



United States  
CONSUMER PRODUCT SAFETY COMMISSION  
Washington, DC 20814

OFFICE OF THE INSPECTOR GENERAL

Audit Report

CONSUMER PRODUCT SAFETY COMMISSION'S  
FISCAL YEAR (FY) 2008 FINANCIAL STATEMENTS

Date Issued: November 10, 2008

# AUDIT OF CPSC'S FY 2008 FINANCIAL STATEMENTS

## TABLE OF CONTENTS

		<u>Page</u>
SECTION I	AUDITOR'S REPORT	1
SECTION II	APPENDICES	
	Appendix 1 – Management Response	4
	Appendix 2 – Management Representation	6
	Appendix 3 – Legal Representation Letter, Redacted	12
	Appendix 4 – Financial Statements	35

Chairman Nord:

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting audits of the financial statements of the Consumer Product Safety Commission (CPSC). In our audits of the CPSC for fiscal years 2008 and 2007, we found

- the financial statements are presented fairly, in all material respects, in conformity with the U.S. generally accepted accounting principles,
- had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations,
- the Federal Financial System (FFS) substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA) and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis, and other supplementary information, (3) our audit objectives, scope, and methodology, and (4) agency comments and our evaluation.

#### ***Opinion on Financial Statements***

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Commission's assets, liabilities, net position, net costs, changes in net position, budgetary resources, and custodial activity for the years ended September 30, 2008 and 2007.

#### ***Opinion on Internal Control***

The Commission maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2008 that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented or detected on a timely basis. Our opinion is based on criteria established under 31 U.S.C. 3512 (c), (d); the *Federal Managers' Financial Integrity Act*; the Office of Management and Budget (OMB) Circular A-123, *Management Accountability and Control*, revised June 3, 2008; OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*; the Government Accountability Office (GAO), *Government Auditing Standards*; and the GAO/President's Council on Integrity and Efficiency (PCIE), *Financial Audit Manual*.

#### ***Compliance with Laws and Regulations***

Our tests of the Commission's compliance with selected provisions of laws and regulations for fiscal year 2008 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

### *Consistency of Other Information*

The Commission's Management Discussion and Analysis, required supplementary information, and other accompanying information contain a wide range of data, some of which are not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with the Commission's officials. On the basis of this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

### *Objectives, Scope, and Methodology:*

The Commission's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, (3) ensuring that the Commission's financial management systems substantially comply with FFMIA requirements; and (4) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the Commission's financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and (2) the Commission's management maintained effective internal control, the objectives of which are as follows:

- **Financial Reporting:** Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- **Compliance with laws and regulations:** Transactions are executed in accordance with (1) laws governing the use of budget authority, (2) other laws and regulations that could have a direct and material effect on the financial statements, and (3) any other laws, regulations, and government-wide policies identified by OMB audit guidance.

We are also responsible for (1) testing whether the Commission's financial management systems substantially comply with the three FFMIA requirements, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;

- obtained an understanding of the entity and its operation, including its internal control related to financial reporting (including safeguarding assets), compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act;
- tested whether the Commission's financial management systems substantially complied with the three FFMA requirements; and
- tested compliance with selected provisions of the following laws and regulations: the Prompt Payment Act, the Anti-Deficiency Act, the Improper Payments Information Act of 2002, and Various Pay and Allowance Acts.

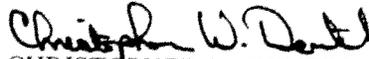
We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over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

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the Commission's financial statements for the fiscal year ended September 30, 2008. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

#### *Agency Comments and Our Evaluation*

In commenting on a draft of this report (see appendix 1), the Commission's management concurred with the facts and conclusions cited in our report.

 10 Nov 08  
 CHRISTOPHER W. DENTEL  
 Inspector General  
 U.S. Consumer Product Safety Commission

APPENDIX 1

MANAGEMENT'S RESPONSE



UNITED STATES  
CONSUMER PRODUCT SAFETY COMMISSION  
WASHINGTON, DC 20207

**Memorandum**

Date: November 10, 2008

TO : Christopher Dentel  
Inspector General

THROUGH: Edward E. Quist *eeq*  
Director  
Office of Financial Management, Planning and Evaluation

FROM : Deborah Peebles Hodge *Dph*  
Director  
Division of Financial Services

SUBJECT : Audit of FY 2008 Financial Statements

The audit report prepared by the Office of the Inspector General regarding CPSC's Financial Statements for Fiscal Year 2008 has been reviewed by the Division of Financial Services. The finance division concurs with the findings and opinions expressed in the report.

APPENDIX 2

MANAGEMENT REPRESENTATION LETTER



UNITED STATES  
CONSUMER PRODUCT SAFETY COMMISSION  
WASHINGTON, DC 20207

**Memorandum**

Date: October 22, 2008

TO : Christopher W. Dentel  
Inspector General  
Office of the Inspector General

THROUGH: Patricia M. Semple *PS*  
Executive Director

FROM : Edward E. Quist, Chief Financial Officer, Office of Financial Management,  
Planning and Evaluation *eeq*  
Deborah P. Hodge, Director, Division of Financial Services *dph*

SUBJECT : Fiscal Year 2008 Financial Statements – Management Representation

We are providing this letter in connection with your audit of the U.S. Consumer Product Safety Commission's (CPSC) balance sheet as of September 30, 2008 and 2007, and the related statements of net costs, changes in net position, budgetary resources, financing, and custodial activity, for the year then ended (hereinafter referred to as the "financial statements").

You conducted your audit to (1) express an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, (2) express an opinion on CPSC's internal control over financial reporting and compliance with laws and regulations as of September 30, 2008, and (3) reporting whether the CPSC financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards (generally accepted accounting principles), and the *U.S. Government Standard General Ledger* at the transaction level as of September 30, 2008, and (4) test for compliance with applicable laws and regulations.

Certain representations in this memorandum are described as being limited to matters that are material. For purposes of this memorandum, matters are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during the audit. These representations pertain to both years' financial statements (2007 and 2008), and update the representations we provided in the prior year.

## Presentation and Disclosure

1. We are responsible for the fair presentation of the financial statements and stewardship information in conformity with generally accepted accounting principles. We are also responsible for the preparation of the MD&A, and required supplementary information (RSI) and other supplementary information.
2. The financial statements are fairly presented in conformity with U.S. generally accepted accounting principles. The MD&A, RSI, and other supplementary information are fairly presented and are consistent with the financial statements.
3. We have made available to you all:
  - a. Financial records and related data;
  - b. Where applicable, minutes of meetings of the Commission or summaries of actions of recent meetings for which minutes have not been prepared; and
  - c. Any communications from the Office of Management and Budget (OMB) concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the notes to the financial statements.
5. There are no uncorrected financial misstatements as we have adjusted the financial statements for all known and likely misstatements you have informed us of.
6. The CPSC has satisfactory title to all owned assets. There are no liens or encumbrances on these assets and no assets have been pledged.
7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities or that we are required to disclose in the financial statements.
8. There are no guarantees under which the CPSC is contingently liable that require reporting or disclosure in the financial statements.
9. Related party transactions including related accounts receivable or payable, revenues, expenditures, loans, transfers, leasing arrangements, assessments, and guarantees have been properly recorded and disclosed in the financial statements.
10. No material events or transactions have occurred subsequent to September 30, 2008, that have not been properly recorded in the financial statements or disclosed in the notes.

### Intra-Governmental Activities

11. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes. All intra-governmental transactions and balances have been appropriately identified, recorded, reported, and disclosed in the financial statements. We have reconciled material intra-governmental transactions and balances with the federal entity providing the goods or services.

### Internal Control

12. We are responsible for establishing and maintaining a system of internal control.
13. Pursuant to 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Integrity Act), we have assessed the effectiveness of the CPSC's internal control in achieving the following objectives:
  - a. Reliability of financial reporting: Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
  - b. Compliance with applicable laws and regulations: Transactions are executed in accordance with laws governing the use of budget authority; other laws and regulations that could have a direct and material effect on the financial statements, and any other laws and regulations identified in OMB audit guidance.
14. Those controls in place on September 30, 2008, provided reasonable assurance that the foregoing objectives are met.
15. We have disclosed to you all significant deficiencies in the design or operation of internal control that could adversely affect the CPSC's ability to meet the internal control objectives and identified those we believe to be material weaknesses.
16. There have been no changes to internal controls subsequent to September 30, 2008, or other factors that might significantly affect the effectiveness of internal control.

### Fraud

17. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud (intentional misstatements or omissions of amounts or disclosures in financial statements or misappropriation of assets that could have a material effect on the financial statements).

18. We have no knowledge of any fraud or suspected fraud affecting the CPSC involving:
  - a. Management;
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the CPSC received in communications from employees, former employees, or others.
21. We are responsible for implementing and maintaining financial management systems that comply substantially with federal financial management systems requirements, federal accounting standards (generally accepted accounting principles), and the *U.S. Government Standard General Ledger* at the transaction level.
22. We have assessed the financial management systems to determine whether they comply substantially with these federal financial management systems requirements. Our assessment was based on guidance issued by OMB.
23. The financial management systems complied substantially with federal financial management systems requirements, federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level as of September 30, 2008.

#### Laws and Regulations

24. We are responsible for CPSC's compliance with applicable laws and regulations.
25. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
26. There are no:
  - a. Possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency;
  - b. Material liabilities or gain or loss contingencies that are required to be accrued or disclosed that have not been accrued or disclosed; or
  - c. Unasserted claims or assessments that are probable of assertion and must be disclosed that have not been disclosed.
27. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

28. We are not aware of any violations of the Antideficiency Act that we must report to the Congress and the President (and provide a copy of the report to the Comptroller General) for the year ended September 30, 2008, and through the date of this letter.

Budgetary and Restricted Funds

29. The information presented in the CPSC *Statement of Budgetary Resources* agrees with information submitted in CPSC's year-end *Reports on Budget Execution and Budgetary Resources* (SF-133s). The information will be used as input for fiscal year 2008 actual column of the *Program and Financing Schedules* reported in the fiscal year 2010 *Budget of the U.S. Government*. This information is supported by the related financial records and data.
30. We have disclosed in the financial statements all material earmarked funds<sup>1</sup> as defined by FASAB SFFAS No. #27 and all material restricted funds.

Finally, we have no unadjusted misstatements to report.

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<sup>1</sup> SFFAS No. 27 does not use the term 'earmarked' as it is sometimes used to refer to set-asides of appropriations for specific purposes.

LEGAL REPRESENTATION LETTER, REDACTED



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

Cheryl A. Falvey  
General Counsel

Tel: 301-504-7642  
Fax: 301-504-0403  
E-Mail: [cfalvey@cpsc.gov](mailto:cfalvey@cpsc.gov)

September 17, 2008

LeeAnn Murphy  
Auditor  
Consumer Product Safety Commission  
Bethesda, MD 20814

Subject: Legal Response in Connection with the Fiscal Year 2008  
Financial Statement of the Consumer Product Safety Commission

Dear Ms. Murphy:

As General Counsel of the Consumer Product Safety Commission (CPSC), I am writing in response to the letter request from Christopher W. Dentel, Inspector General dated August 15, 2008 in connection with the audit of CPSC's financial statements as of and for the fiscal year ending September 30, 2008.

I call your attention to the fact that as General Counsel for CPSC, I have general supervision of CPSC's legal affairs, which include but are not limited to responsibility for the conduct of all Federal court litigation to which the Commission is a party. I also have authority on administrative litigation matters. In such capacity, I have reviewed litigation and claims threatened or asserted involving CPSC and have consulted with outside legal counsel about them when I deemed appropriate.

Subject to the foregoing and to the last paragraph of this letter, I advise you that since October 1, 2007 neither I, nor any of the lawyers over whom I exercise general legal supervision, have given substantive attention to, or represented CPSC in connection with any loss contingencies coming within scope of clause (a) of Paragraph 5 of the Statement of Policy referred to in the last paragraph of this letter, except as follows:

***Pending or Threatened Litigation (excluding unasserted claims)***

There are eleven pending litigation actions. See the attached Department of Justice forms.

Page 2

With respect to matters that have been specifically identified as contemplated by clauses (b) or (c) of paragraph 5 of the ABA Statement of Policy, I advise you, subject to the last paragraph of this letter as follows:

### ***Unasserted Claims and Assessments***

There are two unasserted claims. See the attached Department of Justice form.

The information set forth herein is as of the date of this letter, the date on which we commenced our internal review procedures for purposes of preparing this response, except as otherwise noted. I disclaim any undertaking to advise you of changes that, thereafter, may be brought to my attention or the attention of our lawyers over whom I exercise general legal supervision.

This response is limited by, and in accordance with the ABA *Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information* (December 1975); without limiting the generality of the foregoing, the limitations set forth in such statement on the scope and use of this response (Paragraphs 2 and 7) are specifically incorporated herein by reference, and any description herein of any "loss contingencies" is qualified in its entirety by Paragraph 5 of the statement and the accompanying commentary (which is an integral part of the statement). Consistent with the last sentence of Paragraph 6 of the ABA Statement of Policy, this will confirm as correct CPSC's understanding that whenever, in the course of performing legal service for CPSC with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, I have formed a professional conclusion that the entity must disclose or consider concerning such possible claim or assessment, I, as a matter of professional responsibility to CPSC, will so advise CPSC and will consult with CPSC concerning the question of such disclosure and the applicable requirements of Statement of Federal Financial Accounting Standards (SFFAS) Number 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS Number 12, and Interpretation Number 2 of SFFAS Numbers 4 and 5.

Sincerely,

Cheryl A. Falvey  
General Counsel

cc: Christopher W. Dentel  
Inspector General

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Redacted v Nancy A. Nord, Chair, Consumer Product Safety Commission. EEOC No. 531-2008-002084; Agency No. CPSC-EEO-07-11

**2. Nature of matter.** (Include a description of the case or cases and amount claimed, if specified.)

Complaint filed at the Equal Employment Opportunity Commission alleging that CPSC discriminated on the basis of sex and national origin.

**3. Progress of the case.**

Settlement attempts were unsuccessful. Will complete discovery by 9/24/08.

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Alice O'Brien (301) 504-6942 (CPSC Attorney)  
Margaret Plank (301) 504-7627 (CPSC Attorney)

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

NRDC v CPSC Civ.Action No. 08-1312

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

FOIA lawsuit seeking disclosure of documents

**3. Progress of the case.**

Process request.

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Melissa Hampshire 301-504-7631  
Heather Graham Oliver 202-305-1334





**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

\_\_\_\_\_ v. CPSC, MSPB No. DC-0731-08-0563-I-1

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

Job applicant appeals from Agency decision to withdraw offer of employment. Seeks reinstatement of offer, backpay and benefits, and attorney's fees.

**3. Progress of the case.**

Order dismissing case for lack of jurisdiction on appeal to Merit Systems Protection Board.

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Margaret Plank, Office of General Counsel, CPSC, (301) 504-7627

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Redacted v. CPSC, MSPB No. DC-0752-08-0670-I-1

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

Employee appeal of 30-day suspension; she seeks expungement of record and backpay.

**3. Progress of the case.**

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Margaret Plank, Office of General Counsel, CPSC, (301) 504-7627

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Redacted v. CPSC, EEOC No. 531-2008-00208X

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

Employee alleges ongoing harassment resulting in constructive discharge during her probationary period caused by discrimination based on national origin.

**3. Progress of the case.**

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Margaret Plank, Office of General Counsel, CPSC, (301) 504-7627

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Ceasar v. CPSC, C.A. 07-CV-0641 (D.Md.)

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

Employee alleges discrimination based on race, sex, and reprisal for prior EEO activity in non-selection for supervisory position. Seeks retroactive promotion, backpay, unspecified compensatory damages (Agency has fewer than 500 employees; damages capped at \$200,000), and attorney's fees.

**3. Progress of the case.**

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Margaret Plank, Office of General Counsel, CPSC, (301) 588-4054

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Redacted v. CPSC, EEO No. 531-2007-00239X

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

Employee claims that non-selection for position with greater promotion potential reflected discrimination based on sex, age, and disability, and reprisal for participation in EEO process; employee also asserts claim under the Equal Pay Act. Seeks grade increase, back pay and unspecified compensatory damages (Agency has fewer than 500 employees; damages capped at \$200,000)

**3. Progress of the case.**

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

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Margaret Plank, Office of General Counsel, CPSC, (301) 504-7627

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Redacted v. CPSC, EEO No. 531-2006-00165X; EEO App. No. 0120073190

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

Employee claims that reassignment to accommodate disability reflected discrimination and reprisal for participation in EEO process. Seeks reinstatement in prior position and unspecified compensatory damages (Agency has fewer than 500 employees; damages capped at \$200,000)

**3. Progress of the case.**

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Margaret Plank, Office of General Counsel, CPSC, (301) 504-7627

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Redacted v. CPSC, MSPB No. AT-3443—07-0580

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

30% disabled 10-point preference eligible veteran claims CPSC violated the Uniformed Services Employment and Reemployment Rights Act when it did not select him to fill a position vacancy in 2006. Seeks appointment to the position and back pay.

**3. Progress of the case.**

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

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**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Redacted v. CPSC, MSPB No. AT-3443-07-0398

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

30% disabled 10-point preference eligible veteran claims CPSC violated the Veterans Employment Opportunities Act when it did not select him to fill a position vacancy in 2006. Seeks appointment to the position and back pay.

**3. Progress of the case.**

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Margaret Plank, Office of General Counsel, CPSC, (301) 504-7627

**SUGGESTED DEPARTMENT OF JUSTICE FORM**

**PENDING OR THREATENED LITIGATION**

**AGENCY: Consumer Product Safety Commission**

**Amount of potential loss exceeds  
the agency/component materiality  
threshold of: \$100.00**

**1. Case name.** (Include case citation, case number, and other names by which the case or group of cases is commonly known.)

Redacted v. CPSC, MSPB No. AT-05-3443-0147 and 0179

**2. Nature of matter.** (Include a description of the case or cases and **amount claimed**, if specified.)

30% disabled 10-point preference eligible veteran claims CPSC violated the Veterans Employment Opportunities Act and Uniformed Services Employment and Reemployment Rights Act when it did not select him to fill a position vacancy in 2004. Seeks appointment to the position and back pay.

**3. Progress of the case.**

**4. The government's response or planned response.** (For example, to contest the case vigorously or to seek an out-of-court settlement.)

**5. An evaluation of the likelihood of unfavorable outcome.** (Choose one.)

\_\_\_\_\_ PROBABLE – An unfavorable outcome is likely to occur.

\_\_\_\_\_ REASONABLY POSSIBLE – the chance of an unfavorable outcome is less than probable but more than remote.

\_\_\_\_\_ REMOTE – the chance of an unfavorable outcome is slight.

**6. An estimate of the amount or range of potential loss** (if one can be made, for losses considered to be probable or reasonably possible).

**7. The name and phone number of the government attorney handling the case** (and names and phone numbers of any outside legal counsel/other lawyers representing or advising the government in the matter.)

Margaret Plank, Office of General Counsel, CPSC, (301) 504-7627

FISCAL YEAR 2008 ANNUAL FINANCIAL STATEMENTS

## BALANCE SHEET

### FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Entity Assets:</b>	<b>2008</b>	<b>2007</b>
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 26,350,948	\$ 13,485,061
Advances To Others	-	688
Accounts Receivable (Note 3)	2,376	5,085
Equipment (Note 4)	2,694,010	2,358,557
Total Entity Assets	29,047,334	15,849,391
<b>Non-Entity Assets:</b>		
Intragovernmental Assets:		
Fund Balance with Treasury	3,598,952	1,953,522
Accounts Receivable (Note 3)	779,408	695,015
Total Non-Entity Assets	4,378,360	2,648,537
<b>Total Assets</b>	\$ 33,425,694	\$ 18,497,928
<b>Liabilities:</b>		
Liabilities Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Accrued Benefits	\$ 2,328,111	\$ 1,764,211
Accounts Payable	182,625	250,467
Total Liabilities Covered by Budgetary Resources	2,510,736	2,014,678
Liabilities Not Covered by Budgetary Resources		
Intragovernmental Liabilities:		
Actuarial Federal Employees' Compensation Act Liabilities	361,600	395,468
Accrued Annual Leave	3,653,789	3,332,347
Imputed Financing Sources	3,024,280	3,267,210
Unemployment Insurance	5,167	(105)
Other Liabilities (Note 5)	4,378,360	2,648,537
Total Liabilities not Covered by Budgetary Resources	11,423,196	9,643,457
<b>Total Liabilities</b>	\$ 13,933,932	\$ 11,658,135
<b>Net Position:</b>		
Balances		
Unexpended Appropriations	23,840,212	11,470,383
Cumulative Results of Operations	(4,348,450)	(4,630,590)
<b>Total Net Position</b>	19,491,762	6,839,793
<b>Total Liabilities and Net Position</b>	\$ 33,425,694	\$ 18,497,928

**STATEMENT OF NET COST  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<b>Gross Costs:</b>	<b>2008</b>	<b>2007</b>
Intragovernmental/Public Gross Costs		
Benefits Expenses	\$ 5,987,104	\$ 5,609,605
Operating Expenses	63,787,843	57,412,090
Unfunded Annual Leave	3,653,789	3,332,347
Imputed costs	3,024,280	3,267,210
Unemployment Insurance	5,167	(105)
Federal Employees Compensation Fund	361,600	395,468
Total Gross Costs	<u>76,819,783</u>	<u>70,016,615</u>
Less: Earned Revenue		
Intragovernmental Earned Revenue	(2,864,644)	(3,344,242)
Donated Revenue	22,573	(35,214)
Earned revenues from the Public	(19,362)	(63,788)
Total Revenues	<u>(2,861,433)</u>	<u>(3,443,244)</u>
<b>Total Net Cost of Operations (Note 6)</b>	<u><u>\$ 73,958,350</u></u>	<u><u>\$ 66,573,371</u></u>

**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>2008</u>	<u>2007</u>
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ (4,630,590)	\$ (4,549,054)
<b>Budgetary Financing sources:</b>		
Reimbursement Received	(2,871,108)	(3,344,242)
Accounts Receivable	(2,709)	5,085
Advance	(688)	688
Donated Revenue	22,573	(35,214)
Appropriations Used	70,097,502	62,677,754
Decrease prior year unfunded cost	3,970,640	3,560,271
<b>Other Financing Sources(Non-Exchange):</b>		
Imputed Financing	3,024,280	3,627,493
Total Financing Sources	74,240,490	66,491,835
Net Cost of Operations	(73,958,350)	(66,573,371)
Net Change	282,140	(81,536)
<b>Cumulative Results of Operations</b>	<b>\$ (4,348,450)</b>	<b>\$ (4,630,590)</b>
<b>Unexpended Appropriations:</b>		
Beginning Balance	\$ 11,470,383	\$ 8,659,809
<b>Budgetary Financing Sources:</b>		
Appropriations Received	80,000,000	62,727,790
Reimbursement Received	2,871,108	3,344,242
Donated Revenue	(22,573)	35,214
Appropriations Used	(70,097,502)	(62,677,754)
Cancellation of expired year	(381,204)	(618,918)
Total Budgetary Financing Sources	12,369,829	2,810,574
<b>Total Unexpended Appropriations</b>	<b>\$ 23,840,212</b>	<b>\$ 11,470,383</b>
<b>Net Position</b>	<b>\$ 19,491,762</b>	<b>\$ 6,839,793</b>

## STATEMENT OF BUDGETARY RESOURCES FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Budgetary Resources:</b>	<b>2008</b>	<b>2007</b>
Budget authority:		
Unobligated balances-brought forward, October 1	\$ 990,491	\$ 1,041,832
Recoveries of prior year unpaid obligations	1,379,620	755,024
Appropriation	80,000,000	62,727,790
Spending authority from offsetting collections	2,861,434	3,443,244
Cancellation of expired year	(381,204)	(618,918)
Permanently not available	-	-
<b>Total Budgetary Resources</b>	<b>\$ 84,850,341</b>	<b>\$ 67,348,972</b>
<b>Status of Budgetary Resources:</b>		
Direct	81,216,554	63,014,239
Reimbursable	2,871,108	3,344,242
Unobligated balances currently available	114,246	149,302
Unobligated balances not available	648,433	841,189
<b>Total Status of Budgetary Resources</b>	<b>\$ 84,850,341</b>	<b>\$ 67,348,972</b>
<b>Change in Obligated Balances:</b>		
Unpaid obligated balance, brought forward, October 1	12,494,569	9,603,599
Obligations incurred	84,087,662	66,358,481
Gross outlays	(69,614,342)	(62,712,486)
Recoveries of prior year unpaid obligations, actual	(1,379,620)	(755,024)
<b>Total, unpaid obligated balance, net - end of period</b>	<b>\$ 25,588,269</b>	<b>\$ 12,494,570</b>
<b>Net Outlays</b>		
Gross outlays	69,614,342	62,712,486
Less: Offsetting collections	(2,861,434)	(3,443,244)
Less: Distributed offsetting receipts	(40,534)	(20,318)
<b>Total Net Outlays</b>	<b>\$ 66,712,374</b>	<b>\$ 59,248,924</b>

**STATEMENT OF CUSTODIAL ACTIVITY**  
**For the Year Ended September 30, 2008**

<b>Gross Revenue Activity</b>	<b>2008</b>	<b>2007</b>
Sources of Cash Collections:		
Civil Penalties and Fines	\$ 3,558,418	\$ 1,933,204
FOIA and Misc collections	40,534	20,318
Fees Collected-DOJ	35,518	3,346
<b>Total Custodial Revenue</b>	<b>3,634,470</b>	<b>1,956,868</b>
<b>Disposition of Revenue Collected:</b>		
Amounts to be Transferred to:		
Treasury General Fund	3,598,952	1,953,522
Retained by Justice Department-Fees	35,518	3,346
<b>Net Custodial Activity</b>	<b>\$ -</b>	<b>\$ -</b>

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## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Summary of Significant Accounting Policies

#### Reporting Entity

The U.S. Consumer Product Safety Commission (CPSC) is an independent Federal regulatory agency whose mission is to save lives and keep families safe by reducing the risk of injuries and deaths associated with consumer products. The CPSC was created in 1972 by Congress under the Consumer Product Safety Act and began operating in 1973. The agency is headed by three commissioners nominated by the President and confirmed by the Senate for staggered seven-year terms. The President designates one of the commissioners as Chairman. The Consumer Product Safety Act (as amended) authorizes CPSC to:

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

#### Fund Accounting Structure

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

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

Miscellaneous Receipt Accounts: The CPSC collects civil penalties, Freedom of Information Act fees and other miscellaneous receipts which by law are not retained by CPSC. The U.S. Department of Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the 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-government sources in support of the agency's mission. Funds received from excess property sales are also maintained in this account.

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## **Basis of Accounting and Presentation**

The financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the CPSC, in accordance with accounting principles generally accepted in the United States of America and the form and content requirements of OMB Circular A-136-Revised June 2008. Currently, the Statement of Financing (SOF) will be presented as a note per OMB's authority under Statement of Federal Financial Accounting Standards 7 and will no longer be considered a Basis Statement. The Statement of Financing will now be a display in the notes and referred to as "Reconciliation of Net Cost of Operations to Budget". The statements have been prepared from the books and records of the CPSC and include the accounts of all funds under the control of the CPSC.

Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are prepared on the accrual basis of accounting.

## **Budget Authority**

Congress annually passes appropriations that provide the CPSC with authority to obligate funds for necessary expenses to carry out mandated program activities. The funds appropriated are subject to OMB apportionment of funds in addition to congressional restrictions on the expenditure of funds. Also, the CPSC places internal restrictions to ensure the efficient and proper use of all funds.

## **Fund Balances with the U.S. Treasury**

Fund balances with Treasury consist of appropriated funds and general fund receipt accounts. Appropriated funds are available to pay current liabilities and authorized purchase commitments. General fund receipt accounts are used to record collections made by the CPSC on behalf of the Department of Treasury's General fund. The CPSC's fund balances with Treasury are 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.

## **Advances and Prepayments**

Payments in advance of the receipt of goods and services are recorded as advances and recognized as expense when the related goods and services are received. Advances are principally advances to CPSC employees for official government business.

**Accounts Receivable**

Entity accounts receivables include amounts due from current and former employees. Non-entity accounts receivable are for civil monetary penalties imposed as a result of the CPSC's enforcement activities, and for fees imposed for information requested from the public for Freedom of Information Act requests. CPSC does not retain these non entity receipts.

**Property and Equipment**

Property and equipment consists of equipment and software. All items with an acquisition value greater than \$5,000 and a useful life over two years are capitalized using the straight-line method of depreciation. Service lives range from five to twelve years.

Internal use software acquired for a value greater than \$5,000 is capitalized using the straight-line method with a service life of five years. Purchased commercial software which does not meet the capitalization criteria is expensed.

**Accounts Payable and Accrued Liabilities**

Liabilities Covered by Budgetary Resources represent liabilities funded by available budgetary resources, which include appropriated funds and reimbursable authority. Accounts payable and Accrued Benefits represent the amount of monies or other resources that are likely to be paid as the result of a transaction or event that has already occurred.

Liabilities Not Covered by Budgetary Resources exist when funding has not yet been made available through Congressional appropriations or reimbursable authority. The CPSC recognizes such liabilities for employee annual leave earned but not taken, and amounts billed by the Department of Labor for Federal Employee's Compensation Act (disability) payments. In addition, liabilities not covered by budgetary resources include liabilities resulting from the agency's custodial activity. See Note 5.

**Accrued 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. Accrued annual leave is reflected as a liability that is not covered by current budgetary resources. Sick leave and other leave are expensed as taken.

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## **Retirement Plans and Other Benefits**

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

CPSC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Employees hired after December 31, 1983, are covered by FERS and Social Security, while employees hired prior to January 1, 1984, elected to either join FERS or remain in the CSRS. Under CSRS, CPSC makes matching contributions equal to 7 percent of the employee's gross earnings to the CSRS Retirement and Disability Fund. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA) for which the CPSC contributes a matching amount to the Social Security Administration. CPSC contributions are recognized as current operating expenses.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participating employees may contribute up to \$15,500 for 2008 but do not receive a matching contribution from the CPSC. FERS participating employees may contribute up to \$15,500 for 2008. For FERS employees, the CPSC's automatic contribution is 1 percent of the employee's gross pay to the TSP. The CPSC matches dollar for dollar on the first 3 percent of basic pay for each pay period. Each dollar of the next 2 percent of basic pay is matched 50 cents on the dollar. CPSC contributions are recognized as current operating expenses.

## **Federal Employees' Compensation Act (FECA)**

The CPSC records an estimated liability for future worker' compensation claims based on data provided from the Department of Labor (DOL).

## **Employee Health Benefits and Life Insurance**

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

## Net Position

The CPSC's net position is composed of the following:

1. Unexpended appropriations include the amount of unobligated balances and undelivered orders. Unobligated balances are the amount of appropriations or other authority remaining after deducting the appropriation used and unpaid obligations.
2. Cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior period adjustments, and the remaining book value of capitalized assets.

## Revenues and Other Financing Sources

Exchange and Nonexchange revenue: Exchange revenue is the amount of money earned for goods and services provided to other agencies and the public. For example, reimbursable agreements are considered exchange revenue. Nonexchange revenue is assessed against manufacturers, retailers or distributors who violate the Consumer Product Safety Act, Federal Hazardous Substance Act, and the Flammable Fabrics Act. For example, collections of fines are nonexchange revenue. Other Financing sources are funding such as appropriations, where resources are received and nothing of value is given in return. Following are revenue and financing sources for CPSC with an indication of whether the revenue is exchange, nonexchange revenue, or a financing source:

Freedom of Information Act Collections (Exchange) – The CPSC charges a fee for the processing of Freedom of Information requests. The CPSC accounts for this exchange revenue as a custodial activity. FOIA fees are deposited in the U.S. Treasury and are not available for the CPSC to use.

Civil Penalty Collections (Non-Exchange) – The CPSC has authority to levy fines and penalties. The CPSC accounts for this exchange revenue as a custodial activity. Civil Penalty collections are deposited in the U.S. Treasury and are not available for the CPSC to use.

Reimbursable Work Agreements (Exchange) - The CPSC recognizes reimbursable work agreement revenue when earned, i.e. goods have been delivered or services rendered. CPSC has reimbursable agreements which generated collections from trading partners totaling \$2.9 million in 2008. The CPSC's reimbursable agreements are with the following trading partners: the Center for Disease Control, National Institute for Occupational Safety and Health, Health and Human Services, Department of Transportation, and the Health Resources and Services Administration. The majority of these agreements are for CPSC to utilize its hospital reporting system to collect injury data.

Annual Appropriations (Financing Source) – The CPSC receives financing sources through direct appropriation from the general fund of the Treasury to support its operations. The annual appropriation available for 2008 was \$80,000,000.

### Transactions with Related Parties

The CPSC has relationships and financial transactions with several government agencies. The more prominent of these relationships is the Center for Disease Control, the General Services Administration, Health and Human Services, and the Department of Interior among others. The CPSC recognizes reimbursable work agreement revenue when earned, i.e. goods have been delivered or services rendered.

### Note 2 – Fund Balance with Treasury

#### Fiscal Year 2008

	Entity	Non-Entity	Total
General Funds	\$26,350,948		\$26,350,948
Miscellaneous Receipts		\$40,534	\$40,534
Fines and Penalties		\$3,558,418	\$3,558,418
<b>Total</b>	\$26,350,948	\$3,598,952	\$29,949,900

#### Status of Fund Balance with Treasury:

	Not Available	Obligated	Unobligated Available	Total
Entity	\$648,433	\$25,588,269	\$114,246	\$26,350,948
Non-Entity:				
Miscellaneous Receipts	\$40,534			\$40,534
Fines and Penalties	\$3,558,418			\$3,558,418
<b>Total</b>	\$4,247,385	\$25,588,269	\$114,246	\$29,949,900

The obligated balance includes accounts payable and undelivered orders, which have reduced unexpended appropriations but have not yet decreased the cash balance on hand.

Other Information: Miscellaneous Receipts and Fines and Penalty balances amounting to \$40,534 and \$3,558,418, respectively, are not available to CPSC activities and are classified as non-entity assets. A corresponding liability is also recorded on the balance sheet.

**Note 3 – Accounts Receivable**

The CPSC's entity receivable of \$2,376 is due from CPSC employees. This receivable is owed the Agency due to an unsettled debt upon the employee's departure. CPSC's non-entity receivables are composed of Civil Fines and Penalties and Freedom of Information Act activity. CPSC maintains these accounts in a custodial capacity.

**Note 4 – Property, Plant & Equipment (PP&E)****Fiscal Year 2008**

Classes of PP&E	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life in Years
Equipment	\$6,048,626	( \$3,653,507)	\$2,395,119	5-12
ADP Software	\$901,506	( \$602,615)	\$298,891	5
<b>Total</b>	<b>\$6,950,132</b>	<b>(\$4,256,122)</b>	<b>\$2,694,010</b>	

**Note 5 – Other Liabilities**

Other liabilities are composed of receivables and collections for Civil Penalties and Fines, and Freedom of Information Act (FOIA) fees. These balances reflect Treasury's balance on the Government wide Accounting & Reporting, Report of Unavailable Receipt Transactions, as of 9-30-08. CPSC maintains these accounts in a custodial capacity.

**Note 6 – Commitments and Contingencies**

CPSC may face reasonably possible claims estimated at \$550,000 from 5 claims placed under the Federal Torts Claim Act and the Equal Employment Opportunity Act.

**Note 7 – Analysis of Material Differences**

	<b>Budgetary Resources</b>	<b>Obligations Incurred</b>	<b>Net Outlays</b>
Combined Statement of Budgetary Resources	<b>\$84,850,341</b>	<b>\$84,087,662</b>	<b>\$66,712,375</b>
Difference	<b>\$0</b>	<b>\$0</b>	<b>\$40,534</b>
SF 133, Report on Budget Execution and Budgetary Resources	<b>\$84,850,341</b>	<b>\$84,087,662</b>	<b>\$66,752,909</b>

CPSC does not have any material differences between the Statement of Budgetary Resources and SF 133 as of 9/30/2008. The \$40,534 represents the distributed offsetting receipts reported on the Combined Statement of Budgetary Resources but is not required to be reported on the SF 133.

Also, CPSC Balance Sheet, Statement of Net Cost, and Statement of Budgetary Resources do not have significant variances between the comparative periods FY 2007 and FY 2008.

**Note 8 – Reconciliation of Net Cost of Operations to Budget**

<b>Resources Used to Finance Activities</b>	<b>2008</b>	<b>2007</b>
Budgetary Resources Obligated		
Obligations incurred	\$ 84,087,662	\$66,358,481
Less: Collections	(2,861,433)	(3,443,244)
Less: Adjustment-downward	(1,379,620)	(755,024)
Obligations net of offsetting collections and recoveries	79,846,609	62,160,213
Less: Offsetting receipts	(40,534)	(20,318)
Net Obligations	79,806,075	62,139,895
Other Resources		
Obligations-Beginning of the Period	12,494,570	9,603,600
Imputed Financing Sources	3,024,280	3,267,210
Total Resources Used to Finance Activities	95,324,925	75,010,705
 <b>Resources Used to finance items not Part of the Net Cost of Operations</b>		
Changes in Undelivered Orders	(23,077,533)	(10,479,891)
Other/Accrual/Accounts Payable prior year	(2,014,678)	(1,985,623)
Offsetting receipts	40,534	20,318
Resources that finance the acquisition of assets	1,914,959	(119,326)
Total resources used to finance items not part of the net cost of operations	(23,136,718)	(12,564,522)
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>\$72,188,207</b>	<b>\$ 62,446,183</b>
 <b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring Resources in Future Periods:		
Actuarial Federal Employees' Compensation Act Liabilities	361,600	395,468
Unfunded Annual Leave	3,653,789	3,332,347
Unemployment Insurance	5,167	(105)
Total components of Net Cost of Operations that will Require Resources in the Future Period	4,020,556	3,727,710
Components not Requiring or Generating Resources:		
Depreciation	(2,250,413)	399,478
<b>Total Components of Net Cost of operations that will not Require or Generate Resources in the Current Period</b>	<b>1,770,143</b>	<b>4,127,188</b>
<b>Net Cost of Operations</b>	<b>\$ 73,958,350</b>	<b>\$ 66,573,371</b>

## REQUIRED SUPPLEMENTARY INFORMATION

### **Deferred Maintenance**

CPSC does not have any items for which maintenance has been deferred.

### **Intragovernmental Amounts**

See Note 2 on financial statements.

### **Statement of Budgetary Resources**

The statement is prepared on a total Commission basis.

### **Statement of Custodial Activity**

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

### **Segment Information**

CPSC does not have a franchise fund or other intragovernmental support revolving fund.