and cooperation extended to KPMG and OIG staff during the audit. If you should have any questions concerning this report, please contact my office at (301) 504-7905.

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

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Chair and Inspector General
United States Consumer Product Safety Commission:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the United States Consumer Product Safety Commission (CPSC), which comprise the balance sheet as of September 30, 2024, and the related statements of net costs, changes in net position, and custodial activity, and combined statement of budgetary resources for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CPSC as of September 30, 2024, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CPSC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our

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KPMG

opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CPSC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the *Agency Financial Report*. The other information comprises the *About CPSC, About this Report, Message from the Chair, Message from the Chief Financial Officer, Other Information*, and *Appendices* sections but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2024, we considered the CPSC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CPSC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in Exhibits I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described as items A, B and C in Exhibit I to be material weaknesses.

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. We consider the deficiency described as item D in Exhibit II to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CPSC's financial statements as of and for the year ended September 30, 2024 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 and 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

We also performed tests of the CPSC's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the CPSC's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

CPSC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the CPSC's response to the findings identified in our audit and described in Exhibit III. The CPSC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CPSC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 15, 2024

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Exhibit I
Material Weaknesses

A. Entity-Level Controls

Entity-level controls are an integral component of internal control systems of an entity and serve as a foundation of the processes management uses to guide its operations. These controls encompass the control environment, risk assessment, information and communication, and monitoring activities for the CPSC. When operating effectively, an effective internal control system increases the likelihood that an entity will achieve its objectives. In the prior fiscal year, we noted that the CPSC had weaknesses in its entity-level controls and in response management developed corrective action plans that have not yet been implemented. The following weaknesses continued in the current year:

- Succession and contingency planning: CPSC management did not have a financial management succession plan to ensure appropriate personnel with the required competence in financial management operations and reporting experience were available to perform the requisite responsibilities. Additionally, CPSC management had no process in place to ensure information regarding key historical financial reporting decisions was maintained such that financial reporting personnel would be able to perform the responsibilities of their positions with the relevant financial information.
- Training and communication: CPSC financial management employees did not have adequate training to ensure they had the necessary knowledge to meet their control objectives. Additionally, there continued to be inadequate communication channels between offices within the CPSC to ensure relevant and necessary financial reporting information requirements were communicated timely to achieve financial reporting deadlines.
- Risk assessments: CPSC management did not conduct regular and comprehensive risk assessments to identify, evaluate, and document potential risks that could impact financial reporting objectives. As such, necessary responses to those risks were not in place.
- Monitoring and oversight: CPSC management did not have sufficient processes in place to monitor its internal control over financial reporting. Accordingly, certain controls were not operating effectively during the fiscal year.

This lack of effective entity-level controls increased the risk of the CPSC not achieving its financial reporting and management objectives. Furthermore, it increased the risk that misstatements due to error or fraud may go undetected and uncorrected by management. Lastly, the deficiencies in entity-level controls resulted in certain deficiencies in process-level controls that resulted in known misstatements that were subsequently corrected, including:

- Property, plant, and equipment additions were recognized with a date other than when the asset was placed into service. This error also impacted the calculation of depreciation expense for the current year.
- Adjustments required for errors and omissions of certain amounts to the financial statements and related notes.

The deficiencies noted above occurred because CPSC management did not have adequate resources to prioritize its enterprise risk management process to ensure: that entity-level controls were designed, implemented, and operating effectively throughout the year; the development of training materials and manuals to assist financial management personnel; and sufficient risk assessment and monitoring activities.

GAO's *Standards for Internal Control in the Federal Government* (Green Book) Principles 2 – Exercise Oversight Responsibility, 4 – Demonstrate Commitment to Competence, 7 – Identify, Analyze and Respond to Risk, 14 – Communicate Internally and 16 – Perform Monitoring Activities are relevant to the conditions noted.

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Exhibit I
Material Weaknesses

To address the deficiencies noted, we continue to recommend that agency management:

1. Perform an assessment of employee resources in the Office of Financial Management, Planning, and Evaluation, and other relevant financial process areas to ensure an appropriate complement of resources are in place to manage accounting and reporting matters as they arise and through their normal course of business.

2. Provide training and supervision for personnel on financial management matters that affect the financial statements, including adhering to accounting policies and procedures, as appropriate, performing key internal control functions in support of financial reporting.

3. Develop desktop manuals to assist personnel in meeting their assigned responsibilities.

4. Improve the risk assessment process at the financial statement assertion and process level to ensure that CPSC management is appropriately capturing significant changes in the control environment and subsequently responding to those risks.

5. Implement key monitoring controls over the financial reporting process and develop robust policies and procedures to increase oversight, review, and accountability of accounting events at the process level to ensure the successful implementation of an effective internal control environment.

In addition to the recommendations that had been previously issued, we also recommend agency management:

6. Improve the communication process between offices within the CPSC to ensure relevant and necessary financial reporting information requirements are communicated timely to achieve financial reporting requirements.

B. Controls Over the Review of Journal Entries

As part of the financial reporting process, CPSC management utilizes manual journal entries to record transactions that are not automated as part of other business process. These manual journal entries may include quarterly accruals or year-end on-top adjustments for financial reporting purposes. As these entries can record transactions to any general ledger account for any amount necessary, they require appropriate segregation of duties for approval. Furthermore, the CPSC's financial system service organization requires CPSC management to submit all approved manual journal entries in order for them to record them to the general ledger. The service organization requests an additional final approval to post the entry from CPSC management, after initially drafting the entry for posting to the general ledger.

During our testing, we noted CPSC management did not have effective controls over journal entries. Segregation of duties were not implemented for the journal entry approval control. Specifically, we identified six of 19 sampled manual journal entries where the preparer of the journal entry also provided the approval to the financial system service organization to post the journal entry. Additionally, supporting documentation that was included with one of the six journal entry packages did not agree to the amount used in the journal transaction entry.

In addition, a compensating quarterly review control of the CPSC journal entry log did not operate effectively. We noted the reviewer of the third quarter journal entry log did not identify the following errors: two different manual journal entries that were recorded in the log with the same journal control number and one manual journal entry that had a related reversal entry for the subsequent reporting period was not documented as having a reversal entry in the journal entry log.

Exhibit I
Material Weaknesses

This lack of effective journal entry controls impacts the agency's ability to achieve its financial reporting and financial management objectives. As journal entries can impact any financial caption, there is an increased risk that fraud or material misstatements may go undetected and uncorrected by management, or not be prevented.

The deficiencies noted above occurred because CPSC management did not have an effective risk assessment process to assess the appropriate implementation of segregation of duties. Further, staff were not appropriately trained on effective segregation of duties to ensure that controls over manual journal entries would operate effectively with appropriate segregation of duties.

GAO Green Book Principles 3 – Establish Structure, Responsibility, & Authority, 4 – Demonstrate Commitment to Competence, 10 – Design Control Activities, 12 – Implement Control Activities, and 17 – Evaluate Issues & Remediate Deficiencies are relevant to the conditions noted.

To address the deficiencies noted, we recommend that agency management:

7. Enhance design, policies, and procedures related to monitoring and oversight of internal controls related to journal entries.

8. Review the existing roles for both journal entries and the compensating control of journal entry log recordation, and update as appropriate to ensure segregation of duties.

9. Provide training on the importance of internal control and segregation of duties based on updated policies and procedures.

C. Controls Over Property, Plant, and Equipment

The CPSC management has not designed, documented, or implemented adequate processes and controls related to the recording of Property, Plant, and Equipment (PP&E), including calculating the related depreciation expense. From a sample of eleven capitalized assets, we identified two samples in which management's recorded in-service date in the Property Management System (PMS) was inconsistent with available supporting documentation, which resulted in an inaccurate calculation of depreciation expense. Additionally, for one of these two samples, management incorrectly capitalized costs associated with services. The net impact of the three exceptions resulted in an actual overstatement of $11,261 and a projected overstatement of $219,327, of the net book value.

Furthermore, in a sample of 61 expense transactions, we identified one transaction for a leasehold improvement that was incorrectly recorded as an expense. This resulted in an actual overstatement of expense, and corresponding understatement of leasehold improvements, of $125,888, with a projected total of $489,793.

Lastly, during our testing of completeness and existence of capitalized assets, we identified one equipment addition that was undervalued by $96,000, and two accountable assets that had CPSC property tags, but for which the tag numbers were not logged within PMS. We also identified two accountable assets that were in process of disposal that were not tagged. Management was unable to provide support for either the relevant asset tag numbers or disposal entries.

The deficiencies noted above occurred because the CPSC lacked adequate policies and procedures and communication across support offices during the acquisition process to effectively determine the appropriate capitalization and recognition date of PP&E. Additionally, the CPSC lacked adequate documented policies and procedures to effectively track accountable property.

GAO Green Book Principles 10 – Design Control Activities, and 14 – Communicate Internally; are relevant to the conditions noted.

7

Exhibit I
Material Weaknesses

To address the deficiencies noted, we continue to recommend that agency management:

10. Document their understanding of the acquisition process and determination of the appropriate recognition date of PP&E in order to update and enhance policies and procedures to align with the requirements of the applicable financial reporting standards.

11. Design and implement processes and controls in accordance with those updated policies and procedures to ensure PP&E balances are completely and accurately recorded in the general ledger.

12. Establish recurring communication with the appropriate stakeholders to ensure necessary information is available for analysis.

In addition to the recommendations that had been previously issued, we also recommend agency management:

13. Design and implement processes and controls for accountable property to ensure accountable property is completely and accurately tracked.

8

Exhibit II
Significant Deficiencies

D. Identification of Pre-paid Expenses

In response to a finding identified in the prior fiscal year, CPSC management recorded a year-end adjustment of $2.2 million for paid expenses in which goods or services had not yet been received or provided. However, the CPSC still did not have a formally documented control or process in place to capture and report all prepayment activity that occurred throughout the fiscal year.

Insufficient policies and procedures to assess the amount and impact of pre-paid expenses, may result in CPSC management failing to detect and correct a material misstatement in the financial statements.

The deficiency noted above occurred because CPSC management did not have sufficient risk assessment policies and procedures to periodically identify, analyze, and respond to risks of potential material misstatement in the financial statements related to unreported prepaid expenses.

GAO Green Book Principles 6 – Define Objectives and Risk Tolerances, and 7 – Identify, Analyze and Respond to Risk; are relevant to the conditions noted.

To address the deficiencies noted above, we continue to recommend that agency management:

14. Formalize and document a policy over prepaid expenses, including consideration of compliance with Generally Accepted Accounting Principles.
15. Design a control to identify, analyze, and respond to risks related to the reporting of pre-paid expenses.

9

Exhibit III
Management's Response

United States
Consumer Product Safety Commission

Memorandum

DATE: November 13, 2024

TO: Christopher W. Dentel
Inspector General

FROM: Austin C. Schlick
Executive Director

AUSTIN SCHLICK Digitally signed by AUSTIN SCHLICK Date: 2024.11.13 17:26:50 -05'00'

SUBJECT: Management Response to Independent Auditor's Draft Report

I appreciate this opportunity to provide a response to the Fiscal Year (FY) 2024 Independent Auditor's Report of the CPSC's Financial Statements (Draft Report) and would like to thank the Office of Inspector General and KPMG audit team for their partnership and support during the FY 2024 annual audit.

CPSC management is pleased that the auditors found improvements to CPSC's accrual methodology and related estimates and were able to close material weaknesses that had been identified in FY 2023. The auditors also were able to close prior recommendations relating to plant, property, and equipment (PPE). At the same time, despite the substantial progress made in FY2024, CPSC management acknowledges KPMG's finding of three material weaknesses and one significant deficiency regarding prepaid expense processes and controls. As explained below, management intends to timely address those findings.

Material Weaknesses

Entity-Level Controls. The auditors identified weaknesses in entity-level controls in the areas of succession and contingency planning, training and communication, risk assessment, and monitoring and oversight. The Draft Report concludes that these weaknesses led to errors in recording the date that PPE additions were recognized and the calculation of depreciation expense for FY 2024. CPSC management acknowledges these entity-level control findings, has established a corrective action plan to remediate them, and will continue to implement the plan.

Controls Over Recording PPE and Related Depreciation Expense. The auditors further determined there were inadequate processes and controls related to the recording of PPE, including the calculation of the related depreciation expense. CPSC management acknowledges this finding, has established a corrective action plan to remediate it, and will continue to implement the plan.

U.S. Consumer Product Safety Commission
4330 East-West Highway
Bethesda, MD 20814
cpsc.gov

National Product Testing & Evaluation Center
5 Research Place
Rockville, MD 20850

Exhibit III
Management's Response

United States
Consumer Product Safety Commission

Controls Over Journal Entries. The auditors determined there were ineffective controls over journal entries and segregation of duties for the journal entry approval was not implemented. CPSC management acknowledges the finding and will develop and implement a corrective action plan to remediate it.

Significant Deficiency

The auditors determined that although CPSC management recorded a year-end adjustment for prepaid expenses, a formal control or process was not documented to report prepayment activity. CPSC management acknowledges this finding, has established a corrective action plan to remediate it, and will continue to implement the plan.

In sum, CPSC takes its fiscal responsibilities seriously and continues to have a high degree of confidence in the integrity of CPSC's financial operations and programs and our demonstrated ability to continuously improve them.

U.S. Consumer Product Safety Commission
4330 East-West Highway
Bethesda, MD 20814
cpsc.gov

National Product Testing & Evaluation Center
5 Research Place
Rockville, MD 20850

Financial Statements

Balance Sheet
as of September 30, 2024
(in dollars)

		FY 2024
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$	53,084,746
Accounts Receivable, Net (Note 3)		606,305
Advances and Prepayments (Note 4)		207,035
Total Intragovernmental		53,898,086
Other Than Intragovernmental		
Accounts Receivable, Net (Note 3)		13,448
Property, Plant, and Equipment, Net (Note 5)		7,887,843
Advances and Prepayments		2,191,124
Total Other Than Intragovernmental		10,092,415
Total Assets	**$**	**63,990,501**
LIABILITIES (Note 6):		
Intragovernmental:		
Accounts Payable	$	696,540
Other Liabilities (Note 7)		1,774,214
Total Intragovernmental		2,470,754
Other than Intragovernmental:		
Accounts Payable		7,284,258
Federal Employee Benefits Payable (Note 9)		11,488,355
Other Liabilities (Note 7)		299,785
Total Other Than Intragovernmental		19,072,398
Total Liabilities	**$**	**21,543,152**
NET POSITION:		
Unexpended Appropriations - Funds from Other than Dedicated Collections	$	44,561,887
Total Unexpended Appropriations		44,561,887
Cumulative Results of Operations - Funds from Dedicated Collections		18,953
Cumulative Results of Operations - Funds from Other than Dedicated Collections		(2,133,491)
Total Cumulative Results of Operations		(2,114,538)
Total Net Position	**$**	**42,447,349**
Total Liabilities and Net Position	**$**	**63,990,501**

The accompanying notes are an integral part of these statements.

Statement of Net Cost
For the Year Ended September 30, 2024
(in dollars)

	FY 2024
STRATEGIC GOAL 1 - PREVENT:	
Gross Cost	$ 71,386,569
Earned Revenue	(6,002,535)
Net Cost Strategic Goal 1	**$ 65,384,034**
STRATEGIC GOAL 2 - ADDRESS:	
Gross Cost	$ 26,703,597
Earned Revenue	-
Net Cost Strategic Goal 2	**$ 26,703,597**
STRATEGIC GOAL 3 - COMMUNICATE:	
Gross Cost	$ 17,234,585
Earned Revenue	-
Net Cost Strategic Goal 3	**$ 17,234,585**
STRATEGIC GOAL 4 - SUPPORT:	
Gross Cost	$ 67,302,705
Earned Revenue	-
Net Cost Strategic Goal 4	**$ 67,302,705**
TOTAL ENTITY:	
Total Gross Cost	$ 182,627,456
Less: Earned Revenue	(6,002,535)
Total Net Cost of Operations (Note 15)	**$ 176,624,921**

The accompanying notes are an integral part of these statements.

Statement of Changes in Net Position
For the Year Ended September 30, 2024
(in dollars)

		FY 2024
UNEXPENDED APPROPRIATIONS:		
Beginning Balance	$	64,119,056
Appropriations Received		150,975,000
Other Adjustments		(1,034,769)
Appropriations Used		(169,497,400)
Net Change in Unexpended Appropriations		(19,557,169)
Total Unexpended Appropriations	**$**	**44,561,887**
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balance		(3,567,634)
Appropriations Used		169,497,400
Transfers In/Out without Reimbursement		-
Imputed Financing (Note 9)		8,580,617
Other		-
Net Cost of Operations (Note 15)		(176,624,921)
Net Change in Cumulative Results of Operations		1,453,096
Total Cumulative Results of Operations	**$**	**(2,114,538)**
Net Position	**$**	**42,447,349**

The accompanying notes are an integral part of these statements.

Statement of Budgetary Resources
For the Year Ended September 30, 2024
(in dollars)

		FY 2024
BUDGETARY RESOURCES:		
Unobligated balance from prior year budget authority, net	$	19,067,026
Appropriations		150,975,000
Spending authority from offsetting collections		4,300,299
Total Budgetary Resources	**$**	**174,342,325**
STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward Adjustments (Note 13)	$	167,067,920
Unobligated balance, end of year:		
Apportioned, unexpired account		3,385,069
Unapportioned, unexpired accounts		446,084
Unexpired Unobligated Balance, End Year		3,831,153
Expired Unobligated Balance, end of year		3,443,252
Unobligated balance, end of year (total)		7,274,405
Total Status of Budgetary Resources	**$**	**174,342,325**
OUTLAYS, NET:		
Outlays, net (total)	$	169,452,967
Distributed offsetting receipts		(6,767)
Total Agency Outlays, net (Note 15)	**$**	**169,446,200**

The accompanying notes are an integral part of these statements.

Statement of Custodial Activity
For the Year Ended September 30, 2024
(in dollars)

	FY 2024
REVENUE ACTIVITY:	
Sources of Cash Collections:	
Civil Penalties & Fines	$ 36,500,000
FOIA & Miscellaneous	6,745
Total Cash Collections	36,506,745
Accrual Adjustments	(20,500,128)
Total Custodial Revenue (Note 14)	**$ 16,006,617**
DISPOSITION OF COLLECTIONS:	
Transferred to Others (by Recipient)	
U.S. Department of Treasury	$ 36,506,745
Increase/(Decrease) in Amounts Yet to be Transferred	(20,500,128)
Retained by the Reporting Entity	-
Total Disposition of Collections	**$ 16,006,617**
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, an independent federal regulatory agency with a mission to save lives and keep families safe by reducing the risk of injuries and deaths associated with consumer products. CPSC was created in 1972 by Congress under the Consumer Product Safety Act and began operating in 1973. The agency is headed by five Commissioners nominated by the President and confirmed by the Senate for staggered seven-year terms. The President designates one of the Commissioners as Chair, who is the agency head. The CPSA (as amended) authorizes CPSC to:

- Issue and enforce mandatory standards
- Pursue recalls of products or arranging for their repairs
- Develop voluntary standards
- 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 symbols. They include the accounts for appropriated funds and other fund groups described below for which the CPSC maintains financial records.

Appropriated Funds: These funds consist of salaries and expenses appropriation accounts used to fund agency operations and capital expenditures, the grant programs under the Virginia Graeme Baker Pool and Spa Safety Act and Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022, as well as COVID-19 relief under the American Rescue Plan Act.

General Fund Receipt Accounts: CPSC collects civil penalties, FOIA fees, and other miscellaneous receipts, which by law are not retained by 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 CPSC "to accept gifts and voluntary and uncompensated services." CPSC occasionally receives donations from non-governmental sources in support of the agency's mission.

Budget Authority

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

Basis of Accounting and Presentation

The financial statements have been prepared on an accrual basis and the budgetary basis of accounting in conformity with the Generally Accepted Accounting Principles (GAAP) for the federal government. Additionally, OMB approved CPSC to make a single year presentation on its financial statements and notes for the year ended September 30, 2024. 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 No. A-136, *Financial Reporting Requirements*, as amended.

Assets

Intragovernmental assets are assets that arise from transactions with other federal entities. The Fund Balance with Treasury comprises of the majority of intragovernmental assets on CPSC's Balance Sheet.

A. Fund Balance with Treasury

The U.S. Department of Treasury collects and disburses cash on behalf of CPSC. Fund Balance with Treasury consists of appropriated funds and general fund receipt accounts. Appropriated funds are available to pay down current liabilities and authorize purchase commitments. General fund receipt accounts are used to record collections made by 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. 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.

Fund Balance with Treasury represents obligated and unobligated balances, which are available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by CPSC.

B. Accounts Receivable and Allowance for Uncollectible Accounts

CPSC's accounts receivable are classified into two types of accounts: entity and non-entity accounts receivable. Entity accounts receivable include amounts due from customers for reimbursable agreements and overpayment to vendors and current and former employees. Non-entity accounts receivable are civil monetary penalties resulting from CPSC's enforcement actions and fees billed to fulfill FOIA requests. CPSC's current policy is that an accounts receivable for civil penalties is established based on the provisional settlement date. The final order assessment date initiates the prompt pay requirement to ensure timely collection. Upon collection, the CPSC holds these non-entity receivables in a custodial capacity. CPSC calculates the allowance for uncollectible accounts using an analysis of historical collection data. No allowance for uncollectible amounts nor related provisions for estimated losses has been established, as these amounts are fully collectible based on historical experience.

C. Property, Plant, and Equipment (PPE)

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

Equipment and software with a useful life of two or more years are capitalized when the acquisition cost is greater than, or equal to, $30,000 per unit or $100,000 for bulk purchases of lesser-value items. Furniture, fixture, and other equipment purchases with an aggregate or bulk acquisition cost of $100,000 and a useful life of two or more years are capitalized. CPSC reports PPE purchases and additions at historical cost. CPSC treats PPE acquisitions not meeting the capitalization criteria as an expense. Leasehold improvements are capitalized based on contractual agreements.

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

D. Leases

The CPSC continues to expense its leases with the public and maintains occupancy (lease) agreements with GSA for three vital facilities (See Note 10).

Liabilities

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

A. Accounts Payable

The CPSC reports its liabilities under two categories, Intragovernmental and Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another government agency. Liabilities other than intragovernmental represent funds owed to any entity that is not a federal agency, including commercial vendors and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year. Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, unfunded FECA liability, and unemployment insurance.

B. Salaries and Federal Employee Benefits

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

C. Accrued Annual Leave

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

D. Federal Employees' Compensation Act (FECA)

CPSC records an estimated unfunded liability for future workers' compensation claims based on data provided by the Department of Labor (DOL). CPSC uses the DOL 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 to employees.

E. Commitments and Contingencies

CPSC's policy is to include provisions 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 CPSC's financial statements. Therefore, provisions for these losses are not included in the financial statements.

Estimates and Assumptions

Preparation of CPSC's financial statements require 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 may differ from those estimates.

Changes in Entity or Financial Reporting

The presentation of the Balance Sheet, Statement of Changes in Net Position, Statement of Custodial Activity, and Undelivered Order Note has been modified to be consistent with the presentation of this document's reporting period (*i.e.*, FY 2024). The format of the Balance Sheet has changed to reflect more detail for certain line items, as required by OMB

Circular No. A-136 for all significant reporting entities. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the Financial Report of the United States Government.

Classified Activities

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

Note 2 – Fund Balance with Treasury

CPSC's Fund Balance with Treasury consists of apportioned and unapportioned funds. The status of this fund is for the fiscal year ended September 30, 2024 is as follows:

	2024
Unobligated Balance	
Available	$ 3,385,069
Unavailable	3,889,336
Obligated Balance, Not Yet Disbursed	45,810,341
Total Fund Balance with Treasury	$ 53,084,746

The available unobligated fund balances represent the current period amount available for obligation or commitment. The available unobligated balances for the fiscal year ended September 30, 2024, were $3,385,069.

The unavailable unobligated fund balances represent the amount of appropriation for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The unavailable unobligated balances for the fiscal year ended September 30, 2024, were $3,889,336.

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 12).

The custodial funds held for Treasury consist of collections of fines and penalties received from violators of the CPSA (as amended) and fees from FOIA charges, both of which are not available for CPSC to use. The custodial funds held for Treasury makes up the difference between the Fund Balance with Treasury amount reported in the CPSC general ledger and the balance reported in the Governmentwide Accounting (GWA) Statement Module.

Note 3 – Accounts Receivable, Net

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

The composition of accounts receivable for the fiscal year ended September 30, 2024, is as follows:

	2024
Entity	
Intragovernmental	
Accounts Receivable	$ 606,305
Other than Intragovernmental	
Accounts Receivable	$ 13,448
Non-Entity	
Other Than Intragovernmental	
Civil Fines and Penalties	
Other Receivables	-
Total Non-Entity Accounts Receivable	-
Total Accounts Receivable	$ 619,753

Note 4 – Advances and Prepayments

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

The balance of advances and prepayments for the fiscal year ended September 30, 2024, is $207,035 for intragovernmental and $2,191,124 with the public for software licenses received, which will be expensed as used.

	2024
Intragovernmental	
Advances and Prepayments	$ 207,035
Total Intragovernmental Other Assets	$ 207,035
With the Public	
Advances and Prepayments	$ 2,191,124
Total Other Assets	$ 2,398,159

Note 5 – Property, Plant, and Equipment (PPE), Net

The composition of PPE, Net is for the fiscal year ended September 30, 2024 is as follows:

Class of PPE	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value	Useful Life in Years
Leasehold Improvement	$ 24,409,385	$ 23,497,796	$ 911,589	6 - 14
Equipment	26,633,698	19,680,781	6,952,917	5 - 19
Furniture, Fixture & Other Equipment	2,608,689	2,608,689	-	3 - 5
ADP Software	1,345,736	1,322,399	23,337	5
Total	$ 54,997,508	$ 47,109,665	$ 7,887,843	

Note 6 – Liabilities Not Covered by Budgetary Resources

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

The liabilities on CPSC's Balance Sheet for the fiscal year ended September 30, 2024, includes liabilities not covered by budgetary resources. The intragovernmental liabilities are owed to DOL for the FECA (disability) payments and the General Services Administration (GSA) for the Tenant Improvement Allowance (TIA) provided as a part of the long-term lease on office facilities. CPSC also recognizes liabilities for employee annual leave earned but not yet taken and for workers' compensation actuarial liability. CPSC also collects receivables that are withdrawn to Treasury with no budgetary resource associated. The composition of the liabilities not covered by budgetary resources for the fiscal year ended September 30, 2024, is as follows:

	2024
Intragovernmental	
Workers' Compensation	$ 164,615
Other Liabilities Without Budgetary Obligations	1,051,860
Total Intragovernmental	1,216,475
Accrued Annual Leave	7,402,432
Workers' Compensation Actuarial	1,420,666
Total Liabilities Not Covered by Budgetary Resources	$ 10,039,573
Total Liabilities Covered by Budgetary Resources	$ 11,503,325
Total Liabilities Not Requiring Budgetary Resources (see Note 7)	$ 254
Total Liabilities	$ 21,543,152

Note 7 – Other Liabilities

CPSC's Other Liabilities on the Balance Sheet is broken into Intragovernmental and Other than Intragovernmental as detailed below:

Other Liabilities	2024
Intragovernmental	
Employee Benefits	$ 432,586
Workers' Compensation	164,615
Employer Contributions Payable	124,899
Custodial Liability	254
Other Liabilities Without Related Budgetary Obligations	1,051,860
Total Intragovernmental	$ 1,774,214
Other than Intragovernmental	
Other Liabilities with Related Budgetary Obligations	299,785
Total Other Than Intragovernmental	$ 299,785
Total Other Liabilities	$ 2,073,999

Civil Service Retirement System (CSRS), Federal Employees' Retirement System (FERS), Federal Insurance Contributions Act (FICA), FEHB, and FEGLI contributions are shown on the Balance Sheet and included in employee benefits and employer contributions liability balances. The amount owed to the Office of Personnel Management (OPM) and the U.S. Treasury for the fiscal year ended September 30, 2024, was $557,476.

CPSC has authority to levy fines and penalties against manufacturers, retailers, or distributors who violate the CPSA (as amended), Federal Hazardous Substance Act (FHSA), and the Flammable Fabrics Act (FFA). Civil penalty collections are deposited in the U.S. Treasury and are not available for CPSC to use. CPSC also charges a fee for the processing of FOIA requests. FOIA fees are also deposited in the U.S. Treasury and are not available for CPSC to use. Civil penalties and FOIA fees due and balances in the general fund receipt accounts are recognized as a custodial liability on CPSC's Balance Sheet. For the fiscal year ended September 30, 2024, the total Custodial Liabilities was $254. The revenue and collection activities of these liabilities are presented in the Statement of Custodial Activities.

Note 8 – Other Liabilities without Related Budgetary Obligation

Other Liabilities without Budgetary Obligation are Tenant Improvement Liabilities (TIL) on CPSC's Balance Sheet for the fiscal year ended September 30, 2024, which is $1,051,861. The composition of TIL for the fiscal year ended September 30, 2024, is as follows:

Other Liabilities	2024
Intragovernmental	
Tenant Improvement Liability – HQ	$ 120,200
Tenant Improvement Liability – NPTEC	$ 931,661
Total Tenant Improvement Liability	$ 1,051,861

The unfunded TIL is payable to GSA over the life of the lease. CPSC's lease agreements with GSA are for two facilities in Maryland: The Headquarters (HQ) offices located in Bethesda and the National Product Testing and Evaluation Center (NPTEC) located in Rockville. The two 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 GSA and paid by CPSC.

Note 9 – Federal Employee Benefits Payable

Federal employee benefits consist of the actuarial portion of future benefits earned by federal employees but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits, excluding workers compensation. These benefits are administered by the U.S. Office of Personnel Management (OPM) and not CPSC. Since CPSC does not administer the benefit plans, CPSC does not recognize any liability on the Balance Sheet for pensions, other retirement benefits, and other post-employment benefits. CPSC does, however, recognize the imputed financing sources/costs related to these benefits on 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 fiscal year ended September 30, 2024, related to imputed financing sources that totaled $ 8,580,617.

	2024
Estimated future pension costs (CSRS/ FERS)	$ 4,371,768
Estimated future postretirement health insurance (FEHB)	4,195,941
Estimated future postretirement life insurance (FEGLI)	12,908
Total Imputed Costs	$ 8,580,617

CPSC employees participate in either the CSRS or 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 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 seven 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. 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. CPSC's contributions are recognized as current operating expenses.

The federal employee benefits payable as shown on the Balance Sheet as of September 30, 2024 is $11,488,355 and is made up of accrued annual leave, employer contributions and payroll taxes, and actuarial Federal Employees Compensation Act (FECA). As of September 30, 2024, CPSC accrued unfunded annual leave for employees in the amount of $7,402,432, employer contributions of $84,426, accrued funded payroll of $2,580,831, and FECA actuarial liability of $1,420,666.

Note 10 – Operating Lease

CPSC's lease agreements with GSA are for three facilities in Maryland: HQ offices located in Bethesda, the National Product Testing and Evaluation Center (NPTEC) located in Rockville, and the Sample Storage Facility (SSF) located in Gaithersburg. Although CPSC has smaller operating leases, they are minimal and do not have a significant impact on overall operations and thus are not presented. The operating lease agreements for the three facilities expire between fiscal years 2028 and 2035. Lease costs for the period ended September 30, 2024, amounted to approximately $8,154,867.

Note 11 – Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

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 Act grant program and COVID-19 relief under the ARPA; and Reimbursable Category B, restricted and activity apportionment for reimbursable activities. CPSC currently does not have any Reimbursable Category A apportionments. Apportionment categories of obligations incurred for the fiscal year ended September 30, 2024, are as follows:

	2024
Direct:	
Category A	$ 147,117,066
Category B	15,856,051
Reimbursable:	
Category A	$ -
Category B	4,364,803
Total Obligations incurred	$ 167,067,920

Note 12 – Undelivered Orders

The amount of budgetary resources obligated for orders undelivered for the fiscal year ended September 30, 2024, is as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ 207,035	$ 2,191,124	$ 2,398,159
Unpaid Undelivered Orders	1,743,247	34,393,672	36,136,919
Total Undelivered Orders	$ 1,950,282	36,584,796	$ 38,535,078

Note 13 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government – (unaudited)

A reconciliation of CPSC's fiscal year 2023 statement of budgetary resources with the corresponding information presented in the fiscal year 2024 President's Budget is as follows:

FY 2023	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 191,425,768	$ 173,445,056	$ 6,767	$ 162,348,293
Actual Offsetting Collections	$ -	$ -	$ -	$ -
Expired Unobligated Balance, end of year	$ (2,328,555)	$ -	$ -	$ -
Differences	$ 2,902,787	$ (445,056)	$ (6,767)	$ (348,293)
Budget of the U.S. Government	$ 192,000,000	$ 173,000,000	$ -	$ 162,000,000

The FY 2026 Budget of the U.S. Government (also known as the President's Budget) will not be published prior to February 2025. Accordingly, a comparison between the FY 2024 data reflected on the statement of budgetary resources and FY 2024 data in the President's Budget cannot be performed. The Budget with the actual amount for FY 2024 will be available at a later date at https://www.whitehouse.gov/omb/budget. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used 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 14 – Custodial Revenue

CPSC has authority to levy fines and penalties against manufacturers, retailers, or distributors who violate the CPSA (as amended), the FHSA, and the FFA, as mentioned in Note 7. Custodial revenue collections are derived from two primary sources: civil penalties paid by regulated entities for violations of consumer product safety laws and regulations; and reimbursement of FOIA expenses incurred by the agency when requests are made from the public for CPSC documents.

In FY 2024, CPSC collected $36,500,000 in civil penalties and $6,745 in FOIA and miscellaneous fees for the fiscal year ended September 30, 2024. The prior year accrual receivable collected in FY 2024 was $20,500,128, which reduced the cash collections resulted and resulted in $16,006,617 revenue earned for the fiscal year ended September 30, 2024. All custodial revenue collections are deposited in the U.S. Treasury and are not available for CPSC to use.

Note 15 – Reconciliation of Net Cost to Net Outlays

The Budget Accrual Reconciliation (BAR) is a reconciliation of net outlays that are presented on a budgetary basis and the net cost that are presented on an accrual basis, to provide an explanation of the relationship between budgetary and financial accounting information. The BAR for the period ending September 30, 2024, is as follows:

Reconciliation of Net Cost to Net Outlays
Budget and Accrual Reconciliation
For the Year Ended September 30, 2024
(in Dollars)

	Intragovernmental	Other Than Intragovernmental	Total
Net Operating Cost (SNC)	$ 41,238,248	$ 135,386,673	$ 176,624,921
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(1,877,197)	(1,877,197)
Property, Plant, and Equipment Disposals & Revaluations	-	(12,106)	(12,106)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	556,036	(701)	555,335
Other Assets	163,867	(526,671)	(362,804)
(Increase)/Decrease in Liabilities:			
Accounts Payable	614,696	689,066	1,303,762
Federal Employee Benefits Payable	-	(1,382,013)	(1,382,013)
Pension and Other Post-Employment Benefits Payable		610,224	610,224
Other Liabilities	112,686	(285,781)	(173,095)
Financing Sources:			
Imputed Cost	(8,580,617)	-	(8,580,617)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (7,133,332)	$ (2,785,179)	$ (9,918,511)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	$ 2,746,505	$ 2,746,505
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	-	$ 2,746,505	$ 2,746,505
Miscellaneous Items			
Distributed Offsetting Receipts (SBR 4200)	-	$ (6,767)	$ (6,767)
Custodial/Non-Exchange Revenue	16,006,616	(16,006,616)	-
Non-Entity Activity	52	-	52
Total Other Reconciling Items	$ 16,006,668	$ (16,013,383)	$ (6,715)
Total Net Outlays (Calculated Total)	$ 50,111,584	$ 119,334,616	$ 169,446,200
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 169,446,200

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OTHER INFORMATION

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

- Inspector General's Management Challenges Report
- Summary of Financial Statement Audit and Management Assurances
- Payment Integrity Information Act Reporting
- Civil Monetary Penalty Adjustment for Inflation
- Grants Programs

Photo above from the Micromobility Campaign

Inspector General's Management Challenges Report

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

Top Management and Performance Challenges for Fiscal Year 2025

October 15, 2024 25-O-01

VISION STATEMENT

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

STATEMENT OF PRINCIPLES

We will:

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

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

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

Be innovative, question existing procedures, and suggest improvements.

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

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

Work together to address government-wide issues.

October 15, 2024

TO: Alexander Hoehn-Saric, Chair
Peter A. Feldman, Commissioner
Richard L. Trumka, Commissioner
Mary T. Boyle, Commissioner
Douglas Dziak, Commissioner

CHRISTOPHER DENTEL

Digitally signed by CHRISTOPHER DENTEL
Date: 2024.10.15 11:46:41 -04'00'

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Top Management and Performance Challenges for Fiscal Year 2025

In accordance with the Reports Consolidation Act of 2000, I am providing you information on what I consider to be the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission (CPSC) in fiscal year (FY) 2025. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. Serious management and performance challenges are defined as mission critical areas or programs that have the potential to be a significant weakness or vulnerability that would greatly impact agency operations or strategic goals if not addressed by management.

As detailed in the following pages, the CPSC has made marked improvements in several areas related to these management challenges. These improvements include making substantive progress in the past year in conducting risk assessments, developing a formal system of internal control, and revising its directives system. However, despite these improvements, in FY 2025 the most serious management and performance challenges facing the CPSC remain similar to those it faced in FY 2024:

1. Enterprise Risk Management
2. Resource Management
3. Information Technology Security

Moving forward, leadership must emphasize setting high standards for employees' performance; measuring program effectiveness; ensuring adherence to policies, rules, regulations, and laws; and optimizing the use of limited resources.

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

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

Introduction

The fiscal year (FY) 2025 management and performance challenges directly relate to the U.S. Consumer Product Safety Commission's (CPSC) mission of "Protecting the public from hazardous consumer products" and address the CPSC's Strategic Goal 4: Efficiently and effectively support the CPSC's mission. The challenges currently facing the CPSC are similar to those reported in previous years. However, I am happy to report that the agency seems to be bringing a new sense of urgency to dealing with many of these issues. Indeed, as noted below, progress has been reported by the agency in a number of areas.

Unfortunately, as demonstrated by the FY 2023 Financial Statement Audit (FSA), which resulted in a finding that the CPSC had a material weakness in its internal control system that played a role in the agency receiving a qualified opinion on its financial statements; lack of compliance with the Payment Integrity Information Act of 2019 (PIIA) for FY 2023; failure to properly complete its: statutorily required annual report on the administration of the Consumer Product Safety Act (CPSA) to the President and Congress for fiscal years 2020, 2021, and 2022; its Real Property Capital Plan in 2022; and its ongoing failure to develop a comprehensive corrective action plan to address its information technology (IT) security weaknesses, the CPSC has still not adequately addressed its previously reported top management and performance challenges. The FY 2025 management and performance challenges are:

1. Enterprise Risk Management
2. Resource Management
3. Information Technology Security

These three topics represent what the Inspector General considers to be the most important and continuing challenges to agency operations. The issues underlying these challenges are not new. These challenges are not unique to the CPSC. Because the CPSC has historically not dedicated adequate resources to addressing these challenges, despite the agency's current admirable efforts to correct them, they are likely to remain challenges for years to come.

Challenges do not necessarily equate to problems; rather, they should be considered areas most deserving of ongoing focus for CPSC management and staff. The challenges we identify speak to both the foundation of agency operations - internal controls - as well as the ability of the CPSC to manage risk and respond to changes in the external operating environment and within the agency.

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

I. Enterprise Risk Management

Risk is the effect of uncertainty on agency operations. Traditionally, organizations managed risks by placing responsibilities on unit leaders to manage risks within their areas of responsibility. For example, the Chief Information Officer was responsible for managing risks related to the organization's information technology operations, the Chief Financial Officer was responsible for managing risks related to finance and budget, the General Counsel for legal risks, and so on. This traditional approach to risk management is often referred to as silo risk management whereby each silo leader is responsible for managing risks within their silo.

This traditional approach to risk management has limitations, which could result in significant impending risks going undetected by management. Some risks will "fall between the silos." Also, some risks affect multiple silos in different ways. So, while a silo leader might recognize a potential risk, he or she may not realize the significance of that risk to other aspects of the agency. For example, the director of facilities may adjust leases in a way designed to promote operational efficiencies at the agency without communicating said change with the Chief Financial Officer because he does not realize the potential financial reporting consequences of these changes.

The objective of enterprise risk management (ERM) is to develop a holistic portfolio view of the most significant risks to the achievement of the agency's most important objectives. ERM seeks to create a top-down, enterprise view of all the significant risks that might impact the strategic objectives of the agency. In other words, ERM attempts to take into account all types of risks that might have an impact – both positive and negative – on the accomplishment of the agency's mission.

An effective ERM process should be an important strategic tool for agency leaders. Insights about risks emerging from the ERM process should be an important input to the agency's strategic plan. As management and the commissioners become more knowledgeable about potential risks on the horizon, they can use that intelligence to design strategies to nimbly navigate risks that might emerge. Proactively thinking about risks should provide greater efficiencies by reducing the likelihood that unforeseen risks may emerge that might derail important strategic initiatives for the agency and that kind of proactive thinking about risks should also increase the odds that the agency is better prepared to minimize the impact of a risk event should it occur.

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

- align ERM to mission objectives
- identify risks
- assess risks

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

Office of Management and Budget (OMB) Memorandum A-123 (A-123) is the federal government's standard for federal agencies that defines management's responsibilities for internal control and ERM. The 2016 update to A-123 emphasized the importance of having an appropriate risk management process for every federal agency. The guidance includes a requirement that agencies annually assess risks that may impact their strategic plan and take those risks into account in their planning efforts.

A-123 also mandates that agencies comply with Government Accountability Office, Standards for Internal Control in the Federal Government (Green Book), and the internal control requirements of the Federal Managers Financial Integrity Act (FMFIA).

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

We note that the CPSC has experience using a risk-based methodology for certain of its operations, for example, for its research and inspection operations. However, it is only relatively recently that the Office of Financial Management, Planning, and Evaluation began developing a risk assessment process for the agency as a whole. In FY 2023, the agency used contractors to perform risk assessments of a number of directorates and larger offices. We encouraged the agency to continue these efforts and to consider targeting programs rather than directorates or offices. The agency now reports that by the end of FY 2024, risk assessments had been performed by all assessable units and internal controls have been identified to deal with the risks found by that process.[1]

However, as the agency acknowledges, its efforts in this area to date are still at the pilot program stage. On a foundational level, the CPSC has still not incorporated ERM into its operations. Historically, perhaps nowhere was the CPSC's deficits in integrating ERM into its operations clearer than in its decision to remove inspectors from the nation's ports for a prolonged period at the beginning of the pandemic. A mature ERM process would have allowed for a more nuanced approach which would have better balanced the risks to inspectors against the safety of American consumers.

Once risks and opportunities are identified through the risk assessment process, they should be addressed through internal controls. Internal controls are the tools used by management to help an entity achieve its objectives. Internal controls can range from providing written delegations of authority, that outline who has authority and responsibility over sensitive tasks; to monitoring and analyzing employee use of computers, to detect and prevent misuse as well as to track employee's use

[1] The Audit of the CPSC's Implementation of the FMFIA for 2018 and 2019 found that misalignment existed between how the CPSC identified programmatic or operational activities, how it measured the performance of these activities, and how it reported these activities. Our audit recommended that the CPSC focus on programs that help achieve the agency's mission, e.g. FastTrack, rather than offices, e.g. the Office of Compliance, which are organizational units.

of official time; and to include the creation of written policies and procedures, to guide entity operations.

Historically, the CPSC has lacked an effective system of internal control. Within the federal government, an agency's internal control system is the process used by management to both ensure compliance with laws and regulations and to help the organization achieve its objectives, navigate change and manage risk. A strong internal control system provides stakeholders with reasonable assurance that the agency's operations are effective and efficient, use reliable information for decision-making, and are compliant with applicable laws and regulations.

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

- Ongoing efforts at reviewing and revising its directive system.
- Ongoing efforts to revise the management assurance and internal controls program governance, including its internal communication and its processes for consolidating its entity-level checklists responses for the Statement of Assurance (SOA).
- Reported success in meeting its goal to have all assessable units develop formal internal control programs in accordance with Green Book and A-123.

The CPSC's past weaknesses in applying the principles of ERM and the resulting negative impact on the CPSC's ability to implement internal controls have been repeatedly noted in past Federal Information Security Modernization Act (FISMA) reviews, including the Evaluation of the CPSC's FISMA Implementation for FY 2024, Financial Statement Audit for FY 2023, PIIA for FY 2024, the Audit of the CPSC's Grants Program, and the Report of Investigation Regarding the 2019 Clearinghouse Data Breach.

The CPSC reports its overall compliance with the requirements of A-123 and FMFIA through the Chairman's SOA published annually in the Agency Financial Report. For years, the CPSC has asserted that it had effective internal controls over all programs and complied with applicable laws and regulations. These assertions were made based on the results of signed letters of assurance made by management officials affirming that there were effective internal controls in place in the offices for which they were responsible. As demonstrated in the Report of Investigation Regarding the 2019 Clearinghouse Data Breach, numerous management officials made those affirmations despite knowing that the assertions they were making regarding the status of internal controls in their offices were not true.

The CPSC's problems with internal control extend beyond the SOA process. As detailed in our Audit of the CPSC's Implementation of FMFIA for FYs 2018 and 2019, historically, the CPSC has not established and implemented a formal internal controls program over its operations. Additionally, there is a misalignment between how the CPSC identifies programmatic or operational activities, how it measures the performance of these activities, and how it reports these activities.

However, the agency has made substantive progress in the past year toward developing a formal system of internal control. We have not yet had the opportunity to audit management's assertion that,

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as of the end of FY 2024, it had developed formal internal control programs in accordance with Green Book and A-123 for the 14 offices that it had determined had core processes that support the CPSC's mission. However, it is apparent that agency management has placed both emphasis on and resources behind this effort that had been lacking in the past. The development of formal internal controls covering the majority of the agency would represent a truly foundational step in implementing effective internal controls at the CPSC.

The OIG will continue to address ERM as part of its statutory audits and as a component in other planned engagements. An evaluation of the CPSC's ERM program as a whole has been included in the OIG's annual audit plan for a number of years; however, in the past the program was clearly not sufficiently mature to be auditable. This may no longer be the case in the near future.

Another area where improvement has been shown involves the agency's system of directives. A fundamental weakness in the CPSC's internal control system historically has been the failure to develop and maintain an up-to-date set of written policies and procedures. This problem was first reported over four years ago in our Audit of the CPSC's Directives System. In an effort to address this issue, the Chair directed the Office of General Counsel to take the lead in ensuring that the agency reviews and revises its directives system. Although not yet audited, it appears that this is another area where substantial improvements have been made. The Office of General Counsel has developed a process to track, review, and revise agency directives. However, although the development of such a process is a key development and a vital first step in addressing the ongoing issues with outdated written policies and procedures, the agency continues to have challenges in this area. For example, some key Human Capital directives are over a decade old and clearly out of date. Other areas of agency operations suffer from having no written policies or procedure governing their operations.

This lack of written policies and procedures has contributed to the agency not meeting basic statutory and regulatory requirements. The agency's recent failure to comply with PIIA reporting requirements in FY 2024, complete mandatory reports to Congress regarding agency operations, as required by the CPSA, and not being aware of the requirement to complete a capital planning report required by OMB, appear to be linked to weaknesses in internal control rather than deliberate acts. In the case of the CPSA reporting requirements, there were no internal controls in place to ensure that these reports were completed. In the case of the capital planning reporting requirements, there was no process in place to ensure the agency tracked the creation of external requirements.

Historically, a recurring challenge at the CPSC, and one which has compounded the difficulty in adequately addressing the CPSC's other internal control deficits, has been the "tone at the top" of the agency. Senior management officials have repeatedly failed to hold employees accountable for failing to maintain standards. A notable example is the above described "rubber stamping" of letters of assurance. Despite clear evidence that management officials demonstrated a lack of integrity by signing off on statements of assurance that they knew or had reason to know were not accurate, agency management elected to not take disciplinary action against the responsible officials. When the CPSC has taken disciplinary action, it has all too often not been proportional to the offense and has failed to create adequate deterrence against similar future misconduct.

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In the past, the internal control deficiencies discovered by the OIG have been found almost exclusively in operational programs. The financial programs, with the notable exception of the Antideficiency Act violations related to the purchase card program reported to the Government Accountability Office in February 2023, generally have had good internal controls. Unfortunately, the audit of the CPSC's FY 2023 financial statements found a breakdown in internal control over financial programs. These issues included weaknesses in succession and contingency planning, training, and inter-office communication which led, among other issues, to the agency not having appropriate personnel with the required competence in financial management operations and reporting experience in place after the departure of two key personnel from the Office of Financial Management, Planning, and Evaluation. These matters are addressed in greater detail below in the "Resource Management" section. These issues were fully documented in the FY 2023 financial statement audit report and management letter.

Recently completed OIG work in this area includes: Audit of the Consumer Product Safety Commission's Fiscal Year 2023 Financial Statements, Management Alert 23-O-04, Reports of Investigation Regarding the Clearinghouse Data Breach and Irregularities in the FY 2022 Operating Plan Vote, Audit of the CPSC's Grants Program, Report on the Evaluation of the CPSC's Compliance with the Payment Integrity Information Act of 2019 (PIIA) for FY 2023, Human Capital Program Assessment, Evaluation of the CPSC's Compliance with Tax Withholding Requirements, and Evaluation of the CPSC's Federal Information Security Modernization Act (FISMA) Implementation for FY 2024, Audit of the CPSC's Implementation of the FMFIA for 2018 and 2019, and the Review of National Electronic Injury Surveillance System Data. Ongoing OIG work in this area includes the Audit of the Consumer Product Safety Commission's Fiscal Year 2024 Financial Statements and Resource Utilization Audit. Upcoming OIG work in this area includes scheduled evaluations of the CPSC's Budget Process and Senior Executive Service (SES) Performance Management System.

II. Resource Management

This challenge relates to management's stewardship of its resources including human capital, agency funds, and agency assets. This challenge has been exacerbated by uncertainty over agency funding levels and deficiencies in the agency's internal budgeting and performance management processes. For example, there are issues related to the calculations used to determine personnel costs and verify operating costs and performance measures. This makes it difficult to ensure program effectiveness, establish appropriate staff levels, and make determinations regarding the optimal mix of "in house" and contracted work. This complicates the duties of both oversight officials (commissioners, congress, etc.) and agency management.

The CPSC must reform its financial reporting and budgetary processes so that these become useful management tools instead of simply paperwork exercises. Such a reform would provide senior management with timely and accurate information; and allow decision makers to better understand how financial resources are allocated across agency programs.

The agency needs to assess whether it currently has the right personnel for the mission and is providing the right training, tools, structure, and incentives to achieve operational success. Management must continually assess the agency's needs regarding knowledge, skills, and abilities so that the agency can be effective now and prepare for the challenges of the future. These challenges are complicated by the internal control issues discussed previously and by the transition to a hybrid workplace.

As noted in the Human Capital Program Assessment, the CPSC's human capital program does not align with federal regulations and lacks overall accountability. Additionally, the CPSC was not making full use of flexibilities available to it to aid in the recruitment and retention of information technology (IT) and other professionals; nor was it adequately performing succession planning. Many of the findings and recommendations found in this assessment were over two decades old and were first identified in Office of Personnel Management evaluations in 1998 and 2008; however, these recommendations were not resolved, including a finding that the CPSC had not established a system of accountability to ensure that its human capital program is managed effectively and efficiently. As noted, when the report was issued, these shortcomings, if not corrected, could prevent the CPSC from achieving its mission.

A recent example of the high cost of failing to retain competence or adequately succession plan occurred during the FY 2023 audit of the CPSC's financial statements. Despite being warned repeatedly by this office of the existence of a "key person" risk, created by the agency's over reliance on one individual to both manage financial operations and prepare the financial statements for the agency, the agency did not develop a succession plan to deal with the risk of this individual leaving the agency. When this individual did leave the agency, there was no one able to adequately perform her duties. This resulted in disruptions to the financial operations of the agency and to its ability to successfully complete its publication of its audited FY 2023 financial statements in a timely manner. It also played a role in the agency receiving a qualified audit opinion.

The agency enters FY 2025 facing unprecedented turnover in its SES ranks. As a result of a program to incentivize early retirement, fully fifteen percent of its SESs, including a deputy executive director and the Chief Financial Officer, left the agency in the last two weeks of FY 2024. The agency reports that steps have been taken to improve the transfer of information from departing employees. This assertion has not yet been assessed by this office.

The CPSC needs to implement policies and procedures to secure and safeguard vulnerable assets as well as accurately track property as part of its financial operations. Vulnerable assets include physical property and data the agency collects and uses to analyze potential harm to consumers. The CPSC should have adequate policies and procedures in place to safeguard data from unauthorized release and both track the value of physical assets and protect them from misappropriation. Issues related to property management were noted in the FY 2023 Financial Statement Audit, where they played a role in the agency receiving a qualified opinion.

As part of resource management, the agency should implement best practices and recommendations, such as those described in government-wide directives from the General Services Administration, Office of Management and Budget, and Office of Personnel Management, as well as GAO and OIG reports, to improve the efficiency and effectiveness of the CPSC's operations.

Audit follow-up is an integral part of good management and is a shared responsibility of agency management officials and auditors. Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of government operations. Historically, insufficient resources were allocated to implementing OIG recommendations with which the agency had already concurred. This led to the continuation of problems that had already been identified and that management had already agreed to address.

The agency appears to be placing much greater emphasis on this area of late with senior management officials becoming directly involved in the audit follow-up process. This has clearly led to a greater effort on the part of management officials to attempt to implement recommendations. For example, the agency took steps to address recommendations relating to human capital and internal control issues which, despite having been concurred with, had gone years without being directly addressed.

Despite the positive developments noted above, there remains room for improvement. For example, the agency has not developed a comprehensive corrective action plan to address its IT security weaknesses, see "Information Technology Security" below for greater detail. In order to properly incentivize management officials, the agency should explicitly take into account the successes and failures of its SES members and other staff responsible for addressing OIG recommendations in their performance appraisal and performance-based award systems. This would create both a financial incentive and a record of individual senior managers' efforts to implement OIG recommendations. We note the CPSC does include an SES performance metric regarding actions taken to address findings made by the OIG. However, the metric does not appear to measure the success or validity of those actions only whether the attempts were timely.

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

Recently completed OIG work in this area includes: Audit of the Consumer Product Safety Commission's Fiscal Year 2023 Financial Statements, Audit of the CPSC's Grants Program, Human Capital Program Assessment, Evaluation of the CPSC's FISMA Implementation for FY 2024, and Audit of the CPSC's Position Designation and Suitability Program. Ongoing OIG work in this area includes the Audit of the Consumer Product Safety Commission's Fiscal Year 2024 Financial Statements and the Resource Utilization Audit. Upcoming OIG work in this area includes scheduled evaluations of the CPSC's Budget Process and SES Performance Management System and the Evaluation of the CPSC's FISMA Implementation for FY 2025.

III. Information Technology Security

In IT, there is competition for the resources required to maintain current systems and the resources required to develop new tools and systems. Additionally, there is competition for resources necessary to meet mission initiatives and resources required to address the ever-evolving IT security environment. As this office has expressed before, and the agency also noted, the CPSC will not be able to meet current and future demands with its current IT resources. The agency will need to reassess the risks and benefits of allocating resources to new systems versus securing and maintaining legacy systems. This challenge is not unique to the CPSC.

During the FY 2024 FISMA evaluation, the CPSC's compliance with the annual FISMA reporting metrics set forth by the Department of Homeland Security and the Office of Management and Budget was assessed. It was found that improvements have occurred in some areas. The CPSC was able to close eight recommendations. Specifically, since the FY 2023 FISMA evaluation, the CPSC had:

- established and implemented policies and procedures to manage software licenses using automated monitoring and expiration notifications
- established and implemented a policy and procedure to ensure that only authorized hardware and software execute on the agency's network
- developed, implemented, and disseminated a current configuration management policy which is in accordance with the most recent National Institute of Standards and Technology guidance (NIST)
- identified and documented the characteristics of items that are to be placed under Configuration Management control
- developed and implemented a Configuration Management plan to ensure it includes all requisite information
- identified and documented potentially incompatible duties permitted by privileged accounts

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

The IT challenges currently facing the CPSC include: evolving threats, increasingly sophisticated attacks including state-sponsored attacks, and new compliance requirements. These challenges are further complicated by the high rate of turnover in key positions over the past few years.

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

Recently completed OIG work in this area includes: Audit of the Consumer Product Safety Commission's Fiscal Year 2023 Financial Statements, Report of Investigation Regarding the Clearinghouse Data Breach, Evaluation of the CPSC's FISMA Implementation for FY 2024, Evaluation of the CPSC's Management of Cloud Computing, Shared Services, & Third-Party Systems; CPSC

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Penetration Test 2022; and Evaluation of the CPSC's NIST Cybersecurity Framework Implementation. Ongoing OIG work in this area includes the Audit of the Consumer Product Safety Commission’s Fiscal Year 2024 Financial Statements. Upcoming OIG work in this area includes the scheduled Evaluation of the CPSC’s FISMA Implementation for FY 2025.

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

To report fraud, waste, or abuse, mismanagement, or wrongdoing at the CPSC go to OIG.CPSC.GOV or call (301) 504-7906

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

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Ending Balance**
	3	1	1	0	3
Total Material Weaknesses	3	1	1	0	3

Summary of Management Assurances						
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Modified					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	1	1	0	0	0	2
Total Material Weaknesses	1	1	0	0	0	2
Effectiveness of Internal Control over Reporting (FMFIA § 2)						
Statement of Assurance	Modified					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	2	0	1	0	0	1
Total Material Weaknesses	2	0	1	0	0	1
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Information Systems conform to financial management system requirements					
	Beginning Balance	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Nonconformance	0	0	0	0	0	0

Payment Integrity Information Act Reporting

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

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

CPSC is dedicated to continuing to strengthen its improper payments program to ensure that payments are justifiable and processed correctly and efficiently. The program utilizes an experienced and trained staff, a financial management system designed with control functions to mitigate risks, and an internal analysis of processes and transactions. CPSC strives to comply with OMB Memorandum M-19-21, which revised Appendix C in OMB Circular No. A-123, *Requirements for Payment Integrity Improvement*.

CPSC reviews transactions to identify improper payments and differentiate between improper payments resulting from payment processing errors, where there was no monetary loss to the taxpayer, and improper payments that resulted in a monetary loss to the taxpayer and require payment recapture. The FY 2024 analysis did not evidence significant improper payments resulting in monetary loss to the taxpayer.

Review of Program Activities in FY 2024

CPSC assesses payments reporting for two program activities: Payroll and Non-Payroll. The total program activity for payroll and non-payroll totaled $105,272,165 and $54,319,188, respectively.

Payment Reporting & PIIA Noncompliance Findings

The FY 2023 PIIA review, issued by the OIG in May 2024, found that CPSC was not in compliance with OMB Memorandum M-21-19. The CPSC did not comply with criteria 1b as the agency did not submit the required material to the OMB by the deadline for publication in PaymentAccuracy.gov.

Recapture of Improper Payments

The PIIA (also refer to 31 U.S.C. § 3352) requires agencies to conduct payment recapture audits (also known as recovery audits) for each program or 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. CPSC conducted a cost-benefit analysis of two alternatives for payment recapture audits—exploring the use of federal staff versus contract staff. Neither alternative was cost effective to pursue a payment recapture audit based on the root cause and nature of the improper payments. Management informed OMB and the OIG of the analysis and decision.

Although CPSC concluded that payment recapture audits are not cost effective, the agency identifies self-reported improper payments as noted above in the overpayment disclosure.

For FY 2024, the agency identified ten improper payments related to administrative processing errors. The agency has set up receivable amounts and is working with vendors to recapture and correct these improper payments. Furthermore, the agency has identified improper payments that were overpayments related to statutory requirements not being met.

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

Do-Not-Pay Initiative

CPSC is cross serviced by U.S. Treasury's ARC with accounting system support and accounts payable processing. Implementation of the Do-Not-Pay (DNP) initiative is a joint responsibility of CPSC and ARC.

CPSC strives to maintain the integrity of its financial management and reporting through preventing, identifying, and reducing improper payments. An important component of the effort is the integration of the DNP Business Center's processes into CPSC's existing processes. ARC uses the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment ARC's data analytics capabilities.

CPSC follows pre-enrollment, pre-award, and pre-payment processes for all acquisition and financial assistance awards. Pre-enrollment procedures include cross-referencing applicants against the General Services Administration's (GSA) System for Award Management (SAM) Exclusion records.

CPSC also reviews federal and commercial databases to verify past performance, federal government debt, integrity, and business ethics. As part of the pre-award process, before entering into an agreement, CPSC requires recipients of financial assistance to verify that entities with whom they transact are not excluded from receiving federal funds. For pre-payment processes, ARC verifies an entity against both SAM and the Internal Revenue Service's (IRS) On-line Taxpayer Identification Number Matching Program before establishing the vendor in the core financial accounting system.

Using the DNP Business Center helps CPSC improve the quality and integrity of information within the financial system. ARC engages the DNP Analytics services to match vendor records with the Death Master File.[4] The review identifies high-risk vendor records possibly associated with deceased individuals, and the review also enables ARC to classify the vendor records into risk-based categories for further evaluation. ARC deactivates the highest risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

CPSC performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. The monthly process verifies payee information against internal sources, reviews databases within the DNP Business Center, and confirms whether CPSC applied appropriate business rules when making payments. Based on the reviews from DNP and SAM Exclusions list from October 1, 2023, through September 30, 2024, no errant payments were identified.

[4] The Social Security Administration's Death Master File (DMF) is a publicly available database containing death notices for individuals enrolled in the U.S. Social Security program since 1936.

Civil Monetary Penalty Adjustment for Inflation

In 1990, Congress enacted statutory amendments to adjust the maximum civil penalty amounts authorized under the Consumer Product Safety Act, the Federal Hazardous Substances Act, and the Flammable Fabrics Act. On August 14, 2008, the Consumer Product Safety Improvement Act of 2008 (CPSIA) increased the maximum civil penalty amounts to $100,000 for each violation and $15,000,000 for any related series of violations. The CPSIA tied the effective date of the new amounts to the earlier of these dates: the date on which final regulations are issued; or one year after August 14, 2008. The new amounts became effective on August 14, 2009. The CPSIA also revised the start date from December 1, 1994, to December 1, 2011, and designated December 1 of each fifth calendar year, thereafter, on which the Commission must prescribe and publish in the *Federal Register* the schedule of maximum authorized penalties. On December 1, 2021, CPSC published the increased maximum authorized civil penalty amounts of $120,000 for each violation and $17,150,000 for any related series of violations*.

Statutory Authority	**Penalty Name and Description**	**Year Enacted**	**Latest Year of Adjustment** (via statute or regulation)	**Current Penalty**	**Agency Name**	**Location for Penalty Update Details**
15 U.S.C. 2069(a)(1), 1264(c)(1), and 1194(e)(1)	Consumer Product Safety Improvement Act of 2008 (CPSIA)	2008	Adjusted in 2021 for violations that occur after January 1, 2022	Maximum of $120,000 for each violation and maximum of $17,150,000 for any related series of violations.	CPSC	* Civil Penalties; Notice of Adjusted Maximum Amounts, 86 Fed. Reg. 68244 (Dec. 1, 2021); Civil Penalties; Notice of Adjusted Maximum Amounts; Correction, 86 Fed. Reg. 70831 (Dec. 13, 2021)

Grants Programs

In FY 2024, CPSC administered two grants' programs—the VGB Act and the Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevent Act of 2022—which award funding to subrecipients.

The summary table below shows the number of awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by 2 years or more before September 30, 2024.

CPSC does not have any current grants or cooperative agreements exceeding closeout for two years or more before September 30, 2024.

Category	2 – 3 Years	4 – 5 Years	More than 5 Years
Number of Grants/ Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants/ Cooperative Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances	0	0	0

APPENDICES

Appendix A: Statutory Authority
Provides a listing of federal statutes administered by the CPSC

Appendix B: Acronym Listing
Defines acronyms cited in the report. Lists acronyms in alphabetical order.

Appendix C: CPSC Report to OMB on Material Weaknesses and Corrective Actions Taken and Planned

Provides the status of corrective actions taken on the April 2024 CPSC Report to OMB on Material Weaknesses

Photo above from the Fuel Container Safety Campaign

Appendix A: Statutory Authority

In alphabetical order, listed below are the principal federal statutes administered by CPSC. Links to these statutes are available on CPSC's website at: www.cpsc.gov/Regulations-Laws--Standards/Statutes under *Regulations, Laws & Standards.*

Child Nicotine Poisoning Prevention Act of 2015 (CNPPA)

Child Safety Protection Act (CSPA)

Children's Gasoline Burn Prevention Act (CGBPA)

Consumer Product Safety Act (CPSA)

Consumer Product Safety Improvement Act of 2008 (CPSIA) (amended CPSA)

Drywall Safety Act of 2012 (DSA)

Flammable Fabrics Act (FFA)

Federal Hazardous Substances Act (FHSA)

Labeling of Hazardous Art Materials Act (LHAMA)

Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022

Poison Prevention Packaging Act (PPPA)

Portable Fuel Container Safety Act of 2020 (15 U.S.C. § 2056d)

Pub. L. No. 112-28 (2011) (amended CPSIA)

Refrigerator Safety Act (RSA)

Reese's Law (Pub. L. No. 117-171)

Safe Sleep for Babies Act of 2021 (SSBA)

Stop Tip-overs of Unstable, Risky Dressers on Youth (STURDY) Requirements of Pub. L. No. 117-328

Virginia Graeme Baker Pool and Spa Safety Act (VGB Act)

Appendix B: Acronym Listing

AFR	Agency Financial Report
ADA	Antideficiency Act
APR	Annual Performance Report
ARC	Administrative Resource Center
ARPA	American Rescue Plan Act of 2021
AU	Assessable Unit
BAR	Budget Accrual Reconciliation
CISA	Cybersecurity and Infrastructure Security Agency
CO	Carbon Monoxide
CPSA	Consumer Product Safety Act
CPSC	U.S. Consumer Product Safety Commission
CPSIA	Consumer Product Safety Improvement Act of 2008
CRO	Cumulative Results of Operations
CSRS	Civil Service Retirement System
DNP	Do-Not-Pay
DOI	U.S. Department of Interior
ERM	Enterprise Risk Management
EXFM	Office of Financial Management, Planning and Evaluation
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefits
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FFA	Flammable Fabrics Act
FHSA	Federal Hazardous Substances Act
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act of 1982
FOIA	Freedom of Information Act
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GSA	General Services Administration
HQ	Headquarters
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IT	Information Technology
MD&A	Management Discussion and Analysis
NEISS	National Electronic Injury Surveillance System
NPTEC	National Product Testing and Evaluation Center
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
PIIA	Payment Integrity Information Act
PPA	Prompt Payment Act
PPE	Property, Plant, and Equipment
SAM	System for Award Management
SBR	Statement of Budgetary Resources
SNC	Statement of Net Costs
SSAE 18	Statement on Standards for Attestation Engagements No. 18
SSF	Sample Storage facility
TIA	Tenant Improvement Allowance
TIL	Tenant Improvement Liability
TSP	Thrift Savings Plan
VGB Act	Virginia Graeme Baker Pool and Spa Safety Act
ZTA	Zero Trust Architecture

Appendix C: CPSC Report to OMB on Material Weaknesses and Corrective Actions Taken and Planned

Material Weakness	Actions Taken in FY 2024	Actions Planned in FY 2025	Target Completion Date	Status
Entity Level Control Deficiency. CPSC did not establish and implement effective entity-level controls over financial management.	CPSC completed the following actions: 1) Ensured staff received training on key financial management processes to include establishing an accrual methodology to ensure accurate estimates were presented on the financial statements.	CPSC will complete the following actions: 1) Update the succession and contingency planning of the Office of Financial Management, Planning, and Evaluation (EXFM) to improve continuity of operations during staff transitions. 2) Revise policies and procedures to ensure financial data related to asset depreciation and operating leases is timely communicated from the applicable program office to EXFM. 3) Utilize the Enterprise Risk Management (ERM) and Internal Control programs to enhance risk assessment reviews at the enterprise and process levels to identify and monitor significant changes in the control environment and remediate risks. 4) Update CPSC financial reporting and property management directives, cycle memos, and standard operating procedures to increase oversight, review, and accountability.	FY 2025	Open / In progress
Controls over PPE additions and related depreciation. CPSC did not fully document, or implement adequate processes and controls related to the recording of PPE, including calculating the related depreciation expense.	CPSC completed the following actions: 1) Performed a review of its capital assets and adjusted the acquisition date as applicable. 2) Performed a detailed analysis of estimated useful lives of PPE and updated the applicable capital assets. 3) Established initial communication with applicable program offices for EXFM to obtain current data (additions, disposals, and work in progress) for timely	CPSC will complete the following actions: 1) Evaluate and assess the current Property Management process and update the applicable Directive, Cycle Memo, Standard operating procedure (SOP), and end user guides. 2) Establish recurring communication with applicable program offices to ensure EXFM receives current fixed asset data (additions, disposals, and work in progress) for timely and accurate financial reporting and disclosure of assets on the financial statements.	FY 2025	Open / In progress

Material Weakness	Actions Taken in FY 2024	Actions Planned in FY 2025	Target Completion Date	Status
	and accurate financial reporting and disclosure of assets on the financial statements.	3) Update policies and procedures to incorporate a monitoring control to ensure fixed asset additions are accurately and timely reported to EXFM and recorded on a quarterly basis and the depreciation calculation is based on supporting documentation.		
Controls over Journal Entries. CPSC did not have effective controls over journal entries and did not implement segregation of duties for the journal entry approval control.	Not Applicable.	CPSC will complete the following actions: 1) Revise current policies and procedures ensure more effective segregation of duties are in place for journal entry approvals. 2) Review and revise the existing roles for both the journal entries and the compensating control for recording the journal entry log and update as appropriate. 3) Provide training on the updated policies and procedures for journal entry approvals.	FY 2025	
Controls related to accrued expense estimates. CPSC did not design, document, or implement processes and controls to assess the effect of the assumptions used to estimate accrued expenses (including grants).	CPSC completed the following actions: 1) Revised policies and implemented procedures to ensure that accrual estimates were obtained from the Contracting Officer Representatives (CORs) based on contractual goods and/or services received to-date. 2) Provided initial training and guidance to the CORs to ensure accurate information was reported on a quarterly basis. 3) Developed and implemented a revised validation process to determine if the estimated accrued expenses aligned with the actual expenses incurred.	Not Applicable.	FY 2024	Completed/ Closed in FY 2024

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