Office of Inspector General

U.S. Consumer Product Safety Commission

# Audit of the Consumer Product Safety Commission's Fiscal Year 2020 Financial Statements

November 16, 2020

Report 21-A-03

## 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 16, 2020

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

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2020 Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by CliftonLarsonAllen, LLP (CLA), for the fiscal year (FY) ending September 30, 2020. The audit was performed under a contract with, and monitored by, the Office of Inspector General (OIG), in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 19-03, Audit Requirements for Federal Financial Statements.

Opinion on the Financial Statements

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

In CLA's opinion, the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the years ending September 30, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control

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

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

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

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

Report on Compliance with Laws and Regulations

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

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

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

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

OIG Evaluation of CliftonLarsonAllen's Audit Performance

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

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

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

CliftonLarsonAllen LLP
CLAconnect.com

## Independent Auditors' Report

Inspector General
United States Consumer Product Safety Commission

Acting Chairman
United States Consumer Product Safety Commission

In our audits of the fiscal years 2020 and 2019 financial statements of the United States Consumer Product Safety Commission (CPSC), we found:

- CPSC's financial statements as of and for the fiscal years ended September 30, 2020, and 2019, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- A significant deficiency for fiscal year 2020 in internal control over financial reporting based on the limited procedures we performed; and
- A reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and other matters.

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

### Report on the Financial Statements

We have audited CPSC's financial statements in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). CPSC's financial statements comprise the balance sheets as of September 30, 2020, and 2019; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

[1] The RSI consists of the Management's Discussion and Analysis and the Combining Statement of Budgetary Resources by Fund, which are included with the financial statements.
[2] Other information consists of Inspector General's Management Challenges Report, Summary of Financial Statement Audit and Management Assurances, Payment Integrity Information Act Reporting, and Real Property.

## Management's Responsibility

CPSC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. *Government Auditing Standards* require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

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

## Opinion on Financial Statements

In our opinion, the United States Consumer Product Safety Commission's financial statements present fairly, in all material respects, CPSC's financial position as of September 30, 2020, and 2019, and its net cost of operations, changes in net position, budgetary resources, and the custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audits of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

CPSC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. In addition, management has included references to information on websites or other data outside of the Agency Financial Report. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audits were conducted for the purpose of forming an opinion on CPSC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

## Report on Internal Control over Financial Reporting

In connection with our audits of the CPSC's financial statements, we considered the CPSC's internal control over financial reporting, consistent with our auditors' responsibility discussed below. We performed our procedures related to the CPSC's internal control over financial reporting in accordance with *Government Auditing Standards*.

Management's Responsibility

CPSC management is responsible for (1) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)); and (3) providing assurance statement on the overall effectiveness on internal control over financial reporting included in management's discussion and analysis (MD&A).

Auditors' Responsibility

In planning and performing our audit of CPSC's financial statements as of and for the year ended September 30, 2020, in accordance with *Government Auditing Standards*, we considered the CPSC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on the CPSC's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of the CPSC's internal control over financial reporting. Given these limitations, material weaknesses and/or significant deficiencies may exist that have not been identified. However, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency, described below and in Exhibit A.

*Control Activities over Leasehold Improvements and ADP Software*

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

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

During our fiscal year 2020 audits, we identified other deficiencies in CPSC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant CPSC management's attention. We have communicated these matters to CPSC management and, where appropriate, will report on them separately.

Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the CPSC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the CPSC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

**Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters**

In connection with our audits of CPSC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards*.

Management's Responsibility

CPSC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CPSC.

Auditors' Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to CPSC that have a direct effect on the determination of material amounts and disclosures in CPSC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CPSC.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance or other matters for fiscal year 2020, described below and in Exhibit B, that are reportable under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CPSC. Accordingly, we do not express such an opinion.

*Antideficiency Act Violation*

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

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

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

### Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of CPSC's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated November 18, 2019. The status of prior year findings is presented in Exhibit D.

**CliftonLarsonAllen LLP**

CliftonLarsonAllen LLP

Arlington, Virginia
November 13, 2020

## EXHIBIT A
## Significant Deficiency

**Control activities over Leasehold Improvements and ADP Software**

**Background:**

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

**Condition*:***

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

**Criteria:**

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

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

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

# EXHIBIT A
## Significant Deficiency

**Cause and Effect:**

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

**Corrective Actions Recommended:**

We recommend that CPSC management:

1. Strengthen their quality control review over the excel-based leasehold improvements and ADP software schedules.

2. Consider transitioning from an excel-based schedule to another software/platform or enhance excel capabilities such as adding formulas to calculate number of months in service, locking formulas to avoid overriding with incorrect data input, and restricting cells to limit data input that are required to help prevent errors.

# EXHIBIT B
# Noncompliance Findings

## Antideficiency Act Violation

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

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

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

Date: November 13, 2020

To: Christopher Dentel
Inspector General

From: Mary Boyle
Executive Director MARY BOYLE Digitally signed by MARY BOYLE Date: 2020.11.13 09:22:46 -05'00'

Re: Management Response to Financial Statement Audit Report

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

## EXHIBIT D
### Status of Prior Year Findings

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

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

U.S. Consumer Product Safety Commission's (CPSC)
Financial Statements for
Fiscal Years 2020 and 2019

Extracted from CPSC's Fiscal Year 2020
Agency Financial Report, Pages 43-61

Click here for the full Agency Financial Report

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

# FINANCIAL STATEMENTS

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1 – Summary of Significant Accounting Policies

### Reporting Entity

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

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

### Fund Accounting Structure

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

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

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

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

### Budget Authority

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

## Basis of Accounting and Presentation

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

## Assets

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

### A. Fund Balance with Treasury

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

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

### B. Accounts Receivable and Allowance for Uncollectible Accounts

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

### C. Property and Equipment

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

Beginning October 2019, equipment and software with a useful life of two or more years are capitalized when the acquisition value is greater than $15,000 and $30,000 respectively. Furniture and fixtures, bulk internal use software purchases, other equipment, and leasehold improvements with an aggregate acquisition cost of $100,000 and a useful life of two or more years are capitalized. The CPSC reports property and equipment purchases and additions at historical costs. The CPSC treats property and equipment acquisitions that do not meet the capitalization criteria as an expense.

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

**Liabilities**

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

**A. Accounts Payable**

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

**B. Salaries and Federal Employee Benefits**

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

**C. Accrued Annual Leave**

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

**D. Federal Employees' Compensation Act (FECA)**

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

**E. Contingencies**

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

**Estimates and Assumptions**

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

**Classified Activities**

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

## Note 2 – Fund Balance with Treasury

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

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

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

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

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

## Note 3 – Accounts Receivable

The CPSC's accounts receivable is comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided, amounts due from current and former employees and other public receivables. The non-entity receivables include Civil Fines and Penalties and Freedom of Information Act activity. No allowance for uncollectible amounts or related provision for estimated losses has been established for the CPSC's accounts receivable, as these amounts are fully collectible based on historical experience. The composition of accounts receivable as of September 30, 2020 and September 30, 2019 is:

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

## Note 4 – Advances to Other Federal Agencies

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

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

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

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

| Classes of PPE | Acquisition Cost | Accumulated Depreciation | Net Book Value | Service Life in Years |
|---|---|---|---|---|
| Leasehold Improvement | $ 23,058,974 | $ 21,627,838 | $ 1,431,136 | 6-14 |
| Equipment | 21,698,983 | 17,950,752 | 3,748,231 | 5-12 |
| Furniture, Fixture & Other Equipment | 2,608,689 | 2,608,689 | - | 3-5 |
| ADP Software | 2,550,843 | 2,243,202 | 307,641 | 5 |
| ADP Software in Progress | 134,100 | - | 134,100 | |
| Construction in Progress | 121,210 | - | 121,210 | |
| Total | $ 50,172,799 | $ 44,430,481 | $ 5,742,318 | |

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

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

## Note 6 – Federal Employee Benefits

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

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

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

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

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

The TSP under FERS is a savings plan in which CPSC automatically contributes one percent of base pay and matches any employee contributions up to an additional four percent of base pay. For most employees hired after December 31, 1983, CPSC also contributes the employer's matching share for Social Security. The CPSC's contributions are recognized as current operating expenses.

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

## Note 7 – Liabilities Not Covered by Budgetary Resources

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

The liabilities on the CPSC's balance sheet as of September 30, 2020 and September 30, 2019 include liabilities not covered by budgetary resources. The intragovernmental liabilities are owed to DOL for the FECA (disability) payments and the General Services Administration (GSA) for the tenant improvement allowance provided as a part of the long-term lease on office facilities. The CPSC also recognizes liabilities for employee annual leave earned but not yet taken and for workers' compensation actuarial liability. The CPSC also collects on receivables that are withdrawn to Treasury with no budgetary resource associated. The composition of the liabilities not covered by budgetary resources as of September 30, 2020 and September 30, 2019 is:

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

## Note 8 – Custodial Liability

The CPSC has authority to levy fines and penalties against manufacturers, retailers or distributors who violate the Consumer Product Safety Act (as amended), Federal Hazardous Substance Act, and the Flammable Fabrics Act. Civil penalty collections are deposited in the U.S. Treasury and are not available for the CPSC to use. The CPSC charges a fee for the processing of Freedom of Information Act (FOIA) requests. FOIA fees are also deposited in the U.S. Treasury and are not available for the CPSC to use. The uncollected civil penalties, FOIA fees and balances in the U.S. Treasury's miscellaneous receipt funds are recognized as a Custodial Liability on the CPSC's Balance Sheet. As of September 30, 2020 and September 30, 2019, the total Custodial Liabilities are $12,328 and $263,216 respectively. The revenue and collection activities are presented in the Statement of Custodial Activities.

## Note 9 – Tenant Improvement Liability (TIL)

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

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

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

## Note 10 – Operating Leases

The CPSC's lease agreements with the GSA are for three facilities in Maryland; HQ offices located in Bethesda, the NPTEC located in Rockville, and the SSF located in Gaithersburg. These operating lease agreements expire between fiscal years 2020 and 2023. The HQ and NPTEC facilities also have new negotiated occupancy agreements to start in the near future as disclosed below. Lease costs for the period ended September 30, 2020 and September 30, 2019 amounted to approximately $7,730,354 and $7,450,410 respectively. Estimated future minimum lease payments for the three facilities are:

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

## Note 11 – Cumulative Results of Operations

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

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

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

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

The CPSC's apportionments fall under three Categories: Direct Category A, quarterly apportionment for salaries and expenses; Direct Category B, restricted and activity apportionment for the Virginia Graeme Baker Pool and Spa Safety Act (VGB) grant program; and Reimbursable Category B, restricted and activity apportionment for reimbursable activities. CPSC, currently, does not have any Reimbursable Category A apportionments. Apportionment categories of obligations incurred for the fiscal years ending September 30, 2020 and September 30, 2019 are:

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

## Note 13 – Undelivered Orders

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

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

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

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

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

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

## Note 15 – Custodial Revenue

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

## Note 16 – Reconciliation of Net Cost to Net Outlays

The Budget Accrual Reconciliation (BAR) is a reconciliation of net outlays that are presented on a budgetary basis and the net cost that are presented on an accrual basis, to provide an explanation of the relationship between budgetary and financial accounting information.

The BARs for the period ending September 30, 2020 and September 30, 2019 are:

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

| | Intragovernmental | With the Public | Total |
|---|---|---|---|
| Net Operating Cost | $ 33,369,965 | $ 100,797,798 | $ 134,167,763 |
| **Components of Net Operating Cost Not Part of the Budgetary Outlays:** | | | |
| Property, plant, and equipment depreciation | - | (4,770,255) | (4,770,255) |
| Property, plant, and equipment disposal & re-evaluation | - | (7,284) | (7,284) |
| **(Increase)/Decrease in assets not affecting Budget Outlays:** | | | |
| Accounts receivable | (628,551) | (248,887) | (877,438) |
| Other assets | 593,389 | - | 593,389 |
| **(Increase)/Decrease in liabilities not affecting Budget Outlays:** | | | |
| Accounts payable | 564,499 | 1,838,290 | 2,402,789 |
| Salaries and benefits | (234,352) | (643,223) | (877,575) |
| Other liabilities | (469,269) | (958,286) | (1,427,555) |
| **Other financing sources:** | | | |
| Imputed federal employee retirement benefit costs | (3,551,306) | - | (3,551,306) |
| Total Components of Net Operating Cost Not Part of the Budget Outlays | $ (3,725,590) | $ (4,789,645) | $ (8,515,235) |
| **Components of the Budget Outlays That Are Not Part of Net Operating Cost:** | | | |
| Acquisition of capital assets | - | 1,399,861 | 1,399,861 |
| Other | 9,511 | (9,511) | - |
| Total Components of the Budget Outlays That Are Not Part of Net Operating Cost | $ 9,511 | $ 1,390,350 | $ 1,399,861 |
| **Other Temporary Timing Differences:** | - | - | - |
| Net Outlays | $ 29,653,886 | $ 97,398,503 | $ 127,052,389 |
| **Related Amounts on the Statement of Budgetary Resources:** | | | |
| Outlays, net | | | 127,052,337 |
| Distributed offsetting receipts | | | (12,849) |
| Agency Outlays, Net | | | $ 127,039,488 |

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

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

# REQUIRED SUPPLEMENTARY INFORMATION

**U.S. Consumer Product Safety Commission**
**Combining Statement of Budgetary Resources by Fund**
**For the Years ended September 30, 2020**
(In dollars)

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

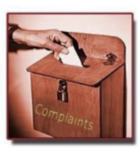
The accompanying notes are an integral part of these statements.

# CONTACT
# US

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

**Call:**

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




**On-line complaint form:**

Click here for complaint form.
Click here for CPSC OIG Website.

**Write:**

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