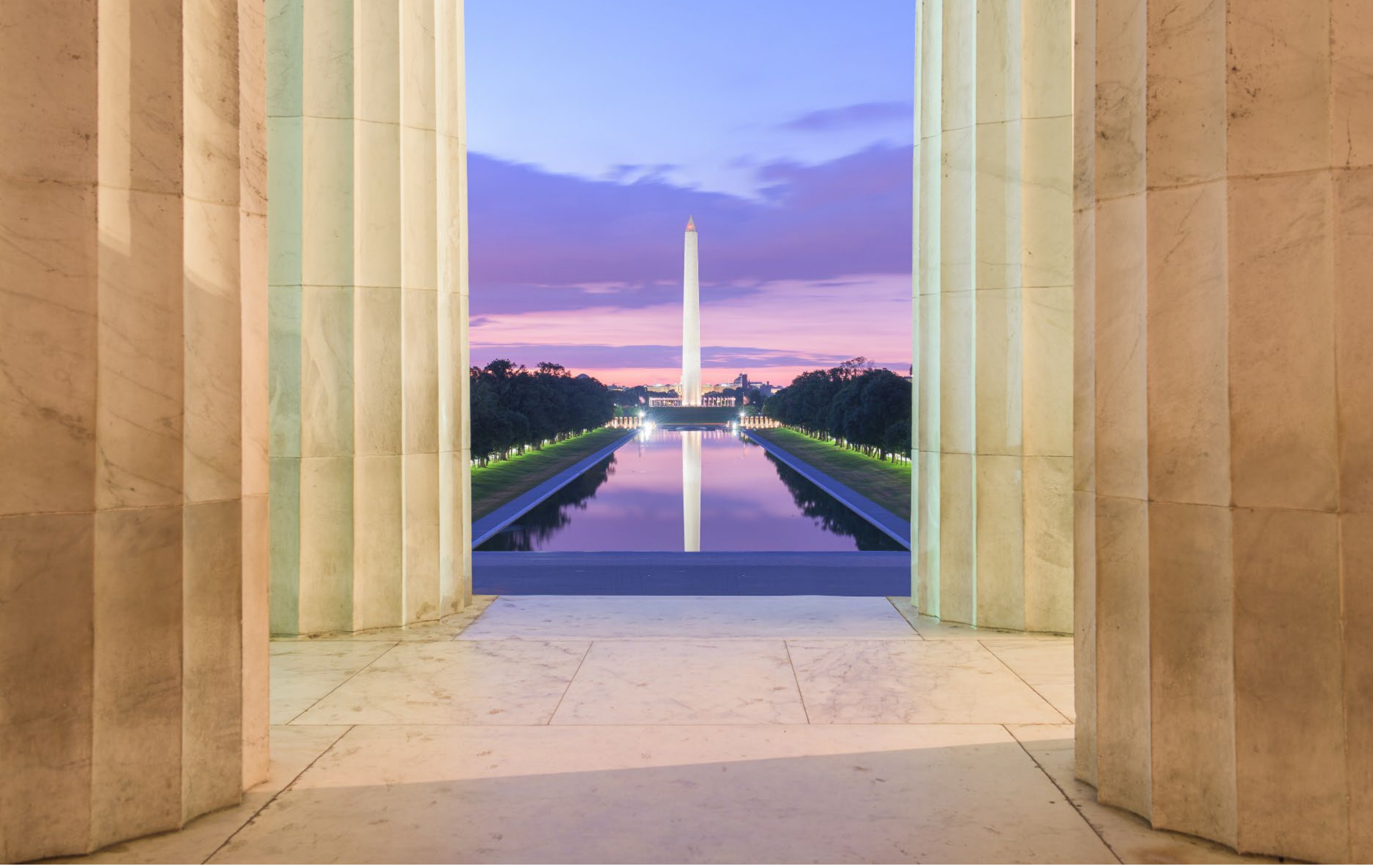
U.S. Consumer Product Safety Commission
OFFICE OF INSPECTOR GENERAL

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

November 15, 2024

25-A-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.

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" 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 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

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.

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.

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.

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.

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.

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.

<u>Material Weaknesses</u>

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.

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

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

cpsc.gov

U.S. Consumer Product Safety Commission's (CPSC)

Financial Statements for

Fiscal Year 2024

Extracted from CPSC's Fiscal Year 2024

Agency Financial Report, Pages 31 - 45

Click here for the full Agency Financial Report

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

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

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