U.S. CONSUMER PRODUCT SAFETY COMMISSION

# 2011 PERFORMANCE AND ACCOUNTABILITY REPORT

November 2011

PROTECTING THE PUBLIC against unreasonable risks of injury from consumer products through education, safety standards activities, regulation, and enforcement.

## FY 2011 FINANCIAL INFORMATION RESTATED

CPSC has restated its FY 2011 financial statements and notes to correct material errors. The restated financial statements are included in the FY 2012 Performance and Accountability Report (PAR). The restated financial package allows for proper reporting of the financial position and for valid comparison with CPSC's FY 2012 financial statements and notes. The FY 2011 PAR has not been amended to include the restated financial package.

# MESSAGE FROM THE CHAIRMAN

It is my pleasure to present the U.S. Consumer Product Safety Commission's (CPSC's) fiscal year 2011 Performance and Accountability Report. This report outlines the Commission's performance and accomplishments in 2011 and our progress toward achieving our mission of protecting the public against unreasonable risks of injury from consumer products through education, safety standards activities, regulation, and enforcement. It summarizes progress toward the five goals from our 2011–16 Strategic Plan and it provides details on the status of the performance goals established in the President's 2011 performance budget.

## 2011 PERFORMANCE HIGHLIGHTS

Fiscal year 2011 was an extraordinary year for the CPSC and for consumer product safety. The CPSC made significant progress toward all five strategic goals and achieved a number of noteworthy accomplishments, including the launch of the Commission's publicly searchable database of consumer product incidents, available at *www.SaferProducts.gov*, and implementation of some of the strongest lead content limits for children's products in the world. CPSC staff also began work in the new Beijing, China office and trained thousands of Chinese managers, engineers, and technicians.

I was also very pleased to see Congress respond to my call for greater flexibility in implementing the Consumer Product Safety Improvement Act of 2008 (CPSIA), which did not slow down or reverse progress already made to protect the health and safety of children. H.R. 2715, now Public Law 112-28, was signed into law by the President on August 12, 2011, and it confirms my vision by upholding the new strict lead limits for children's products, mandating independent testing of children's products, continuing operation of the public database, and reaffirming core provisions of the CPSIA. Public Law 112-28 also provides flexibility in specific areas requested by the Commission, such as the allowance of prospective application of the lower lead limits required for children's products.

**Strategic Goal 1: Leadership in Safety—Take a leadership role in identifying and addressing the most pressing consumer product safety priorities and mobilizing action by our partners.**

As international trade has expanded and the value of U.S. imports under the CPSC's jurisdiction has increased, the CPSC's work to monitor the universe of consumer products for safety hazards and dangerous defects has required a more global focus and a more proactive approach. Accordingly, the CPSC is shifting our efforts from the detection of potentially dangerous consumer products in the marketplace towards preventing the production and distribution of these products. The CPSC is working to strengthen bilateral and multilateral partnerships with foreign safety regulators and manufacturers, and this effort is aimed at sharing information, improving product safety throughout the supply chain, and aligning global consumer product standards. The CPSC's Office of Education, Global Outreach, and Small Business Ombudsman provides a coordinated program to develop consumer product safety standards internationally, and it encourages foreign manufacturers to establish product safety systems as an integral part of manufacturing.

China accounts for the largest share of U.S. consumer product imports. In 2011, the CPSC's East Asia-Pacific Regional office, located at the United States Embassy in Beijing, was fully functioning and engaged in dialogue with foreign regulators and stakeholders across the region, promoting regulatory alignment and best practices. CPSC staff trained more than 6,500 Chinese managers, engineers, and technicians. CPSC staff also established a system that automatically notifies our counterpart Chinese

consumer safety regulatory agency, the General Administration for Quality Supervision, Inspection, and Quarantine (AQSIQ), when the CPSC announces a recall involving a product manufactured in China.

The first North America Consumer Product Safety Summit with Mexico and Canada, hosted by the CPSC in September 2011, represents another important achievement in 2011. Summit participants discussed trilateral initiatives and developed an agenda for future engagement that reflected shared product safety priorities of our three countries. Each day the U.S. conducts $42.5 billion in trade with Mexico and Canada, and imports from these countries account for the second and third largest shares of imported consumer products likely to be under the CPSC's jurisdiction. To the extent that product regulation is aligned and hazards are managed similarly with a high level of safety, consumers in all three countries will be protected better. In 2011, the CPSC also partnered with Mexican agencies to deliver training and capacity-building programs targeted at Mexican manufacturers and regulatory authorities.

**Strategic Goal 2: Commitment to Prevention—Engage public and private sector stakeholders to build safety into consumer products.**

The CPSC has worked to protect consumers by promoting the production of safe products and the development and implementation of safety standards. The CPSC has participated in the development of new safety standards, created regulations, and educated manufacturers on safety requirements to encourage them to build safety into consumer products. By encouraging industry leaders and foreign safety agencies to focus on safety early in the global supply chain, where most consumer product hazards and safety defects arise, the CPSC has worked to prevent hazards from entering consumer markets.

In 2011, the Commission promulgated new mandatory standards for full-size and non-full-size cribs. The new standards, which went into effect in June, are the toughest crib safety standards in the world, and they represent the first major upgrade of the federal crib rule in 30 years. These new standards should help parents to be confident that young babies are safe in their cribs. Another major development involved implementation of the stringent 100 parts per million total lead content limit in children's products, which represents one of the lowest lead levels in the world. This development will allow consumers to rest assured that lead should be virtually nonexistent in toys and children's products made on or after August 2011.

Other notable developments this year in implementing the CPSIA include:

- completed the laboratory accreditation process for regulations applicable to children's products including the mandatory toy standard and the limits on phthalates in toys and child care articles;
- promulgated a new mandatory standard for toddler beds;
- promulgated independent third party safety testing and certification requirements for various children's products; and
- promulgated mandatory standards to keep drawstrings out of children's outerwear and keep immersion protection devices on hair dryers.

**Strategic Goal 3: Rigorous Hazard Identification—Ensure timely and accurate detection of consumer product safety risks to inform agency priorities.**

The CPSC must determine quickly and accurately which hazards represent the greatest risks to consumer safety. The CPSC uses reliable data and a systematic and transparent framework to assess and track hazard data consistently. In 2011, we continued data collection on product hazards from hospitals, medical examiners', coroners' reports, and review of our news clips. In March, we launched the Consumer Product Safety Information Database (*www.SaferProducts.gov*), as mandated by the CPSIA. This publicly searchable database of consumer incident reports is a significant open government program that gives consumers access to incident information that previously could be obtained only through

Freedom of Information Act (FOIA) requests. It empowers consumers to make independent decisions about their safety and their families' safety. To date, *www.SaferProducts.gov* has been a valuable source of information for the thousands of consumers who visit the site almost every day.

CPSC staff also continued to meet efficiency goals for completing investigations and for processing Hotline incident reports. CPSC staff completed product hazard scans to determine whether previously identified significant hazards exist in similar products, and staff completed toxicity reviews for phthalates. Staff also completed reports on fatalities from carbon monoxide, injuries and death to children from nursery products and toys, losses from residential fires, and injuries and deaths associated with fireworks, among other things.

CPSC staff produced a report to Congress on the resources and statutory changes recommended for full implementation of a risk assessment methodology, as required by section 222 of the CPSIA. The CPSC began receiving live data from U.S. Customs and Border Protection (CBP) to test a methodology prototype allowing CPSC staff the ability to see shipment information before goods reach the port, allowing us to be more targeted and effective in identifying suspect shipments.

In 2011, the CPSC's Import Surveillance Division, now called the Office of Import Surveillance and Inspection, increased to 19 the number of staff who are colocated with staff from CBP at some of the largest U.S. ports of entry. Working side by side at the ports leads to more effective import enforcement by facilitating faster sample sharing, decreased exam times, and increased interagency communication. In 2011, staff screened more than 9,000 imported products for further CPSC evaluation. By identifying and checking consumer products at U.S. ports of entry, dangerous products can be stopped at the ports before they enter the marketplace.

**Strategic Goal 4: Decisive Response—Use the CPSC's full range of authorities to quickly remove hazards from the marketplace.**

In 2011, staff increased enforcement activity on eight CPSIA rules promulgated in 2009 and 2010 through establishment inspections, retail surveillance, and port surveillance. CPSC staff enforced the Virginia Graeme Baker Pool and Spa Safety Act (VGB Act) by inspecting pools and continuing an enforcement program with cooperating states. Staff implemented an enforcement program to monitor compliance with the requirements of the Children's Gasoline Burn Prevention Act. CPSC staff exceeded efficiency goals for obtaining corrective actions for regulated products, negotiating corrective actions for unregulated products, and conducting recall checks (verifying that recalled products are not available for sale in the marketplace).

In May 2011, the CPSC moved into its new, state-of-the-art National Product Testing and Evaluation Center (NPTEC), a world-class laboratory and consumer product evaluation facility. The new facility allows CPSC staff to conduct numerous tests and product evaluations, including mechanical and rollover tests on all-terrain vehicles, open-flame tests on mattresses, and expanded testing of combustion products. NPTEC plays a vital role in testing and evaluating consumer products and contributes to the development of test methods for consumer product safety standards.

**Strategic Goal 5: Raising Awareness—Promote a public understanding of product risks and CPSC capabilities.**

CPSC staff continued to disseminate successfully safety messages related to consumer products through a variety of platforms, including newspaper and radio stories, social media outreach, TV appearances, video broadcasts, and safety brochures. Tens of millions of consumers received messages on a range of safety topics, including imports, fire and carbon monoxide hazards, and children's products. CPSC staff produced safety messages to warn consumers about hazards and potentially dangerous behaviors associated with all-terrain vehicles, bicycles, chromated copper arsenate (CCA) pressure-treated wood,

CO and smoke alarms, drawstrings in children's clothing, fireworks, holiday decoration hazards, home heating hazards, in-home drowning prevention, mattress flammability, gas generators, furniture tip-overs, and window covering pull cords, among other products.

The CPSC successfully implemented a national and grassroots media and information campaign, called *Pool Safely*, which reached tens of millions of families with safety messages related to drowning and drain entrapment prevention, as required by the VGB Act. Messages about hazards in and around pools and spas were disseminated through a targeted education campaign that included TV and radio public service announcements, advertisements, and press events nationwide. The CPSC also continued to develop the *www.PoolSafely.gov* website to improve accessibility for children.

CPSC staff implemented a successful grassroots minority outreach campaign aimed at increasing awareness among minority and underserved consumers of critical safety hazards in the home. CPSC staff participated in conferences geared toward minority leaders and communities in six cities, created translations for safety videos and print material, and reached millions of minority consumers through television, newspaper, radio, Internet, and social media.

Finally, CPSC staff extended the "Safe Sleep for Babies" education campaign, using a multifaceted outreach approach for media, parents and expectant parents, medical professionals, and grassroots organizations. The CPSC disseminated videos on safe sleep and hazards related to cribs, baby monitor cords, and infant sleep positioners. Staff also disseminated information to childcare centers, hotels, motels, government agencies, and parents on the new crib safety rule.

We continue to make progress in the financial management area. In FY 2011, we contracted with the Department of Transportation's Enterprise Service Center (ESC) to provide full service accounting, enabling us to leverage their state of the art financial system for transaction processing, automated approval workflow, and financial reporting. We made substantial progress in our ability to prepare financial statements compliant with federal accounting standards, and restated our FY 2010 financial statements to correct material errors. Because of these errors, the management assurance from FY 2010 has been withdrawn. However, this FY 2010 restatement addresses the qualified opinion from the IG last year reflecting the progress that has been made in our financial reporting systems and will likely ensure an accurate comparison to our FY 2011 financial results. The details of the restatement are fully disclosed in the Financial Report section of this report. Lastly, we have worked to strengthen our internal controls by updating many of our financial operating procedures and utilizing the automated controls resident in the ESC financial system.

The Inspector General's FY 2011 Independent Audit Report found that:

- the financial statements for FY 2011, are presented fairly, in all material respects, in conformity with the U.S. generally accepted accounting principles,
- although internal controls could be improved, for FY 2011 the Commission had effective internal controls over financial reporting (including safeguarding assets) and compliance with laws and regulations, and
- [there was] reportable noncompliance in FY 2011 with laws and regulations tested.

Based on the results of this assessment, the CPSC can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations as of September 30, 2011, was operating effectively. Further, the CPSC has determined that the financial management system conforms to government-wide financial systems requirements. No material weaknesses were found in the design or operation of internal controls although the IG's financial audit identified significant deficiencies. In addition, the IG's audit result of reportable noncompliance in FY 2011 with laws and regulations was specific to the Prompt Payment Act

and the Debt Collection Improvement Act of 1996. These instances on noncompliance are discussed in the IG's audit results of significant deficiencies and findings and did not result in a material weakness. Given the results of the independent audit conducted in accordance with the GAO standards, I can provide reasonable assurance that the CPSC is in compliance with the Federal Financial Management Improvement Act and that the performance data contained in this report are complete and reliable.

Inez M. Tenenbaum
Chairman
November 15, 2011

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# APPROACHES TO PRODUCT SAFETY

The CPSC is an independent federal regulatory agency created in 1972 by the Consumer Product Safety Act (CPSA). In addition to the CPSA, as amended by the Consumer Product Safety Improvement Act of 2008 (CPSIA) and H.R. 2715, now Public Law 112-28, the CPSC administers seven other laws: the Federal Hazardous Substances Act, the Flammable Fabrics Act, the Child Safety Protection Act, the Poison Prevention Packaging Act, the Refrigerator Safety Act, the Virginia Graeme Baker Pool and Spa Safety Act, and the Children's Gasoline Burn Prevention Act.

The CPSC has jurisdiction over thousands of types of consumer products used in and around the home, outdoors, in the workplace, and in schools, from children's toys to portable gas generators and toasters. While the Commission's regulatory purview is quite broad, a number of product categories fall outside the CPSC's jurisdiction.[1]

As globalization and technological advances expand the range of products on the market, the risks and opportunities associated with these advancements make the challenge of overseeing and regulating the thousands of product types all the more complex. Some challenges include: monitoring the growth of global supply chains that assemble products across a vast web of interconnected geographies; identifying product hazards among the hundreds of thousands of products entering U.S. ports in shipping containers; and effectively disseminating vital product safety information to the public.

Through the CPSIA, Congress provided the CPSC with important new authorities that are helping the agency address those challenges. This legislation empowers the agency at U.S. ports; directs that longstanding voluntary standards be turned into mandatory standards for various children's products; increases civil penalty amounts and enhances the CPSC's criminal penalty authorities; requires testing and certification of children's products; establishes one of the lowest lead limits in the world for children's products; and it spurred the creation of the CPSC's first foreign office in Beijing, China. Public Law 112-28 provides clarification on lead limits for children's products, as well as the application of third party testing requirements for small batch manufacturers and for certain print materials, and more.

In order to achieve its mission of protecting the public against unreasonable risks of injury from consumer products through education, safety standards activities, regulation, and enforcement, the CPSC uses a number of approaches that are captured under five strategic goals: (1) to provide leadership in safety; (2) to reinforce a commitment to prevention; (3) to engage in rigorous hazard identification; (4) to provide a decisive response to identified product hazards; and (5) to raise awareness of safety issues and CPSC capabilities.

## LEADERSHIP IN SAFETY

The CPSC will be at the forefront of advancing the agenda for consumer product safety. The value of U.S. imports under the CPSC's jurisdiction has skyrocketed in recent years, with imports from China—including those from Hong Kong—more than quadrupling from 1997 to 2010. Moreover, four out of every five consumer product recalls involve imported products, making imports a critical area of focus for the CPSC.

Product safety can suffer in countries where domestic regulation is not effective and quality control systems are lacking. The CPSC uses its authority to encourage importers to ensure that their suppliers implement

[1] Product categories regulated by other federal agencies include: automobiles and boats; alcohol, tobacco, and firearms; food and drugs; pesticides; cosmetics; and medical devices.

practices necessary to develop safe products. The CPSC also provides training and guidance to foreign manufacturers to help them meet U.S. product safety requirements, and it works toward harmonizing global consumer product standards. One of the ways the CPSC is reducing the number of unsafe imported products entering the U.S. marketplace is by strengthening bilateral and multilateral relationships with foreign regulators and manufacturers.

By establishing a clearly defined leadership agenda that lays out the CPSC's priorities for addressing consumer product safety hazards and mobilizing stakeholders, the Commission can target its limited resources and collaborate with domestic and international partners to improve product safety.

*Education, Global Outreach, and Small Business Ombudsman*

In 2010, the Commission created the Office of Education, Global Outreach, and Small Business Ombudsman. The office coordinates with, and provides education and outreach activities to, various domestic and international stakeholders, including manufacturers, retailers, resellers, small businesses, and foreign governments. The office will collaborate closely with institutions of higher learning in order to eliminate gaps in supply chain integrity and thus, reduce recalls. Manufacturers now have a single source within the Commission for manufacturer-related safety information. The existence of this office facilitates the transfer of knowledge to industry, and ultimately, the office will contribute to creating safer products through better-educated manufacturers. Retailers and resellers benefit from the new office through the development of improved systems for informing them of product recalls and other important safety information. This office also works with foreign governments and regulatory bodies to help them to increase their capacity to develop product surveillance strategies, product testing methods, and voluntary and mandatory product safety standards.

Small businesses have a full-time ombudsman in the new office, dedicated to responding to their concerns. For example, the ombudsman is charged with developing information and guidance tailored specifically to small batch manufacturers. The ombudsman works diligently to develop partnerships with associations and alliances that represent small manufacturers, sole proprietorships, and handcrafters.

## COMMITMENT TO PREVENTION

Preventing hazardous products from entering the marketplace is one of the most effective ways the CPSC can protect consumers. The CPSC does this by promoting the production of safe products through the development and implementation of safety standards.

*Voluntary Standards*

The statutes the CPSC administers require it to rely on voluntary standards to build safety into consumer products if the Commission determines that compliance with a voluntary standard is likely to result in the elimination or an adequate reduction of the risk of injury identified, and provided there will be substantial compliance with the voluntary standard. Voluntary standards for consumer products are developed based on consensus within voluntary Standards Development Organizations (SDOs), which are comprised of industry, government, and consumer representatives. Many industry partners try to comply with the standards because they represent an

agreement among industry and other SDO members. When CPSC staff members identify the need for a voluntary standard, based on consumer product incident data, analysis of those data, and engineering reports they submit a recommendation to an SDO. Typically, an SDO will organize a group, which then performs a technical assessment and prepares a draft standard for public comment. During this comment period, CPSC staff provides expert advice, technical assistance, and clarifying analyses. After evaluating and incorporating public comments received on the proposal, the group developing the standard's provisions votes on the final voluntary standard (the CPSC does not vote on the standard). Once the voluntary standard is approved, it usually becomes the recognized norm for that industry group and product type.

*Mandatory Standards*

Mandatory standards are federal rules set by statute or regulation that define the requirements consumer products must meet. Mandatory standards typically take the form of performance requirements that consumer products must meet or warnings they must display in order to be imported, distributed, or sold in the United States. The CPSC may set a mandatory standard when it determines that compliance with a voluntary standard would not eliminate or adequately reduce a risk of injury or finds that it is unlikely that there will be substantial compliance with a voluntary standard.[2] The Commission may also promulgate a mandatory ban of a hazardous product when it determines that no feasible voluntary or mandatory standard would adequately protect the public from an unreasonable risk of injury. If the CPSC determines that a mandatory standard or ban is necessary, the Commission uses a highly participatory process to create the standard or ban, by soliciting comments from consumers, industry groups, government partners, and any other interested stakeholders. When a mandatory standard is promulgated by the CPSC, it applies across the entire chain of distribution, including manufacturers, distributors, and retailers. Mandatory standards and bans are enforceable by the CPSC. This allows the agency to stop products at the ports that do not meet federal requirements. In addition, it allows the CPSC to seek civil or criminal penalties for violations of the mandatory standards or bans.

To facilitate the development of safer products, the CPSC trains industry stakeholders about the CPSC's regulatory requirements and hazard identification best practices and provides incentives to manufacturers and importers to implement preventive actions that could result in safer consumer products. The CPSC also encourages foreign product safety regulators and foreign manufacturers to take action to reduce the production of unsafe consumer products that may enter the U.S. market.

RIGOROUS HAZARD IDENTIFICATION

The CPSC collects data on consumer product-related injuries and deaths, as well as economic and hazard exposure information on products under the CPSC's jurisdiction. Staff investigates specific injury cases to gain additional knowledge about injuries or hazards and how the reported product was involved. Staff analyzes this information to determine where

[2] The CPSIA requires the promulgation of mandatory standards for some products with existing voluntary standards, such as durable infant and toddler products, children's toys, and ATVs. For a complete list, please refer to the CPSIA at *http://www.cpsc.gov/cpsia.pdf*.

hazards exist and how to address them. These activities reflect the Commission's commitment to making decisions based on appropriate data analyses. This work provides underlying support for all of the CPSC's safety activities.

*Product-related Injuries and Deaths*

Each year, the CPSC collects information about product-related injuries treated in hospital emergency rooms through its National Electronic Injury Surveillance System (NEISS). This unique system provides statistically valid national estimates of product-related injuries from a probability sample of hospital emergency rooms. Several foreign governments have modeled their national injury data collection systems on the CPSC's system.

The CPSC also collects mortality data. Each year, CPSC staff purchases, reviews, and processes about 8,000 death certificates from all 50 states and the District of Columbia, covering unintentional product-related deaths. The Medical Examiners and Coroners Alert Project (MECAP) collects and reviews approximately 5,500 additional reports from participating medical examiners and coroners throughout the country. Staff also collects and reviews about 6,600 news clips and 24,000 other reports of product-related injuries and deaths from consumers, lawyers, physicians, fire departments, and others.

Staff routinely reviews and analyzes this large volume of data to identify patterns and trends reflective of a potential emerging hazard. If analysts detect an increased frequency of reports for a given product or manufacturer, field investigators may conduct an in-depth investigation to understand better how the injuries occurred, identify the consumer product involved, and obtain other information relevant to the investigation.

The CPSC must determine quickly and accurately which hazards represent the greatest risks to consumer safety. Using a systematic approach, The CPSC aims to enhance the quality of crucial product hazard data and reduce the time it takes to identify trends. It does this by improving collection and assessment of hazard data, expanding import surveillance efforts, scanning the marketplace regularly, and increasing the surveillance of used consumer products offered for resale.

*Consumer Product Safety Risk Management System*

The CPSC is changing the way it approaches early warning detection by creating a single data source and resolving issues of siloed systems with disparate data. The CPSIA directed the Commission to modernize its IT systems and to develop a searchable database, using certain criteria for public reporting. In response to that mandate, the Commission is developing a single, integrated Web-based environment—the Consumer Product Safety Risk Management System (CPSRMS)—which will augment the CPSC's capability to monitor the safety of products. The CPSRMS also modernizes the way the CPSC interacts with the business community, by using secure, electronic communication, rather than traditional methods, such as postal mail. The website, *www.SaferProducts.gov*, is where the public can report incidents and find consumer product recall information, and it is where businesses can submit comments and other information to the CPSC electronically.

The CPSC's publicly available consumer product safety information database is one of the agency's most ambitious new initiatives. The database was launched in March 2011, and represents a new approach to sharing consumer product safety information with consumers. While consumers have traditionally played an important role in assisting the CPSC in identifying hazardous consumer products, the new approach increases the Commission's focus on preventative efforts by enabling staff to identify consumer product hazards earlier through transparent collaboration and two-way information sharing.

In 2008, the CPSC implemented an Import Safety Initiative, including the establishment of a new Import Surveillance Division, to manage enforcement activities at the ports. The Import Surveillance Division is now the Office of Import Surveillance and Inspection. High-volume port locations are staffed with investigators dedicated exclusively to ensuring import compliance. The port investigators work closely with other field investigators located near ports of entry where permanent CPSC import staff is not assigned. These investigators call on the talents of CPSC compliance officers, attorneys, and support staff to assist in border enforcement. More sampling, detention, and interdiction of unsafe products will result from this increased enforcement presence.

## DECISIVE RESPONSE

Once hazardous products have been identified, the CPSC will take action to protect consumers, remove the products from the marketplace, and hold violators accountable.

### *Compliance*

The CPSC takes a multifaceted approach to addressing incidents and injuries. Field staff investigates reports of incidents and injuries; conducts inspections of manufacturers, importers, and retailers; and identifies potential regulatory violations and product defects that could harm the public. The CPSC also responds to industry-generated reports and technical staff determines which possible violations and defects warrant corrective action.

When a recall is necessary, compliance staff undertakes negotiations with the responsible firm to seek a voluntary recall, whenever possible. In 2011, CPSC staff completed 405 recalls (100 percent voluntary) involving millions of consumer product units that either violated mandatory standards or were defective and presented a substantial risk of injury to the public. Industry has an opportunity to streamline the recall process by participating in the Fast-Track Recall Program[3] to remove hazardous products from the marketplace immediately.

### *Civil Penalties*

When companies knowingly fail to report potentially hazardous products, as required, the CPSC can seek civil penalties. In 2011, the CPSC

[3] If a company suspects that a product could be hazardous, the company must report it to the CPSC. The Fast-Track recall program allows the company to propose a plan for a Fast-Track recall. If the CPSC staff considers the firm's plan satisfactory—and finds no other cause for concern in its review—it approves the plan and works with the firm to expedite the recall to begin within 20 days of the initial report to the CPSC. This removes dangerous products from the marketplace faster and saves the CPSC and the company time and money.

negotiated out-of-court settlements with five companies that agreed voluntarily to pay a combined $3.26 million in civil penalties to the U.S. Treasury.

## RAISING AWARENESS

The CPSC uses a wide array of communication channels and strategies to provide the public with timely and targeted information about safety issues and CPSC capabilities, including an increasing presence on the Internet and social media. The CPSC posts recalls and press releases in a format that allows blogs, TV stations, and other media to obtain information from the CPSC's website and, in seconds, have the information posted on their websites. A strong Web presence is a key component of successfully achieving the CPSC's safety mission. Consumers also have the option of logging on to *www.SaferProducts.gov* or calling the CPSC Hotline to report an incident, ask questions about recalls, or request safety information. The CPSC conveys safety messages to the public through various information and education campaigns. Some of the ongoing campaigns that staff promoted in 2011 include pool and spa safety, safe sleep environments for babies, and outreach targeted specifically to minority consumers.

### *Pool and Spa Safety*

Supported by the Virginia Graeme Baker Pool and Spa Safety Act of 2008 (VGB Act), the CPSC continues to manage a national "Pool Safely" information and education program designed to reduce drowning and entrapment deaths and near-drowning injuries. The multifaceted initiative includes major education efforts, along with press events, partnerships, outreach, and advertising programs.

### *Safe Sleep*

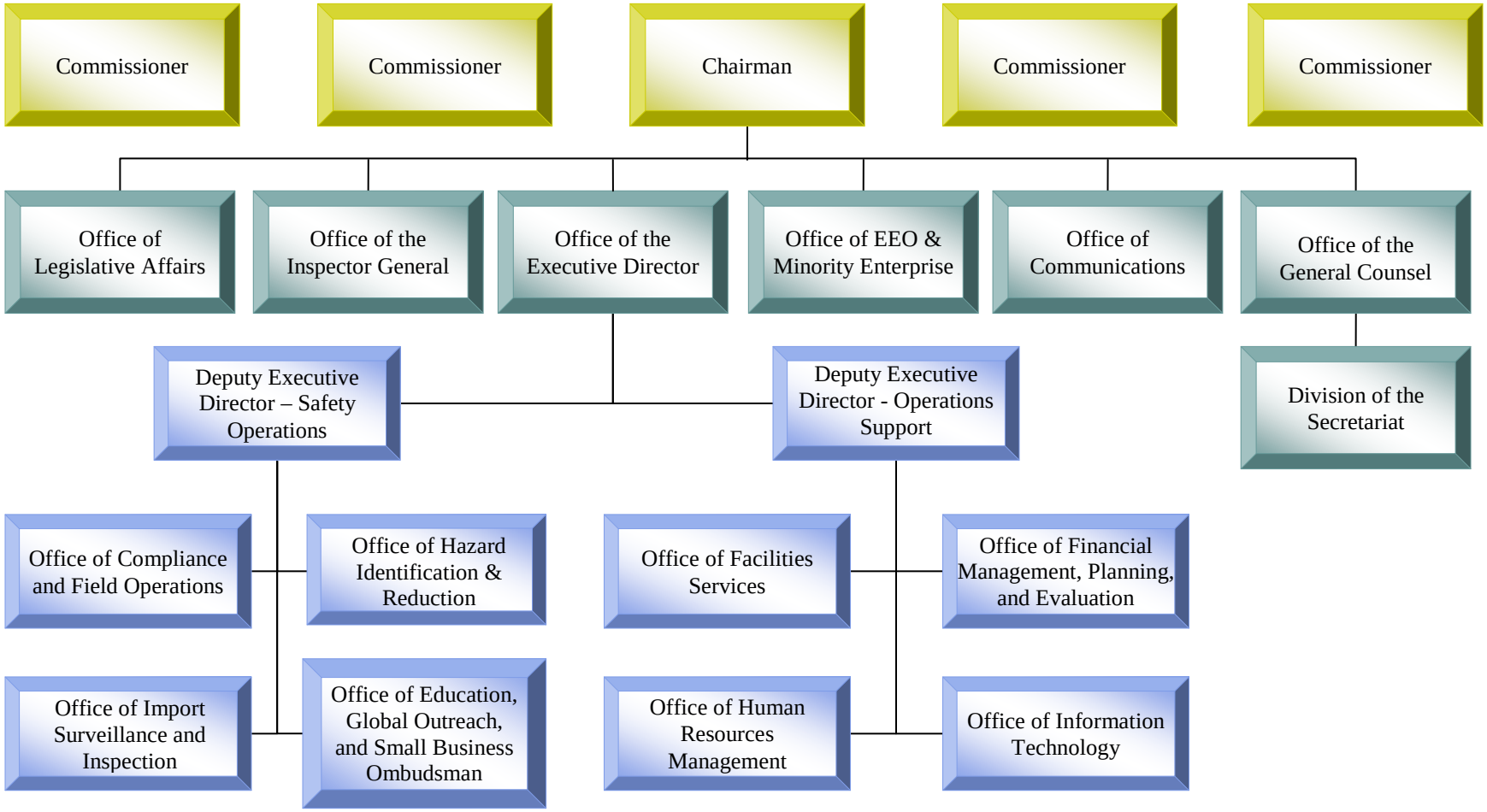
To protect the most vulnerable users of consumer products—children and infants—the CPSC, in 2010, launched the Safe Sleep Campaign to achieve several objectives: seek removal of recalled and dangerous nursery products from homes; encourage parents and consumers to purchase new products that meet mandatory standards; and educate parents and caregivers about the most effective ways to make a nursery safe. On June 28, 2011, new federal safety standards for the manufacture and sale of cribs went into effect. The goal is to ensure that parents of any age or financial status can have full confidence in the safety of their children's cribs.

### *Minority Outreach*

The CPSC is committed to gaining a better understanding of whether particular racial or ethnic groups are affected disproportionately by product-related hazards, focusing on child death rates. In 2010, the CPSC organized a minority outreach team that developed materials and participated in community events in several cities. The activities and collaborative partnerships are designed specifically to increase awareness about four critical safety hazards that affect consumers in the home: (1) children's and infants' sleep environments, (2) poisonings, (3) pools and spas, and (4) TV and furniture tip over. The Neighborhood Safety Network (NSN) is a grassroots outreach program that provides timely lifesaving information to more than 3,000 organizations and individuals who, in turn, share CPSC safety posters and news alerts with underserved consumers who otherwise might be unlikely to receive information from the CPSC.

# ORGANIZATIONAL STRUCTURE

The Commission is composed of five members appointed by the President with the advice and consent of the Senate. The Chairman is the principal executive officer of the Commission. The following depicts the organizational structure* of the CPSC:




* The Commission approved a minor reorganization of the CPSC on July 29, 2011.

# 2011–2016 STRATEGIC PLAN

In 2010, the Commission launched a comprehensive strategic planning initiative to revise and update its existing Strategic Plan. The 2011–2016 Strategic Plan, which took effect in 2011, will shape performance reports over the next five years.

**Vision: The CPSC is the recognized global leader in consumer product safety.**

## Objectives for Strategic Goal One: Leadership in Safety

- 1.1 Determine the most critical consumer product hazards and issues to define the Commission's annual priorities consistent with the agency's regulatory requirements.
- 1.2 Create and strengthen partnerships with domestic and international stakeholders aimed at improving product safety throughout the supply chain.
- 1.3 Collaborate with partners ranging from state and federal authorities, colleges and universities, and other stakeholders to expand the CPSC's effectiveness and reach.
- 1.4 Work towards harmonizing global consumer product standards or developing similar mechanisms to enhance product safety.
- 1.5 Promote and recognize innovation and advancements in consumer product safety.
- 1.6 Attract, retain, and collaborate with leading experts to address consumer product hazards.

## Objectives for Strategic Goal Two: Committment to Prevention

- 2.1 Minimize hazardous defects early in the manufacturing process through increased participation in voluntary standards activities.
- 2.2 Improve the safety of consumer products by issuing mandatory standards, where necessary and consistent with statutory authority, in response to identified product hazards.
- 2.3 Facilitate the development of safer products by training industry stakeholders on the CPSC regulatory requirements and hazard identification best practices.
- 2.4 Develop programs that provide incentives for manufacturers and importers to implement preventive actions that enable the safety of their products.
- 2.5 Engage foreign product safety regulators and foreign manufacturers to reduce the production of unsafe consumer products that may enter the U.S. market.

## Objectives for Strategic Goal Three: Rigorous Hazard Identification

- 3.1 Improve the quality and comprehensiveness of crucial product hazard data.
- 3.2 Reduce the time it takes to identify hazard trends by improving the collection and assessment of hazard data.
- 3.3 Establish a transparent, risk based methodology to consistently identify and prioritize hazards to be addressed.
- 3.4 Expand import surveillance efforts to reduce entry of unsafe products at U.S. ports.
- 3.5 Scan the marketplace regularly to determine whether previously identified significant hazards exist in similar products.
- 3.6 Increase surveillance of used and resale consumer products to identify and remove recalled products and substantial product hazards.

## Objectives for Strategic Goal Four: Decisive Response

- 4.1 Reduce the time it takes to inform consumers and other stakeholders of newly identified hazards and the appropriate actions to take.
- 4.2 Use a risk-based methodology to prioritize the CPSC's targeted response to addressable product hazards.
- 4.3 Expand the CPSC's ability to conduct a full range of inspections to monitor for noncompliant and defective products.
- 4.4 Increase the effectiveness and speed of stop sales and recalls of noncompliant and defective products.
- 4.5 Hold violators accountable for hazardous consumer products on the market by utilizing enforcement authorities.

## Objectives for Strategic Goal Five: Raising Awareness

- 5.1 Increase awareness of the CPSC to ensure the public knows where to turn for information on consumer product safety and knows about the enforcement capabilities used to address product dangers.
- 5.2 Provide stakeholders with easily accessible, timely, and useful safety information on consumer product hazards.
- 5.3 Deploy targeted outreach campaigns for priority hazards and vulnerable communities.
- 5.4 Increase access to consumer product safety information for industry and small businesses.

# 2011 PERFORMANCE SUMMARY

We met or exceeded most of our 2011 Performance Plan goals. In successful pursuit of the 2011 plan, we made these safety advances:

**Strategic Goal 1: Leadership in Safety**

- Created the Office of Education, Global Outreach, and Small Business Ombudsman to coordinate and provide outreach to various domestic and international stakeholders, including manufacturers, retailers, resellers, small businesses, foreign governments, and consumers.
- Created a full-time Small Business Ombudsman position to serve the nation's many small businesses in the area of product safety.
- Established the East Asia-Pacific Regional office, located at the U.S. Embassy in Beijing.

**Strategic Goal 2: Commitment to Prevention**

- Passed new rules that stem from the children's product safety provisions of the CPSIA.
- Passed a new crib rule, making the standards for cribs the toughest in the world.
- Passed a rule for a durable infant and toddler product (toddler beds).
- Required tracking labels, to the extent practicable, on children's products so that parents can identify a product's manufacturer long after the packaging has been discarded.
- Implemented a lower lead content limit of 100 parts per million, one of the lowest limits in the world.

**Strategic Goal 3: Rigorous Hazard Identification**

- Launched the publicly available Consumer Product Safety Information Database, now available at: *www.SaferProducts.gov*. The database allows consumers to report consumer products that cause harm or have the potential to cause harm, as well as allows them to search reports submitted by others in order to make informed decisions about the products they own or are considering purchasing.

**Strategic Goal 4: Decisive Response**

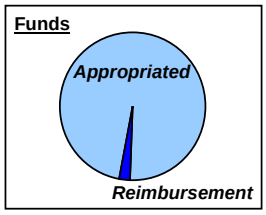
- Relocated the existing laboratory facility to the new National Product Testing and Evaluation Center (NPTEC), where CPSC scientists and engineers test potentially hazardous products for defects and develop testing methods to determine compliance with safety standards. NPTEC will enhance the CPSC's ability to protect families and consumers from harm, by expanding the CPSC's testing capabilities, increasing the efficiency of agency staff and equipment, and allowing more testing to be done more quickly.

**Strategic Goal 5: Raising Awareness**

- Promoted the importance of creating safe sleeping environments for babies and toddlers through the Safe Sleep campaign. The campaign highlighted the new crib safety standards that prohibit the sale of drop-side cribs in the United States. Staff also warned of hazards associated with soft bedding, infant slings, sleep positioners, and baby monitor cords.
- Reinforced safety messages through rapid response initiatives following media reports of fatalities involving children and adults as a means of preventing future incidents. When stories about deaths or injuries related to pools and spas, all-terrain vehicles, and carbon monoxide poisonings are in the news, the CPSC follows up with guidelines on how to prevent similar injuries from occurring.

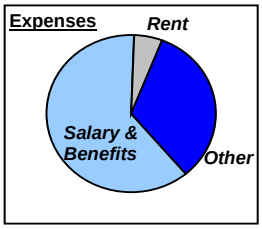
# 2011 FINANCIAL SUMMARY

## 2011 Resources




In 2011, the CPSC's total available resources of $121,966,943 included $118,911,360 (97.5 percent) appropriated by Congress and $3,055,583 (2.5 percent) in reimbursements from others. The majority of these reimbursement funds were from other federal agencies for the collection of injury data for incidents using our unique data collection systems.

Of the $118,911,360 2011 appropriated funds, $113,789,964 is classified as one-year funds and $5,121,396 is classified as multiyear funds. The $5,121,396 includes $2,123,396 for our laboratory modernization project (available through fiscal year 2011) and $2,998,000 for the Virginia Graeme Baker Pool and Spa Safety Act grants ($2 million available through fiscal year 2011 and $998,000 available through 2012).




The CPSC obligated $113,253,123 (99.5 percent) of its one-year appropriated funds. Staff salary and benefits made up most of these obligations. In 2011, the Commission funded an average of 542 FTEs using $70,200,871 (62 percent) of one-year appropriated funding. We obligated $6,271,470 (5.5 percent) for space rent to house our staff and product testing facility. The CPSC obligated the balance, $36,780,782 (32.5 percent), for various support costs, such as laboratory testing, information technology, and other contractual support services, staff travel, information technology equipment, and supplies.

## APPROPRIATED EXPENDITURES

| | 2010 | | 2011 | |
|---|---|---|---|---|
| | FTEs | $000 | FTEs | $000 |
| **One-year Funds:** | | | | |
| Leadership in Safety | 71 | $14,541 | 82 | $14,444 |
| Commitment to Prevention | 93 | $24,052 | 104 | $24,333 |
| Rigorous Hazard Identification | 93 | $32,141 | 105 | $35,790 |
| Decisive Response | 191 | $33,178 | 206 | $28,590 |
| Raising Awareness | 40 | $11,972 | 45 | $10,096 |
| **Total One-year Funds** | **488** | **$115,884** | **542** | **$113,253** |
| **Multiyear Funds:** | | | | |
| Lab Modernization | -- | $3,877 | -- | $2,120 |
| Pool and Spa Safety Act Grant Program | -- | -- | -- | -- |
| **Total Multiyear Funds** | -- | $3,877 | -- | $2,120 |
| **TOTAL COMMISSION** | **488** | **$119,761** | **542** | **$115,373** |

## OTHER CONSIDERATIONS

### LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

### PAYMENTS MANAGEMENT

The Office of the Inspector General has noted that the CPSC was not compliant with the *Improper Payments Elimination and Recovery Act (IPERA)* for 2011, IPERA requires that each federal agency conduct a review or risk assessment of all programs and activities, identify those that were susceptible to significant improper payments, and provide a gross estimate of improper payments for the agency. CPSC's review identified the following programs and activities to which the OMB guidance applies: (1) contracting activities, (2) Blanket Purchase Agreement (BPA) calls, and (3) purchase card transactions. Expenditures for these programs and activities in 2011 totaled $35 million ($30 million for all contract activity, $4 million for BPA calls and purchase orders below $2,500, and $1.3 million for purchase card transactions). The legal threshold requiring additional sampling to ascertain improper payments is $10 million of all fiscal year program or activity payments and 2.5 percent of program outlays. In 2011, this threshold would require an improper payment rate of 28 percent given that the cost of the CPSC's programs and activities covered by OMB guidance is about $35 million.

The CPSC is relying on already existing pre-procurement award criteria to serve as the initial risk-assessment criteria. These criteria are part of our existing internal controls and include verifying each contractor's eligibility, validating that services or products were received for each invoice by the Project Officer, and requiring contractor change of name agreement in writing. In addition, the CPSC's full service accounting provider, ESC, has existing internal controls to mitigate unauthorized payment approvals and duplicate invoice payments, which the CPSC views as an extension of the risk assessment criteria. However, the CPSC has not calculated a gross estimate of improper payments as required by IPERA. In 2012, the agency plans to refine the risk assessment criteria such that a gross estimate is included and to be more substantially compliant with OMB's guidance and IPERA.

# INSPECTOR GENERAL'S SUMMARY OF MANAGEMENT CHALLENGES

The Reports Consolidation Act requires that the Office of the Inspector General (OIG) identify the most serious management and performance challenges facing the agency and the agency's progress toward meeting these challenges. These challenges may be grouped into the following categories:

Information Technology

Financial Management

Management of Human Capital

**Background**: The Consumer Product Safety Improvement Act (CPSIA) of 2008 expanded both the authority and the responsibilities of the CPSC. It established an aggressive regulatory agenda and set deadlines to ensure that results were achieved in a timely fashion. The aggressiveness of the CPSIA has had both positive and negative effects on the agency. It has spurred a greater degree of regulatory activity than what would have existed without passage of the Act. At the same time, it established implementation timelines that required the CPSC to move at a pace that the agency has not always been able to accommodate. Given some of the criticism that the agency has received in the past, it is understandable that Congress would want to hasten the rulemaking process. However, the implementation timelines established by the CPSIA failed to include any time for several necessary steps in the rulemaking process. For example, there was no defined time allocated to interpreting the CPSIA or to provide training to CPSC employees on the content of the CPSIA. Thus, analysis and training had to be conducted at the same time agency staff was attempting to develop rules to implement the statute.

In implementing the CPSIA the CPSC faces challenges that are created not only by the requirement that it promulgate rules within mandatory timelines, but also by the complex scientific, technical, and procedural issues that staff confronts concerning those rules. The pace of work attendant to the required rulemaking will remain high throughout the foreseeable future because the CPSIA requires that not later than 1 year after the date of enactment of the CPSIA, the agency is required to promulgate standards for at least two categories of durable infant or toddler products every 6 months, beginning with the product categories determined by the Commission to be of highest priority, until the Commission has promulgated standards for all such product categories.[1]

It would not be reasonable to assume that the CPSC could take on these new challenges required by the CPSIA with the same level of resources that it has had to work with historically. Nor did Congress expect the agency to do so. In order to provide the resources necessary to meet these new responsibilities and to enforce the newly created statutory requirements, the CPSIA authorizes, but does not appropriate, increased funding levels for the CPSC annually, culminating in an authorization level of $136 million in FY 2014. This puts the agency in the position of incurring new responsibilities that are in large measure fixed[2] while the level of resources it will have to draw on to meet these responsibilities is unknown.

**Information Technology**

*1* The product categories include full-size and non-full-size cribs; toddler beds; high chairs, booster chairs, and hook-on chairs; bath seats; gates and other enclosures for confining a child; play yards; stationary activity centers; infant carriers; strollers; walkers; swings; and bassinets and cradles.

*2* Some, but not all, of the new requirements are predicated on Congress appropriating adequate funding.

Managing its current workload and the additional tasks projected for the future will not be possible for the CPSC to accomplish without the proper IT infrastructure. Today, the CPSC faces the challenge of how to use technology best to meet the agency's increasing workload. Previously, Congress, OMB, the OIG, and others have voiced concern about the agency's IT system's disaster recovery/continuity, and availability; CPSC's efforts to bring the IT system into full compliance with all appropriate federal regulations; and the strategic planning and management of its IT investments.

The IT challenges facing the agency are relevant, especially at the present time because the agency is dealing with the implementation of the Consumer Product Safety Improvement Act (CPSIA) in general, and with the CPSIA's specific impacts on the agency's IT operations and the implementation of the public facing database (CPSRMS), in particular.

The CPSIA called for upgrades of the Commission's information technology architecture and systems and the development of a database of publicly available information on incidents involving injury or death. This database was launched formally in March 2011.[3]

In order to assess objectively the current state of the CPSC's efforts in this area, as well as future improvements, the OIG chose to employ the Government Accountability Office's (GAO) Information Technology Investment Maturity (ITIM) model framework.[4] GAO's ITIM maturity model framework offers organizations a road map for improving their IT investment management processes in a systematic and orderly fashion. These process improvements are intended to accomplish the following: improve the likelihood that investments will be completed on time, within budget, and with the expected functionality; promote better understanding and management of related risks; ensure that investments are selected based on their merits by a well-informed decision-making body; implement ideas and innovations to improve process management; and increase the business value and mission performance of investments.

GAO's ITIM has a hierarchy. Each maturity stage consists of critical processes that are composed of a number of key practices. Each of the four maturity stages beyond Stage 1 contains a platform of well-defined critical processes. Each stage builds upon the lower stages and enhances an organization's ability to manage its IT investments. The five maturity stages represent the steps toward achieving a mature, comprehensive ITIM process. Each critical process contains a set of key practices, which when fulfilled, implement the critical process needed to attain a given state of maturity. The key practices are the tasks that must be performed in order to implement and institutionalize a critical process effectively.

The most recently completed ITIM evaluation determined that although real and fundamental improvement in the CPSC's IT investment management process had been made, clearly there is still room for continued improvement. Although the CPSC has implemented several of the key practices and critical processes that constitute Stage 2, the CPSC has only reached Stage 1 of the five-stage IT investment maturity model.

The most recently completed FISMA evaluation found that although much work has been done regarding IT security, a good deal of work remains to be done.[5] The general theme from the review indicated a lack of quality in system reporting and a lack of auditable evidence documenting the control activities performed by the resources responsible for the reviewed processes. These deficiencies, at least in part,

*3* A legal challenge to the constitutionality of the database was filed recently and potentially could impact greatly its utility.
*4* Although the framework used was selected by the Office of Inspector General, a contractor, on behalf of the OIG, undertook the actual process of auditing the CPSC's Information Technology Investment Maturity.
*5* The current fiscal year's FISMA review had not been completed at the time this document was being prepared.

resulted from the lack of adequate and up-to-date policies and procedures being enforced throughout the fiscal year, as well as a dearth of sufficient tools to carry out the required system reporting. However, although many of the policies have been updated and several of the procedures have been made more effective, many other improvements are still required.

**Financial Management**

The CPSC implemented a new financial accounting system in December 2009. Due to difficulties stemming from a lack of planning and preparation for the implementation of the new system, the Commission encountered a number of posting, reconciliation, and reporting issues that hindered its ability to ensure the accuracy and completeness of financial statement balances and provide data necessary for audit testing. The CPSC OIG noted specific issues in accounting for obligations, monitoring budget execution and control, reconciling payment information with the U.S. Treasury, and resolving posting errors. We also noted that reports needed for management, internal control, and audit purposes were not available following system deployment. Because of these and related problems, we were unable to give an opinion on the FY 2010 financial statements of the U.S. Consumer Product Safety Commission. Thus, in an opinion issued in 2010, this office warned of the risk that the financial statements for FY 2010 had been materially misstated.[6] For similar reasons, we were unable to give an opinion on the effectiveness of internal control for FY 2010 or to test compliance with laws and regulations for FY 2010.

Unfortunately, similar issues have occurred in FY 2011.[7] In order to address its shortcomings in financial management, the agency made sweeping changes. These changes included contracting out much of the work that previously had been completed in-house. Unfortunately, these changes were implemented well into FY 2011, rather than at the beginning of the fiscal year; and there was a lack of planning and preparation for these changes. As a result, in the first half of FY 2011, there were problems similar to those in FY 2010, and in the latter half of FY 2011, there were additional problems.

In July, the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* was enacted and in April 2011, OMB issued guidance on implementing it. Among other things, this guidance called for each federal agency to conduct a review of all programs and activities and identify those that were susceptible to significant improper payments. Despite being advised of this requirement, the Office of Financial Management failed to carry out its obligations under IPERA.

The CPSC faces a number of challenges in the area of financial management including, but not limited to, failing to implement adequate internal controls. The need to resolve these challenges has been made all the more acute by the uncertainty the agency faces regarding the level of resources available to it over the next few years and the current Administration's emphasis on good government and transparency.

**Management of Human Capital**:

A challenge ubiquitous to all federal agencies is the need to hire and retain high quality federal employees. This challenge is complicated by an environment in which federal service is not always valued, new applicants are called upon to circumvent a Byzantine application process before they are ever even considered for a position, and while the civil service deals with the prospect of an extension of the federal pay freeze for a third year.

*6* Recently, the agency has acknowledged that a misstatement occurred in FY 2010.
*7* See audit report associated with this PAR report.

The Presidential Memorandum on Improving the Federal Recruitment and Hiring Process constitutes an attempt to improve this situation. Although this initiative to simplify the application process, increase the involvement of supervisors and managers in the hiring process, and improve the speed and quality of agency hiring potentially will lead to great increases in the federal government's ability to recruit a talented and engaged workforce in the long run, in the short run it continues to generate confusion and friction as managers and HR professionals are called upon to learn a new and radically different way of hiring. Nevertheless, to date, the CPSC has met or exceeded each of the requirements of the Presidential Memorandum.

Clearly, as important as hiring enough employees, is the task of ensuring that the right employees are hired and retained. To that end, the CPSC Human Capital Strategic Plan and Human Capital Accountability Program drafts have been completed and currently are in the approval process. Mission Critical Occupations for CPSC have been identified and skill gap analysis and associated training plans for some of the Mission Critical Occupations have been completed with plans to address others as funds allow. However, due to a lack of time and resources, no formal skill gap analysis has been performed for the agency as a whole to fine tune these manpower decisions.[8]

The CPSC's Human Capital focus for FY 2012 centers on activities to retain the current workforce. Strategic and systematic development of individuals within the identified Mission Critical Occupations has been cited by agency management as a priority for the CPSC. Another priority is to develop a Leadership Succession Plan to provide for the future leadership of the CPSC. The loss of institutional knowledge as employees retire or leave the agency is a challenge for the CPSC and for all federal agencies. Therefore, a comprehensive knowledge management program is required to institute processes to glean and retain this important institutional history and knowledge base.

*8* A skill gap analysis analyzes the gaps between the current workforce's skills and the competencies projected to be needed to fulfill future mission requirements. Skill gap analyses were completed for several occupational categories but not for all.

# AGENCY'S RESPONSE

**Management Comment on Inspector General Statement of Management Challenges**

The Office of the Inspector General (OIG) identified three management and performance challenges facing the CPSC:

Information Technology,

Financial Management, and

Management of Human Capital

These challenges largely result from the passage of the Consumer Product Safety Improvement Act (CPSIA) of 2008, which in turn reflected the changed product safety environment with the growth of imported products and the heightened awareness of safety hazards posed to American consumers.

We concur in the identification of these challenges that face the CPSC. The CPSIA legislation represents the most extensive changes to our authorities since the founding of the agency in 1973. The Congress recognized this and has increased the Commission's funding by 48% from 2008 to 2010, although for 2011, funding did not increase.

Despite the significant increase in workload, the CPSC has been successful in implementing the CPSIA's requirements and in making significant progress toward all five strategic goals in its new strategic plan. In 2011, the CPSC achieved a number of noteworthy accomplishments. The Commission and its staff:

- launched the publicly searchable database of consumer product incidents, www.SaferProducts.gov;
- promulgated a new crib safety rule, one of the toughest crib safety standards in the world, which went into effect in June;
- implemented a stringent 100 parts per million total lead content limit in children's products, which is one of the lowest lead level in the world;
- engaged in dialogue with foreign regulators and stakeholders through CPSC's now fully functioning East Asia-Pacific Regional office, located at the U.S. Embassy in Beijing, China. CPSC staff promoted regulatory alignment and best practices and trained thousands of Chinese manufacturers;
- increased the number of import surveillance staff to 19 who are co-located with Customs and Border Protection staff at some of the largest U.S. ports of entry. Working side by side at the ports leads to more effective import enforcement by facilitating faster sharing of samples, decreased exam times, and increased interagency communication;
- increased enforcement activity on eight CPSIA rules promulgated in 2009 and 2010 through establishment inspections, retail surveillance, and port surveillance, and enforced the Virginia Graham Baker Pool and Spa Safety Act by inspecting pools and continuing an enforcement program with cooperating states;
- successfully implemented a national and grassroots media and information campaign, called *Pool Safely*, which reached tens of millions of families with safety messages related to drowning and drain entrapment prevention, as required by the VGB Act; and

- moved into the new, state of the art National Product Testing and Evaluation Center, a world-class laboratory and consumer product evaluation facility.

The agency made great strides toward a revitalized CPSC prepared to take on emerging challenges and evolving priorities. The CPSC is committed to continuing to implement the CPSIA, although the pace of implementation is dependent on resources.

## Information Technology

The CPSC has been tasked to implement significant changes to its safety related business processes and supporting IT systems to implement section 212 of the Consumer Product Safety Improvement Act of 2008. These changes include developing and Launching www.SaferProducts.gov, sometimes referred to as the Public Database, where the public can report unsafe products, manufacturers can register and, if they choose, comment on those reports, and the public can search for information on products they may own or are considering borrowing. The launch of www.SaferProducts.gov necessitated significant changes in internal business processes. The OIG observed that the agency met the statutorily required launch date of March 2011 in the first phase of the program.

To objectively assess both the current status of the CPSC's information technology efforts and future improvements, in 2009, the Office of Information Technology (EXIT) selected and is using the Government Accountability Office's Information Technology Investment Maturity (GAO ITIM) framework to establish goals and measure progress in improving how it manages its Information Technology portfolio. The ITIM framework, based on Software Engineering Institute's Capability Maturity Model Integration (SEI CMMI), requires several years of planning, improvement, and measurement to move EXIT to level 3. EXIT, according to an internal assessment, has completed most of the improvements required to accomplish level 2, especially in areas where change is most significant.

The OIG also identified Information Assurance including Continuity of Operations (COOP) requirements that the agency has not yet fully implemented. These requirements are identified mainly in the agency's annual Federal Information Security Management Act review in which the OIG participates. Although much progress has been made in Information Assurance, the agency as a whole, and EXIT in particular, has significant work left to fully meet these requirements.

The measurement of progress against these three areas demonstrates the tradeoffs that the agency must make with its small IT budget and 36 person staff. Comprehensively and adequately addressing ITIM, FISMA, and COOP would leave few resources for safety-mission focused IT modernization. Conversely, focusing all efforts on IT modernization while ignoring ITIM, FISMA, and COOP could make that modernization less effective. The agency has struck a balance with the significant majority of IT staff and budget allocated to safety-mission focused work with the remainder focused on IT governance, Information Assurance, and Continuity of Operations.

## Financial Management

Adoption of the CPSC's new financial system, the Enterprise Service Center's (ESC) Delphi Oracle system in the Department of Transportation, has presented many challenges. The CPSC ended its financial system operation with the National Business Center, Department of the Interior, at the end of fiscal year 2009 (September 30, 2009). In 2010, the CPSC received a disclaimer of opinion from the OIG. Subsequently, a review of the 2011 financial statements during the 2011 audit highlighted the need for a restatement of CPSC's financial statements and notes for 2010 based on ESC's system of record. This restatement corrects material errors, allows for proper reporting of the financial position for 2010 and for valid comparisons with CPSC's financial statements and notes for 2011. The restatement also results in

financial notes that are descriptive and transparent with respect to the issues and details that caused the restatement and proper notifications will be made to executive and legislative branch stakeholders as well as the public. CPSC plans to complete a full traceability analysis to more fully understand the restatement. This analysis will be helpful to staff in conducting a review of internal controls, our methods for preparing financial statements, and for recommending improvements.

The CPSC received a number of findings related to internal controls, proper documentation and oversight of our service provider during the 2011 audit. In response, we developed and are implementing a corrective action plan which includes standard operating procedures and internal controls to address these findings, improving communications with our service provider and providing targeted training for financial services staff. Also, the CPSC moved to full service accounting with ESC in mid-2011 to leverage their resources, address audit findings, and strengthen internal controls. This automates workflow and improves our record keeping, payment approval process, and analysis and reporting capabilities, which are all directly related to improving internal controls pertaining to items identified by the IG.

The OIG also noted that the CPSC was not compliant with the *Improper Payments Elimination and Recovery Act (IPERA)*, which requires that each federal agency conduct a review or risk assessment of all programs and activities, identify those that were susceptible to significant improper payments, and provide a gross estimate of improper payments for the agency. The Office of Financial Management, Planning and Evaluation's (EXFM) review identified the following programs and activities to which the OMB guidance applies: (1) contracting activities, (2) Blanket Purchase Agreement (BPA) calls, and (3) purchase transactions. Expenditures for these programs and activities in 2011 totaled $35,260,000 and were distributed as follows:

- $30,000,000 for all contract activity, including contracts, BPA calls and purchase orders for any action equal to or exceeding $2,500 (documented in the Federal Procurement Data System report);
- $4,000,000 for BPA calls and purchase orders, each of which is below $2,500 (documented in the PRISM electronic procurement system); and
- $1,260,000 for purchase card transactions (documented from purchase card vendor records).

The legal threshold requiring additional sampling to ascertain improper payments is $10 million of all fiscal year program or activity payments and 2.5% of program outlays. In 2011, this threshold would require an improper payment rate of 28% given that the cost of the CPSC's programs and activities covered by OMB guidance is about $35 million.[12] The CPSC is relying on already existing pre-procurement award criteria to serve as the initial risk-assessment criteria. These criteria are part of our existing internal controls and include:

- Contractor Eligibility: Each contractor's eligibility is verified and documented through a search of GSA's Excluded Parties List website by contractor name and DUNS number and a search of the Central Contractor Registration database to determine if the contractor is an active registrant. If a contractor is initially deemed ineligible, further checks are conducted to ensure the validity of that identification.

*12* In 2011, the average improper payment rate for all federal agencies was 4.94 percent (http://paymentaccuracy.gov/)

- Invoice Approval: Each award document includes the name of the Project Officer for the procurement and is forwarded to the ESC Finance Office for purposes of invoice approval. When an invoice is received, the Project Officer must validate that he or she received the services or products documented on the invoice.
- Novation and Change of Name Agreements**:** Any contractor change of name or novation agreement is performed in writing in accordance with the Federal Acquisition Regulation and forwarded to the ESC Finance office.

In addition, the CPSC's full service accounting provider, ESC, has existing internal controls to mitigate unauthorized payment approvals and duplicate invoice payments, which the CPSC views as an extension of the risk assessment criteria. However, the CPSC has not calculated a gross estimate of improper payments as required by IPERA. In 2012, the agency plans to refine the risk assessment criteria to include a gross estimate in order to be more substantially compliant with OMB's guidance and IPERA.

## Management of Human Capital

*Management of human capital* is a recognized key to Commission success. Since 2008, the Commission's funded staffing has increased substantially. We faced several challenges in hiring staff, including delays in annual appropriations, space limitations, and having to hire many difficult-to-fill scientific and technical positions. We have developed new hiring strategies for the more difficult-to-fill positions. Although the agency had already met many of the requirements outlined in the hiring reform, we developed a Hiring Reform Action Plan and have implemented policies, procedures, and processes to meet the additional new requirements of the President's memo and in response to items identified in our Hiring Managers Survey. Of course, delayed funding will always present an obstacle, but we can prepare hiring plans in anticipation of funding and have done so. In 2011, we completed a successful hiring drive that achieved the anticipated staffing level for FY12.

We recently received a positive performance audit from the Office of Personnel Management. We have developed competencies and completed a skill gap analysis for most of our mission critical positions including Engineers, Product Safety Investigators, Compliance Officers, Compliance Investigators, Program Analysts, IT Specialists, and Human Resources Specialists. We also utilized OPM's Federal Competency Assessment Tool – Management (FCAT-M) to assess the competencies of our supervisors and managers. The analysis and skill gap results were utilized to identify agency-wide training needs with an increased training budget, and a dedicated staff position to address employee development issues. We developed a comprehensive wellness program and are working with the Office of Personnel Management and the Office of Management and Budget to reform hiring practices, and improve employee satisfaction. We hired a human capital specialist who developed an agency human capital plan and an accountability system. The human capital plan was developed based on the agency's new 2011-2016 Strategic Plan.

# INTRODUCTION

## Performance Report Organization

This Performance Report gives a comparison of 2011 actual performance, with the annual goals and targets set forth in the 2011 Performance Budget (May 2011). The goals are *in italics* to distinguish them from the accomplishments. The CPSC's 2011 performance is characterized as follows:

- Exceeded–work was accomplished beyond the target for the performance goal.
- Met–performance goal target was met.
- Not Met–performance goal was not met.

# LEADERSHIP IN SAFETY

## STRATEGIC GOAL 1: Take a leadership role in identifying and addressing the most pressing domestic and international consumer product safety priorities and mobilizing action by our partners.

The CPSC will be at the forefront of advancing the agenda for consumer product safety. Working with key global and domestic stakeholders, the CPSC will mitigate the most pressing product safety hazards by effectively determining the actions necessary to address these priorities and clearly establishing accountability for progress.

| Total resources for this goal (dollars in thousands) | | | |
|---|---|---|---|
| **Fiscal year** | **2009** | **2010** | **2011** |
| **FTEs** | 57 | 71 | 82 |
| **Amount** | $10,657 | $14,541 | $14,444 |

As international trade expands and supply chains become more global—making available an ever-growing number of consumer products that feature an increasingly wide spectrum of technologies and materials—the potential for new safety hazards will continue to grow. Regulatory agencies, standards organizations, and consumer and industry groups worldwide are working together increasingly to address consumer product safety, while managing their own diverse challenges and priorities.

CPSC staff has identified the following performance measures to track progress toward Strategic Goal 1:

**Performance Measure 1a:** Decrease the average rate of deaths associated with targeted consumer product hazards.

**Performance Measure 1b:** Decrease the average rate of injuries associated with targeted consumer product hazards.

**Performance Measure 1c:** Increase the number of collaborative actions taken with partners.

Staff is developing systems to collect data for these performance measures, and expects to have baseline data available in 2012. Staff will set targets for the remaining years of the 2011-2016 Strategic Plan period after the baselines are established.

**Objective 1.1: Determine the most critical consumer product hazards and issues to define the Commission's annual priorities consistent with the agency's regulatory requirements.**

Annual goals for this objective are under development.

**Objective 1.2: Create and strengthen partnerships with domestic and international stakeholders aimed at improving product safety throughout the supply chain.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***International Cooperation*** | | | | | | | |
| 1. Review and update international cooperation business plans | **Goal** | ** | ** | ** | ** | ** | 8 |
| | **Actual** | | | | | | 8 |
| 2. Participate in biennial United States-China Product Safety Summit | **Goal** | ** | ** | NA | 1 | NA | 1 |
| | **Actual** | NA | 1 | NA | 1 | NA | 1 |
| 3. Establish a regional Product Safety Office in Beijing, China | **Goal** | ** | ** | ** | 1 | 1 | 1 |
| | **Actual** | | | | 1 | 0 | 1 |

** No goal established.
NA Not applicable – no summit planned.

### 1. Business Plans for International Engagement

Increasingly, international cooperation is the means by which U.S. consumers are protected from hazardous and noncompliant consumer products, because a product that cannot be sold legally anywhere in the world, is much less likely to be manufactured. The Commission works with partners in the Western Hemisphere, especially Canada and Mexico; with the European Union at both the central and member-state levels; with key supplier countries, particularly China; and with the emerging exporting countries in East Asia.

With developed consumer markets, the focus is on cooperation with government product safety agencies on requirements and common concerns about conformity assurance from supplier countries. This occurs on a bilateral basis and in international venues, such as the International Consumer Product Safety Caucus (ICPSC), the International Consumer Product Health and Safety Organization (ICPHSO), and the Organization for Economic Cooperation and Development (OECD). With supplier countries, the emphasis is on outreach and capacity building to ensure that manufactured products meet U.S. safety requirements. This includes cooperation with national product safety authorities and in-country training for suppliers, working with other partners whenever possible. The CPSC also provides English and foreign language text, video, and interactive training for foreign suppliers via Web-based materials.

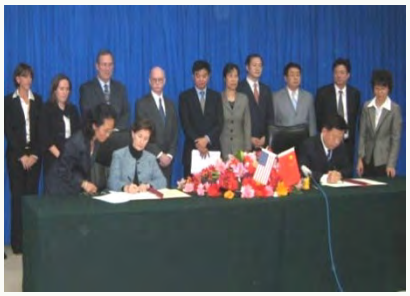
Staff prepares updated annual business/program plans to prioritize and manage the agency's international activities consistent with the Commission's stated priorities. Each business/program plan is updated with specific objectives aimed at successful engagement in one area of the international program. Staff reports annually to the Commission on the activities undertaken in each program area, explaining how those efforts support the Commission's agenda.

***Goal:*** *In 2011, staff will perform its annual review and update its business plans and various program plans. Staff will review and update the*:

- *Annual International and Intergovernmental Affairs business plan,*
- *North America program plan,*
- *Beijing Regional Office program plan,*
- *China program plan,*
- *East Asia-Pacific program plan,*
- *Developed markets and OECD cooperation plan,*
- *Europe program plan, and*
- *Internet foreign language plan.*

**Met:** The eight plans have been reviewed and updated to reflect needs and priorities identified during 2011. The business plan incorporates the other seven plans.

### 2. *Biennial United States-China Product Safety Summit*



The first Consumer Product Safety Summit took place in Beijing, China in 2005, between the CPSC and the General Administration for Quality Supervision, Inspection, and Quarantine (AQSIQ), the CPSC's Chinese counterpart agency. At that time, the CPSC and AQSIQ signed an Action Plan on Consumer Product Safety and agreed to hold a Safety Summit every two years. In accordance with the Action Plan, AQSIQ and the CPSC established four working groups: fireworks, toys, lighters and electrical products. The Work Plans for these groups were presented at the second biennial Consumer Product Safety Summit that took place on September 11, 2007. At that event, the CPSC and AQSIQ explained their expectations for retailers, importers, exporters, and manufacturers dealing in consumer products. A third summit, held in October 2009, built on these events with the goal of institutionalizing a culture of product safety among Chinese consumer product exporters.

***Goal:*** *In 2011, staff will plan and arrange the upcoming 2012 meeting. The CPSC will participate in the fourth biennial United States-China Product Safety Summit to be held in Washington, D.C., in October 2011.*

**Met:** In October 2011, the CPSC participated in the fourth biennial United States-China Product Safety Summit held in Washington, D.C. In 2011, staff completed work in preparation for the Summit, including coordinating arrangements, scheduling attendees, and completing other requisite elements.

### 3. *CPSC East Asia-Pacific Regional Office*

In 2009, the CPSC established its first overseas office, located at the U.S. Embassy in Beijing, and hired a Product Safety Specialist to work in China. This enables the CPSC to promote compliance with U.S. product safety requirements among Asian (especially Chinese) exporters and to coordinate with product safety regulators in the region. U.S. imports of consumer products from China comprise a large portion of all U.S. imports of consumer

products, with other Asian countries accounting for a growing share. In 2010, the CPSC coordinated with the U.S. Department of State and the People's Republic of China's Foreign Ministry to gain approval from the Foreign Ministry for a new diplomatic position, the Regional Product Safety Officer.

***Goal:*** *In 2011, the CPSC will hire a Regional Product Safety Officer based in Beijing.*

**Met:** The CPSC hired a Regional Product Safety Officer, who reported for duty in November 2010.

### Objective 1.3: Collaborate with partners, ranging from state and federal authorities, colleges and universities, and other stakeholders to expand the CPSC's effectiveness and reach.

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Working with the States*** | | | | | | | |
| 4. Grants to the states: pool and spa safety | **Goal** | ** | ** | ** | 1 | 1 | 1 |
| | **Actual** | | | | 0 | 1 | 1 |
| 5. State partners: host state caucus training sessions | **Goal** | ** | 1 | 1 | D† | 1 | 1 |
| | **Actual** | 0 | 1 | 1 | | 1 | 1 |

** No goal established.
† This goal was deferred.

#### 4. *Grants to States: Pool and Spa Safety*

The CPSC's 2009 and 2010 appropriations included $2 million (for a total of $4 million) to implement a state grant program, mandated by the Virginia Graeme Baker Pool and Spa Safety Act (VGB), to provide funding to eligible states for pool and spa safety training and enforcement. The 2009 funds remained available for obligation until September 30, 2010, and the 2010 funds remain available until September 30, 2011. In 2010, the CPSC entered into an agreement with the Centers for Disease Control and Prevention (CDC) to administer the grant program. Staff, in conjunction with the CDC, began the process of establishing the grant program, which included determining eligibility criteria for grant applicants, establishing application submission and evaluation criteria, and publishing an announcement about the grant program. No states applied for grants, and no grants were awarded. In this process of establishing the grant program, staff learned that no states were eligible to apply for grants in 2010, and further discovered that none would likely be eligible in 2011. Furthermore, staff learned that some states address pool safety through local legislation, while others address it through building code requirements. The 2011 appropriation includes $1 million for the grant program, with eligibility now expanded to include localities and with funds available for expenditure through September 30, 2012.

***Goal:*** *In 2011, staff will prepare a report describing the grant program activities that were carried out in 2010.*

**Met:** In 2011, staff prepared a report describing the grant program activities that were carried out in 2010. The report includes a copy

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| | of the Funding Opportunity Announcement that was developed to publicize the program and solicit applications for grants. |
| **5. *State Partners: Training for State Designees*** | State and local officials work with the CPSC on cooperative activities that complement those performed by CPSC field staff; states accomplish these activities with little or no cost to the CPSC. The CPSC state designee meeting provides a forum for states to meet with CPSC staff and discuss product safety issues occurring in the states. These interactive meetings provide CPSC staff the opportunity to work with state and local officials, learn about emerging hazards, and develop collaborative initiatives for promoting consumer product safety nationwide. States also collaborate to learn the latest information about consumer product safety.<br><br>***Goal:*** *In 2011, in Chicago, IL, CPSC staff will host a state and local training caucus for state designees.*<br><br>**Met:** In 2011, CPSC staff hosted a state and local training caucus to provide states the most current information about the Consumer Product Safety Improvement Act. States also received information about *www.SaferProducts.gov*, children's products, safe sleep environments, pool safety, and minority outreach. States shared resources and exchanged information, which allowed them to work cooperatively with the CPSC, within their jurisdiction, in an effort to expand the CPSC's effectiveness and reach. |

### Objective 1.4: Work toward harmonizing global consumer product standards or developing similar mechanisms to enhance product safety.

Annual goals for this objective are under development.

### Objective 1.5: Promote and recognize innovation and advancements in consumer product safety.

Annual goals for this objective are under development.

### Objective 1.6: Attract, retain, and collaborate with leading experts to address consumer product hazards.

The CPSC competes with other agencies to attract and retain highly skilled technical specialists, such as toxicologists, engineers, and mathematical statisticians, by making maximum use of available resource management tools, including those listed below. Annual goals for collaborating with leading experts are under development.

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Hiring Reform*** | | | | | | | |
| 6. Implement the use of streamlined, plain language vacancy announcements | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |
| 7. Reduce recruitment time using OPM's End-to-End hiring process | **Goal** | ** | ** | ** | ** | 100 | 90 |
| | **Actual** | | | | | 92 | 75 |
| 8. Develop and implement action items identified through the manager survey on the hiring process | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |
| 9. Conduct online survey and focus groups for all new employees on the hiring process | **Goal** | ** | ** | ** | 1 | 2 | 2 |
| | **Actual** | 1 | 2 | 1 | 1 | 2 | 5 |
| 10. Percentage of vacancies that meet the standard of applicants receiving at least four notifications | **Goal** | ** | ** | ** | ** | 4 | 85%# |
| | **Actual** | | | | | 4 | 85% |
| ***Employee Wellness and Satisfaction*** | | | | | | | |
| 11. Conduct focus groups on the Employment Viewpoint Survey | **Goal** | ** | ** | ** | ** | 6 | 6 |
| | **Actual** | | | | | 0 | 6 |
| 12. Develop and implement action plan with improvements identified through the Employment Viewpoint Survey | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 0 | 1 |
| 13. Conduct on-site wellness activities | **Goal** | ** | ** | ** | ** | 3 | 10 |
| | **Actual** | | | | | 8 | 26 |
| ***Equal Employment Opportunity and Affirmative Employment*** | | | | | | | |
| 14. Target recruitment efforts to organizations serving underrepresented populations | **Goal** | 12 | 8 | 10 | 11 | 14 | 20 |
| | **Actual** | 14 | 11 | 15 | 14 | 16 | 22 |
| 15. Conduct training sessions for managers and employees in EEO/AEP responsibilities | **Goal** | 3 | 3 | 5 | 5 | 5 | 5 |
| | **Actual** | 4 | 6 | 7 | 7 | 8 | 7 |
| 16. Promote representation of underrepresented groups and individuals with disabilities | **Goal** | 5 | 5 | 5 | 5 | 6 | 10 |
| | **Actual** | 10 | 6 | 6 | 8 | 10 | 11 |

** No goal established.
# Due to change in the method of measuring this goal, data for 2011, are not comparable to data for 2010.

### *Hiring Reform*

**6. *Streamlined, Plain Language Vacancy Announcements***

In 2010, staff developed and implemented streamlined, plain language vacancy announcements for all CPSC mission-critical positions. Staff will use the Office of Personnel Management's (OPM) templates for administrative positions. The new vacancy announcements are user-friendly, reduce government jargon, and allow all applicants to understand easily what is required for applications.

***Goal:*** *In 2011, staff will use streamlined, plain language announcements for all publicly advertised vacancies.*

**Met:** In 2011, staff implemented the use of streamlined, plain language vacancy announcements for all vacancies. Essay-style questions were eliminated from the initial application process.

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| **7. *Reduce Recruitment Time*** | In 2009, staff mapped the current hiring process from the time a manager identifies the need for a new hire to the employee's first day on the job, and they found the average to be about 115 days. Staff will identify barriers and develop an action plan to reach the government-wide target of 80 days set by the OPM. In 2010, staff changed aspects of the hiring process, addressed barriers encountered, and reduced the recruitment time to 92 days to approach the 80-day target.<br><br>***Goal:*** *In 2011, staff will continue to streamline the recruitment process and reduce the recruitment time to an average of 90 days for competitive examining (open to all U.S. citizens) hiring actions.*<br><br>**Exceeded:** In 2011, staff refined the hiring process further, focused on eliminating barriers, and reduced the recruitment time to 75 days, and surpassed the 80-day government-wide target set by the OPM. Using special appointing authority, the streamlined vacancy process, and improvements in processes to expedite hiring decisions, staff was able to reduce the recruitment time for competitive examining hiring actions from 92 days to 75 days. |
| **8. *Hiring Management Involvement*** | In 2009, staff surveyed managers to determine their satisfaction with the Commission's hiring process, specifically their involvement in the process. Managers responded that the application and hiring process require streamlining to reduce the time between vacancy posting to duty entry. Additionally, managers suggested advertising for positions beyond USAJobs postings. Specifically, they wanted to advertise in targeted communities and create recruitment handouts for job fairs. In 2010, staff developed and initiated a hiring reform plan that addressed barriers to management involvement in the hiring process. The plan includes a new process for requesting extensions to the hiring certificates, an automated process that alerts managers to the posting of each vacancy and to the closing date so that candidate interviews can be scheduled efficiently and an automated review process can be used to certify candidates.<br><br>***Goal:*** *In 2011, staff will change the action plan developed in 2010 to increase manager involvement in hiring.*<br><br>**Met:** In 2011, staff implemented the hiring reform plan initiatives, including distributing the hiring tool kit, providing information on hiring flexibilities, updating interview questions, and outlining prohibited personnel actions, as well as merit systems principles. |
| **9. *New Employee Focus Groups*** | Since 2002, staff has conducted surveys and focus groups with new employees to gather feedback on the hiring process. Staff used the information gathered from these activities to improve the hiring process. |

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| | In 2009, new employees in the focus groups asked that the orientation package be available to allow forms to be completed and submitted electronically. They also requested additional time for new employee orientation ("onboarding"), which occurs on the first day of work. In 2010, staff contracted for a new entry-on-duty system that automates the applicant intake process and allows employees to review orientation materials electronically. Once new employees complete their forms, the system surveys them about the process automatically.<br><br>***Goal:*** *In 2011, staff will conduct two focus groups on the recruitment and orientation processes for new employees to assess the new changes and determine whether the plan requires additional changes.*<br><br>**Exceeded:** In 2011, staff conducted five focus groups and three interviews using questions based on data from the new employee survey. Online surveys are sent to employees to complete after they come onboard. |
| **10.** ***Four-point Status Update Notifications*** | In 2010, the CPSC implemented a new version of the online application system. The new system provides a real-time applicant status update at each point of the vacancy process. Through e-mail alerts and status updates online, staff updated applicants on the status of their applications at four points during the application process.<br><br>***Goal:*** *In 2011, staff will meet the standard of providing applicants for CPSC vacancies at least four notifications 85 percent of the time.*<br><br>**Met:** In 2011, staff met the standard for ensuring that applicants for CPSC vacancies receive four notifications 85 percent of the time. |

### *Employee Wellness and Satisfaction*

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| **11.** ***Employee Viewpoint Survey – Focus Groups*** | Each year, staff conducts an Employee Viewpoint Survey to monitor employee satisfaction and make improvements to address concerns, as necessary. Staff assesses survey results annually, and staff conducts focus groups to understand employee responses. In 2010, staff contracted with the OPM to conduct six focus groups of employees and supervisors to gather additional information on the results of the Employee Viewpoint Survey.<br><br>***Goal:*** *In 2011, staff will conduct six focus groups to understand the results of the Employee Viewpoint Survey. Two of the focus groups will be with management employees, and four of the focus groups will be with nonmanagement employees.*<br><br>**Met:** In 2011, through a contract with OPM, staff conducted six focus groups to solicit additional information to understand better the results of the Employee Viewpoint Survey. |

**12. *Employee Viewpoint Survey – Action Plan***

Since 2009, each year staff has been required to identify 10 items on the Employee Viewpoint Survey (EVS) where the CPSC scored lower than the government-wide average. In 2009 and 2010, staff identified items where satisfaction was statistically significantly lower than in the previous year survey.

***Goal:*** *In 2011, staff will develop and implement an action plan to address employee satisfaction results of the Employee Viewpoint Survey focus groups conducted in October 2010.*

**Met:** In 2011, staff developed an EVS action plan, based on data from the EVS focus groups. Staff implemented the EVS action plan initiatives, which resulted in improving the CPSC's positive responses on the survey items related to the initiatives in the 2011 EVS.

**13. *On-site Wellness Activities***

In 2010, staff conducted eight different wellness activities, including flu shots, Weight Watchers meetings, blood pressure screenings, stress screenings, seminars on men's and women's health issues, glucose screenings, and all-employee access to a health and wellness online resource center.

***Goal:*** *In 2011, staff will conduct at least 10 on-site wellness activities.*

**Exceeded:** In 2011, staff conducted 26 different wellness activities, including flu shots, Weight Watchers meetings, health screenings, seminars on nutrition, healthy cooking, driver's safety, and staying fit, as well as all-employee access to a health and wellness online resource center. Through a partnership with a healthcare provider, we were able to maximize our resources to provide more activities than planned.

### *Equal Employment Opportunity (EEO) and Affirmative Employment*

**14. *Target Recruitment***

The CPSC will reach out to underrepresented populations in our recruitment efforts through a variety of means, including outreach to colleges and universities, job fairs, networking, and any other available means. Our goal is to ensure that potential applicants are aware of CPSC job opportunities in an effort to increase the diversity of our applicant pools.

***Goal:*** *In 2011, staff will target 20 recruitment efforts to organizations serving underrepresented populations.*

**Exceeded:** In 2011, CPSC staff targeted 22 recruitment efforts to organizations serving underrepresented populations. This included CPSC staff participation in job fairs at Walter Reed Medical Center and the University of Maryland Engineer Alumni Career Fair. CPSC staff worked with agency managers at all levels to match qualified Schedule A (individuals with disabilities eligible for non-competitive selection) candidates with open vacancies.

CPSC staff also conducted outreach for a number of positions, using a variety of resources, including colleges and universities and networks of Hispanic, Asian, and African-American professionals. Staff also recruited an intern from the *Project Warfighter* program (a pipeline for the recruitment of disabled veterans). Staff recruited an intern from the Hispanic Association of Colleges and Universities (HACU) program and worked with Blacks in Government for vacancy distribution.

**15. *EEO/AEP Training***

Managers, supervisors, and employees should receive training annually on their EEO responsibilities to ensure that everyone is aware of current laws, regulations, policies, and practices regarding discrimination. Under our affirmative employment activities, we train employees to be more effective in their current positions, as well as more competitive for advancement.

***Goal:*** *In 2011, staff will conduct five training sessions for CPSC managers and employees about their Equal Employment Opportunity/Affirmative Employment Plan (EEO/AEP) responsibilities.*

**Exceeded:** In 2011, CPSC staff conducted seven training sessions on various topics related to EEO issues, including *Telework and Alternative Work Schedules as Reasonable Accommodations*, *Workplace Sexual Harassment*, *Generational Shift*, + *Americans with Disabilities Act*, *Non-Verbal Communication*, *Demystifying EEO*, and *U.S. Equal Employment Opportunity Commission (EEOC) Findings of Discrimination*.

**16. *Promote Representation***

We promote representation of underrepresented groups and individuals with disabilities (including disabled veterans) to attract and retain a workforce reflective of our nation's diversity. Our goal is to dispel perceptions and stereotypes that may lead to prejudice and discrimination, by providing opportunities to build effective work relationships and by promoting education and cultural awareness.

***Goal:*** *In 2011, staff will promote representation of underrepresented groups and individuals with disabilities with at least 10 initiatives. Examples of these new initiatives are mentoring programs, a summer volunteer program, employee training programs, and disability and diversity awareness programs.*

**Exceeded:** In 2011, CPSC staff participated in 11 initiatives to promote representation of underrepresented groups and individuals with disabilities. CPSC staff partnered with Bethesda-Chevy Chase High School for mentoring and tutoring programs. Participating students included at-risk females and minorities who had an opportunity to learn from staff about the agency's mission and career opportunities. Programs for Black History Month, Women's History Month, and Asian-Americans/Pacific Islander Heritage month, as well as a Diversity Day celebration, were

| | |
|---|---|
| | provided for CPSC staff. CPSC staff participated in a Career Day event with the Bethesda Chamber of Commerce and Bethesda-Chevy Chase High School. Participating students included females and minorities who were able to engage with staff and learn more about careers in science and engineering. CPSC staff developed programs for "Take Your Daughters and Sons to Work Day" for CPSC employees and their children. This event afforded younger children of different genders and minority groups the opportunity to interface with staff and learn about the CPSC. Staff sent out a call for flash mentoring of new employees. Flash mentoring pairs employees with a senior staff member for a one-hour mentoring opportunity that fosters retention of women and minority employees. Staff was represented at the Federally Employed Women (FEW) and League of United Latin American Citizens (LULAC) conferences. CPSC staff attended the American Indian Science and Engineering Society Government Relations Council Meeting and participated in the White House Initiative on Asian-Americans and Pacific Islanders. |

# COMMITMENT TO PREVENTION

## STRATEGIC GOAL 2: Engage public and private sector stakeholders to build safety into consumer products.

The CPSC will protect consumers by promoting the production of safe products and the development and implementation of safety standards. This will enable industry compliance with safety standards at various stages of consumer product development and distribution. By encouraging industry leaders and foreign safety agencies to focus on safety early in the global supply chain, the CPSC will help prevent hazards from entering consumer markets.

| Total resources for this goal (dollars in thousands) | | | |
|---|---|---|---|
| **Fiscal year** | **2009** | **2010** | **2011** |
| **FTEs** | 91 | 93 | 104 |
| **Amount** | $19,956 | $24,052 | $24,333 |

As the number of products available to U.S. consumers has grown, many of those products now come directly from trading partners outside of the country. The challenge is that the majority of consumer product hazards and safety defects arise in very early stages of the manufacturing process, including product design and the selection and use of raw materials. Additionally, given the range of products domestic and international regulatory agencies have under their authority, enforcement activities alone are unlikely to preclude incidents involving hazardous products from occurring.

CPSC staff has identified the following performance measures to track progress toward Strategic Goal 2:

**Performance Measure 2a:** Increase the number of industry training sessions conducted about consumer product safety requirements.

**Performance Measure 2b:** Decrease the proportion of repeat offenders.

Staff is developing systems to collect data for these performance measures, and expects to have baseline data available in 2012. Staff will set targets for the remaining years of the 2011-2016 Strategic Plan period after the baselines are established.

**Objective 2.1: Minimize hazardous defects early in the manufacturing process through increased participation in voluntary standards activities.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Voluntary Standards Activities*** | | | | | | | |
| 1. Present recommendations to voluntary standards or code organizations | **Goal** | 1 | 3 | 4 | 1 | 0 | 1 |
| | **Actual** | 0 | 0 | 7 | 1 | 0 | 0 |
| 2. Complete data analysis and technical review activities | **Goal** | * | * | * | * | * | 6 |
| | **Actual** | | | | | | 2 |
| 3. Support voluntary standards and code revisions | **Goal** | 66 | 63 | 72 | 39 | 60 | 60 |
| | **Actual** | 63 | 66 | 74 | 39 | 60 | 60 |
| ***Nanotechnology Initiative*** | | | | | | | |
| 4. Complete data analysis and technical review activities related to application of nanotechnology in consumer products | **Goal** | ** | ** | ** | ** | ** | 10 |
| | **Actual** | | | | | | 9 |

* Due to a new way of categorizing our work, data prior to 2011 are not comparable to the 2011 data.
** No goal established.

### *Voluntary Standards Activities*

1. ***Prepare and present one recommendation to voluntary standards or code organizations.***

***Clothes Dryer Indicators***

The United States Fire Administration reports that lack of maintenance, followed by mechanical or electrical failures, are the top two factors contributing to ignition of clothes dryer fires in residential buildings. The machines may run without any indication of difficulty until an incident occurs. An investigation of the utility and applicability of using visible or audible indicators on electric clothes dryers—to inform users of abnormal operation and manufacturer suggested maintenance—showed that such indicators may help prevent some fire incidents. An example of an indicator could be a flashing red warning light marked "Service Required" on the control panel. In 2010, staff drafted a report to classify conditions for which an indicator on electric and gas clothes dryers may be desirable, including technical requirements for such indicators.

***Goal:*** *In 2011, staff will: (1) finalize the draft report; and (2) develop and submit proposals for voluntary standards on the use of indicators for electric clothes dryers, as warranted.*

**Not Met:** In June 2011, staff finalized the report, *An Evaluation of Using Indicators to Inform Consumers of Clothes Dryer Status*, and posted it on the CPSC website at: *http://www.cpsc.gov/library/foia/foia11/os/clothesdryerindicator.pdf*. Staff did not submit a proposal for voluntary standards on the use of indicators for electric clothes dryers, because it determined that it would be more effective for a working group on the issue to be established. Accordingly, staff drafted a letter to Underwriters Laboratories Inc. (UL), requesting that UL establish a working group to discuss the voluntary standard. Staff expects to send the letter to UL in the first quarter of 2012.

2. ***Complete six data analysis, collection, or technical review activities.***

***CO Alarms***

In 2006, there were an estimated 180 unintentional non-fire carbon monoxide (CO) poisoning deaths associated with consumer products under the CPSC's jurisdiction, with 71 percent of these deaths occurring in a home. Because only approximately 50 percent of households have CO alarms, many of these fatalities might have been prevented had a CO alarm been in use.

In 2004, staff recommended changes to the UL standard for CO alarms (UL 2034), including end-of-life signaling and provisions for rapid build-up in CO levels. These changes became requirements in UL 2034, effective August 2009.

***Goal:*** *In 2011, staff will: (1) produce a draft report that analyzes household usage of CO alarms, and (2) write a memorandum that describes the domestic market for CO alarms.*

**Met:** In 2011, staff reviewed recent surveys, reports, and statistics to understand better the available consumer product market for CO alarms. The two tasks described in the goal were completed with one draft memorandum from staff, which provides information about household usage of CO alarms and the domestic market for CO alarms, including estimates for the percentage of households with an installed CO alarm and the percentage of advertised CO alarms that are listed as adhering to voluntary CO alarm standards.

***Cooktops***

Cooktops account for the largest percentage of fires associated with products under the CPSC's jurisdiction. Most of the losses due to injuries and deaths are associated with range and oven fires.

In past years, staff has conducted research into technologies to reduce the risk of food ignition on cooktops through implementation of a closed-loop heating element control system that monitors pan bottom temperatures and reduces the heating element's output. Staff has demonstrated successfully the temperature control system's ability to prevent fires in the assorted heating element designs for various cooktop types (*i.e.*, gas, electric coil-type element, and electric smooth top ranges). Additional research on these or similar systems is needed, and staff believes potential candidates should be tested to the Technical Feasibility and Performance Goals developed by the Underwriters Laboratories Standards Technical Panel for Household Electric Ranges. In 2010, staff awarded a contract to design, fabricate, and test experimental control systems to detect and prevent food ignition on a cooktop.

***Goal:*** *In 2011, the contractor will provide a draft report on the testing of experimental control systems to detect and prevent food ignition on a cooktop. The contractor will provide a final report in 2012.*

**Not Met:** The contractor tasked with performing this work experienced delays in receiving some of the critical parts for constructing the developmental control systems, delaying the draft report until the first quarter of 2012.

***Enhanced Smoke Alarms***

Currently, most residential smoke alarms operate on photoelectric, ionization, or a combination of these sensors, to detect fire conditions. Recent research conducted by UL and the National Fire Protection Research Foundation (*http://www.nfpa.org/assets/files/PDF/Research/SmokeCharacterization.pdf*) has demonstrated the need for the development of an improved smoke alarm, which will be less prone to false alarms, as compared to current detectors, and which will provide faster response times to a wide variety of fire scenarios. This project is intended to identify promising new types of sensors that can overcome inherent limitations in existing sensors, improve reliability and utility of residential smoke alarms, and demonstrate technology that manufacturers can commercialize and that national codes and standards can incorporate.

In 2009, the CPSC entered into an interagency agreement (IAG) with the United States Fire Administration (USFA). The USFA, with technical input from the CPSC, awarded a contract to identify appropriate smoke sensors and alarm sounding devices for application in improved smoke alarms. In 2010, the contractor identified potential target sensor combinations for improved fire detection with reduced false alarm susceptibility. CPSC staff modified the IAG with the USFA to provide funding for the development of prototype, third generation (3G) smoke alarms.

***Goal:*** *In 2011, the contractor will provide a final report on the development of candidate sensors for 3G smoke alarms.*

**Met:** The contractor provided a report on candidate sensors for the development of advanced smoke alarms. The final report, *Home Fire Alarms—A Technology Roadmap*, will be posted on the CPSC website in the first quarter of 2012.

***Smoke Alarm Performance /Kitchen Fires***

Smoke alarms are on the front line of kitchen fire safety. Cooking fires that occur when food is left unattended can grow rapidly; thus, early detection of the hazard from working smoke alarms is critical. Unfortunately, smoke alarms are susceptible to nuisance alarms from cooking aerosols and are subject to intentional power disconnection or alarm removal. This project will collect information on kitchen fire hazards development, smoke alarm response characteristics to these fires, and nuisance aerosol exposure, as well as evaluate the performance of new detection technologies that may improve response times.

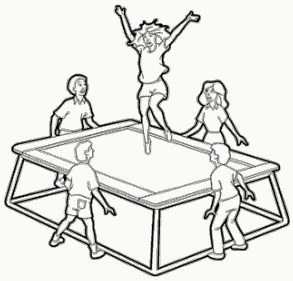
In 2010, the CPSC established an IAG with the National Institute of Standards and Technology (NIST) to conduct the 2011 study. In 2011, testing will be conducted with common cooking

fire/nuisance/nearby combustible and other scenarios, in bench- and full-scale, to evaluate smoke alarm performance.

***Goal:*** *In 2011, NIST will complete bench-scale testing and provide a draft report to CPSC staff on the test results.*

**Not Met:** NIST completed the bench-scale testing, but problems with test facility availability caused the testing to be completed later than originally anticipated and delayed completion of the draft report. CPSC staff expects to receive the draft report in the second quarter of 2012.

***Trampoline Falls***



Trampoline injuries from falls off the products have been consistent over the past 10 years, despite voluntary standard development and improvement. In 2010, the CPSC awarded a contract to develop a questionnaire for data collection on trampoline-related incidents.

***Goal:*** *In 2011, staff will begin a NEISS-based special study to determine the factors associated with trampoline-related injuries.*

**Not Met:** Staff completed the development of a preliminary survey instrument to collect hazard scenario information from injury victims treated in NEISS hospital emergency departments. However, the survey instrument was not finalized because resources were diverted to higher priority projects. Future work also is deferred, and a date for completing the special study has not been determined.

***Vented Gas Appliances CO Sensors***

Gas-fired heating appliances continue to be a leading cause of unintentional carbon monoxide (CO) poisoning deaths. Despite improvements over the years, current standards for vented gas appliances do not adequately address known CO poisoning hazard scenarios. In 2000, CPSC staff proposed that the American National Standards Institute (ANSI) Z21/83 Committee revise applicable standards to include CO shutdown requirements for the appliances. Staff supported these proposals with proof-of-concept testing in 2001 and 2003, demonstrating the use of CO and other gas sensors for safety shutdown of gas appliances. From 2002 to 2004, staff participated in an industry-led working group to develop test criteria to evaluate the use of gas sensors for this application. At the conclusion of that effort, industry opted not to pursue the use of sensors, due to concerns about their durability and longevity. In 2006, staff initiated a test program to evaluate sensors in gas furnaces. Staff completed the work in 2008. In 2009, staff began drafting a report on the contractor testing performed in 2007 and 2008. In 2010, staff placed the report on the contractor testing into clearance.

***Goal:*** *In 2011, staff will finalize the sensor durability and longevity report.*

**Not Met:** The report is in final editing, and it is anticipated that it will be finalized in the first quarter of 2012.

3. ***Support the development or revision of voluntary standards and code revisions.***

**Voluntary Standards**

Staff participates in the voluntary standards process by providing expert advice, technical assistance, and information based on data analyses of how deaths, injuries, and/or incidents occurred.

***Goal:*** *In 2011, staff will provide support for the revision of the voluntary standards and/or model codes for the following 60 products or codes*:

**Met:** In 2011, staff monitored or participated in the development or modification of voluntary standards for all 60 of the following products:

air cleaners (ozone-generating)
air mattresses, inflatable
all-terrain vehicles
amusement rides (portable)
baby monitors
bassinets/cradles
bath seats
batteries (button cells)
bed rails
beds (bunk)
beds (toddler)
bedside sleepers
bicycles
blind cords
booster seats
candles
chairs (high)
chairs (youth)
changing tables
children's metal jewelry
cigarette lighters
cribs (commercial)
cribs (full-size)
cribs (non-full-size/play yards)
drywall
fuel tanks (leakage)
garage doors/gate operators
gasoline containers (child-resistant closures)
headgear (recreational)
infant bedding/accessories
infant bouncers
infant carriers (frame)
infant carriers (handheld)
infant carriers (soft)
infant gates
infant hammocks
infant slings
infant swings
infant tubs
infant walkers
ladders
mattresses
mowers
National Electrical Code
phthalates
playground equipment (home)
playground equipment (children under 2 yrs)
playground equipment (public)
portable generators
power equipment
ranges (tip-over)
recreational off-highway vehicles
shopping carts
smoke alarms
soccer goals
stationary activity centers
strollers
swimming pools/spas
toys
tree stands (hunting)

4. ***Nanotechnology Initiative — Complete 10 activities related to application of nanotechnology in consumer products.***

There is a growing use of compounds or materials that have been produced with nanotechnologies that directly manipulate matter at the atomic level and fabricate materials that could not have been produced in the past. Efforts are under way to identify the potential release of nanoparticles from selected consumer products and to determine the potential health effects from such exposure.

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| *Airborne Nanoparticles from Consumer Products* | There is a need to understand better the release of nanoparticles into indoor air and the potential exposure to human occupants. Measurement protocols do not exist to characterize these particle emissions or to assess the properties of the emitted particles that may relate to any health impacts (*i.e.*, size, shape, and composition). A collaborative research effort between the CPSC and the National Institute of Standards and Technology (NIST) will develop protocols to assess the potential release of nanoparticles from various consumer products and to determine their contributions to human exposure.<br><br>***Goal:*** *In 2011, under a new interagency agreement (IAG) between the CPSC and NIST, NIST will conduct testing to assess the properties of nanosized particles. CPSC staff will complete a status report on the measurement protocols developed for assessing the release of nanoparticles from consumer products through laboratory testing, as well as for in-use testing in residences.*<br><br>**Met:** In 2011, an IAG was signed, and a status report describing the experimental procedures to assess the properties of nanosized particles was completed. The IAG is available on the CPSC website at: *http://www.cpsc.gov/LIBRARY/FOIA/FOIA11/contracts/CPSC-I-11-0010.pdf*. |
| *Carbon Nanotubes in Sports Equipment and other Selected Products* | Some of the new nanomaterials used in consumer products reportedly improve the performance and durability of these products. Included in these consumer products are sports and safety equipment, such as baseball bats, mountain bikes, and helmets. The challenge is to determine whether manufacturers can use nanomaterials to produce improved safety equipment (*e.g.*, helmets, kneepads) and enhance performance and safety features without creating other hazards.<br><br>Manufacturers reportedly incorporate carbon nanotubes into sports equipment, such as baseball bats and golf clubs. Nanotubes, cylindrical nanostructures where the tube could be much longer than its nanoscale diameter, provide significant increases in material strength but are very lightweight. Resulting improvements in the power of equipment, such as baseball bats, may result in injuries. In addition, recent studies suggest that carbon nanotubes may have effects on the human body that are similar to asbestos. The extent to which carbon nanotubes may be |

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| | released from sports equipment during use and misuse scenarios is not known.<br><br>***Goal:*** *In 2011, staff will modify an existing memorandum of understanding on nanotechnology or sign a new interagency agreement (IAG) with NIST to develop a study to determine the presence of carbon nanotubes in selected products, potential exposures to consumers, and product performance. Staff will complete a status report on the findings of this study.*<br><br>Met: In 2011, an IAG with NIST was signed. NIST staff purchased products for testing and developed methods to identify nanoparticles in the selected products. A status report outlining the research activities and the preliminary results of the study was completed. |
| *Enhancement of NLM Household Products Database* | The National Library of Medicine (NLM), the National Institutes of Health, and the U.S. Department of Health and Human Services provide information online (*householdproducts.nlm.nih.gov*) for thousands of consumer products in the Household Products Database. This database provides information on the chemicals contained in brand-name products and the potential health effects of these chemicals to consumers, scientists, and other stakeholders.<br><br>***Goal:*** *In 2011, CPSC staff will collaborate with the NLM to identify approaches to enhance the database to provide information on nanomaterials in consumer products. Staff will complete a status report with a template for data submission.*<br><br>Not Met: In 2011, a memorandum of understanding with the NLM was signed, a draft action plan developed, and a status report describing the plan completed. The template for data submission is still in development. The template was not completed because funding uncertainty delayed the MOU until mid-2011. The template will be completed in the second quarter of 2012. |
| *Exposure and Risk Assessment of Nanomaterials in Consumer Products — Centers for Environmental Implications of Nanotechnology* | The National Science Foundation (NSF) and the U.S. Environmental Protection Agency (EPA) have funded and supported the development of two centers for Environmental Implications of Nanotechnology. These university-based centers focus on the environmental and public health implications of nanotechnology and concentrate on the fate and transport of nanomaterials in the environment and exposures to various organisms. They also seek to understand human exposures to nanomaterials, including those released from consumer products. CPSC staff will support investigations at these centers, which use innovative techniques to characterize nanomaterials in selected consumer products and quantify exposures to humans. A project will also synthesize data to develop a risk assessment framework for nanomaterials used in consumer products. This project will involve an interagency agreement (IAG) among the NSF, the EPA, and the CPSC. |

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| | ***Goal:*** *In 2011, staff will complete a status report on a literature search of previous findings and experimental procedures developed to quantify releases and consumer exposure to nanomaterials from treated products and to assess potential health risks resulting from aggregate exposures.*<br><br>Met: In 2011, IAGs were signed with the NSF and NIST, and draft status reports describing the approach for the experimental and risk modeling phases of the study were completed. The interagency agreements are available on the CPSC website at: *http://www.cpsc.gov/LIBRARY/FOIA/FOIA11/contracts/CPSC-I-11-0016.pdf*. |
| *Nanomaterials in Aerosol Products* | In 2008, the CPSC initiated an interagency agreement (IAG) with the National Institute for Occupational Safety and Health (NIOSH) to evaluate the particulate aerosol generated during use of an antimicrobial spray product containing titanium dioxide nanoparticles. Aerosol products containing nanoparticles have a wide variety of uses and applications, and there is concern about nanomaterial exposures to human populations in consumer use and occupational settings and the environment. This project will identify new products that have entered the market and specific nanomaterials used in these aerosol products.<br><br>***Goal:*** *In 2011, under an IAG between the CPSC and NIOSH, NIOSH will conduct testing to identify nanomaterials used in new aerosol products and quantify releases from these products. Staff will complete a status report on its evaluation of the particulates generated during use of aerosol products containing nanoparticles*<br><br>Met: In 2011, the CPSC signed an IAG with NIOSH to quantify the exposure potential and health impacts of silver nanoparticles in aerosol sprays. A draft status report was completed that summarizes the experimental procedures and preliminary results of the study. |
| *Nanomaterials in Aerosol Products (Exposure and Inhalation Effects)* | In 2008, the CPSC initiated an IAG with NIOSH to evaluate the particulate aerosol generated during use of an antimicrobial spray product containing titanium dioxide nanoparticles. The CPSC provided funding for the product and the construction of a generation system and test chamber; NIOSH provided the expertise and staff time for the evaluation. The project has been successful at identifying nanomaterials in the product. In 2010, under an IAG between the CPSC and NIOSH, NIOSH conducted testing to determine the exposure impact of the antimicrobial spray that contains engineered nanomaterials.<br><br>***Goal:*** *In 2011, staff will complete a status report on the exposure and health effects data generated in the evaluation of nanomaterials in aerosol products.* |

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| | Met: In 2011, NIOSH staff continued to develop and refine methods to quantify release of nanoparticles from aerosol products. A draft status report outlining the approaches for characterizing exposure and health impacts from selected aerosol spray products was completed. |
| *Nanomaterials in Products and Public Health – Interagency Solicitation* | The federal agencies participating in the National Nanotechnology Initiative (NNI) have been encouraged by Congress to collaborate in research solicitations. The EPA began inviting participation by other federal agencies in its investigation solicitation program, Science to Achieve Results (STAR) program, as early as 2005. This allows agencies to use the existing EPA mechanism to identify the top experts in the field of nanotechnology public health and environmental safety. This solicitation will ensure that common public health concerns across agencies will be met. This improves the quality of the data produced from these studies. The solicitation process will allow CPSC staff to develop research studies that determine the potential impacts on public health of nanomaterial use in consumer products.<br><br>***Goal:*** *In 2011, the CPSC will collaborate with the EPA and other NNI agencies to develop solicitations for research on the potential health effects of nanomaterials in consumer products. Staff will complete a status report on solicitations and proposals developed to meet CPSC data needs.*<br><br>**Met:** In 2011, the CPSC signed an interagency agreement with the EPA to support a comprehensive multinational study in collaboration with agencies in the United Kingdom that investigates the potential human exposures to nanomaterials resulting from the use of consumer products, as well as from contact with selected nanomaterials from environmental sources. The study will quantify the potential health risks of these exposures. A draft report summarizing the progress of this study was completed. |
| *Nanosilver in Consumer (Children's) Products* | There is growing use of compounds or materials that have been produced using nanotechnologies that directly manipulate matter at the atomic level to fabricate materials that could not have been produced in the past.<br><br>The special properties of nanosilver are being exploited for use in consumer products, including room sprays, laundry detergents, wall paint, clothing textiles (such as shirts, pants, and underwear), and products intended for use by children (such as baby bottles, teething rings, and plush toys). Exposure associated with silver varies with the chemical form (metallic or salt) and the route of exposure (ingestion, inhalation, or dermal contact).<br><br>Evaluating potential exposures to consumers from use of nanosilver-enabled products is critical for assessing potential health effects. Results obtained from available studies are highly |

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| | variable, precluding generalization of these studies to other consumer products.<br><br>***Goal:*** *In 2011, through a collaborative effort with NIOSH, the EPA, and the CPSC, NIOSH or the EPA will conduct product testing, using scientifically credible protocols, to evaluate the potential exposure to nanosilver from consumer products. Staff will complete a status report of the results of the testing and evaluation.*<br><br>Met: A draft status report on the experimental procedures and preliminary results of the study conducted by NIOSH was completed. A copy of the contract is available on the CPSC website at: *http://www.cpsc.gov/LIBRARY/FOIA/FOIA11/contracts/CPSC-I-10-0006-mod1.pdf*. |
| *Nanotechnology Annual Data Update* | In March 2006, the Woodrow Wilson International Center for Scholars, located in Washington, D.C., published an inventory of consumer products found on the Internet that were identified by manufacturers as nanotechnology products; these products included: aerosol household chemicals, apparel, and sports equipment. A large number of products that are expected to contain nanomaterials likely fall under the regulatory authority of the CPSC. Without premarket notification, staff is unaware of the products that contain nanomaterials and the specific nanomaterials incorporated in these products. Staff identifies products that claim, or conceivably contain nanomaterials, and maintains a database with detailed information on these products.<br><br>***Goal:*** *In 2011, staff will update its database on the overall use of nanomaterials in the marketplace and the consumer product categories that contain nanomaterials.*<br><br>Met: In 2011, staff purchased reports identifying products in commerce that contain nanomaterials. This information was summarized in a draft annual update that also includes a summary of staff activities related to nanotechnology. In addition, staff updated the database. |
| *Nanotechnology Conference* | The use of nanomaterials in consumer products is expected to increase significantly over the next few years. The National Nanotechnology Initiative (NNI) has developed a public engagement group that encourages federal agencies to educate the public and address concerns through public meetings. The U.S. FOOD and Drug Administration, the U.S. Environmental Protection Agency, and other agencies have hosted public meetings and produced reports summarizing the meeting activities.<br><br>***Goal:*** *In 2011, staff will develop a format for a public meeting focusing on the use of nanomaterials in consumer products, as well as a review of the available scientific data on exposures to nanomaterials. The meeting is planned for 2012.* |

Met: In 2011, staff developed a draft format for the planned nanoscience conference. Proposed conference topics include: the commercialization of nanomaterials, the potential benefits and health impacts of these materials, and the research conducted by CPSC and federal partners to address potential safety concerns.

**Objective 2.2: Improve the safety of consumer products by issuing mandatory standards, where necessary and consistent with statutory authority, in response to identified product hazards.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Mandatory Standards Activities*** | | | | | | | |
| 5. Prepare candidates for rulemaking | **Goal** | 8 | 14 | 14 | 29 | 28 | 27 |
| | **Actual** | 6 | 10 | 10 | 27 | 26 | 22 |
| 6. Complete data analysis and technical review activities | **Goal** | * | * | * | * | * | 13 |
| | **Actual** | | | | | | 9 |

* Due to a new way of categorizing our work, data prior to 2011 are not comparable to the 2011 data.

***Mandatory Standards Activities***

5. ***Prepare for Commission consideration 27 candidates for rulemaking or other alternatives.***

***All-Terrain Vehicles***

In 2006, the Commission issued a notice of proposed rulemaking (NPR) that would ban three-wheeled all-terrain vehicles (ATVs) and mandate performance, informational, and offer-of-training requirements for youth and adult ATVs. The NPR included Commission instruction to CPSC staff to take several specific actions regarding ATVs.

In 2007 and 2008, in response to Commission instruction in the NPR, CPSC staff contracted with the U.S. Army Aberdeen Test Center to evaluate nine youth model ATVs against each other and against the performance requirements of the American National Standards Institute/Specialty Vehicle Institute of America standard for four-wheeled ATVs. At that time, the standard was voluntary (the CPSC, in response to direction from the CPSIA, has since made it a mandatory consumer product safety standard, effective April 13, 2009).

In 2009, CPSC staff modified an agreement with the Aberdeen Test Center to conduct tests on several adult- and transitional-size ATVs. This testing began in 2009, and it concluded in 2010. Testing of these ATVs allowed staff to examine the effects of rider interaction on ATVs and to examine the latest technology on ATVs, such as power steering and independent rear suspension.

***Goal:*** *In 2011, staff will prepare for Commission consideration, a briefing package with a draft final rule for ATVs.*

Not Met: In 2011, two unanticipated ATV-related issues arose that required the preparation of briefing packages for Commission decisions: (1) the Specialty Vehicle Institute of America (SVIA) revised the ATV voluntary standard, which required the

Commission to decide whether to amend the mandatory standard by incorporating the revisions; and (2) an industry-requested stay of enforcement of third party testing requirements for youth ATVs. Staff was diverted from the completion of a briefing package for the Commission due to these issues. Staff anticipates that the briefing package with a draft final rule for ATVs will be submitted to the Commission in the second quarter of 2012. H.R. 2715 requires that the Commission complete ATV rulemaking by August 2012.

***Bicycle Regulation - Technical Amendments***
***(2 goals: 1 NPR, 1 final rule)***

Manufacturers and importers of products subject to 16 Code of Federal Regulations (CFR) part 1512, Requirements for Bicycles, must certify that their products comply with this standard. Certifications of bicycles designed or intended primarily for children 12 years of age or younger must be based on tests conducted by a third party conformity assessment body whose accreditation has been accepted by the CPSC. Technical amendments are needed that change certain requirements reflecting the development of new technologies, designs, and features in bicycles and clarify certain provisions of testing requirements, which do not apply to specific bicycles or bicycle parts.

***Goal:*** *In 2011, staff will prepare for Commission consideration, a briefing package with a draft proposed rule for technical amendments to 16 CFR part 1512, Requirements for Bicycles.*

Met: Staff prepared a briefing package with a draft proposed rule in October 2010. The briefing package can be accessed at: *http://www.cpsc.gov/library/foia/foia11/brief/bicycle.pdf*.
On October 22, 2010, the Commission approved the publication of the draft proposed rule, with changes, in the *Federal Register* (FR). The FR notice can be accessed at:
*http://www.cpsc.gov/businfo/frnotices/fr11/bikecomm.pdf*.

***Goal:*** *Staff will also prepare a briefing package with a draft final rule for Commission consideration.*

Met: Staff submitted a briefing package to the Commission with a draft final rule for technical amendments to 16 CFR part 1512, Requirements for Bicycles, and the Commission voted to accept the draft final rule in May 2011. The *Federal Register* notice of the final rule can be found at:
*http://www.cpsc.gov/BUSINFO/frnotices/fr11/bicyclerule.pdf*.

***Children's Products Containing Lead***

The CPSIA sets limits for lead content of children's products, including vinyl products, of 600 parts per million (ppm) by February 2009; 300 ppm by August 2009; and, if technologically feasible, 100 ppm by August 2011.

***Goal:*** *In 2011, staff will prepare for Commission consideration, a briefing package with a recommendation regarding the*

*technological feasibility of setting the lead content limit of children's products at 100 ppm.*

**Met:** Staff submitted a briefing package to the Commission regarding the technological feasibility of a 100 ppm lead limit in June 2011. The staff could not recommend that the Commission determine that the lead content limit of 100 ppm is not technologically feasible, as defined by the CPSIA. On July 26, 2011, the Commission published a *Federal Register* notice of the effective date for the 100 ppm lead content limit for children's products that can be found at: *http://www.cpsc.gov/BUSINFO/frnotices/fr11/leadeffdate.pdf*.

***Component Parts***

In 2010, the Commission issued an NPR that set forth the conditions and requirements for the testing of component parts of consumer products, including children's products. These requirements would apply to testing that is used: (1) to demonstrate the compliance of a consumer product with all applicable rules, bans, standards and regulations; and (2) to support issuance of a general conformity certificate under Section 14 (a) of the Consumer Product Safety Act.

***Goal:*** *In 2011, staff will review comments on the NPR and prepare and send to the Commission for consideration, a briefing package with a draft final rule addressing the conditions and requirements under which the Commission would allow the certification of consumer products based in whole or in part on testing of component parts or composite parts of consumer products, including children's products.*

Met: Staff submitted a briefing package with a draft final rule on component part testing to the Commission on September 21, 2011. The briefing package is available on the CPSC website at: *http://www.cpsc.gov/library/foia/foia11/brief/componentpart.pdf*. On October 19, 2011, the Commission voted (3–2) to approve publication of the final rule in the *Federal Register*.

***Durable Infant or Toddler Products***

The CPSIA requires the CPSC to study and develop safety standards for two durable infant and toddler products every 6 months, to begin no later than August 14, 2009.

*Safety Standards for Cribs*

Cribs remain a priority for the Commission because they are one of the only places where parents leave babies unattended for long periods.

In November 2008, the Commission issued an advance notice of proposed rulemaking (ANPR) on cribs to address hardware failures. Staff also began testing and analysis of cribs to evaluate the adequacy of the voluntary standard for hazard scenarios. In 2010, the Commission published a notice of proposed rulemaking (NPR) for full-size and non-full-size cribs.

***Goal:*** *In 2011, staff will prepare for Commission consideration a briefing package with a draft final rule with standards for full-size cribs and for non-full-size cribs.*

Met: Staff submitted a briefing package to the Commission with a draft final rule for full- and non-full-size cribs in December 2010, and the Commission voted to accept the draft final rule. The crib standards apply to owners and operators of child care facilities, family child care homes, and places of public accommodation, such as hotels and motels, as well as to manufacturers, distributors, and retailers of cribs. The *Federal Register* notice is available on the CPSC website at: *http://www.cpsc.gov/businfo/frnotices/fr11/cribfinal.pdf*.

*Safety Standards for Durable Infant or Toddler Products*

In September 2009, the Commission issued two NPRs for baby bath seats and infant walkers. In 2010, the Commission published final rules for baby bath seats and infant walkers. In addition, the Commission published NPRs for toddler beds and bassinets.

***Goal:*** *In 2011, staff will prepare for Commission consideration, four briefing packages with draft NPRs for Commission consideration for bed rails, bedside sleepers, infant swings, and play yards. Staff will also prepare for Commission consideration, briefing packages with draft final rules on toddler beds and bed rails.*

Not Met: Staff submitted briefing packages with draft notices of proposed rulemakings (NPRs) for bed rails and play yards for Commission consideration in March 2011, and August 2011, respectively. The briefing packages for bed rails and play yards can be found on the CPSC website at: *http://www.cpsc.gov/library/foia/foia11/brief/bedrailNPR.pdf* or at: *http://www.cpsc.gov/library/foia/foia11/brief/playyardNPR.pdf*. Staff did not draft an NPR for bedside sleepers because the ASTM standard had not been completed. In addition, staff did not draft an NPR for infant swings in 2011; working groups have been formed by the voluntary standards committee to update the standard. It is anticipated that a briefing package on infant swings will be submitted to the Commission in the second quarter of 2012. Staff submitted a draft final rule on toddler beds for Commission consideration on March 23, 2011. The Commission voted to approve publication of the final rule, and a copy of the *Federal Register* notice is available at: *http://www.cpsc.gov/businfo/frnotices/fr11/toddlerbeds.pdf*, with a correction notice at: *http://www.cpsc.gov/businfo/frnotices/fr11/toddlerbedcorr.pdf*. A briefing package with a draft final rule for bedrails will be completed in 2012.

*Accreditation Requirements*

***Goal:*** *In 2011, staff will prepare for Commission consideration, draft final rules for lab accreditation for testing four children's products for compliance with the durable infant products*

*standards for full-size cribs, non-full-size cribs, toddler beds, and bed rails.*

**Not Met:** Staff prepared briefing packages with draft final rules for lab accreditation for testing full-size and non-full-size cribs and toddler beds for Commission consideration, and they are available at: *http://www.cpsc.gov/library/foia/foia11/brief/tpcribs.pdf*, and at: *http://www.cpsc.gov/library/foia/foia11/brief/toddlertest.pdf*. Staff did not prepare a draft final rule for accreditation requirements for portable bed rails because the final rule was not completed. Staff will prepare a draft final rule on portable bed rails in the second quarter of 2012.

***Fireworks***

In 2006, an ANPR was published, seeking information and comments on the risk of injury associated with noncomplying fireworks, the regulatory alternatives being considered, and other possible ways to address the risks of injury. In 2007, staff reviewed and drafted responses to the comments solicited by the ANPR.

***Goal:*** *In 2011, staff will take steps to determine how to proceed with the rulemaking, begun in 2006, on fireworks. Staff will prepare a status report, including addressing the comments received on the ANPR, and make recommendations on what actions to take with regard to the pending rulemaking.*

Met: Staff prepared a status report that provides updated information on developments related to the 2006 ANPR, including a discussion of the comments received, recent injury data, and changes in requirements as a result of the CPSIA. The report also provides actions that could be undertaken to address the pending rulemaking.

***Labeling of Consumer Products: Complying with Certification Requirements; Certification and Testing***

The CPSIA requires the CPSC to initiate a process by which a manufacturer or private labeler may label a consumer product to indicate compliance with the CPSIA certification requirements. In 2010, the Commission published an NPR for labeling of consumer products.

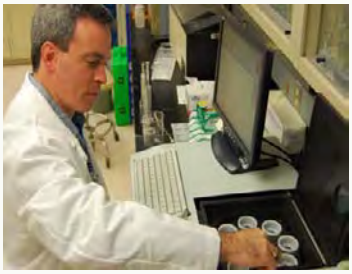
The CPSIA sets a schedule for the Commission to publish a notice of requirements for accreditation of third party testing laboratories. In 2009, staff created and managed a process for the submission, collection, and processing of all application materials for CPSC accreditation of these laboratories. In 2010, staff prepared and submitted for Commission consideration, a briefing package for a notice of proposed rulemaking (NPR) for protocols and standards for testing and certification of consumer products and for safeguarding against the exercise of undue influence on a third party conformity assessment body by a manufacturer or private labeler.

***Goal:*** *In 2011, staff will review comments, prepare, and send to the Commission for consideration, a briefing package with a draft final rule for labeling of consumer products.*

***Goal:*** *In 2011, staff will review comments and prepare and send to the Commission for consideration, a briefing package with a draft final rule for protocols and standards for: (1) a reasonable testing program for non-children's products; (2) certification, periodic testing, and the selection of random samples to ensure continued compliance of children's products; and (3) safeguarding against the exercise of undue influence on a third party conformity assessment body by a manufacturer or private labeler.*

Met: The above two goals were met with one briefing package with a draft final rule, *Testing and Labeling Pertaining to Product Certification*, which staff submitted to the Commission in September 2011. The briefing package is available on the CPSC website at: *http://www.cpsc.gov/library/foia/foia11/brief/certification.pdf*. The draft final rule establishes the conditions and requirements for relying on testing or certification of component parts of consumer products, or another party's finished product testing or certification, to meet the testing or certification requirements contained in Section 14 of the CPSA. On October 19, 2011, the Commission voted to approve publication of the final rule in the *Federal Register*.

***NOR Lab Accreditation for Flammable Fabrics Act (FFA) Regulations***



The CPSIA directs the CPSC to publish a notice of requirements (NOR) for accreditation of third party conformity assessment bodies to assess children's products for conformity with "other children's product safety rules." The CPSIA defines a "children's product safety rule" as a consumer product safety rule under the Consumer Product Safety Act or "similar rule, regulation, standard, or ban under any other Act enforced by the Commission.. . ." The FFA is an Act enforced by the CPSC; consequently, regulations under the FFA may fall within the definition of "children's product safety rule." Each manufacturer subject to a "children's product safety rule" must have products that are manufactured more than 90 days after the Commission has established and published NOR for accreditation tested by a third party conformity assessment body accredited to do so, and must issue a certificate of compliance with the applicable regulations based on that testing. In 2010, staff prepared four NOR briefing packages for Commission consideration:

- 16 CFR part 1611 Vinyl Plastic Film,
- 16 CFR part 1610 Clothing Textiles,
- 16 CFR part 1630 and 1631 Carpets and Rugs, and
- 16 CFR part 1633 and 1632 Mattresses and Mattress Pads.

***Goal:*** *In 2011, staff will prepare a briefing package for the NOR for Lab Accreditation for 16 CFR part 1615 and 1616 Flammability of Children's Sleepwear.*

**Met:** Staff submitted a briefing package for the NOR for Lab Accreditation for 16 CFR parts 1615 and 1616 for Commission consideration in October 2010. The Commission voted to publish the NOR and the *Federal Register* notice is available at: *http://www.cpsc.gov/businfo/frnotices/fr11/tpsleepwear.pdf*.

***Phthalates***

The CPSIA prohibits any children's toy or child care article from containing specified levels of certain phthalates.

***Goal:*** *In 2011, issue a notice of requirements for the testing and certification of products covered by the phthalates provisions of the CPSIA and review and revise, as needed, the guidance documents related to those products.*

**Met:** Staff developed for Commission consideration a briefing package with a notice of requirements for testing and certification of products covered by the phthalates provisions of the CPSIA. The Commission voted to publish the NOR in the *Federal Register*, and the notice is available at: *http://www.cpsc.gov/BUSINFO/frnotices/fr11/tpphthal.pdf*. In 2011, updates to guidance documents were not needed.

***Poison Prevention – Imidazolines***

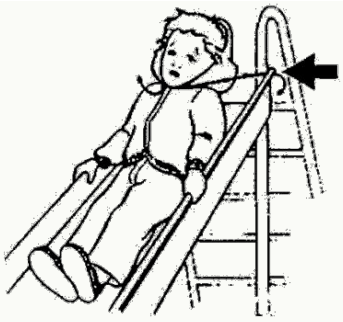
The Poison Prevention Packaging Act authorizes the Commission to issue child-resistant packaging requirements for hazardous household substances (*e.g.*, drugs or other chemicals). To reduce injuries and deaths of children associated with ingestion of household chemicals, staff continues to monitor these ingestions and to assess the need for child-resistant packaging.

***Goal:*** *In 2011, staff will update scientific information/incident data and prepare for Commission consideration, a briefing package regarding poison prevention packaging for products containing imidazolines. A separate briefing package will respond to petitions for exemption from child-resistant packaging requirements.*

Met: Staff completed a draft briefing package on imidazoline-containing products, which is in clearance prior to being submitted for Commission consideration. The package will be submitted to the Commission in the first quarter of 2012. Staff completed a separate briefing package for Commission consideration responding to requests from two manufacturers to exempt their products from child-resistant packaging. The Commission voted to grant these requests. The *Federal Register* listing can be found at: *http://www.cpsc.gov/businfo/frnotices/fr11/welcholfinal.pdf*.

***Substantial Product Hazard – 15(j) 2 Activities***

The CPSIA added a new provision to section 15 of the Consumer Product Safety Act that allows the Commission to adopt rules defining the presence or absence of certain types of product characteristics as a defect that constitutes a "substantial product hazard" for an entire class of products. Such rules must be based on a "readily observable" characteristic that has been addressed



previously by voluntary standards; in addition, there must be substantial compliance with those standards. Importantly, "generic defect" rules for import safety streamline the CPSC's ability to deal with products that are not subject to a mandatory standard.

In 2010, the Commission issued an NPR for children's outerwear with drawstrings, which staff published in the *Federal Register* on May 17, 2010 (75 FR 27497). In addition, the Commission issued an NPR for hair dryers, which staff also published in the *Federal Register* on May 17, 2010 (75 FR 27504).

***Goal:*** *In 2011, staff will prepare for Commission consideration, a briefing package with a draft final rule for children's outerwear with drawstrings.*

**Met:** In 2011, staff submitted a briefing package with a draft final rule for children's outerwear with drawstrings for Commission consideration. The Commission voted to issue a final rule to determine that children's upper outerwear garments in sizes 2T to 12, or the equivalent, that have neck or hood drawstrings, and in sizes 2T to 16, or the equivalent, that have waist or bottom drawstrings that do not meet specified criteria, present substantial product hazards. The *Federal Register* notice is available at: *http://www.cpsc.gov/businfo/frnotices/fr11/drawstringrule.pdf*.

***Goal:*** *In 2011, staff will prepare for Commission consideration, a briefing package with a draft final rule for hair dryers.*

Met: In 2011, staff submitted for Commission consideration a briefing package with a draft final rule for hair dryers. The Commission voted to issue a final rule to determine that any handheld dryer without integral immersion protection presents a substantial product hazard. The *Federal Register* notice of the final rule is available at: *http://www.cpsc.gov/businfo/frnotices/fr11/hairdryrule.pdf*.

***Table Saws***

In 2006, the CPSC granted a petition to proceed with a rulemaking process that could result in a mandatory safety standard for table saws to reduce the risk of blade contact injury, and it directed staff to draft an advance Notice of proposed rulemaking (ANPR). The Commission did not vote on the ANPR before it lost its quorum. However, the Commission directed staff to initiate a project to collect additional information on emerging injury-reduction technology to prevent and reduce blade-contact injuries, which has been ongoing. In 2011, the CPSC released an updated study based on data from CPSC's National Electronic Injury Surveillance System (NEISS), which estimated that there were 66,900 emergency department-treated injuries related to table/bench saw operator blade contact in the United States during the calendar years 2007–2008.

***Goal:*** *In 2011, staff will prepare for Commission consideration, a briefing package with an ANPR regarding a performance standard for table saws.*

Met: In 2011, staff sent for Commission consideration a briefing package with an ANPR for table saws. The Commission voted to issue an ANPR for table saws, and the Federal Register notice is available at: *http://www.cpsc.gov/businfo/frnotices/fr12/tablesawANPR.pdf*.

***Toy Standard Evaluation (F-963)***

As directed by the CPSIA, the voluntary standard, ASTM F963, Standard Consumer Safety Specification for Toy Safety, became mandatory in February 2009.

***Goal:*** *In 2011, staff will prepare a notice of requirements (NOR) for the testing and certification of products to ASTM F963.*

Met: In 2011, staff submitted for Commission consideration a NOR for the testing and certification of products to ASTM F963. The Commission voted to issue the NOR, and the *Federal Register* notice is available at: *http://www.cpsc.gov/businfo/frnotices/fr11/thirdpartynor.pdf*.

6. ***Complete 13 data analysis and technical review activities***

***All-Terrain Vehicles (ATVs) Child-resistant Ignition***

The risk to youth who drive adult ATVs is higher than that for youth who drive youth ATVs. This project is a proof-of-concept design for a child-resistant ignition mechanism to prevent a younger child from driving an inappropriate-size model ATV without the knowledge of a parent or other supervising adult. CPSC staff will collaborate with engineering students to develop a proof-of-concept design for a child-resistant ignition switch for ATVs.

***Goal:*** *In 2011, staff will complete a draft summary report documenting the work of students on designs for a child-resistant ignition switch on ATVs.*

Met: Staff completed a draft report in September 2011, which summarizes the work of engineering students in developing a proof-of-concept design for a child-resistant ignition switch for ATVs. The student group created a child-resistant ignition that, in initial testing, appeared successful at limiting the ability of some children 10-years-of-age and younger to start an ATV on their own.

***ATV Occupant Protection Systems***

Rollover is a common hazard pattern in ATV incidents. In a 2007 CPSC staff pilot study of approximately 85 youth fatalities on ATVs, 13 percent of the incidents involved overturning as the initial event; 32 percent involved a change in grade, leading to overturning of the ATV and/or ejection of the occupant from the ATV; and 11 percent involved a failure to turn, leading to

collision, overturning of the ATV, and/or ejection of the occupant from the ATV.

Staff will conduct a pilot study to evaluate two occupant protection designs for ATVs as viable solutions to address the lack of occupant protection in an ATV in a low-energy rollover event.

***Goal:*** *In 2011, staff will develop a preliminary test and evaluation plan for a passive rollover protective structure and an occupant protection system. Staff will also develop a statement of work for future use in addressing the usability and effectiveness of the occupant protection systems.*

Met: Staff developed a preliminary test and evaluation plan for two currently marketed occupant protection systems. Staff also completed a statement of work for future use to address the usability and effectiveness of the occupant protection systems.

***Bicycle Injuries***

Bicycle hazards account for a large number of consumer product-related injuries and deaths. In 2006, the latest year for which data were available, 926 people were killed in bicycle-related incidents. In 2009, there were 544,470 emergency department-treated bicycle-related injuries, about 4 percent of the 14 million emergency department-treated consumer product-related injuries. In 2011, staff will conduct a special study to determine current bicycle-related hazards. Staff will use the data to evaluate staff-recommended changes to the existing federal bicycle standard (16 CFR 1512), determine the effectiveness of active front and rear illumination, evaluate helmet deterioration, frame durability, and other characteristics.

***Goal:*** *In 2011, staff will initiate the design of a special study to collect data on current injury patterns associated with bicycle use.*

Not Met: The design of a special study to collect hazard scenario information from those who sought treatment in a NEISS hospital emergency department was deferred due to resource constraints. A completion date for developing the special study design has not been determined.

***Cigarette Ignition Risk***

The majority of fire deaths are caused by cigarettes igniting soft furnishings. The current CPSC regulation for mattresses and mattress pads and the proposed standard for the flammability of upholstered furniture use a cigarette as the source of ignition. The standard cigarette used by the CPSC in these regulations is an unfiltered, conventional cigarette. All states have adopted fire safety standards to require reduced ignition propensity (RIP) cigarettes. As RIP cigarettes saturate the market, the fire hazards associated with smoldering cigarettes may be changing.

Previous work on this project included measuring the ignition strength of the cigarettes to evaluate performance differences of RIP and conventional cigarettes of the same brands per the

voluntary standard. Data from this work were used to develop a test program to examine the effects of RIP cigarettes on ignition behavior of interior furnishings. In 2010, staff awarded a contract for evaluating the ignition propensity of mattresses and mattress pads using RIP and conventional cigarettes as the ignition sources. Staff has also completed a draft status report comparing the burning characteristics of RIP cigarettes to conventional cigarettes.

***Goal:*** *In 2011, staff will develop a statement of work for contractor testing to evaluate RIP and conventional cigarettes on mattresses. The contractor will submit a preliminary draft report to CPSC staff providing the results of their evaluations.*

**Met:** Staff prepared a statement of work that was used to award a contract, and a task order was issued to the contractor for testing RIP and conventional cigarettes on mattresses. The contractor completed testing and submitted preliminary data to CPSC staff.

***Cigarette Lighters (Special Study)***

Several fire safety organizations have requested that the CPSC prohibit the sale of novelty lighters due to the risk of death and injury posed to children. Current CPSC data systems do not provide sufficient information to determine the involvement of novelty lighters in reported incidents. A special study is needed to develop a database of fire incidents to determine the hazards posed by novelty and non-novelty lighters and to support possible amendments to the Safety Standard for Cigarette Lighters (16 CFR part 1210).

***Goal:*** *In 2011, a special study methodology will be developed to obtain data on the types of lighters (novelty and non-novelty) involved in fire incidents. Information gathered from this study will be used in the future to evaluate the effectiveness of the current regulation for cigarette lighters.*

Not Met: This goal was not met because project resources were diverted to higher priority hazard reduction and enforcement activities.

***Drywall***

In December 2008, the CPSC first received drywall-related complaints from consumers. These complaints included reports of noxious odors; corrosion of metal items inside homes, especially copper air conditioning coils; and short-term health effects, generally involving the upper respiratory tract. In response, the CPSC launched an extensive investigation requiring substantial resources. In 2010, the CPSC received more than 3,600 incident reports about health and corrosion symptoms from residents in 38 states, the District of Columbia, Puerto Rico, and American Samoa.

The CPSC continues to investigate long-term corrosion on electrical and fire safety components under contract with other federal laboratories. Initial results of analyses of components exposed to corrosive conditions are expected this year. Through

this work, the Commission hopes to fine-tune the Interim Identification Guidance and Interim Remediation Guidance (in conjunction with the U.S. Department of Housing and Urban Development).

***Goal:*** *In 2011, staff will prepare four reports on the results of technical studies related to drywall, such as emissions testing in controlled chambers; indoor air testing of affected and control homes; and corrosion and metallurgical analyses of electrical, fuel gas distribution, and fire safety components.*

**Exceeded:** In 2011, staff completed all planned technical studies related to problem drywall. Additional studies were undertaken as needed and were reported promptly upon their completion. Staff prepared and released 10 reports on the results of technical studies related to drywall, including: (1) Phase I, and (2) Phase II emissions studies of drywall in controlled chambers; (3) an evaluation of two homes in Fort Bragg, North Carolina; Engineering Studies of the effects of problem drywall-related corrosion on the safety and function of (4) electrical components, (5) smoke alarms, (6) fire sprinkler heads, and (7) gas distribution pipes; as well as (8) a microbiological study of drywall and gypsum; and (9) a follow-up assessment of six homes; and (10) an evaluation of homes reported to be constructed with domestic drywall with reports of similar corrosion issues. All of these reports can be found at: *http://www.cpsc.gov/info/drywall/investigation.html*.

***Durable Nursery Products Exposure Survey***

The CPSIA requires the CPSC to evaluate the existing voluntary standards for durable infant or toddler products and promulgate mandatory standards substantially the same as, or more stringent than, the applicable voluntary standards. To evaluate the current voluntary standards effectively, CPSC staff requires baseline data to measure the potential future impacts of the CPSIA's mandatory requirements or impacts on children's products. An exposure survey will be conducted to gather the baseline data.

In 2009, staff began work on developing a questionnaire and awarded a contract for the first phase of the survey. In 2010, staff, working with the contractor, developed a final exposure survey questionnaire, the survey's sample (statistical) design, and the survey's supporting statements for submission to the Office of Management and Budget (OMB).

***Goal:*** *In 2011, staff will submit the survey questionnaire and supporting statements for clearance, which includes staff preparing for Commission consideration, a draft Federal Register notice requesting public comment on this data collection activity.*

**Met:** The Commission published a *Federal Register* (FR) notice on April 11, 2011, announcing the proposed survey questionnaire. The FR notice is available at:

http://www.cpsc.gov/businfo/frnotices/fr11/nurserycollect.pdf. Staff is working with the survey contractor to respond to comments on the FR notice.

***Phthalates and Phthalate Substitutes***

As required by the CPSIA, the Commission appointed a Chronic Hazard Advisory Panel (CHAP) in 2010, to review the potential effects on children's health of all phthalates and phthalate alternatives in children's toys and childcare articles. The CHAP will consider the cumulative effects of exposure to multiple phthalates from all sources, including personal care products. The CPSIA-mandated that the CHAP have 18 months to complete its examination and an additional 180 days to complete its final report. The CHAP will recommend to the Commission whether any additional phthalates or phthalate alternatives should be declared banned hazardous substances.

In 2009, in preparation for the CHAP, CPSC staff completed five of six toxicity reviews of the banned and "interim-banned" phthalates, which were peer-reviewed by outside experts. Additionally, staff reviewed a contractor report on selected potential phthalate substitutes; issued an NPR providing guidance on which children's products are subject to section 108 of the CPSIA; prepared a briefing package for a Commission decision on the CHAP members; and began a review of phthalate exposure studies. In 2010, staff completed a draft report of pertinent exposure studies, a draft laboratory study on *Phthalates and Phthalate Substitutes in Children's Toys*, and one toxicity review for the CHAP.

***Goal:*** *In 2011, staff will continue to provide scientific and technical support for the CHAP and the three meetings planned for 2011.*

**Exceeded:** In 2011, the CHAP met three times at the CPSC (December 2010, March 2011, and July 2011) and twice by teleconference (November 2010 and September 2011). Ten additional toxicity reviews were completed by a contractor and reviewed by CPSC staff for the CHAP. The contractor also began work on an exposure assessment under the direction of the CHAP. Staff also provided technical support for CHAP members as they began drafting their report. Staff increased its efforts because there is a CPSIA mandated deadline of April 2012 for the CHAP to present its report to the Commission. Due to the April 2012 deadline, the CHAP has required additional scientific and technical support from CPSC staff.

***Portable Generators***

In 2006, the Commission voted to publish an advance notice of proposed rulemaking to begin research to develop technology to lower the risk of carbon monoxide (CO) poisonings associated with portable generators. Staff awarded a contract to take a commercially available generator and modify the engine into a prototype configuration that would reduce CO emissions in the

exhaust. Staff also entered into an interagency agreement (IAG) with the National Institute of Standards and Technology (NIST) to model the infiltration of CO in various styles of homes when the user operates the generator (in both the off-the-shelf and prototype configurations) in an attached garage.

From 2007 through 2009, staff monitored the prototype development contract and NIST prototype testing IAG, adding necessary modifications to each. Staff modified the prototype development contract to add automatic shutoff programming into the electronic fuel injection (EFI) controller of the existing low-CO emission prototype generator. Additionally, staff created a second agreement with NIST ("Standard Development IAG") to develop CO emission performance limits for portable generators that significantly improve predicted survivability, based on results from indoor air quality and health effects modeling.

In 2010, staff received a NIST progress report on CO infiltration into a "test house" with operating generators in the garage. NIST drafted a preliminary report on durability testing of the prototype low CO emission portable generator and provided staff's initial health analyses of a subset of NIST's preliminary test house results

***Goal:*** *In 2011, NIST will deliver an interim report containing the full complement of test house empirical results. With this, CPSC staff will expand its draft interim report prepared in 2010 with final analyses of the prototype development and durability testing effort and staff's full health analyses of the empirical results obtained from the test house.*

**Met:** NIST completed and delivered its interim report, which contained all the empirical results from testing generators (in off-the-shelf and prototype configurations) in the garage attached to NIST's test house. With this, staff expanded the draft interim report prepared in 2010, to include not only staff's full health analyses of the empirical results obtained from the test house and staff's final analyses of the prototype development and durability effort, but also all the staff and contractor reports that document fully staff's technology demonstration program of the prototype low CO emission portable generator.

***Goal:*** *Also in 2011, staff will draft a preliminary report containing a summary of the findings from the second IAG with NIST for developing life-safety-based, technology-independent, CO performance requirements for portable generators.*

**Met:** The combined report (see above), containing five staff memoranda/reports and four contractor reports, provided the background on the portable generator project: an overall description of the technology demonstration effort; CPSC's epidemiology data on CO fatalities associated with generators for 1999–2010; staff's summary of the development, durability testing, and end-of-life emission testing of the prototype low CO-

emission portable generator; a summary of results from the tests conducted at NIST to compare performance between the prototype and stock generators in the common fatal consumer scenario with the generator operating in an attached garage; staff's health assessment of the ability of the prototype to reduce the CO poisoning hazard, based on analysis of the empirical results obtained from the garage testing at NIST; and staff's assessment on the expected behavioral response of consumers to low CO emission generators. All the contractor reports that pertain to this technology demonstration are contained in the combined report. Staff submitted the report for clearance in 2011, to solicit public comments in 2012.

***Recreational Off-Highway Vehicles***

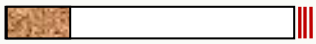
Recreational off-highway vehicles (ROVs) are a relatively new product category with a significant injury rate. In 2009, the Recreational Off-Highway Vehicle Association developed a draft voluntary standard. CPSC staff reviewed the draft standard and concluded that it did not adequately address lateral stability, vehicle handling, and occupant protection. The Commission voted to publish an advance notice of proposed rulemaking to address the significant numbers of deaths and injuries.

In 2010, CPSC staff completed static and dynamic testing of nine ROVs to perform a comparative analysis on the lateral stability and vehicle handling characteristics of this class of vehicles. Additionally, staff performed exploratory pilot study work on test methods to evaluate the occupant protection performance of ROVs. Staff will use this information to develop a draft notice of proposed rulemaking for the Commission to consider.

***Goal:*** *In 2011, staff will finalize occupant protection performance methods and conduct testing of a set of ROVs to complete an evaluation program of the occupant protection performance of this class of vehicles.*

Not Met: Staff investigated several test methods to evaluate the effectiveness of occupant protection systems on ROVs. Due to the complexity of testing, staff continues to test additional ROVs to compile a robust data set. The test and evaluation program will be completed in 2012.

***Surrogate Smoldering Ignition Source***



Federal regulations for smoldering ignition of mattresses and mattress pads (16 CFR part 1632) and a proposed rule for upholstered furniture (proposed 16 CFR part 1634) require a standard cigarette ignition source: a conventional, unfiltered cigarette with specific physical characteristics (length, density, and weight). This type of cigarette is no longer produced, and staff developed a standard reference material as a temporary replacement. There is a need to develop a long-term solution so that all stakeholders can transition seamlessly to the next generation of standard ignition source. Past work by CPSC staff indicated that there are alternatives to cigarettes that may be suitable for use as a standard ignition source. In 2010, the CPSC

established an IAG with NIST to develop a surrogate ignition source to use in the applicable standards.

***Goal:*** *In 2011, to evaluate candidate smoldering ignition sources, NIST will provide a status report on: (1) its literature review, and (2) potential surrogate ignition sources that it has identified for use in existing and proposed regulations.*

Met: NIST provided a status report on its analysis of a literature review of relevant studies and on potential surrogate ignition sources.

***Upholstered Furniture***

Ignitions of upholstered furniture are a leading cause of residential fire deaths among the consumer products under the CPSC's jurisdiction. In 2004, the Commission published an advance notice of proposed rulemaking expanding the Commission's rulemaking proceeding to cover the risk of fire from both cigarette-ignited and small open-flame-ignited fires. The Commission published a notice of proposed rulemaking (NPR) in 2008. In 2009 and 2010, staff conducted large-scale test of furniture, with and without complying fire barriers; developed a standard reference material (SRM) cigarette ignition source; initiated work to develop SRM flexible foam test materials, as specified in the NPR; and staff performed other technical work to address issues raised in public comments on the NPR.

***Goal:*** *In 2011, CPSC staff will: (1) complete development of an SRM foam substrate for use in the NPR, under an interagency agreement with the National Institute of Standards and Technology; (2) continue other technical research to support the development of the proposed test methods; and (3) continue the work with the California state government on cooperative research activities.*

**Not Met:** (1) The SRM foam development was delayed due to the subcontractor's manufacturing problems; the problems were subsequently resolved, and the work will be completed in the second quarter of 2012. In 2011, staff: (2) performed tests of upholstery materials to support the proposed test methods; and (3) implemented a cooperative agreement with California to share test materials and research.

**Objective 2.3: Facilitate the development of safer products by training industry stakeholders on the CPSC's regulatory requirements and hazard identification best practices.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Provide Guidance to Industry Stakeholders*** | | | | | | | |
| 7. ATV action plan guidance review within 60 days (CPSIA sec. 232) | **Goal** | ** | ** | ** | 100% | 100% | 100% |
| | **Actual** | | | | 100% | 100% | 100% |
| 8. Small business guidance using Web page update | **Goal** | ** | ** | ** | 3 | 1 | 1 |
| | **Actual** | | | | 3 | 1 | 1 |
| 9. Industry guidance documents | **Goal** | 5 | 5 | 5 | 10 | 6 | 6 |
| | **Actual** | 8 | 5 | 6 | 11 | 10 | 11 |

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Provide Training and Outreach to Industry and other Stakeholders*** | | | | | | | |
| 10. Conduct outreach or training events for U.S. importers of Chinese products | **Goal** | ** | ** | 2 | 3 | 3 | 6 |
| | **Actual** | | | 3 | 10 | 8 | 9 |
| 11. Cross-train other federal agencies' staff to identify hazardous imported products | **Goal** | ** | ** | 4 | 6 | 6 | 6 |
| | **Actual** | | | 6 | 6 | 9 | 11 |
| 12. Pool and spa training programs | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |

** No goal established.

### *Provide Guidance to Industry Stakeholders*

#### 7. *ATV Action Plan Guidance (CPSIA)*

The CPSIA requires CPSC staff to review and approve all-terrain vehicle (ATV) action plans (Letters of Undertaking), which are written plans that describe the actions that a manufacturer or distributor agrees to undertake to promote ATV safety. In addition, staff analyzes ATV action plans to determine completeness, acceptability, and compliance with statutory requirements.

***Goal:*** *In 2011, staff will review (analyze for acceptability) 100 percent of ATV action plans from manufacturers or distributors within 60 days of receipt.*

**Met:** In 2011, staff reviewed and analyzed for acceptability, 100 percent of ATV action plans from manufacturers or distributors within 60 days of receipt of those plans. Staff negotiated action plan terms, investigated the ability of firms to undertake those obligations, and made recommendations regarding the acceptability of action plans.

#### 8. *Small Business Guidance (Ombudsman)*

Businesses (both small and large) are required to comply with the new requirements of the CPSIA. The Small Business Ombudsman is the CPSC's contact point for small businesses.

***Goal:*** *In 2011, CPSC staff will update the guidance and frequently asked questions on the CPSC website and provide plain language explanations of certain Commission actions to aid small businesses in complying with the new legislation and the CPSC's enforcement policies.*

**Met:** In 2011, staff updated the CPSC's website and provided plain language explanations of Commission actions to aid small businesses in complying with the new legislation and the CPSC's enforcement policies. The Small Business Ombudsman created a new point of contact website (*www.cpsc.gov/sbo*) for direct consumer inquiries. In addition, two detailed plain language documents were drafted explaining: (1) Commission actions on the extension of the enforcement stay for total lead content; and, (2) the lifting of the enforcement stay on non-children's clothing textiles, carpets and rugs, and vinyl plastic film. The documents can be located on the CPSC's website at: *http://www.cpsc.gov/about/cpsia/smbus/ExtendLeadStay.pdf*, and

http://www.cpsc.gov/about/cpsia/smbus/SBOLiftStayCert16CFR1610.pdf. The Small Business Ombudsman also created a new Toy Safety website (www.cpsc.gov/toysafety) and added new frequently asked questions (FAQs). The FAQs can be found at: http://www.cpsc.gov/info/toysafety/plain.html. The Toy Safety website is the first in a series of updated Web pages to be released in FY 2012.

9. ***Industry Guidance for CPSC Regulations***

The CPSIA greatly expanded the CPSC's authority to regulate safety in consumer products. Staff is developing guidance to facilitate industry transition to the new legislation.

***Goal:*** *In 2011, staff will develop six guidance documents to explain regulations, other policies, or procedures to assist industry in complying with CPSC regulations.*

**Exceeded:** In 2011, continuing our effort to be responsive to our stakeholders, staff developed 11 guidance documents to explain regulations, other policies, or procedures to assist industry in complying with the CPSC's regulations. This goal was exceeded because the demand for information was high.

### *Provide Training and Outreach to Industry and Other Stakeholders*

10. ***Outreach or Training Events for United States Importers***

To increase U.S. importers' cooperation with U.S. product compliance efforts, it is essential to convey sufficient understanding of the United States' regulatory environment as it applies to imports. Outreach or training events that explain United States statutory and regulatory requirements and present useful techniques, regulatory best practices, and relevant experience, increase the chances of effective cooperation and compliance.

***Goal:*** *In 2011, staff will conduct six outreach or training events for U.S. importers.*

**Exceeded:** In 2011, staff conducted nine outreach/training events for U.S. importers and brokers. These events focused on a number of issues, including: changes to the CPSC's regulations as a result of the CPSIA; common errors found at import and how to avoid those mistakes; and regulatory best practices. Increases in CPSC staff at ports and use of technology, such as webinars, to provide online training materials, contributed to staff exceeding the planned number of events.

11. ***Cross-Train Other Federal Agencies***

CPSC staff works with other federal agencies to inspect shipments of imported consumer goods.

***Goal:*** *In 2011, CPSC staff will cross-train other federal agencies' staff, working at six ports to identify hazardous imported products.*

**Exceeded:** In 2011, the Office of Import Surveillance and Inspection conducted 11 training events for staff and management from U.S. Customs and Border Protection. These events focused

on new requirements as a result of the CPSIA and how to identify hazardous imported products. Increases in CPSC staff at ports and use of technology, such as webinars, to provide online training materials, allowed staff to exceed the training target.

12. ***Pool and Spa Training Programs***

***Goal:*** *In 2011, the CPSC will implement training and education programs through three, separate 1-year contracts awarded in 2010. The training programs include materials for specific stakeholder group(s), for instance, a training program for state and local health officials on how to conduct proper inspections of public pools and spas, and training and maintenance programs for pool operators, service providers, lifeguards, and industry representatives. The training programs will be a combination of live events, webinars, and prepared educational training video programs that address issues related to drowning and entrapment prevention and the Virginia Graeme Baker Pool and Spa Safety Act.*

**Met:** Throughout 2011, CPSC staff managed three contracts for inspection and compliance training with the Virginia Graeme Baker Pool and Spa Safety Act and three contracts for pool and spa safety education. Each of the contractors working on compliance and inspections were leaders in the field of pool and spa safety and regulatory issues. The safety education contractors were all experts on drowning prevention and home and children's safety.

The three compliance training contractors focused on specific segments of the target audience and used live and on-demand video trainings, print materials, online applications, webinars, and industry trade shows to reach their audiences. Contractors produced two public service announcements, one targeted to the entire industry, and a second designed for lifeguards, which include special inspection materials, check sheets, and a guide.

The contractors hosted more than 70 live events, 6 safety events, and more than 25 webinars. More than 2,200 attended the events, while webinars reached more than 1,400 viewers from 46 states.

The safety and education contractors worked in the areas of children's safety, parent education, community and grass roots outreach, and outreach to other safety groups. Audiences included hospitals, pediatricians and nurses, minorities and hard-to-reach audiences, camps and other recreation sites, children in preschool and kindergarten through second grade, first responders and more. The contractors produced Web pages, PSAs, training materials for backyard pool inspections, curricula for schools, handouts for all levels of readers, and games. Many pool safety events were hosted using materials from the *Pool Safely* campaign, and families were encouraged to learn to swim and practice CPR. Through free media coverage and grassroots education, these contractors reached millions of Americans.

### Objective 2.4: Develop programs that provide incentives for manufacturers and importers to implement preventive actions that enable the safety of their products.

Annual goals for this objective are under development.

### Objective 2.5: Engage foreign product safety regulators and foreign manufacturers to reduce the production of unsafe consumer products that may enter the U.S. market.

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***International Training*** | | | | | | | |
| 13. Conduct outreach or training events for foreign manufacturers | **Goal** | ** | ** | 2 | 3 | 3 | 3 |
| | **Actual** | | | 3 | 3 | 3 | 3 |
| 14. Conduct outreach or training events for foreign government regulators | **Goal** | ** | ** | 3 | 3 | 3 | 3 |
| | **Actual** | | 2 | 3 | 3 | 3 | 3 |

** No goal established.

### International Training

**13. *Outreach or Training Events for Foreign Manufacturers***

To boost foreign manufacturers' cooperation with U.S. product compliance efforts, it is essential to convey sufficient understanding of the U.S. regulatory environment. Staff will conduct outreach or training events that explain U.S. statutory and regulatory requirements and present regulatory best practices and relevant experiences to encourage effective cooperation and compliance with federal regulations.

***Goal:*** *In 2011, staff will conduct three outreach or training events for foreign manufacturers.*

**Met:** In 2011, staff conducted three training events for Chinese manufacturers on requirements for toy safety, children's apparel, and fireworks.

**14. *Outreach or Training Events for Foreign Government Regulators***

To foster foreign government cooperation with U.S. product compliance efforts, it is essential to convey sufficient understanding of U.S. regulatory requirements. Outreach or training events that present regulatory best practices and relevant experience increase the chances of effective bilateral cooperation.

***Goal:*** *In 2011, staff will conduct three outreach or training events for foreign government regulators.*

**Met:** In 2011, staff conducted one training program for regulators, sponsored by the Organization of American States, and two training sessions for Chinese export inspection officials.

# RIGOROUS HAZARD IDENTIFICATION

## STRATEGIC GOAL 3: Ensure timely and accurate detection of consumer product safety risks to inform agency priorities.

The CPSC must determine quickly and accurately which hazards represent the greatest risks to consumer safety. Using a systematic and transparent framework, based in science, to assess and track hazard data in a consistent manner, the CPSC will detect proactively safety threats for the thousands of product types under its jurisdiction. Using reliable data, the CPSC will identify continuously hazards that represent the greatest addressable risks in order to guide the agency's efforts and resources.

| Total resources for this goal (dollars in thousands) | | | |
|---|---|---|---|
| **Fiscal year** | **2009** | **2010** | **2011** |
| **FTEs** | 84 | 93 | 105 |
| **Amount** | $28,626 | $32,141 | $35,790 |

Information on injuries, deaths, and other consumer product safety incidents comes from a wide range of sources, including consumers and consumer groups, hospitals and clinics, and industry. This diversity of information providers makes it challenging to monitor, standardize, and compare safety data to track known hazards and to identify new ones. The CPSIA-mandated public database (*www.SaferProducts.gov*) creates new opportunities and challenges for data management, as does the growing need to collect data about the used/resale markets for consumer products.[13]

CPSC staff has identified the following performance measure to track progress toward Strategic Goal 3:

**Performance Measure 3:** Reduce the average time it takes to identify a potential consumer product hazard.

Staff is developing systems to collect data for this performance measure, and expects to have baseline data available in 2012. Staff will set targets for the remaining years of the 2011-2016 Strategic Plan period after the baseline is established.

[13] The public database was officially launched on March 11, 2011.

### Objective 3.1: Improve the quality and comprehensiveness of crucial product hazard data.

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Public Database and the Risk Management System (CPSIA)*** | | | | | | | |
| 1. Consumer Product Safety Risk Management System milestones ( CPSIA sec. 212) | **Goal** | ** | ** | ** | 3 | 6 | 4 |
| | **Actual** | | | | 3 | 6 | 4 |
| ***Data Analyses of Product Hazards*** | | | | | | | |
| 2. Improving toy-related incident identification | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 0 |
| 3. Economic impact of CPSC work | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |
| 4. Conduct Brain Injury Study | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |
| ***Data Collection of Product Hazards*** | | | | | | | |
| 5. Capture product-related cases reported by hospitals | **Goal** | 90% | 90% | 90% | 90% | 90% | 90% |
| | **Actual** | 91% | 91% | 91% | 88% | 90% | 94% |
| 6. Evaluate, train, and audit hospitals in NEISS sample | **Goal** | 95% | 95% | 95% | 98% | 98% | 98% |
| | **Actual** | 100% | 99% | 100% | 100% | 100% | 100% |
| 7. Sustain the number of incident reports collected from medical examiners and coroners | **Goal** | 4,160 | 3,900 | 4,500 | 4,500 | 4,500 | 4,500 |
| | **Actual** | 4,843 | 4,724 | 4,606 | 4,358 | 5,524 | 5,136 |
| 8. Collect incident reports from news clips | **Goal** | 8,100 | 7,300 | 7,800 | 7,200 | 7,200 | 6,000 |
| | **Actual** | 8,634 | 8,612 | 7,402 | 7,528 | 6,598 | 6,207 |
| 9. Mail incident information for verification to submitters within 2 business days | **Goal** | ** | ** | ** | ** | ** | 95% |
| | **Actual** | | | | | | 82% |
| 10. Provide manufacturers with investigation reports within 25 business days | **Goal** | ** | ** | ** | ** | ** | 95% |
| | **Actual** | | | | | | 65% |
| 11. Ensure proper coding/redaction of reports within 1 business day | **Goal** | ** | ** | ** | ** | ** | 95% |
| | **Actual** | | | | | | 94% |
| 12. Notify manufacturers within 5 business days | **Goal** | ** | ** | ** | ** | ** | 95% |
| | **Actual** | | | | | | 95% |
| 13. Review/refer manufacturer comments within 1 business day | **Goal** | ** | ** | ** | ** | ** | 95% |
| | **Actual** | | | | | | 97% |
| 14. Process business registration requests for *SaferProducts.gov* within 2 business days | **Goal** | ** | ** | ** | ** | ** | 80% |
| | **Actual** | | | | | | 63% |
| ***Data Collection Focused on Minorities*** | | | | | | | |
| 15. Leverage other federal collection efforts | **Goal** | ** | ** | ** | ** | 1 | 50# |
| | **Actual** | | | | | 1 | 50 |
| 16. Collect race and ethnicity data (percent of questionnaires that contain demographic questions) | **Goal** | ** | ** | ** | ** | 80% | 90% |
| | **Actual** | | | | | 90% | 64% |

** No goal established.

# Measurement changed from reviewing data systems (2010) to contacting individual states (2011). Therefore, data from 2010 will not be comparable to data from 2011.

### *Public Database and the Risk Management System (CPSIA)*

1. ***Risk Management System***

Under the CPSIA, Congress required the CPSC to establish and maintain a publicly available database on the safety of consumer products. The CPSIA mandates that the database be searchable and accessible through the Commission's website. The CPSIA also directs the Commission to expedite efforts to upgrade and improve the information technology systems currently in use. Based on research and analysis of various alternatives, staff has proposed a Consumer Product Safety Risk Management System

(CPSRMS) to consolidate the CPSC's siloed systems into a single, integrated Web-based environment to accommodate a searchable database for consumers, enhance the efficiency and effectiveness of CPSC staff consumer product safety work, and enable more rapid dissemination of information.

In 2009, staff submitted an implementation plan to Congress, established a Project Management Office, and completed a detailed spending plan that identifies specific deliverables and resource requirements (both funding and FTEs) for the entire project's life cycle. In 2010, staff completed the development of the first phase of the public database.

The public database will allow consumers to report hazardous products and permit manufacturers to comment on those reports. The initial release of the public portal, which occurred on March 11, 2011, provides the public with a searchable database of product incident data.

***Goal:*** *In 2011, staff will provide enhanced capabilities to CPSRMS to allow integrative data-sharing tools for industry and other government partners.*

**Met:** In 2011, staff launched a business portal under *www.SaferProducts.gov*. The portal provides a secure and timely method for two-way communication between the CPSC and businesses regarding the release of information to the public. More importantly, the business portal established a technical foundation for future electronic communication with businesses. In addition, incidents reported by other government partners, such as Fire Marshalls, can now be identified and prioritized.

***Goal:*** *In 2011, staff will provide enhanced capabilities within CPSRMS for incident and case management, workload and workflow management, and data analysis and reporting services.*

**Met:** In 2011, staff improved the CPSC's internal business processes and corresponding CPSRMS functionality to streamline the intake and triage of product safety data covering CPSIA reports, death notices, and business reporting. The triage and integrated product teams, with systems to support them, made significant improvements to the organization of cases, information flow, and analysis.

***Goal:*** *In 2011, staff will enhance the features for the Early Warning System project.*

**Met:** In 2011, the implementation of the triage function with supporting systems enhancements broadened the scope of the Early Warning System from products used in infant and toddler sleeping environments to all products under the CPSC's jurisdiction.

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| | ***Goal:*** *In 2011, staff will complete a requirements analysis, alternatives analysis, and planning activities for the Import Surveillance Risk Assessment Methodology project using data provided by the U.S. Customs and Border Protection's International Trade Data System.*<br><br>**Met:** In 2011, staff completed the requirements, alternatives, and planning analyses for the Import Surveillance Risk Assessment Methodology. |

### *Data Analyses of Product Hazards*

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| 2. ***Improving Toy-Related Incident Identification*** | In 2008, staff began activities to classify incidents involving "Toys, Not Elsewhere Classified" in the CPSC epidemiology databases. In 2009, staff initiated a toy surveillance project to monitor all incoming reports associated with toy product codes. In 2010, staff implemented a new toy coding system and initiated a NEISS-based special study on the unclassified toys to gather information that is more detailed.<br><br>***Goal:*** *In 2011, staff will conclude analysis of data for this special study to gather detailed information about improvements to toy classifications. Staff will complete a report of the analysis.*<br><br>Not Met: Staff completed the collection and analyses of the special study data. A preliminary draft report was completed and will be finalized in early 2012. |
| 3. ***Economic Impact of CPSC Work*** | Staff conducts economic studies to develop hazard exposure data and maintains econometric models and economic information to provide analyses of general, small business, and environmental impacts of CPSC actions. Model maintenance includes periodic review to ensure that methodological approaches and models are current and adequate for use by the CPSC.<br><br>In 2010, staff completed training in specialized software and initiated data collection to develop an Input-Output model of the U.S. economy. This model will measure the impact of CPSC actions by allowing for the estimation of the change in Gross Domestic Product (GDP) due to the reduction in injuries to consumers.<br><br>***Goal:*** *In 2011, staff will complete development of the input-output model to estimate the impact of CPSC actions on the GDP through reductions in injuries to consumers.*<br><br>Met: In 2011, staff completed development of a general equilibrium model using the General Algebraic Modeling System (GAMS). The GAMS model was adapted to reflect CPSC analytical needs. Data, including sectors of the economy and regions, were organized based on CPSC regulation of products and trade flows. The model became operational during 2011. |

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| 4. ***Brain Injury Study*** | Staff conducts economic studies to develop information to provide injury cost estimates, estimates of product life and numbers in use, and labeling and recall costs. In 2009, staff developed a study plan and awarded a contract to develop severity and cost information on carbon monoxide brain injuries for all victims, and on lead poisoning and submersion injuries for children. In 2010, the contractor began data collection for the Brain Injury Study.<br><br>***Goal:*** *In 2011, the contractor will provide periodic project status updates on the Brain Injury Study.*<br><br>Met: In July 2011, the contractor provided a project status update with research results, to date, including partial, preliminary results on incidence of injury, severity of injury, short-term medical costs, work losses, and quality-of-life losses for lead poisoning, swimming pool submersions of children, and carbon monoxide poisoning for all ages. |

***Data Collection of Product Hazards***

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| 5. ***Capturing Product-Related Cases*** | Each year, staff collects information about product-related injuries treated in hospital emergency rooms through the National Electronic Injury Surveillance System (NEISS). A high reporting percentage is necessary to ensure the integrity of the injury estimates developed by CPSC staff. Remedial action would be implemented in any hospital that is missing significant numbers of reportable cases.<br><br>***Goal:*** *In 2011, NEISS hospitals will report more than 90 percent of the product-related cases, as documented by audits in each hospital.*<br><br>Exceeded: In 2011, NEISS hospitals reported 94 percent of product-related cases, based on audits conducted on-site, in each hospital. |
| 6. ***Monitoring Hospitals*** | Evaluation visits provide CPSC staff an opportunity to review hospital records and ensure that hospital coders are capturing and reporting data on the highest possible percentage of reportable cases.<br><br>***Goal:*** *In 2011, staff will conduct at least 1 evaluation visit at 98 percent of the hospitals in the NEISS sample.*<br><br>**Met:** In 2011, staff conducted at least 1 evaluation visit at 100 percent of the hospitals in the NEISS sample. |
| 7. ***Medical Examiners and Coroners Reports*** | Reports from medical examiners and coroners provide critical information on product-related deaths. The data are especially valuable because, unlike death certificates, generally they are received soon after incidents occur and provide details on how the incident occurred. |

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| | ***Goal:*** *In 2011, staff will obtain 4,500 medical examiner and coroners' reports.*<br><br>**Exceeded:** In 2011, staff obtained 5,136 medical examiner and coroners' reports. |
| 8. ***News Clips*** | The CPSC relies on clips from newspapers in all 50 states to identify incidents. News clips are provided by two sources: (1) news reports purchased under clipping service contracts and (2) news reports from the Internet and other sources obtained by staff. News clips provide many reports of product-related deaths, serious injuries, and hazardous fires. The reports fill gaps in reporting from other data systems and provide a very important source of incidents to investigate in support of hazard identification and analysis activities.<br><br>***Goal:*** *In 2011, staff will obtain 6,000 incident reports from news clips. Recently, it has been more difficult to obtain news clippings because fewer news clipping services are in business.*<br><br>**Exceeded:** In 2011, staff obtained 6,207 incident reports from news clips. |
| 9. ***Submitter Verification Requests*** | The CPSC contacts submitters to request verification of incident information. For reports of harm (Reports) submitted through the CPSC's consumer Hotline, the Internet (prior to January 24, 2011), and by mail, submitters are also asked their preferences regarding publication of the reports in CPSC's public database and release of contact information to the manufacturer. Requests for verification are mailed to consumers within 2 business days, after clerical coding is completed.<br><br>***Goal:*** *In 2011, staff will mail incident report verification requests within 2 business days 95 percent of the time.*<br><br>**Not Met:** In 2011, staff mailed incident report verification requests within 2 business days 82 percent of the time. For most of the year, we did not have sufficient resources available for this task to meet this goal. However, the on-time rate rose in the last quarter of the year. |
| 10. ***Manufacturer IDI Mailing*** | Investigation reports from CPSC's field staff are sent to manufacturers whose products are named in these reports. Manufacturer responses are also provided electronically to staff for review.<br><br>***Goal:*** *In 2011, staff will provide completed investigation reports to manufacturers on identified products within 25 business days of receiving the reports 95 percent of the time.*<br><br>Not Met: In 2011, staff mailed investigation reports to manufacturers within 25 business days 65 percent of the time. |

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| | Staff will be switching from monthly to semimonthly mailing. Staff anticipates this change will enable us to meet the goal in 2012. |
| 11. ***Clerical Coding*** | The CPSC receives Reports via *www.SaferProducts.gov*, the Hotline, e-mail, fax, or postal mail. CPSC staff must code additional data for reports received via *www.SaferProducts.gov* and the Hotline and redact personally identifiable information from narrative fields. Reports received by e-mail, fax, or postal mail must be fully coded and entered into the CPSC's database. Eligible sources are those that may qualify for posting on *www.SaferProducts.gov* and do not include death certificates, news clips, retailer reports, or manufacturer reports.<br><br>***Goal:*** *In 2011, staff will complete clerical coding of all reports from eligible sources by 1 business day following receipt 95 percent of the time.*<br><br>Not Met: In 2011, 94 percent of reports from eligible sources were coded within1 business day. Initially, targets were not met while staff learned the new system, but staff became more proficient later in the year. Staff anticipates meeting this goal in 2012. |
| 12. ***Manufacturer Notifications*** | One of the requirements prior to publishing a Report in the CPSC's public database is that we notify the manufacturer, importer, or private labeler about the report and allow the opportunity to provide comments to be published together with the report.<br><br>***Goal:*** *In 2011, staff will send notifications to manufacturers named in all eligible reports within 5 business days (after the report is determined to be eligible for the database) 95 percent of the time.*<br><br>Met: In 2011, 95 percent of notifications were transmitted to the manufacturer within 5 business days. |
| 13. ***Review Manufacturer Comments and Claims*** | During the 10 business days between notification and publication or following publication, manufacturers, importers, and private labelers may submit comments, claims of materially inaccurate information, or claims, of confidential information. The Clearinghouse is responsible for the initial review of these comments and claims as well as processing claims related to the misidentification of the notified company. Claims other than those with a misidentified manufacturer are referred to the Office of the Secretary for processing.<br><br>***Goal:*** *In 2011, staff will review or refer all comments and claims within 1 business day 95 percent of the time.*<br><br>**Exceeded:** In 2011, 97 percent of comments and claims were reviewed or referred within 1 business day. |

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| 14. ***Process Registration Requests for SaferProducts.gov Business Accounts*** | Businesses may request an account on *www.SaferProducts.gov* so that they may receive notifications electronically and review reports online, allowing them more time to review, verify, and respond to Reports prior to publication. The Clearinghouse validates and approves or denies account requests.<br><br>***Goal:*** *In 2011, staff will complete processing or send validation letters to registrants within 2 business days 80 percent of the time*<br><br>Not Met: In 2011, 63 percent of registration requests were processed within 2 business days. An influx of registration requests received during the launch of the database created a backlog of requests. Staff worked through the backlog and was processing requests on time at the end of 2011. |

### *Data Collection Focused on Minorities*

The GAO completed a study assessing disparities in the risk and incidence of preventable injuries and deaths among certain racial minority children. Based on recommendations in the GAO report, the CPSC is undertaking a number of activities to supplement or improve the data that are collected by the National Electronic Injury Surveillance System (NEISS).

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| 15. ***Leverage Other Federal Data Collection Efforts*** | A GAO report issued in 2009, which focused on better data collection for minorities, recommended that the CPSC leverage other federal injury data collection efforts, such as those of the Maternal and Child Health Bureau (MCHB) Child Death Review Case Reporting Systems of the U.S. Department of Health and Human Services. Through data user agreements, this system collects information from individual state child death review teams. In 2010, CPSC staff reviewed the MCHB child death systems and found limited data available in consumer product-related deaths.<br><br>***Goal:*** *In 2011, CPSC will contact each state to encourage them to report their findings directly to the CPSC.*<br><br>Met: In 2011, staff mailed CPSC publications to contacts at child death review teams in each of the 50 states and encouraged them to submit their findings on *www.SaferProducts.gov*. |
| 16. ***Race and Ethnicity Data Collection*** | Annually, CPSC staff conducts up to 1,000 follow-up telephone interviews with injured persons treated in NEISS hospitals. Staff develops standardized questionnaires to collect additional information of interest to CPSC analysts that is not found on the NEISS record. In 2010, 90 percent of completed NEISS questionnaires included a core set of demographic questions on race and ethnicity.<br><br>***Goal:*** *In 2011, 90 percent of NEISS questionnaires collected by CPSC staff will include the core demographic questions.* |

Not Met: In 2011, 64 percent of completed NEISS questionnaires included the core demographic questions. Some studies, which were nearing completion, were not updated to include the core demographic questions. However, current studies are reviewed and updated with the core demographic questions and new studies will require, by procedure, the core demographic questions. Staff anticipates meeting this goal in 2012.

### Objective 3.2: Reduce the time it takes to identify hazard trends by improving the collection and assessment of hazard data.

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Technology Development*** | | | | | | | |
| 17. Study the measurement of lead in paint through x-ray fluorescence and alternative technologies (CPSIA sec. 101) | **Goal** | ** | ** | ** | 1 | 1 | 1 |
| | **Actual** | | | | 1 | 1 | 1 |
| ***Information Technology Improvements for Data Collection*** | | | | | | | |
| 18. Use Web-based applications to improve communication with businesses: expand business portal | **Goal** | ** | 1 | 0 | 1 | 1 | 1 |
| | **Actual** | | 0 | 0 | 0 | 1 | 1 |
| 19. Improve access and transfer of information with other government organizations: automate risk assessment | **Goal** | ** | 1 | 1 | 1 | 1 | 1 |
| | **Actual** | | 1 | 1 | 0 | 0 | 1 |
| 20. Improve internal efficiency and effectiveness: convert an IT project to provide for efficiencies | **Goal** | 1 | 1 | 1 | 1 | 2 | 1 |
| | **Actual** | 6 | 0 | 1 | 1 | 0 | 1 |
| 21. Early Warning System (EWS): integrate EWS pilot system into the Consumer Product Safety Risk Management System | **Goal** | ** | ** | 1 | 1 | 1 | 1 |
| | **Actual** | | | 1 | 1 | 1 | 1 |
| ***Efficiency of Data Collection*** | | | | | | | |
| 22. Complete headquarters telephone investigations in less than 45 business days | **Goal** | 90% | 90% | 90% | 98% | 98% | 98% |
| | **Actual** | 100% | 99% | 99% | 99% | 100% | 99% |
| 23. Complete fire investigations as on-site or other in less than 45 business days | **Goal** | ** | 95% | 95% | 95% | 95% | 95% |
| | **Actual** | 95% | 98% | 98% | 98% | 98% | 98% |
| 24. Complete non-fire investigations as on-site or other in less than 45 business days | **Goal** | ** | 93% | 93% | 93% | 93% | 93% |
| | **Actual** | 93% | 96% | 95% | 97% | 95% | 96% |
| 25. Process incident reports within 8 working hours | **Goal** | 95% | 100% | 95% | 99% | 98% | 98% |
| | **Actual** | 100% | 100% | 100% | 100% | 100% | 100% |
| 26. Respond to voicemail messages the next business day | **Goal** | 85% | 85% | 95% | 98% | 98% | 98% |
| | **Actual** | 89% | 99% | 100% | 99% | 54% | 99% |

** No goal established.

### *Technology Development Scan*

17. ***Measurement of Lead in Paint***

The CPSIA required the CPSC to conduct a study, by August 2009, on x-ray fluorescence (XRF) technology or other alternative methods for measuring lead in paint to evaluate the effectiveness, precision, and reliability of such measurement technologies. In August 2009, staff posted a report online that concluded that the ability of XRF to measure lead content in painted films on children's products at the limits required under the CPSIA is currently limited due to the unavailability of standard reference materials (SRM). The report also stated that CPSC staff would continue to study the feasibility of using XRF technology for analyzing painted films on children's products as SRMs and

standard analytical methods become available. The CPSIA requires periodic review and specifically, an ongoing effort to study and encourage further development of alternative methods for measuring lead in paint and other surface coatings that can effectively, precisely, and reliably detect lead levels at or below the level specified in the legislation or any lower level established by regulation. In 2010, staff prepared a draft status report on the development of a standard reference material and the effectiveness of XRF and other alternative technologies for the measurement of lead.

***Goal:*** *In 2011, staff will prepare a status report with an update of staff's efforts on the continuing study of XRF and other technologies and the development of SRMs.*

Met: Staff evaluated a new XRF test method, ASTM F2853-10. Staff concluded that the use of this method for determining lead content in paint on children's products is as effective, precise, and reliable as the current CPSC method. Staff prepared a status report about this evaluation and it is available at: *http://www.cpsc.gov/ABOUT/Cpsia/leadinpaintmeasure_update.pdf*.

### *Information Technology Improvements for Data Collection*

18. ***Communication with Businesses***

The CPSC has initiatives to reduce the burden on businesses by adopting processes that dramatically reduce redundant data collection, providing one-stop streamlined support for businesses, and enabling digital communications with businesses. This work will provide businesses with a modern, electronic method to communicate with Commission staff for activities like Section 15 reporting and 6(c) commenting. Today, these two activities occur by batch U.S. Postal mail from the Commission, with responses returned the same way.

***Goal:*** *In 2011, CPSC staff will complete planning activities, including a requirements analysis, design, and development plans to expand its business portal to provide businesses with an automated and secure way to exchange data with the Commission.*

**Met:** In 2011, staff completed the planning and requirements analyses regarding Section 15 reporting and 6(c) commenting. CPSC staff updated *www.SaferProducts.gov* to enable businesses to exchange data with the Commission. With these changes, the foundation has been established for future communication with businesses to be transacted through a secure electronic portal.

19. ***Communication with Government***

The CPSC will continue initiatives that enable sharing and integration of federal, state, and local data to leverage investments in IT systems better and provide greater integration of key government operations.

***Goal:*** *In 2011, CPSC staff will complete planning activities, including a business case, alternatives analysis, and acquisition*

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| | *plan to automate the implementation of the Risk Assessment Methodology, to identify products imported into the United States that are most likely to violate consumer product safety statutes and regulations enforced by the Commission. This includes planning for automated interfaces with Customs and Border Protection's automated systems.*<br><br>**Met:** In 2011, staff completed planning, business case development, alternatives analysis, and acquisition planning for the Risk Assessment Methodology. Staff established a limited proof of concept with U.S. Customs and Border Protection that includes an automated interface of entry data for imported products. |
| 20. ***Communication within the CPSC: Internal Efficiency and Effectiveness (IEE)*** | Currently, the CPSC maintains several systems for tracking, reviewing, and clearing documents, such as Commission policies and briefing packages. In 2009, the CPSC implemented an IT project management office (PMO) to provide oversight and management of the CPSC's current and future IT projects. The PMO examines the quality, cost, and organizational value of CPSC's IT projects to determine the best use of resources and which applications and projects should be built, eliminated, maintained, or enhanced, and in what sequence. Based on this analysis, a decision is made to use IT investment resources for a particular IT project.<br><br>***Goal:*** *In 2011, staff will complete the conversion of one IT project to provide for efficiency and effectiveness using PMO best practices.*<br><br>**Met:** In 2011, staff applied PMO best practices to several new and existing projects. For example, the Sample Tracking/Warehouse Move project used PMO best practices, including alternatives analysis, budgeting, staffing plans, work breakdown structures, and acquisition plans as part of the move to successfully implement this project. |
| 21. ***Early Warning System*** | In 2010, staff continued to apply the Early Warning System (EWS) processes and procedures for products found in the sleeping environment of children. Staff used the information in the EWS pilot to characterize hazard scenarios and severity to support developing crib and bassinet regulations. Staff also collaborated with IT contractors to define use cases and evaluate the proposed design of the Phase 1 modules of the Consumer Product Safety Risk Management System (CPSRMS).<br><br>***Goal:*** *In 2011, staff will develop a plan to migrate the EWS operations from the EWS 1.0 pilot to the EWS 2.0 module inside the CPSRMS system. The substantial expansion of product types covered will be the most dominant feature of this effort.*<br><br>**Met:** In 2011, staff launched EWS 2.0 within the CPSRMS. The early warning system improvements support the establishment of |

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| | new triage and integrated product team business processes. The scope of the EWS expanded from covering products used in infant and toddler sleeping environments to covering all products under CPSC's jurisdiction. |

### *Efficiency of Data Collection*

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| 22. ***Efficiency of Telephone Investigations (Headquarters)*** | Headquarters' telephone investigations provide valuable information on specific NEISS cases of interest to CPSC analysts. Analysts must receive these data as quickly as possible to support hazard reduction activities.<br><br>***Goal:*** *In 2011, staff will complete at least 98 percent of telephone investigations in fewer than 45 business days.*<br><br>**Met:** In 2011, staff completed 99 percent of telephone investigations in fewer than 45 business days. |
| 23. ***Efficiency of On-site and Other Fire Investigations (Field)*** | On-site and other fire investigations by field staff provide valuable information on cases of interest to CPSC compliance officers and analysts. Analysts must receive these data as quickly as possible to support hazard reduction activities.<br><br>***Goal:*** *In 2011, field staff will complete at least 95 percent of on-site and other fire investigations (not including telephone investigations) in fewer than 45 business days.*<br><br>**Exceeded:** In 2011, field staff completed 98 percent of on-site and other fire investigations (not including telephone investigations) in fewer than 45 business days. This effort by the field staff was in support of staff activities to ensure timely and accurate detection of consumer product safety risks. The more timely these investigations occur, the more timely staff can identify significant risks and prevent additional incidents and injuries from occurring. As a result of the aggressive pursuit of these investigations, the staff exceeded the goal. |
| 24. ***Efficiency of On-site and Other Non-fire Investigations (Field)*** | On-site and other non-fire investigations by field staff provide valuable information on cases of interest to CPSC compliance officers and analysts. Analysts must receive these data as quickly as possible to support hazard reduction activities.<br><br>***Goal:*** *In 2011, field staff will complete at least 93 percent of on-site and other non-fire investigations (not including telephone investigations) in fewer than 45 business days.*<br><br>**Exceeded:** In 2011, field staff completed 96 percent of on-site and other non-fire investigations (not including telephone investigations) in fewer than 45 business days. Staff activities support our goal to ensure timely and accurate detection of consumer product safety risks. The more timely these investigations occur, the more timely staff can identify significant risks and prevent additional incidents and injuries from occurring. |

As a result, staff aggressively pursued these investigations and exceeded the goal.

### *Hotline Services (1-800-638-2772)*

25. ***Efficiency of Responding to Incident Reports***

Consumers may make a complaint of an unsafe product or product-related injury through the Hotline. In 2010, Hotline staff recorded 5,546 incident reports. Staff processed these reports (calls and e-mails) within 8 hours of receipt 100 percent of the time. Staff uses these complaints to look for emerging hazards and to support studies of specific product hazards.

***Goal:*** *In 2011, the CPSC's Hotline will process product incident reports within 8 working hours 98 percent of the time.*

**Met:** In 2011, the CPSC Hotline received 3,881 incident reports that were processed within 8 hours 100 percent of the time. A new software upgrade in January 2011 provided instant filing of incident reports when they are processed into the electronic system. Planned future refinements to this software will allow for review (endorsement) of incident reports.

26. ***Efficiency of Responding to Voicemail Messages***

A new vendor is helping the Hotline maintain high levels of customer satisfaction through administering a performance-based contract for a call and e-mail center that deals directly with the public. Staff evaluates vendor performance and renews the contract only if the performance level meets or exceeds the standards set forth in the contract. This includes maintaining the Hotline's automated message system, maintaining the system for responding to e-mail messages, and preparing reports on consumer usage of these systems. In 2010, the Hotline responded to voicemail messages the next business day only 54 percent of the time. An unexpected 34 percent increase in voicemail messages challenged the new vendor's staffing plan for the contract. New processes and new staffing levels are now in place to speed responses to voicemail messages.

***Goal:*** *In 2011, the CPSC's Hotline will respond to voicemail messages the next business day 98 percent of the time.*

**Met:** In 2011, the CPSC Hotline received a total of 3,329 voice messages and they were responded to within 1 business day 99 percent of the time.

### Objective 3.3: Establish a transparent, risk-based methodology to consistently identify and prioritize hazards to be addressed.

Annual goals for this objective are under development.

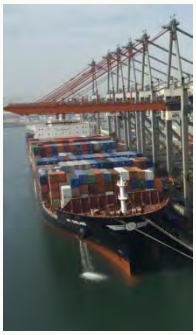
## Objective 3.4: Expand import surveillance efforts to reduce entry of unsafe products at U.S. ports.

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Import Surveillance*** | | | | | | | |
| 27. Expand the Import Surveillance Division | **Goal** | ** | ** | 1 | 1 | 1 | 1 |
| | **Actual** | | | 1 | 1 | 1 | 1 |
| 28. Screen children's imported products for lead content and lead paint ( CPSIA sec. 101) | **Goal** | ** | ** | ** | 500 | 1,000 | 3,500 |
| | **Actual** | | | | 715 | 5,321 | 6,956 |
| 29. Screen products at the ports (number of models) | **Goal** | ** | ** | ** | ** | 2,000 | 5,000 |
| | **Actual** | | | | | 7,088 | 9,920 |
| 30. Risk Assessment Methodology: prepare a report to congress | **Goal** | ** | ** | 1 | 1 | 1 | 1 |
| | **Actual** | | | 1 | 0 | 0 | 1 |

** No goal established.

### *Import Surveillance*

27. ***Import Surveillance Division Expansion***



The marketplace for consumer products has changed dramatically in recent years. A far greater percentage of consumer products are now imported. In 2008, the CPSC created an Import Surveillance Division to conduct import safety improvement activities with personnel specifically trained in import surveillance procedures as well as rapid identification of defective and noncomplying consumer products.. The creation of this division marked the first permanent full-time presence of CPSC investigators at key ports of entry throughout the United States.

***Goal:*** *In 2011, the CPSC will colocate additional staff with U.S. Customs and Border Protection at ports of entry.*

**Met:** In 2011, the CPSC increased staffing at U.S. ports to 19. Staff is colocated with the U.S. Customs and Border Protection at some of the largest ports where CPSC-regulated commodities enter into commerce.

28. ***Screen Children's Imported Products for Lead Content and Lead Paint (CPSIA sec. 101)***

Beginning on August 14, 2009, children's products with a lead content of more than 300 ppm, or with a surface coating containing more than 90 ppm of lead, were banned.

***Goal:*** *In 2011, staff will screen 3,500 models of children's products for compliance with the lead content limit.*

**Exceeded:** In 2011, staff screened more than 6,900 models of children's products to determine compliance with the bans on lead in paint and lead content. The increase in the number of screenings was a result of additional staff at the ports, national and local operations targeting shipments that may have products in violation of the lead requirements, and an overall focus on examining children's products for compliance with the requirements of the CPSIA.

29. ***Screen Imported Consumer Products***

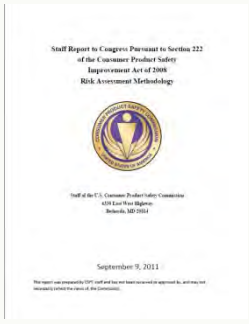
Members of the Import Surveillance Division (now the Office of Import Surveillance and Inspection) are the CPSC's front line in identifying imported products that violate CPSC regulatory

requirements or that contain defects that present a significant risk of injury. These investigators screen products and ship samples to other CPSC locations for final determinations.

***Goal:*** *In 2011, CPSC staff will screen 5,000 models of imported consumer products at the ports.*

**Exceeded:** In 2011, staff screened more than 9,900 models of imported products. The increase in the number of screenings was a result of the additional staff at the ports, improved collaboration with U.S. Customs and Border Protection at collocated ports, and increased targeting of incoming shipments from the Commercial Targeting Analysis Center in Washington, D.C.

30. ***Risk Assessment Methodology (CPSIA)***


Staff Report to Congress Pursuant to Section 222
of the Consumer Product Safety
Improvement Act of 2008
Risk Assessment Methodology

September 9, 2011

As required by the CPSIA, staff will work with U.S. Customs and Border Protection to develop a risk assessment methodology (RAM) for the identification of shipments of consumer products that are: (1) intended for import into the United States; and (2) likely to include consumer products in violation of section 17(a) of the Consumer Product Safety Act or other import provisions enforced by the Commission. In 2010, staff awarded a contract for the RAM.

***Goal:*** *In 2011, staff will prepare a report for Congress on the RAM, as required by the CPSIA. The report will describe the RAM, results of a limited proof of concept, and resourcing requirements for full-scale implementation.*

**Met:** In 2011, staff prepared and transmitted to Congress its report, pursuant to Section 222 of the CPSIA. Additionally, staff worked with contractors to develop a prototype RAM system, which will be tested at designated ports in 2012.

**Objective 3.5: Scan the marketplace regularly to determine whether previously identified significant hazards exist in similar products.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| 31. Complete product hazard scans | **Goal** | 9 | 9 | 9 | 11 | 12 | 15 |
| | **Actual** | 9 | 9 | 9 | 9 | 21 | 12 |

31. ***Complete 15 Product Hazard Scans***

*ATV Annual Data Update*

***Goal:*** *In 2011, staff will prepare its annual all-terrain vehicle (ATV) death and injury data update report. The report also includes data on deaths by state, relative risk of death by year, and injuries distributed by year and age grouping.*

**Not Met:** Staff completed the injury and fatality components of the draft report. Sales data, provided by an outside firm, were not available to produce injury rate estimates until early 2012. The report will be finalized in November 2011.

| | |
|---|---|
| *Chemical Toxicity Assessment (2 activities)* | Staff addresses a variety of products and hazards related to chemical toxicity by continuing ongoing activities and initiating new activities, depending on the identification of emerging hazards. The topics will vary, but may include the following: lung injuries and fatalities from aerosol waterproofing products, chronic hazard guideline updates, indoor air quality, and metals assessment.<br><br>***Goal:*** *In 2011, staff will complete at least two risk assessments, technical review activities, or guidance documents.*<br><br>**Exceeded:** Several toxicity reviews for phthalates and phthalate substitutes were completed in support of the chronic hazard advisory panel (CHAP) activities. A contractor report that assessed the toxicity potential of three nanomaterials was also completed, in addition to staff reports that summarize these toxicity reviews. Documents related to the analysis of metals in the ASTM F963 toy standard were prepared by staff and sent for external peer review. Draft staff assessments were also completed to update the Commission's guidance limiting the use of animals to test substances that might be hazardous under the Federal Hazardous Substances Act. Staff also completed a draft briefing package for Commission consideration of acceptance of Interagency Coordinating Committee on the Validation of Alternative Methods (ICCVAM) recommendations on four test methods regarding ocular toxicity testing, and revisions to the murine local lymph node assay in 2012. |
| *Carbon Monoxide-Related Annual Updates (2 activities)* | ***Goal:*** *In 2011, staff will prepare its annual report on carbon monoxide (CO) fatalities associated with consumer products.*<br><br>Met: Staff prepared the annual report on carbon monoxide fatalities associated with consumer products. The annual report is scheduled to be posted on the CPSC's website in December 2011.<br><br>***Goal:*** *In 2011, staff will prepare its annual report on CO incidents for generators and engine-driven tools.*<br><br>Met: Staff completed the annual report on CO incidents associated with generators and engine-driven tools. It is available at: *http://www.cpsc.gov/library/coed11.pdf*. |
| *Electrocution Annual Data Update* | ***Goal:*** *In 2011, staff will prepare its annual report on electrocutions associated with consumer products.*<br><br>**Met:** Staff completed the annual report on the number of electrocutions associated with consumer products, and it is available on the CPSC website at: *http://www.cpsc.gov/library/foia/foia11/os/2007Electrocutions.pdf*. |
| *Fire-Related Annual Updates (2 activities)* | ***Goal:*** *In 2011, staff will prepare its annual report on residential fire losses.* |

***Goal:*** *In 2011, staff will prepare its annual report on deaths and injuries associated with fireworks.*

Met: Both fire-related annual updates on deaths and injuries were completed. They are available on the CPSC website at: *http://www.cpsc.gov/library/fire08.pdf*, and *http://www.cpsc.gov/library/2010fwreport.pdf*.

*Nursery Equipment Annual Update*

***Goal:*** *In 2011, staff will prepare its annual report of nursery product-related injuries and deaths to children under the age of 5.*

Met: Staff completed the draft annual report of nursery product-related injuries and deaths to children under the age of 5. It is in the clearance review process.

*Pediatric Poisonings (3 activities)*

U.S. child poisoning fatalities have declined substantially since the Poison Prevention Packaging Act became law, from more than 200 in the 1970s, to an estimated annual average of 29 deaths from 2004 to 2006. To maintain this outcome, staff continues to monitor poisoning data and assess the need for child-resistant packaging.

***Goal:*** *In 2011, staff will prepare its annual report on unintentional pediatric poisonings.*

Met: Staff completed a draft report on pediatric poisoning fatalities using National Center for Health Statistics data. The report is scheduled to be posted on the CPSC's website in November 2011.

***Goal:*** *In 2011, staff will complete a report on the number of unintentional pediatric poisoning deaths that occur through alternative delivery systems, such as medical patches.*

**Not Met:** Resources were diverted to higher priority work. This report on pediatric poisonings is scheduled to be completed in the fourth quarter of 2012.

***Goal:*** *In 2011, staff will complete a draft analysis of data on battery exposures in children for a Morbidity and Mortality Weekly Report with the Centers for Disease Control and Prevention.*

Not Met: Resources were diverted to higher priority work. A preliminary draft analysis on battery exposures in children is in process, and staff will finalize it for submission to the *Morbidity and Mortality Weekly Report* in early 2012.

*Pool Submersion Annual Data Update*

***Goal:*** *In 2011, staff will update its annual report on pool submersion incidents involving children less than 5 years of age.*

Met: Staff completed the report, *Pool or Spa Submersion: Estimated Injuries and Reported Fatalities, 2011 Report*, and it

| | |
|---|---|
| | can be found on the CPSC website at: *http://www.cpsc.gov/library/foia/foia11/os/poolsub2011.pdf*. |
| *ROV/MUV/ ATV Data Update* | Annual estimates of injuries and deaths related to Recreational Off-Highway Vehicles (ROVs) or Multipurpose Off-Highway Utility Vehicles (MUVs) cannot be calculated with data collected to date. Previously, the CPSC's databases were complicated by several factors, including problems related to coding of data and correct referencing of vehicles in incidents where the product manufacturer and model were not reported. In 2010, staff completed design of a survey instrument and initiated the collection of data through telephone surveys for a NEISS-based special study to gather more detailed information on conditions that could result in death and injury incidents involving ATVs, ROVs, and MUVs. All injuries recorded in NEISS that relate to incidents involving ATVs and utility vehicles that occurred from January 1, 2010 to August 31, 2010 are part of this study.<br><br>***Goal:*** *In 2011, staff will complete data collection for the NEISS special study and process the data received, including categorization of injuries as ATV-, ROV-, or MUV-related.*<br><br>Met: Staff collected and processed the data for the NEISS special study. ROV injury estimates for 2010 were calculated and a draft report was written for a ROV briefing package that will be submitted to the Commission. In addition, estimates calculated from the study will allow staff to allocate proportionally hospital-treated injuries across the ATV, ROV, and MUV off-road vehicle categories. |
| *Toys Annual Update* | ***Goal:*** *In 2011, staff will prepare its annual update on toy-related deaths and injuries.*<br><br>Met: Staff completed the report *Toy-Related Deaths and Injuries, Calendar Year 2010*. The report will be posted on the CPSC's website in November 2011, coinciding with a public safety announcement about toys.. |

**Objective 3.6: Increase surveillance of used and resale consumer products to identify and remove recalled products and substantial product hazards.**

Annual goals for this objective are under development.

# DECISIVE RESPONSE

## STRATEGIC GOAL 4: Use the CPSC's full range of authorities to quickly remove hazards from the marketplace.

Once hazardous products have been identified, the CPSC will take action to protect consumers, remove the products from the marketplace, and hold violators accountable. To do this, the CPSC will determine the level of risk posed by the product hazard and select the appropriate course of action and commensurate level of resourcing to address the risk.

| Total resources for this goal (dollars in thousands) | | | |
|---|---|---|---|
| **Fiscal year** | **2009** | **2010** | **2011** |
| **FTEs** | 165 | 191 | 206 |
| **Amount** | $26,674 | $33,178 | $28,590 |

The longer a hazardous product remains on store shelves and in homes, the greater the potential for that hazard to cause injuries and deaths. Moreover, both industry and consumer groups expect predictable and consistent execution of response and enforcement efforts. The passage of the CPSIA legislation expanded the CPSC's rulemaking and regulatory authorities, but also increased the number of enforcement functions the agency must now carry out.

CPSC staff has identified the following performance measure to track progress toward Strategic Goal 4:

**Performance Measure 4:** Reduce the average time it takes to initiate corrective action for a consumer product hazard.

Staff is developing systems to collect data for this performance measure, and expects to have baseline data available in 2012. Staff will set targets for the remaining years of the 2011-2016 Strategic Plan period after the baseline is established.

**Objective 4.1: Expand CPSC's ability to conduct a full range of inspections to monitor for noncompliant and defective products.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Conduct Inspections and Enforce CPSC Regulations*** | | | | | | | |
| 1. Enforce new CPSIA rules | **Goal** | ** | ** | ** | ** | 5 | 8 |
| | **Actual** | | | | | 5 | 8 |
| 2. Enforce the Virginia Graeme Baker Pool and Spa Safety Act | **Goal** | ** | ** | ** | 1 | 1 | 1 |
| | **Actual** | | | | 1 | 1 | 1 |
| 3. Enforce the Children's Gasoline Burn Prevention Act | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |
| 4. Increase the number of establishment inspections by field staff | **Goal** | ** | 400 | 400 | 400 | 400 | 500 |
| | **Actual** | 320 | 493 | 463 | 454 | 585 | 1,064 |

** No goal established.

***Conduct Inspections and Enforce CPSC Regulations***

1. ***Enforcement Activities (CPSIA)***

In 2011, staff work will evolve from development of the CPSIA-mandated rules to enforcing those rules. Experience shows that enforcing a new rule takes considerably more resources than enforcing an existing rule.

***Goal:*** *In 2011, staff will enforce the following CPSIA rules promulgated in 2009 and 2010, through establishment inspections, retail surveillance, or port surveillance*:

- *ATV standard and action plan requirements,*
- *certification and third party testing requirements,*
- *product registration card requirements,*
- *durable infant or toddler products rules,*
- *advertising rules,*
- *toy standard requirements,*
- *tracking labels, and*
- *phthalate bans.*

**Met:** In 2011, staff enforced the eight CPSIA rules listed above through establishment inspections, retail surveillance, and port surveillance.

2. ***Pool and Spa Safety Act Enforcement***

The Virginia Graeme Baker Pool and Spa Safety Act (VGB) requires public pools to be equipped with compliant anti-entrapment-drain covers and, in certain instances, with additional anti-entrapment devices or systems. Starting in 2009, states under contract have worked cooperatively with the CPSC to conduct inspections of pools and spas to verify compliance with the VGB. This has allowed CPSC staff to conduct inspections in other locations, thus leveraging our resources and expanding the reach of our enforcement activities. In addition, to implement the VGB clearly, the Commission staff has provided guidelines, conducted webinars, and disseminated information to states to educate consumers, pool owners, and operators about the requirements of the VGB.

| | |
|---|---|
| | ***Goal:*** *In 2011, staff will enforce the VGB by inspecting pools and continuing the enforcement program with cooperating states.*<br><br>**Met:** In 2011, staff enforced the VGB by inspecting pools and continuing the enforcement program with cooperating states. |
| 3. ***Children's Gasoline Burn Prevention Act Enforcement*** | The Children's Gasoline Burn Prevention Act requires each portable gasoline container manufactured on or after January 17, 2009, for sale in the United States, to conform to the requirements for child-resistant closures on portable gasoline containers, as specified in the standard ASTM F2517-05.<br><br>***Goal:*** *In 2011, staff will implement an enforcement program to monitor compliance with the requirements of the Children's Gasoline Burn Prevention Act.*<br><br>**Met:** In 2011, staff implemented an enforcement program to monitor compliance with the requirements of the Children's Gasoline Burn Prevention Act. |
| 4. ***Establishment Inspections*** | The primary purpose of an onsite field inspection of a manufacturing facility, importer, distributor, or retailer is to gain firsthand knowledge of a particular product or product type to determine whether it complies with federal regulations or contains a defect, which could create a substantial product hazard.<br><br>***Goal:*** *In 2011, field staff will conduct 500 establishment inspections.*<br><br>**Exceeded:** In 2011, field staff exceeded this goal and completed 1,064 establishment inspections of firms to determine compliance with CPSC laws and regulations. Field staff used the CPSC's full range of authority as it conducted inspections to monitor compliance for violative and defective products. Often, these inspections were complex and involved multiple staff, requiring significant hours to be spent during each inspection and thereafter, following up on leads. Notwithstanding the complex nature of these inspections, field staff responded by exceeding the goal, especially for pool and crib inspections. |

### Objective 4.2: Use a risk-based methodology to prioritize the CPSC's targeted response to addressable product hazards.

Annual goals for this objective are under development.

**Objective 4.3: Increase the effectiveness and speed of recalls of noncompliant and defective products.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Efficiency of Recalls and Corrective Actions*** | | | | | | | |
| 5. Preliminary determination (fire hazards) within 85 business days for unregulated products | **Goal** | ** | 66% | 70% | 70% | 70% | 70% |
| | **Actual** | 54% | 82% | 79% | 62% | 86% | 88% |
| 6. Corrective action within 35 business days of notice of violation for regulated products | | | | | | | |
| Corrective action (fire hazards) | **Goal** | ** | 80% | 82% | 80% | 80% | 80% |
| | **Actual** | 89% | 76% | 96% | 89% | 90% | 94% |
| Corrective action (children's and other hazards) | **Goal** | ** | 85% | 88% | 80% | 80% | 80% |
| | **Actual** | 91% | 96% | 96% | 96% | 88% | 84% |
| 7. Corrective action within 60 business days of notice of violation for unregulated products | | | | | | | |
| Corrective action (fire hazards) | **Goal** | ** | 80% | 82% | 80% | 80% | 80% |
| | **Actual** | 84% | 86% | 85% | 94% | 93% | 93% |
| Corrective action (children's and other hazards) | **Goal** | ** | 80% | 82% | 80% | 80% | 80% |
| | **Actual** | 93% | 89% | 91% | 91% | 91% | 79% |
| 8. Initiate a Fast-Track recall within 20 days | **Goal** | 90% | 90% | 90% | 90% | 90% | 90% |
| | **Actual** | 98% | 95% | 96% | 93% | 95% | 95% |
| 9. Conduct recall checks within 90 days or less | **Goal** | ** | ** | ** | ** | 90% | 90% |
| | **Actual** | 99% | 99% | 100% | 100% | 100% | 100% |
| ***Evaluation of products*** | | | | | | | |
| 10. Work with GSA to improve facilities for the test/evaluation of import samples | **Goal** | ** | ** | 1 | 1 | 1 | 1 |
| | **Actual** | | | 1 | 1 | 1 | 1 |

** No goal established.

### *Efficiency of Recalls and Corrective Actions*

5. ***Efficiency of Preliminary Determinations (Fire Hazards – Unregulated Products)***

Compliance officers open fire-related investigations for unregulated products based on reports of a possible defect from a manufacturer, importer, or retailer, or on their own initiative after following up consumer complaints, newspaper accounts, or information from CPSC surveillance activity. Each investigation involves a thorough review of information from the company and other sources, as well as analysis by the CPSC's technical experts. The investigation culminates in a staff preliminary determination of whether there is a product defect.

***Goal:*** *In 2011, staff will make 70 percent of fire-related "preliminary determinations" for unregulated products within 85 business days from the case opening date.*

**Exceeded:** In 2011, staff made "preliminary determinations" for fire-related hazards with unregulated products within 85 business days from the case opening date 88 percent of the time. As a result of aggressive follow-up of these potential risks of injury, staff was able to exceed the goal.

6. ***Efficiency of Corrective Actions (Regulated Products)***

Compliance staff regularly conducts surveillance to check compliance of products with CPSC mandatory standards. Samples collected by investigators in the field and at the ports are sent to the CPSC Laboratory for analysis. Often, CPSC experts conduct additional technical analysis. When it is determined that a product

violates CPSC standards, a compliance officer sends a letter of advice (LOA) to the manufacturer, importer, or retailer. For violations posing a serious risk of injury, staff will seek a consumer-level recall (unless the sample was collected at a port of entry and no products have been distributed within the United States). For less serious violations, staff may seek a lesser corrective action, such as stopping sale of the violative products and correction of future production.

***Goal:*** *In 2011, staff will obtain 80 percent of fire-related corrective actions for regulated products within 35 business days after the LOA issues.*

**Exceeded:** In 2011, staff obtained corrective actions for fire-related hazards with regulated products within 35 business days after the LOA was issued 94 percent of the time. As a result of aggressive follow-up of these potential risks of injury, staff was able to exceed the goal.

***Goal:*** *In 2011, staff will obtain 80 percent of children's and other hazards corrective actions within 35 business days after the LOA issues.*

**Exceeded:** In 2011, staff obtained corrective actions for hazards with children's and other products within 35 business days after the LOA was issued 84 percent of the time. As a result of aggressive follow-up of these potential risks of injury, staff was able to exceed the goal.

7. ***Efficiency of Corrective Actions (Unregulated Products)***

Each investigation of an unregulated product involving a hazard will culminate in a preliminary determination of whether the product is defective. If the product is determined to be defective, the compliance officer begins negotiating with the responsible company to obtain a voluntary corrective action. For defects that pose a risk of serious injury, the compliance officer seeks a consumer-level recall, which usually involves a free repair or replacement of the product or a refund of the purchase price. For less serious hazards, the corrective action may involve stopping sale of the product and correction of future production.

***Goal:*** *In 2011, staff will negotiate and commence 80 percent of fire-related corrective actions for unregulated products within 60 business days after a firm is notified of staff's preliminary determination.*

**Exceeded:** In 2011, staff negotiated and commenced fire-related corrective actions for unregulated products within 60 business days after the firm was notified of staff's preliminary determination 93 percent of the time. As a result of aggressive follow-up of these potential risks of injury, staff was able to exceed the goal.

***Goal:*** *In 2011, staff will negotiate and commence 80 percent of children's and other hazards corrective actions for unregulated products within 60 business days after a firm is notified of the staff's preliminary determination.*

**Met:** In 2011, staff substantially met the goal and negotiated and commenced children's and other hazards corrective actions for unregulated products within 60 business days after the firm was notified of staff's preliminary determination 79 percent of the time.

8. ***Fast-Track Timeliness***

The CPSC's Fast-Track Product Recall program provides advantages to industry and the CPSC. A firm that reports a hazardous product and recalls it quickly avoids a CPSC staff preliminary determination that its product is defective and presents a substantial risk of injury; and thus, the firm can benefit from reduced paperwork and legal expenses. The CPSC gains from faster removal of hazardous products from consumers' homes and the marketplace, as well as reduced staff time needed to process recalls.

***Goal:*** *In 2011, staff will complete a technical review and initiate a corrective action within 20 days 90 percent of the time for the Fast-Track program.*

**Exceeded:** In 2011, staff completed a technical review and initiated a corrective action within 20 days 95 percent of the time for the Fast-Track program. Goals were exceeded because the demand for information was high, and staff worked extra hours to assist those who were in need of the guidance to ensure timely implementation of these Fast-Track recalls.

9. ***Product Safety Activities (State Partners Program)***

Pursuant to the CPSIA, it is now illegal to sell a recalled product. To ensure that recalled products are removed from the marketplace, staff conducts recall checks in cooperation with state and local partners, by visiting retail stores and other establishments to verify that recalled products are not available for sale.

***Goal:*** *In 2011, staff will conduct 90 percent of recall checks in cooperation with state or local partners within 90 days or less of assignment.*

**Exceeded:** In 2011, the State Partners program conducted 534 recall checks and completed 100 percent within 90 days or less of assignment. Staff worked cooperatively with the states to expand the reach of the CPSC. As a result of aggressive follow-up to ensure that negotiated corrective action plans were implemented adequately, and of the work with our state partners to ensure that timely recall checks were conducted throughout the United States, staff exceeded this goal.

### *Evaluation of products*

10. ***Laboratory Modernization Plan***

The CPSC Laboratory plays a vital role in the testing and evaluation of consumer products. The laboratory also contributes to the development of test methods for consumer product safety standards. In May 2009, the General Services Administration awarded a lease for the new CPSC Laboratory.

***Goal:*** *In 2011, staff will work with GSA and the building owner to complete construction and build out of the new laboratory. CPSC staff will occupy the new lab and begin operations by June 2011.*

Met: In 2011, construction of the new National Product Testing and Evaluation Center in Rockville, MD, was completed. CPSC staff moved into the new Center and began operations in May 2011.

**Objective 4.4: Reduce the time it takes to inform consumers and other stakeholders of newly identified hazards and the appropriate actions to take.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Notification to Stakeholders*** | | | | | | | |
| 11. Provide notification to states within one business day (CPSIA sec. 207) | **Goal** | ** | ** | ** | 95% | 95% | 95% |
| | **Actual** | | | | 100% | 99% | 100% |

** No goal established.

### *Notification to Stakeholders*

11. ***Efficiency of Notification to States***

The CPSC is required to notify each state health department or designated agency whenever it is notified of a voluntary corrective action taken by a manufacturer or when the Commission issues a mandatory order under section 15(c) or (d) with respect to any product.

***Goal:*** *In 2011, staff will notify state health departments or designated agencies of such actions within 1 business day 95 percent of the time.*

**Met:** In 2011, staff created an e-mail listserv specific to state departments of health. With every corrective action notice announced, using this listserv, an e-mail notification was sent simultaneously with public distribution, to the state department of health within 1 business day 100 percent of the time.

**Objective 4.5: Hold violators accountable for hazardous consumer products on the market by utilizing enforcement authorities.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Using Enforcement Authorities*** | | | | | | | |
| 12. Coordinate with state attorneys general on litigation ( CPSIA sec. 218) | **Goal** | ** | ** | ** | 1 | 1 | 1 |
| | **Actual** | | | | 1 | 1 | 1 |

** No goal established.

### *Using Enforcement Authorities*

| | |
|---|---|
| 12. ***Coordination of Litigation with State Attorneys General (CPSIA)*** | The CPSIA allows state attorneys general to seek injunctive relief on behalf of the residents of their states for alleged violations of specific acts prohibited by the Consumer Product Safety Act, as amended by the CPSIA and its safety rules. In 2010, CPSC staff collaborated with representatives from approximately 40 state attorneys general offices, participating in monthly conference calls, to discuss issues of mutual concern and to share information pursuant to section 29(f) of the CPSA.<br><br>***Goal:*** *In 2011, staff will monitor cases filed, if any, by state attorneys general and make recommendations to the Commission about whether to intervene.*<br><br>**Met:** Although no cases have been filed by any state attorney general alleging violations of the Consumer Product Safety Act, the CPSC and representatives of state attorneys general have collaborated throughout the year on issues of mutual interest and concern. |

# RAISING AWARENESS

## STRATEGIC GOAL 5: Promote a public understanding of product risks and CPSC capabilities.

The CPSC will use a wide array of communication channels and strategies to provide the public with timely and targeted information about safety issues and CPSC capabilities. This information will empower consumers to make informed choices about the products they purchase and how to use them safely, to be aware of hazardous products in the market, and to act quickly if they own a recalled product. Additionally, the information will make industry aware of the hazards it must address to maintain safe products.

| Total resources for this goal (dollars in thousands) | | | |
|---|---|---|---|
| **Fiscal year** | **2009** | **2010** | **2011** |
| **FTEs** | 38 | 40 | 45 |
| **Amount** | $11,345 | $11,973 | $10,096 |

Consumers, advocates, industry, and partner government agencies each desire useful and timely information about product safety issues in order to make informed choices. However, these audiences have different information needs, and each responds best to different methods of communicating information. With the rapid increase in the use of social media and Web-based communications, the options for conveying consumer product safety information continue to grow.

CPSC staff has identified the following performance measures to track progress toward Strategic Goal 5:

**Performance Measure 5a:** Increase name recognition of the CPSC.

**Performance Measure 5b:** Increase the number of consumers who have acted on a CPSC safety message.

Staff is developing systems to collect data for these performance measures, and expects to have baseline data available in 2012. Staff will set targets for the remaining years of the 2011-2016 Strategic Plan period after the baselines are established.

**Objective 5.1: Increase awareness of CPSC to ensure the public knows where to turn for information on consumer product safety and knows about the enforcement capabilities used to address product dangers.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Outreach*** | | | | | | | |
| 1. CPSC website visits (in millions) | **Goal** | 18.0 | 25.0 | 38.8 | 40.0 | 41.0 | 54.0 |
| | **Actual** | 20.3 | 32.3 | 40.5 | 39.8 | 53.6 | 51.4 |
| 2. Drive to One Million | **Goal** | ** | ** | ** | 1 | 1 | 1 |
| | **Actual** | | | | 1 | 1 | 1 |

** No goal established.

## *Outreach*

### 1. *Website Visits*

The CPSC's website (*www.CPSC.gov*) was enhanced recently to widen and speed public access to important safety information. The site started out simply, allowing retrieval of basic information, such as press releases (usually announcing product recalls) and the Commission's public meeting calendar. Over time, new features have been added, such as an option for the public to make online reports of product hazards and the ability to search and download data from the National Electronic Information Surveillance System (NEISS). Additional features include: a recall widget, information centers, and extensive information on the CPSIA.

The number of visits to the website has grown rapidly from about 200,000 visits in 1997, to 53.6 million visits in 2010. Based on a customer feedback survey and a review of the CPSC's website, staff plans to make changes to improve the accessibility of safety information.

***Goal:*** *In 2011, the CPSC will have 54 million visits to its website.*

**Not Met:** In 2011, the CPSC had 51.4 million visits to its website. While there was a significant increase in the number of visits to CPSC's website between 2009 and 2010, the number of visits decreased slightly in 2011. In 2010, the CPSC released a widget for the first time, increasing traffic on our website. The number of visits to our website depends upon third parties who post CPSC's widgets on their websites; accordingly, this may explain why the number of visits decreased in 2011.

### 2. *Drive to One Million*

The CPSC's "Drive to One Million" campaign uses several different Commission tools to make the public aware that, despite the CPSC's best efforts, there are still many recalled products in the hands of the public. The CPSC's goal is to reach at least 1 million consumers with recall information through e-mail alerts, the recall phone application, our recall widget, Tweets, Facebook fans, and YouTube views. Consumers can sign up to receive instant notice of recall information at *www.CPSC.gov/CPSCList.aspx*. There are more than 300,000 recipients of our e-mail alerts and nearly 6,000 followers of the CPSC on Twitter.

***Goal:*** *In 2011, the CPSC will reach 1 million consumers with direct notification of recall announcements via e-mail, electronic feeds, and social and new media platforms, such as YouTube, Twitter, RSS, widget, phone applications, and Facebook. Outreach will continue with stakeholders, such as mainstream media, social media websites, consumer-oriented websites, private sector and special interest supporters, or state and local governments. Marketing of this program will also include promotion of the "Drive to One Million" logo, our recall widget, and the recall phone 'app.'*

**Met:** By expanding the initiative to recognize the value of the agency's new media platforms, the CPSC was able to account for millions of consumers who viewed or downloaded recall information. About 315,000 consumers and news organizations received e-mail alerts, 11,600 followed the CPSC on Twitter (@OnSafety) and received recall tweets, about 585,000 consumers viewed the recalls 'app,' created by the U.S. General Services Administration for the Android, and nearly 25 million consumers visited Web pages (hosted by Parent Dish, Widgetbox, Product Safety Letter, the Los Angeles Fire Department, and others) that provided real-time recall information via CPSC's free recall widget.

### Objective 5.2: Provide stakeholders with easily accessible, timely, and useful safety information on consumer product hazards.

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***CPSC Website Update*** | | | | | | | |
| 3. Keep the public updated on activities on *www.SaferProducts.gov* | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |
| 4. Use Web-based applications to improve communication with citizens | **Goal** | 1 | 1 | 0 | 0 | 0 | 1 |
| | **Actual** | 1 | 1 | 0 | 0 | 0 | 1 |
| ***Outreach Effectiveness*** | | | | | | | |
| 5. Consumer outreach for imports (in millions)# | **Goal** | ** | ** | 450 | 200 | 350 | 750 |
| | **Actual** | 125 | 966 | 185 | 530 | 1,828 | 544 |
| 6. Consumer outreach for fire hazards (in millions)# | **Goal** | ** | 125 | 200 | 150 | 150 | 300 |
| | **Actual** | 185 | 295 | 103 | 117 | 447 | 476 |
| 7. Consumer outreach for CO hazards (in millions)# | **Goal** | ** | 20 | 25 | 15 | 8 | 75 |
| | **Actual** | 14.6 | 26 | 1 | 4 | 67.9 | 158 |
| 8. Consumer outreach for children's and other hazards (in millions)# | **Goal** | ** | 125 | 450 | 300 | 375 | 750 |
| | **Actual** | 284 | 978 | 334 | 550 | 1,560 | 751 |
| 9. Conduct public information efforts/partnerships | **Goal** | 18 | 18 | 21 | 21 | 22 | 24 |
| | **Actual** | 16 | 21 | 21 | 21 | 22 | 24 |

** No goal established.
# Beginning in 2010, the data include social media and online news media. In 2011, the data also include radio media. Accordingly, they are not directly comparable to the data for prior years.

### *CPSC Website Update*

**3. *SaferProducts.gov Website Update***

*www.SaferProducts.gov* is the website that consumers use to report unsafe products and search for product safety information

and that manufacturers use to review and comment on incident reports. Some users have requested information on the CPSC's rulemaking related to this website.

***Goal:*** *In 2011, to support transparency, CPSC staff will update www.SaferProducts.gov to include links to information on any CPSC rulemaking or other similar activities pertaining to consumer use of the public database.*

**Met:** In 2011, staff posted regular updates on www.SaferProducts.gov, including announcements and hearing videos leading up to the March 2011 launch. In addition, staff created a robust search page to guide website users through categorized content. Staff created how-to videos, compiled a list of frequently asked questions, and posted promotional brochures on the website and regularly updated the most searched terms on the home page.

### 4. *Communication with Citizens*

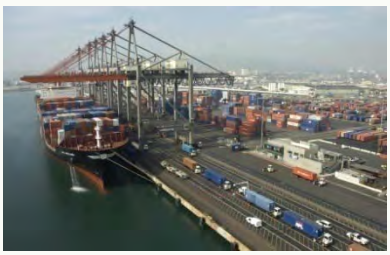
The CPSC seeks to provide one-stop, online access to benefits and services provided by the CPSC for the public. The CPSC also provides modern management tools, such as online forms, to request information.

***Goal:*** *In 2011, CPSC staff will complete planning activities, including requirements analysis, design, and development of a plan for a new Customer Relationship Management-style approach to working with consumers and businesses.*

**Met:** In 2011, staff completed planning activities including requirements and design for upgrading the CPSRMS. The upgrade was completed and launched in September 2011, which included expanded business customer relationship management capabilities, such as business registration and commenting through the business portal.

## *Outreach Effectiveness*

### 5. *Reaching Consumers on Import Safety*



In 2010, there were about 1.8 billion views of CPSC safety messages through TV appearances and video news releases related to import safety campaigns and recalls for products, such as toys, window blinds, and cribs. In 2009 and 2010, there were a number of recalls of very popular toys and nursery products that drew exceptional media coverage and accounted for the higher number of consumers reached.

***Goal:*** *In 2011, 750 million views of the CPSC safety messages will be received by consumers through newspaper stories, radio stories, social media outreach, TV appearances, and video broadcasts related to the United States-China Safety Summit, import safety campaigns, and recalls.*

**Not Met:** About 544 million impressions related to messages on import safety were achieved through newspaper stories, radio

stories, social media outreach, TV appearances, and video broadcasts. The CPSC experienced a sharp decline from 2010 to 2011 in the number of views of import safety-related stories due to a reduction in high profile and emerging hazard-related stories regarding imported consumer products. Coverage of a CPSC-AQSIQ meeting in Shanghai was significant, but unmeasured in China, and there was no U.S. coverage.

**6. *Reaching Consumers on Fire Hazards***

In 2010, about 447 million views of the CPSC safety messages related to fire hazards were received by consumers through TV appearances, video news releases (VNRs), and e-publications available through the CPSC's website. Topics that generated the most coverage included the refrigerator recall, the fireworks safety press conference, and holiday decorating safety. Staff also supplied information for stories on national and local radio, and in national or local newspapers and wire services. These appearances or mentions on radio or in print were generated by live or taped interviews, audio news releases, public service announcements, press releases, and online information.

***Goal:*** *In 2011, 300 million views of the CPSC fire safety messages will be received by consumers through communication tools, such as newspaper stories, radio stories, social media, TV appearances, and interviews on national television networks, as well as VNRs to national and local television networks.*

**Exceeded:** About 476 million impressions related to fire safety messages were achieved through newspaper stories, radio stories, social media outreach, TV appearances, and video broadcasts.

**7. *Reaching Consumers on Carbon Monoxide (CO) Hazards***

The CPSC has been successful in increasing the number of views of carbon monoxide (CO) safety messages. However, staff saw a drop in 2008 and 2009 views because of the lower number of major tropical storms and hurricanes to strike the United States, thus, decreasing the number of consumers using portable generators in emergencies. In 2010, there was a significant increase in information outreach, due to a high profile news story related to proposed federal legislation on CO safety.

Staff supplies information for stories on national and local radio and in national or local newspapers and wire services. These appearances or mentions on radio or print are generated by live or taped interviews, audio news releases, public service announcements, press releases, and online information.

***Goal:*** *In 2011, there will be 75 million views by consumers of CO safety messages through newspaper stories, radio stories, social media outreach, TV appearances and interviews on national television networks, and video news releases to national and local television networks.*

**Exceeded:** About 158 million impressions related to carbon monoxide safety messages were achieved through newspaper

stories, radio stories, social media outreach, TV appearances, and video broadcasts.

**8. *Reaching Consumers on Children's and Other Hazards***

In 2010, about 1.5 billion views of CPSC safety messages related to children's and other hazards, including pool safety, toy safety, and the CPSIA were received by consumers through TV appearances, video news releases (VNRs), and by e-publications through the CPSC's website. The 2010 goal of 375 million was exceeded due to expansion of the CPSC's reach via Twitter, YouTube, the OnSafety blog, and online news media, none of which were measured in prior years. The goal was also exceeded due to extensive media coverage and video news release exposure related to the problem drywall investigation and crib, stroller, infant sling, and toy recalls. As a result of the exceptional performance in 2010, the goal for 2011 was increased.

***Goal:*** *In 2011, 750 million views of safety messages related to children's and other hazards will be received by consumers through newspaper stories, radio stories, social media outreach, TV appearances and interviews on national television networks, and VNRs shared with national and local television networks.*

**Met:** About 751 million impressions related to children's product safety messages were achieved through newspaper stories, radio stories, social media outreach, TV appearances, and video broadcasts

**9. Conduct 24 public information efforts/partnerships**

*ATV Safety*

In 2011, staff will continue its all-terrain vehicle (ATV) safety education program. The Rapid Response program is the cornerstone of ATV education activities. Rapid response focuses on media reports of fatalities involving children and adults as a means of preventing future incidents. In addition, the ATV website averaged about 217,000 visits in 2008 and 2009, delivering safety information.

***Goal:*** *In 2011, staff will upgrade Rapid Response materials and use new software to expand response to media areas where ATV fatalities are reported. The multifaceted website, www.ATVSafety.gov, will be promoted and updated biweekly with death and injury data, news items, industry developments, and changes to state laws. The CPSC will use social media sites, including blogs, to promote safe ATV riding.*

**Met:** Rapid Response materials were upgraded and a new software-aided contact list facilitated outreach to dozens of media organizations in regions where fatalities occurred. The standalone website, www.ATVSafety.gov, was updated biweekly with fatality information from news reports, and Twitter (@OnSafety) was used to promote safe ATV riding and Rapid Response messages. The CPSC published a blog and promoted the ATV safety video on YouTube.

*Bicycle/Helmet Safety*

More than 800 people are killed each year in bicycle-related incidents.

***Goal:*** *In 2011, the CPSC will communicate with the public about the need to wear helmets when riding their bikes and other wheeled toys. Activities will include one or more of the following: a news release, an audio news release, PSAs, reissuance of posters on bike and helmet safety, Tweets, a YouTube video, and/or partnering with agencies, such as the National Highway Traffic Safety Administration.*

**Met:** In 2011, the CPSC issued a "Back to School Safety" blog, highlighting bicycle and bicycle helmet safety. Also the CPSC produced a video, titled the "ABC's of School Safety," which was distributed through the U.S. Department of Education and the Consumers Union's National School Safety Coalition, reaching more than 30 national school organizations. The Department of Education posted the video on its Facebook page and distributed it throughout internal and external networks. The video was also sent to state education departments that have Facebook, Twitter, and other social media outlets. The CPSC issued bicycle helmet recalls and used the National School Safety Coalition monthly call to update members and forward bicycle safety materials for distribution. CPSC staff promoted bicycle safety and helmets through two blogs and multiple tweets throughout the year. Finally, bicycle helmets were highlighted at the CPSC annual toy safety campaign in November 2010, reaching more than 90 million viewers.

*CCA Pressure Treated Wood*

Use of chromated copper arsenate (CCA) pressure-treated wood in outdoor decks and structures could present a significant health hazard.

***Goal:*** *In 2011, CPSC staff will raise awareness of the dangers of CCA pressure-treated wood through communication tools, such as news releases, production and distribution of a new safety brochure, media interviews, social media website communications, and safety organization partnerships.*

**Met:** Working with the U.S. Environmental Protection Agency and the U.S. Forest Service, a trifold brochure was produced, printed, and disseminated. More than 5,000 copies of the brochure were sent to the other agencies, field representatives, and other contacts. The brochure was posted online for ordering or printing and linked to the other agencies' websites. Staff participated in media interviews, while information about the brochure and safety messages were included in a Twitter message and also were featured prominently on the resource area of the CPSC's website.

*CO Alarms*

While a large percentage of consumers' homes are equipped with smoke alarms, it is estimated that far fewer have working CO alarms in their homes. The CPSC strongly supports the installation of CO alarms on multiple levels of a home.

***Goal:*** *In 2011, through activities, such as partnerships, posters, news releases, or podcasts, the CPSC will continue its CO alarm messaging in connection with a daylight savings time news release recommending that consumers change the batteries in their smoke and CO alarms at least once every year. Staff will use communication tools, such as blogs, YouTube, Twitter, or the website: www.FireSafety.gov, to promote any new developments in technology to make CO alarms even more effective.*

**Met:** The CPSC issued a press release in November 2010 and again in March 2011, urging consumers to change the batteries in their CO alarms when they change their clocks for Daylight Saving Time. The CPSC also tweeted about the importance of having CO alarms throughout the house.

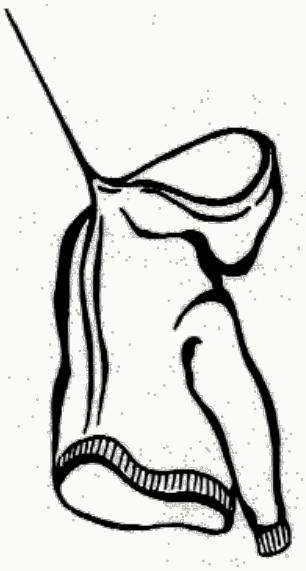
*CO Poster Project*

This is a multiyear project. It will include a contest for middle school students to create posters to teach other students and their families about CO poisoning hazards. The contest is to be administered and judged by CPSC staff or an outside organization. Staff will post selected posters on the CPSC's website. The CO Safety Coalition, consisting of federal, state, and local governments, fire departments, health care providers, and low-income housing programs, also may support advocacy for CO alarm use and CO awareness. In 2010, staff developed contest rules and judging criteria. Staff also publicized the contest to generate school interest in contest participation.

***Goal:*** *In 2011, the CPSC will work with partners (state, local, and nonprofit) to review and announce a winner of the CO safety awareness poster contest.*

**Met:** In September 2010, The CPSC launched the first nationwide middle school (aimed at sixth, seventh, and eighth graders) safety poster contest to raise awareness about the dangers of CO in the home. CPSC staff, state designees, and external safety organizations distributed contest fliers and other promotional materials that generated about 450 eligible posters and represented nearly half of the 50 states. The majority of these entries came from classrooms where CO safety was discussed, and posters were created by the middle school students. The posters were showcased on the Challenge.gov platform, a new GSA online tool for federal agencies to post challenges and solicit public solutions. A CPSC panel of technical judges selected nine contest winners and the grand prizewinner, who received recognition and cash awards. The grand prizewinner was an eighth grade student from Hawaii, whose poster was converted into a CPSC publication to encourage CO home safety. In addition, the CPSC partnered with the New Hampshire governor and local fire officials at a press conference honoring a runner-up in that state. This CO safety campaign educated youth about promoting CO safety, supported recognition of finalists at state and local CO poison prevention venues, and brought CO safety information into thousands of homes.

*Drawstrings in Children's Clothing*



Drawstrings in children's clothing, such as jackets, coats, and sweatshirts (mostly located in the hood or at the waist of these garments) can kill children. These items represent a choking/entanglement hazard if the drawstrings are caught on playground equipment, school buses, cribs, escalators, or other products.

***Goal:*** *In 2011, staff will inform parents of the hidden risks involved with drawstrings through tools, such as a news release, media interviews, social media, a video, or a poster for Neighborhood Safety Network members.*

**Met:** In 2011, the CPSC issued a press release on the new federal rule for drawstrings (Section 15(j) of the CPSA) and issued nine drawstring recall press releases and four drawstring civil penalty press releases. Drawstring safety was included in the "Back to School" safety campaign launched this year through various social media outlets. Drawstring recalls were highlighted during the National School Safety Coalition monthly conference calls reaching more than 30 school safety organizations and federal partners. Staff also conducted television, radio, and print media interviews on drawstring safety throughout the year. Staff informed parents of the risks involved with drawstrings through staff's school safety blog and through multiple tweets, both surrounding the drawstring rule and through drawstring recalls.

*Fireworks Safety*

***Goal:*** *In 2011, the CPSC will conduct a national safety campaign for July 4, to increase public awareness of the dangers associated with legal and illegal fireworks. This campaign will include activities, such as a news conference, a video news release, YouTube, VNR or viral video, Tweets, or a message to the Neighborhood Safety Network. Possible partners could include the U.S. Department of Justice and the U.S. Department of Homeland Security.*

**Met:** The CPSC launched the annual fireworks safety program on June 22, 2011, with a national news conference in front of the U.S. Capitol reflecting pool. Chairman Inez Tenenbaum was interviewed for NBC's Today Show and MSNBC (reaching more than 6 million viewers). CPSC demonstrated the dangers associated with fireworks, as well as gel fuel for the morning show and press conference. The Chairman was joined by the Assistant Commissioner of U.S. Customs and Border Protection and the Assistant Director Enforcement Programs and Services for the Bureau of Alcohol, Tobacco, Firearms and Explosives. Chairman Tenenbaum conducted numerous one-on-one interviews at the event. In addition, staff produced a video news release that reached 37 million viewers. A press release and *OnSafety* blog post were produced for the media and consumers.

*Halloween Hazards*

***Goal:*** *In 2011, CPSC staff will remind consumers of the flammability hazards associated with Halloween costumes and*

*highlight warnings about the risk of fire associated with homemade children's costumes, jack-o-lanterns, and other Halloween decorations. Staff will conduct activities, such as issuing a news release, producing a video (YouTube), Tweeting, blogging, or conducting TV and radio interviews.*

**Met:** In October 2010, the CPSC issued a news release and posted a blog reminding consumers how to prevent fire and burn injuries associated with Halloween-related costumes, decorations, and other accessories during the Halloween season. The CPSC highlighted a YouTube video and conducted a media tour resulting in media interviews with local and national news stations, including CNN.

*Holiday Decoration Hazards*

***Goal:*** *In 2011, for the winter holiday season, the CPSC will reissue its annual news release to warn consumers about the fire risks from defective decorative holiday light strings and natural trees, and will provide tips on the safe use of candles and fireplaces. Staff will also conduct activities, such as posting a viral video on YouTube or other social media platforms, partnering with the Electrical Safety Foundation International, or conducting media interviews.*

**Met:** In 2011, the CPSC released a holiday decorating safety guide featuring the top 10 safety tips, ranging from fire prevention associated with holiday trees to preventing shock hazards from faulty light strings. In addition, the CPSC created and distributed a blog, new Neighborhood Safety Network poster, and holiday decorating safety video on YouTube. Staff conducted media interviews with local and national TV and radio stations.

*Home Heating (Fire Hazards)*

***Goal:*** *In 2011, at the beginning of the home heating season, staff will conduct activities, such as issuing a news release, an audio news release, Tweets, a blog, or collaborating with the U.S. Fire Administration to warn about fire hazards from home heating equipment, especially space heaters.*

**Met: The** CPSC issued a joint winter weather warning and home heating safety alert with the U.S. Fire Administration in January 2011. The joint press release featured the CPSC's latest data on home heating-related fires, and it stressed safe use of space heaters and fireplaces and the lifesaving benefits of having working smoke alarms in the home. Coinciding with Daylight Saving Time, the CPSC also issued a press release on the importance of having working smoke alarms.

*Home Heating (CO hazards)*

***Goal:*** *In 2011, to remind the public of the continuing threat of CO in the home, staff will highlight the need for routine maintenance of gas appliances. At the beginning of the home heating season, staff will issue a seasonal warning about CO hazards from home heating equipment. Staff will remind consumers of specific issues, including the need to have a routine furnace checkup. The reminders will be completed through activities, such as using*

*news releases, audio news releases, posting on social media sites, conducting local and national media interviews, and collaborating with the U.S. Fire Administration.*

**Met:** CPSC's joint winter weather warning and home heating safety alert with the U.S. Fire Administration featured the CPSC's latest data on carbon monoxide-related deaths. The safety alert featured safety tips to help consumers avoid carbon monoxide poisoning, including having an annual professional inspection of all fuel-burning appliances and never using a portable generator indoors. The safety alert also stressed the importance of installing carbon monoxide alarms in the home. Coinciding with Daylight Saving Time, the CPSC also issued a press release reminding consumers to change the batteries in their smoke and CO alarms. The CPSC also blogged and tweeted multiple times about CO safety.

*Imported Products*

***Goal:*** *In 2011, staff will complete activities, such as conducting local and/or national interviews, holding a news conference with foreign regulators, issuing press releases, using social media, and/or partnerships with U.S. Customs and Border Protection to inform consumers about*:
*(1) particular imported consumer products posing hazards to the public or presenting potential safety risks;*
*(2) efforts to improve the safety of imports, through safer design and manufacturing practices; or,*
*(3) initiatives at U.S. ports to stop violative products from reaching the hands of consumers.*

**Met:** In 2011, an international news conference was held in Shanghai, China (October 2010) at the Second Tri-Lateral Summit with the United States, European Union, and China, in addition to live TV interviews done in Shanghai with CNN-Asia and Bloomberg-Asia.

*In-Home Drowning Prevention*

On average, more than 75 non-pool or spa drowning deaths involving children younger than 3 years old occur inside or around homes each year.

***Goal:*** *In 2011, to prevent drowning of young children, the CPSC will focus at the end of the summer on addressing the hazard of standing water in places, such as buckets and bathtubs. As part of this effort to reduce in-home drowning, the CPSC will use communication tools, such as issuing a news release, conducting media interviews, communicating via social media sites, partnering with child safety or water safety organizations, distributing a video, or issuing a poster for NSN members.*

**Met:** The CPSC issued a press release in conjunction with the publication of staff's annual in-home drowning death and injury report. In addition to posting the release on the CPSC and *PoolSafely* websites, staff sent a listserv message to drowning-prevention advocates and state and local health officials, posted an

*OnSafety* blog that was reposted by other bloggers, and tweeted messages (@OnSafety). *Pool Safely* partners notified their constituents about the report and posted information about in-home drowning, now a permanent part of their websites and education outreach.

*Mattress Standard Information and Education Materials*

The Standard for the Flammability (Open-Flame) of Mattress Sets (16 CFR part 1633) became effective on June 1, 2007. The Standard is a complex, full-scale test. CPSC staff held several industry seminars, developed a laboratory manual, and established a mattress flammability Web page on the CPSC website to assist manufacturers and retailers with understanding the new requirements. Staff continues to receive a large number of inquiries and requests for guidance from retailers, consumers, and manufacturers.

***Goal:*** *In 2011, staff will promote the mattress standard publication, "Sleep Safer: A Fire-Resistant Mattress Can Save Your Life," to address the needs of retailers, consumers, and manufacturers.*

**Met:** Staff promoted the mattress standard publication, "Sleep Safer," on *www.CPSC.gov* during September and continued to disseminate copies of the publication through the industry. Staff also began work on a public service announcement aimed at mattress fire safety, which is planned for release in the second or third quarter of 2012.

*Natural Disaster Preparedness*

***Goal:*** *In 2011, staff will use communication tools, such as print news releases, audio news releases, social media sites, or video news releases to address CO poisoning hazards, prior to, and in the aftermath of hurricanes, tornadoes, floods, and blizzards.*

**Met:** On August 26, 2011, prior to the landfall of Hurricane Irene, the CPSC issued a joint press release with the U.S. Fire Administration offering tips for surviving the aftermath of a hurricane. The press release, featured on the CPSC's home page, urged consumers to avoid carbon monoxide poisoning by using portable gasoline generators safely, including never using generators inside the home, garage, basement, or near the home. It also provided safety tips on charcoal grills, camp stoves, and candles; electricity and gas safety; and it stressed the importance of installing carbon monoxide alarms in the home. The CPSC also blogged about generator safety and tweeted during the most deadly days after Hurricane Irene hit, doing rapid response tweets surrounding deaths and promoting safety.

*Poison Prevention*

***Goal:*** *In 2011, during National Poison Prevention Week, the CPSC will continue to support the efforts of the Poison Prevention Council by issuing a news release to promote child-resistant packaging and other poison prevention measures. The CPSC will carry out activities, such as update the online poison prevention information center, conduct media interviews, record a Podcast,*

*or disseminate a safety message to NSN members. Finally, the CPSC will partner with the Poison Prevention Council and others in the public/private sector to establish a new poison prevention strategy, such as the development of a public service announcement.*

**Met:** The CPSC issued a warning to parents and consumers about a reemerging poisoning hazard: the dangers associated with children and senior adults swallowing coin-size button batteries unintentionally. Button batteries are now found in a greater number of household products that are sometimes easily accessible to small children or mistaken for medicine by senior adults. The CPSC launched a safety campaign that included a news release announcing the hazard and data; a blog post; a YouTube video, featuring a doctor from the American Association of Poison Control Centers; a consumer safety quiz for the Poison Prevention Week Council's Facebook page; and a new Neighborhood Safety Network poster. Partner organizations from the Poison Prevention Week Council supported the CPSC's hazard warning by re-tweeting and linking to our safety information. Staff conducted a number of interviews during Poison Prevention Week and throughout the year, resulting in national television and print media coverage.

*Port Safety*

***Goal:*** *In 2011, staff will conduct activities, such as issuing a news release, participating in a network or local news story, using social media, or collaborating with U.S. Customs and Border Protection (CBP) to inform consumers about an enforcement or intervention action at a United States or international port.*

**Met:** Staff coordinated closely with CBP staff to arrange for filming and interviews with two broadcast media—one on the East Coast and another on the West Coast—at coastal ports where inspectors for each agency are collocated, for stories highlighting import inspections of consumer products and enforcement activities.

*Portable Gas Generators*

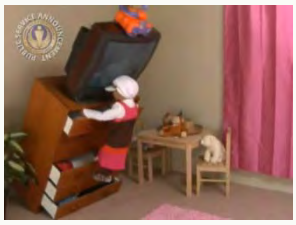
During times of power loss, homeowners may be exposed to CO because of incorrect use of portable gas generators to provide power to their homes.

***Goal:*** *In 2011, staff will promote generator safety using communication tools, such as a news release, a publication, a video, a blog post, Twitter, or safety materials to help reduce generator-related deaths and poisonings. The CPSC will direct consumers to the agency's CO Information Center to view generator safety information.*

**Met:** The CPSC featured a video on the agency's website and YouTube channel in August 2011, to warn consumers about carbon monoxide hazards involving generators and other fuel-burning appliances. The CPSC issued press releases warning about safe generator use following severe storms in the Northeast

in February 2011, and issued another press release offering generator safety tips in August 2011, before Hurricane Irene hit the East Coast. Staff also carried out rapid response actions following carbon monoxide-related events, including the deaths of five people in a camper in Tennessee in September 2011.

*Product Tip-Overs*



***Goal:*** *In 2011, the CPSC will continue its work to alert parents to the dangers of televisions, heavy furniture, and freestanding ovens that tip over and crush young children. The CPSC will communicate this hazard through one or more of the following communication tools: reissuing a dramatic video news release on YouTube; conducting media interviews; conducting media response communications after a fatality; releasing new data; or using social media to disseminate prevention messages.*

**Met:** The 2011 product tip-over campaign included a new Neighborhood Safety Network poster, an updated safety alert, a reissuance of a dramatic video news release on YouTube and to the media, a new death and injury report, and media interviews with the parents of a recent victim. We also conducted an extensive social media campaign through our *OnSafety* blog and @OnSafety tweets. As a result, CPSC secured 68 million TV and online news impressions; 215,000 Twitter impressions; and 130,000 impressions on the official Spanish language website of the U.S. federal government, *GobiernoUSA.gov*.

*SaferProducts.gov*

In 2011, CPSC rolled out the new publicly available database of product safety incidents on *www.SaferProducts.gov*. The purpose is to receive reports about incidents of harm or risk of harm involving consumer products. These reports will be visible to other consumers to educate them about safety concerns with products that they own or plan to purchase.

***Goal:*** *In 2011, CPSC staff will raise awareness of the publicly available consumer product safety information database on www.SaferProducts.gov, through use of communication tools, such as issuing news releases, participating in events, conducting media interviews, communicating via social media sites, partnering with safety organizations, producing and distributing videos, writing guest blog articles, or issuing a poster for the NSN members.*

**Met:** Staff updated the *www.SaferProducts.gov* website to include video of the rulemaking process and public outreach events. In addition, staff created and distributed a press release and blog for the launch, promoted the site at events and in speeches by the Chairman, created a brochure, handouts and ad specialties used to create awareness in general and targeted audiences, and conducted numerous interviews with media about the launch and subsequent milestones.

*Safety Publication Update*

Some of the CPSC's electrical, nursery, mechanical, or recreational brochures and product safety alerts (both in print and

on the website) are aging. That is, they may depict older products that do not comply with more recent standards, contain outdated epidemiological information, refer to codes and standards that have been revised, or refer to organizations that have changed names. The CPSC's Safety Publication Update is a project that started in 2009, as a pilot, and it is intended to update CPSC safety publications and online documents regularly.

***Goal:*** *In 2011, staff will update three safety publications addressing children's hazards, fire and electrical hazards, mechanical hazards, sports and recreational hazards, or chemical and combustion hazards.*

**Exceeded:** Staff updated 16 publications, including: "Public Playground Safety Handbook" (Pub. 325); "Smoke Alarms Can Save Your Life" (Pub. 557); and "Repairing Aluminum Wiring" (Pub. 516). Staff worked effectively and efficiently to update more publications than expected, so that consumers could have access to the latest information related to changes in standards, building codes, and technical research.

*Smart Holiday Shopping/Toy Safety*

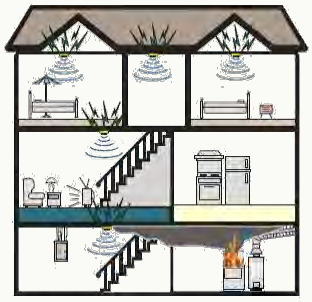
Every holiday season, staff continues its efforts to educate parents and caregivers on product safety for different age groups. At that time of year, staff will also continue to encourage consumers to be aware of the various websites that will help them identify recalled products. In 2010, CPSC data showed a decline over previous years in toy recalls, toy recalls due to lead violations, and toy-related fatalities. Injuries, however, increased from 2005 to 2009.

***Goal:*** *In 2011, staff will use communication tools, such as a VNR, social media outreach, NSN safety poster, news conference, media interviews, or other materials to educate the public at the grassroots level about safe shopping for toys now that the CPSIA requirements for lead, phthalates, and children's toys are in effect.*

**Met:** On November 18, 2010, the CPSC Chairman and staff hosted a "Holiday Toy Safety" production, reaching more than two dozen media outlets with an audience outreach of nearly 80 million. Additionally, the Chairman appeared on Good Morning America, reaching 4 million viewers, and the CPSC's Spanish-speaking spokesperson conducted an interview on Telemundo, reaching 500,000 viewers. Recalled products, CPSIA toy safety requirements for lead and phthalates, and toy safety tips were highlighted through television, radio, print, and social media outlets. The toy safety NSN poster was highlighted with simple toy safety tips for all audiences.

*Smoke Alarms*

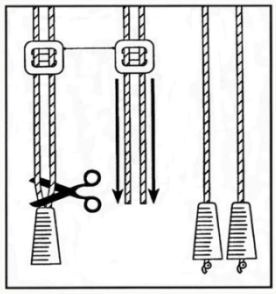
***Goal:*** *In 2011, in a continuing effort to remind consumers that smoke alarms save lives, staff will issue a news release in the spring and the fall to emphasize that consumers need to have smoke alarms, and they must maintain them. Staff will also contact national and local media to encourage them to remind*



*consumers to check that their smoke alarms are in working order. Staff will use communication tools, such as media interviews, blogging, YouTube, Twitter, or the website, www.FireSafety.gov, to promote the use of smoke alarms on every level of the home and in every bedroom, as well as announce new developments in technology, aimed at making smoke alarms even more effective.*

**Met:** The CPSC issued a press release in November 2010, and again in March 2011, urging consumers to change the batteries in their smoke alarms when they change their clocks for Daylight Saving Time. The CPSC did an interview with the Weather Channel, which aired in November 2010, about space heater safety in which staff provided tips on the safe use of space heaters and also stressed importance of having working smoke alarms in consumers' homes.

*Window Covering Cords*



Window covering pull cords represent a strangulation hazard to children. Children have been entangled or wrapped in window covering cords, but mostly, they have been found hanging in the loop of the cords. The younger victims, typically 8 months to 23 months old, were in cribs, which were located near window covering pull cords. While a few older children found the cords hanging near the floor, most of these victims, usually between 2 1/2 to 4 years old, became entangled and strangled in cords when they climbed onto furniture to look out of windows.

***Goal:*** *In 2011, staff will inform parents of the risks involved with window covering pull cords through communication tools, such as issuing a news release, conducting media interviews, distributing a video, Tweeting, blogging, or issuing a poster for NSN members. Staff will also use these tools to keep consumers and the media informed about progress toward developing a comprehensive standard that reduces the risk of strangulation to children.*

**Met:** Staff issued tweets and a blog that highlighted a recall of 50 million Roman shades and roll-up blinds (December 2010), as well as the Chairman's speech (November 2010), which urged manufacturers to stay on track in creating a comprehensive set of safety standards by October 2011. In addition, staff conducted media interviews on this topic throughout the year. The "Are Your Window Coverings Safe?" publication was disseminated to key audiences during the Minority Outreach Tour. Additionally, Chairman Tenenbaum delivered speeches to the Window Covering Manufacturers Association and the International Consumer Product Health and Safety Organization, emphasizing the importance of eliminating child strangulations in looped cords, in addition to the message that the industry needs to deliver on a promise to establish robust and comprehensive safety standards.

**Objective 5.3: Deploy targeted outreach campaigns for priority hazards and vulnerable communities.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| ***Minority Outreach Program*** | | | | | | | |
| 10. Conduct minority outreach tour | **Goal** | ** | ** | ** | ** | 5 | 6 |
| | **Actual** | | | | | 7 | 6 |
| 11. Minority outreach (in millions) | **Goal** | ** | ** | ** | ** | 5 | 10# |
| | **Actual** | | | | | 8 | 34 |
| 12. Neighborhood Safety Network membership | **Goal** | ** | ** | ** | ** | 7,500 | 5,000 |
| | **Actual** | | | | | 3,600 | 2,745 |
| 13. Grassroots initiatives | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |
| ***Virginia Graeme Baker Pool and Spa Safety Act*** | | | | | | | |
| 14. Consumer outreach (in millions) | **Goal** | ** | ** | ** | 60 | 90# | 200# |
| | **Actual** | | | | 80 | 198# | 590 |
| 15. Conduct public information efforts/partnerships | **Goal** | ** | ** | ** | 2 | 3 | 5 |
| | **Actual** | | | | 2 | 3 | 7 |
| 16. Website management | **Goal** | ** | ** | ** | ** | 1 | 1 |
| | **Actual** | | | | | 1 | 1 |
| 17. Rapid Response Initiative: contact local media within 1 business day | **Goal** | ** | ** | ** | ** | 90% | 90% |
| | **Actual** | | | | | 100% | 100% |
| ***Safe Sleep Campaign*** | | | | | | | |
| 18. Safe sleep for babies video | **Goal** | ** | ** | ** | ** | ** | 1 |
| | **Actual** | | | | | | 1 |
| 19. Crib safety mandatory standard awareness | **Goal** | ** | ** | ** | ** | ** | 3 |
| | **Actual** | | | | | | 3 |
| 20. Safe sleep environments public information effort | **Goal** | ** | ** | ** | ** | ** | 1 |
| | **Actual** | | | | | | 1 |
| 21. Consumer outreach (in millions) | **Goal** | ** | ** | ** | ** | ** | 100 |
| | **Actual** | | | | | | 127 |

** No goal established.

# Beginning in 2010, the data include social media and online news media. In 2011, the data also include radio media. Accordingly, they are not directly comparable to the data for prior years.

### *Minority Outreach Program*

The GAO completed a study assessing disparities in the risk and incidence of preventable injuries and deaths among certain racial minority children. The final report of its findings, *Consumer Product Safety Commission*: *Better Data Collection and Assessment of Consumer Information Efforts Could Help Protect Minority Children*, was issued on August 5, 2009. CPSC staff will implement a grassroots-based Minority Outreach Campaign aimed at increasing awareness among minority and underserved consumers about critical safety hazards in the home.

**10. *Minority Outreach Tour***

CPSC staff will take the minority outreach effort directly to organizations that serve minority populations by participating in community events, fairs, and conferences. These events host thousands of local attendees and organization leaders and will enable staff to reach thousands of consumers directly, at the events and through follow-up with local branches.

***Goal:*** *In 2011, staff will visit at least six cities to participate in community events, fairs, and conferences that are hosted by organizations, such as the annual National Council of La Raza, in Washington D.C., the National Urban League, in Boston, and the National Association of Black Journalists, in Philadelphia, with a*

*focus on serving minority communities. Staff will conduct outreach activities, such as interactive demonstrations of hazards, and provide handouts of publications and other safety materials.*

**Met:** Staff visited six cities that hosted conferences geared toward minority leaders and communities, participating for the first time in the National Association of Black Journalists conference. During these visits, staff distributed about 5,000 publications, met with dozens of community leaders, and conducted interviews with national and local media representing minority populations. Many of these organizations signed up to become NSN members.

**11. *Minority Outreach Awareness Campaign***

CPSC staff will promote and sponsor minority media efforts, and promote electronic information resources.

***Goal:*** *In 2011, staff will*:

*(1) develop a contact list of at least 100 minority-targeted media and grassroots organizations receiving messages for minority audiences;*

*(2) extend the reach of CPSC messages into minority audiences, by creating and disseminating at least two targeted videos in English and Spanish, translating at least 12 news releases into Spanish, and posting at least three minority-targeted blog entries; and*

(3) *reach 10 million minority consumers through*: *safety messages on television, in newspapers, on the radio, on the Internet, and in social media.*

**Met:**

(1) Staff compiled 100 new minority media contacts that will be included in the CPSC's media listserv.

(2) Staff created two shortened versions of the "Safe Sleep for Babies" video–one in English and one in Spanish–for minority consumers. The videos were incorporated into the long version of the DVD. The Spanish language version of the video was launched on CPSC's Spanish YouTube page, which as of the end of the fiscal year, had more than 9,000 upload views. In addition, staff translated 37 press releases, three blogs, and the following five publications into Spanish: Crib Standard Q&A, Safe Sleep for Babies Brochure, Lock Up for Poison, Gas Connectors, Playground Safety Handbook.

(3) Staff reached 21 million consumers; 11 million of those were reached through a Satellite Media Tour to address hazardous products related to minorities, which took place in December 2010.

**12. *Neighborhood Safety Network Membership***

In 2010, a robust outreach effort by staff added a significant number of new organizations sharing NSN messages with their members, and it cleared out many outdated addresses.

***Goal:*** *In 2011, working with a contracted firm specializing in community group outreach, CPSC staff will increase membership in the Neighborhood Safety Network to 5,000.*

**Not Met:** A contract for services, specific to the goal of increasing membership, was not awarded until late in the year. The total number of members at the end of the fiscal year was 2,745. It is expected that in 2012, the contractor will help the CPSC sign up 5,000 additional members to meet its goal of increasing membership in the NSN.

**13. *Grassroots Initiative***

Staff will increase opportunities for grassroots organizations to provide feedback to the CPSC. The interactive discussions will enable the CPSC to develop more effective safety materials and increase dissemination of those materials to minority and underserved populations.

***Goal:*** *In 2011, CPSC staff will conduct a grassroots education program, sponsored by the Neighborhood Safety Network, which will be aimed at engaging targeted audiences in activities that inform them about safety risks in their home.*

**Met:** During the year, NSN sent out 13 messages that included posters, video links, and blog messages to support local grassroots safety programs conducted by NSN members. Membership emphasis for the year was with state WIC (Women, Infants and Children) offices serving minority and underserved populations.

### *Virginia Graeme Baker Pool and Spa Safety Act – Education and Outreach*

The Virginia Graeme Baker Pool and Spa Safety Act (VGB), which became effective in December 2008, addresses the hazards of child drowning and drain entrapment and requires a targeted education campaign that addresses these hazards. The Act also mandates retrofitting the nation's public pools with compliant anti-entrapment drain covers, and in certain instances, with additional anti-entrapment devices/systems. The CPSC is working to achieve high compliance with this new law.

**14. *Consumer Outreach***

***Goal:*** *In 2011, 200 million views of CPSC safety messages related to pool and spa safety will be received by consumers and key stakeholders through activities, such as TV appearances and interviews on national and local television networks, radio interviews, public service announcements, newspaper and Internet articles, social media outreach, and video news releases.*

**Exceeded:** About 590 million views related to pool and spa safety messages were achieved through different efforts. Media outreach produced about 400 million views of the *Pool Safely* PSAs on TV and radio. Another 100 million impressions came from print PSAs and free media coverage through press releases, interviews and resulting articles, and social media, including blogging and tweeting. CPSC purchased online ads, which provided 90,000 visits to *www.PoolSafely.gov* and additional views of the ads. Efforts by *Pool Safely* partners around the country added to these figures through event coverage and media outreach often from using press release templates provided by the *Pool Safely* team.

## 15. *Public Information and Education Campaign*

***Goal:*** *In 2011, staff will conduct at least five information and education activities to address child drowning and entrapment in residential and public pools and spas. These activities may include: hosting press events in states that have adopted all or some of the requirements of the VGB; conducting a webinar for key stakeholders; hosting a national press event with campaign partners; using online toolkits on pool and spa safety; disseminating PSAs; or using blogs and other social media to communicate with the pool and spa community.*

**Exceeded:** In 2011, the CPSC hosted seven major events including:

1) March 31: Pre-season summit for partners and organizations involved in consumer and child safety. CPSC's public relations contractor hosted a meeting with 15 attendees and 12 teleconference participants.
2) April: National Drowning Prevention Symposium in Colorado Springs - Chairman Tenenbaum was the keynote speaker and participated in a Radio Media Tour with 10 participating stations; staff participated in a partner meeting to plan for 2011 partnering activities; and CPSC's Campaign Leader was a panelist on an outreach plenary session.
3) May: Campaign launch with Chairman Tenenbaum in San Diego at a Chula Vista Y with Mayor Cheryl Cox, Olympian Janet Evans, and a parent advocate. Chairman Tenenbaum, Janet Evans, and the CPSC's Spanish speaking spokeswoman participated in a Satellite Media Tour prior to the event with 11 participating TV stations. CPSC's Campaign Leader presided over a partner meeting the day before, with 40 participants from local pool and spa and safety organizations.
4) June: Phoenix pre-July 4 press event at a Y with partners the American Red Cross, the National Drowning Prevention Alliance, Phoenix Fire and Rescue, and Phoenix City Councilmen. A partners' meeting was hosted by the Phoenix Fire Department, with 45 participants from the regional and state partnering, advocacy, and rescue organizations attending.
5) June: Pool Safely Day–The CPSC invited partners who deal with public pools to participate in a full day of activities and education at their facilities about *Pool Safely*. In all, 86 facilities in 26 states participated, by hosting safety training, often providing swimming instruction and handing out *Pool Safely* materials, including temporary tattoos for kids.
6) June: Asian American Hotel Owners Association (AAHOA) event. –*Pool Safely* hosted a booth to educate and inform attending representatives from this 10,000-member small hotel and motel owners group. Many of these facilities have pools and spas, and they have been slow in adopting VGB. AAHOA signed an MOU with *Pool Safely* and printed an article on their "Lodging Business" website, and many facilities have requested materials, with one even posting a *Pool Safely* billboard.

7) July: Y event in Broward County with Rep. Debbie Wasserman Schultz, to promote Joe DiMaggio Children's Hospital and efforts by the Y and Safe Kids to spread the word about water safety in that community. CPSC staff participated in the event and presented the campaign to an audience of Y members and local officials.

**16. *PoolSafely.gov Website Development***

Continued development of the *www.PoolSafely.gov* website will improve its capabilities and facilitate ease of use for all stakeholders, including children. The website will serve the needs of an increasingly diverse online audience, both demographically and technologically.

***Goal:*** *In 2011, an interactive game for children and additional content from the CPSC and Pool Safely campaign partners will be added to www.PoolSafely.gov.*

**Met:** The *www.PoolSafely.gov* website was expanded in 2011, to include a Kid's Corner with an interactive three-part cartoon video on safe behavior at pools and spas for pre-school children. Links to partner materials, including the Home Safety Council, Safe Kids USA, the National Drowning Prevention Alliance, and the Centers for Disease Control and Prevention, were added to *www.PoolSafely.gov* to diversify and expand programs for young children and their families. Some of these materials were available in English and Spanish. Staff regularly updated the information on the VGB, such as adding press releases, FAQs, interpretations, and Commission statements. Listserv messages were sent regularly to more than 2,400 subscribers, notifying them of news or changes on the site.

**17. *Rapid Response Initiative***

In 2009, the CPSC started a daily Rapid Response pool safety initiative to respond to breaking news about drowning or entrapment incidents and use of the alerts as educational opportunities to inform the media regularly about pool and spa safety and to provide them with materials and data for their audiences. In 2010, the public relations contractor that implemented the *Pool Safely* campaign successfully, carried out the Rapid Response initiative.

***Goal:*** *In 2011, the CPSC's public relations contractor will make contact with local media within 1 business day of learning of a pool or spa drowning or near-drowning, or of an entrapment incident 90 percent of the time.*

**Met:** A contractor managed the Rapid Response program through June 2011, and responded to more than 300 media reports of drowning or near-drowning incidents. The contractor responded to 100 percent of these tragic incidents within 1 business day, and sent materials to the reporting agency and numerous media outlets in the vicinity of the incident.

### *Safe Sleep Campaign*

In 2010, staff initiated the Safe Sleep campaign to warn new parents and caregivers about the dangers of pillows and soft bedding in a baby's sleep environment; to alert them to crib recalls; and to produce and promote educational information surrounding CPSC crib standards.

**18. *Safe Sleep for Babies***

The "Safe Sleep for Babies" video is provided to hospitals, pediatrician's offices, and websites for parents. The video urges parents to keep soft bedding out of sleep environments to place babies on their backs when sleeping, and cautions them not to use a recalled crib. The video is produced in a long version and a short version, translated into Spanish, and targeted for minority families. The CPSC worked with Keeping Babies Safe, the American Academy of Pediatrics, and other partners to help distribute the video.

***Goal:*** *In 2011, staff will promote the "Safe Sleep for Babies" video, using communication tools, such as new publications, the distribution of the video, press releases, radio interviews, print and online stories, a message to Neighborhood Safety Network (NSN) members, a special information center online, and other social media platforms. Activities will include visits to at least three conferences or Safe Sleep meetings, such as the Cribs for Kids conference in Pittsburgh, PA, or partnerships with the U.S. Department of Health and Human Services, the National Institutes of Health, and the Centers for Disease Control and Prevention.*

**Met:** The *Safe Sleep for Babies* education campaign included a multifaceted outreach approach to the media, parents and expectant parents, medical professionals, and grassroots organizations. The *Safe Sleep for Babies* video was produced to reach these audiences. A newly produced version of the video was released (4 minutes, rather than the original 12 minute version), as well as videos on the new crib standards, baby monitor cords, infant slings, and infant sleep positioners. These videos were released on the CPSC's Crib Information Center page at: *www.cpsc.gov/cribs*, and they were sent out through social media outlets and juvenile products firm websites.

Additionally, the *Safe Sleep for Babies* video was released through our federal partners, including the U.S. Department of Health & Human Services, the Health Resources and Services Administration, Early Head Start, the Administration for Children and Families, and Women, Infant and Children (WIC) offices, reaching more than 3,000 WIC offices, 2,000 family child care homes, and 260 tribal nations servicing more than 500,000 babies. The video also aired through The Newborn Channel Network, reaching more than 3 million viewers directly through hospitals. An additional 1 million new and expectant parents, community health departments, and community organizations also watched the video.

**19. *Crib Safety Mandatory Standards (3 activities)***

Beginning on June 28, 2011, all cribs manufactured and sold (including resale) must comply with new and improved federal safety standards. The new standards, which apply to full-size and non-full-size cribs, prohibit the manufacture or sale of traditional drop-side cribs, strengthen crib slats and mattress supports, improve the quality of hardware, and require more rigorous testing. Furthermore, the new standards also will apply to cribs at childcare centers and places of public accommodation.

***Goal:*** *In 2011, staff will promote the new and improved crib safety rule. The CPSC will use communication tools, such as press releases, media interviews, brochures, social media, videos, NSN messages, and partnerships to inform parents, childcare centers, hotels, and motels about requirements of the new law and how to purchase a safe crib.*

**Met:** The CPSC produced and distributed three new crib standard safety publications for (1) child care facilities; (2) hotels, motels and public accommodation facilities; and (3) consumers. Staff also hosted two conference calls, reaching more than 270 state childcare licensing facilities, and they created listservs to distribute the newly produced materials. CPSC staff and the Chairman promoted the new and improved crib safety rule through various media interviews, reaching more than 57 million viewers and another six million consumers via Twitter. Newly created Frequently Asked Questions were posted on the Crib Information Center page on the CPSC's website, along with newly produced crib standard safety videos and posters. Chairman Tenenbaum was the keynote speaker at the Juvenile Products Manufacturers Association annual meeting. Staff delivered a "Safe Sleep" speech at the CPSC state designee meeting in Chicago in March 2011, and the minority outreach team highlighted the safe sleep campaign in six major U.S. cities during the summer 2011.

**20. *Safe Sleep Environments***

CPSC staff conducts information and education activities to warn parents and caregivers of important safety information related to the use of products in the sleeping environment.

***Goal:*** *In 2011, staff will warn consumers about the dangers associated with infant slings, sleep positioners, and baby monitor cords, using communication tools, such as press releases, media interviews, social media, videos, and safety alerts.*

**Met:** Staff produced and released new safety alerts and videos on infant slings, sleep positioners, and baby monitor cords. These safety materials were highlighted on the Crib Information Center page on the CPSC's website, and newly produced videos accompanied the print materials. Media coverage on these topics included more than 17 million viewers. These topics were also highlighted as part the overall "Safe Sleep" interviews that were conducted throughout the year, which secured more than 127 million impressions. The NSN network and federal partners—such as the U.S. Food and Drug Administration, The National Institutes

of Health, the Centers for Disease Control and Prevention and the U.S. Department of Health & Human Services —helped to distribute these materials through their internal and external networks.

**21. *Reaching Consumers on Safe Sleep***

CPSC staff promotes and sponsors minority media efforts and electronic information resources.

***Goal:*** *In 2011, consumers will view 100 million safety messages related to Safe Sleep information and education activities.*

**Met:** Staff reached more than 127 million viewers, listeners, and readers through television, radio, print and social media outlets, including blogs and tweets.

**Objective 5.4: Increase access to consumer product safety information for industry and small businesses.**

| Annual Goals Summary | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| 22. Participate in public or webcast meetings for stakeholders to learn about the CPSIA | **Goal** | ** | ** | ** | 9 | 6 | 10 |
| | **Actual** | | | | 12 | 13 | 14 |

** No goal established.

**22. *Public or Webcast Meetings***

***Goal:*** *In 2011, staff will participate in 10 meetings (public or via webcast) to address the many questions about the CPSIA and will engage in open dialogue with stakeholders. In these meetings, staff will explain sections of the CPSIA of most interest to stakeholders. Staff will also encourage discussion through question and answer sessions.*

**Exceeded:** In 2011, staff participated in 14 meetings (public or via webcast) to address the many questions about the CPSIA and engage in open dialogue with stakeholders. Goals were exceeded because the demand for information was high, and staff worked extra hours to assist those in need of the guidance.

# PROGRAM EVALUATIONS

The CPSC uses evaluation to assess program implementation and the extent to which programs achieve expected outputs and outcomes, and to inform program planning and improvement. Evaluation is also used to identify best practices, and to assess progress toward the strategic goals and objectives of the agency's strategic plan. By performing evaluations, the CPSC can continue to act as a performance-focused organization that aligns resources, capabilities, processes, and activities to achieve its mission and performance goals.

**Evaluations of Customer Satisfaction and Consumer Awareness**

The CPSC is evaluating the extent to which consumers, industry, regulatory partners, and other organizations are satisfied with information and services provided by the agency through websites, other media, and specific programs. The CPSC is also trying to assess consumer awareness of CPSC work and the extent to which consumers act on CPSC safety messages.

- **CPSC Website**: In 2011, the CPSC launched a survey of customer satisfaction with the agency's website, *www.CPSC.gov*, which is undergoing a major redesign. The website redesign is intended to enhance the user experience, improve the search functionality, and streamline content management and the posting process for the website. The redesign is being implemented in phases, with the first changes made in December 2010, and the completion date for the redesign expected in 2012. We developed a survey instrument to provide a rich, complete set of data that will enable us to assess the effectiveness of the website redesign in improving customer satisfaction. The survey will also provide enhanced data on targeted groups of CPSC website users to assist us in efforts such as our increased outreach campaign for minority groups. The survey contractor will also provide comparative customer satisfaction data for comparable federal agency websites. The survey was launched in October 2010. Data collection for the customer satisfaction survey is ongoing and will continue into 2012 to assess the effectiveness of the CPSC website redesign.

- **Consumer Awareness**: In 2012, the CPSC will launch a survey of consumer awareness of the CPSC (the extent to which the public knows where to turn for information on consumer product safety, where to report hazardous incidents, and about the CPSC's enforcement capabilities for addressing product dangers); consumer awareness of the safety issues undertaken by the CPSC; how the CPSC's work affects consumers; and the level of consumer response to recalls and safety hazards information disseminated by the agency.

- **Others:**
  Additional evaluations are being considered to assess state partner satisfaction with CPSC programs and industry satisfaction with CPSC's Fast-Track Recall Program. Through the State Partner program, CPSC staff cooperates with state and local officials to deliver CPSC services to consumers, including checks of recall compliance, inspections, and injury investigations to support CPSC priorities. The program leverages CPSC resources through cost-effective cooperation with state and local governments, and provides a vehicle for the CPSC to reach out from the federal sector to deliver services to consumers and receive information from people around the country. The Fast-Track program enables firms that report a hazardous product and recall it quickly, to avoid a CPSC preliminary determination that the product is defective and presents a substantial risk of injury. The firm can benefit from reduced paperwork and legal expenses, and the CPSC can benefit from more rapid removal of hazardous products from consumers' homes and the marketplace, as well as reduced staff time needed to process recalls.

**Office of Inspector General Audit**

The CPSC's Office of the Inspector General (OIG) conducts audits of the agency regularly, focusing on fiscal accountability and the effectiveness of internal controls over CPSC resources. The OIG also identifies management and performance challenges facing the agency and the agency's progress toward meeting those challenges. The results of the OIG's audits that were conducted in 2011 are found in the Financial Report section.

**Possible Future Evaluations**

The CPSC is developing a plan for evaluation activities for the next several years. This evaluation strategy will complement ongoing performance measurement and annual reporting efforts that verify the extent to which CPSC's performance goals and objectives are being achieved. Evaluations can be used to assess the extent to which programs are being implemented as planned, and the extent to which they are achieving expected outputs and outcomes. Evaluation can also be used for more in-depth examination of program performance in the overall context and environment in which a program operates in order to get a more complete picture of performance. A potential topic for future evaluations includes the following:

- **Evaluation of the effects of CPSC rulemaking on death and injury rates for selected consumer products** Evaluations may be conducted to look at the extent of industry compliance with CPSC voluntary or mandatory standards and the effects of those standards on injury and/or death rates associated with specific consumer products. The CPSC tracks injuries and deaths every year at the hazard level. The timing for evaluating injury and death reductions depends, in part, on how long consumers keep specific products. Staff will conduct evaluations at the product level when consumers are expected to have replaced a substantial proportion of older products with safer products. Staff derives estimates of the extent to which safer products have replaced older products using the CPSC's Product Population Model. Hazards that may be studied include: fire-related deaths, deaths from fireworks, mattress flammability, and CO poisoning deaths associated with consumer products.

# VERIFICATION AND VALIDATION OF PERFORMANCE DATA

This section describes CPSC processes and criteria for ensuring that data used to measure progress toward performance goals are reasonably accurate and reliable. The CPSC collects performance data from a variety of internal and external data sources. CPSC staff uses a number of tools, procedures, and standards to try to verify and validate data for performance indicators that track progress toward the strategic goals of the 2011−2016 Strategic Plan, as well as performance indicators for annual performance goals. These mechanisms include the following:

**Individual Responsibility for Strategic Goal Performance Measures:** Each strategic goal performance measure is assigned to a specific CPSC staff person (sometimes more than one person, if several offices are involved), who is responsible for documenting and reporting on the measure. The responsible staff ensures that data for the performance indicator are collected and analyzed in a timely manner and assesses the quality of the reported data.

**Section 6(b)(6) Clearance Procedures:** The CPSC has an internal directive specifying clearance procedures for providing information to the public that reflects on the safety of consumer products.[14] The procedures, developed under the authority of Section 6(b)(6) of the Consumer Product Safety Act (15 U.S.C. 2055(b)(6)), are designed to ensure that such information is accurate. All reports, including annual performance plans and performance and accountability reports, go through an internal clearance process by relevant offices, prior to being issued. For information that is to be disclosed, the clearance procedures require careful review and written approval by each Assistant or Associate Executive Director (AED) and office director whose area of responsibility is involved in the disclosure, in order to eliminate inaccurate

*14* Section 6(b)(6) does not apply to the new publicly available consumer product safety information database.

or misleading statements. The process also involves editorial review, as well as review by the Office of the Executive Director and the Office of General Counsel. The 6(b)(6) clearance process helps ensure that data reported for performance indicators are reasonably accurate.

**Internal Controls Letters of Assurance:** The CPSC annually evaluates and reports on internal controls and financial systems, as required under the Federal Managers' Financial Integrity Act. Senior managers report annually to their supervisors, via letters of assurance, on the integrity of internal controls for their organizations' major programs, functions, and activities. These include a statement of reasonable assurance on the adequacy of controls for ensuring that decisions are made based on timely and reliable information, based on their management knowledge gained from daily operation of programs and systems, as well as reviews and assessments performed throughout the fiscal year. The Chairman of the Commission includes in the annual Performance and Accountability Report a similar assurance statement, which involves a statement on the completeness and reliability of performance data, which can be found in the Financial Report section.

**Milestone Tracking Systems and Databases Maintained by the CPSC:** The CPSC maintains a variety of data tracking systems for performance indicators, ranging from simpler milestone systems that track internal records, to more sophisticated electronic database systems that are maintained either directly by CPSC staff, or through contracts. Examples of milestone tracking systems include: semiannual voluntary standards tracking reports and records of Commission briefings. Examples of databases maintained directly by CPSC or through contractors include: the Compliance Corrective Action (CCA) database, which tracks preliminary determinations and corrective actions for unregulated products; the Integrated Field System (IFS), which tracks regulated product cases; the Inventory of Web publications database, which tracks the numbers of publications viewed or downloaded; and data systems for tracking injuries and/or deaths, including the National Electronic Injury Surveillance System (NEISS), Injury/Potential Injury Incident (IPII) File, In-Depth Investigations (INDP) File, and the Death Certificate (DTHs) File. Internal consistency checks, required fields, automatic generation of data reports, and review by senior managers are used to improve data accuracy and reliability.

**External Assessments** - The Division of Planning, Budget, and Evaluation conducts more in-depth reviews of program office data accuracy and quality for selected performance measures on an ad hoc basis, time and resources permitting.

**Independent Data Sources:** These include outside sources such as Nielson ratings of major television networks, which are used to determine the number of U.S. consumers estimated to have been reached through TV appearances and interviews on national television networks, and computer programming that links Web statistics (Web trends) to publications by hazard, to determine the number of e-publications viewed on the CPSC's website. Because these data sources are external, the CPSC relies on managers' and technical experts' judgments of the quality of the data and documentation.

**Data Quality Standards**: CPSC staff aims for quality standards for data and performance measures that are based on best practices to help ensure that performance data are reasonably accurate and reliable. The following factors may be applied in the process of assessing potential data sources and developing performance measures:

- **Data source identified**—The source or system that provides the data for each performance measure should be identified and documented clearly.

- **Definition of performance measure**—The performance measure should be defined clearly, with all terms explained.

- **Assessment of data source**—The data source should be assessed using criteria, such as the following:

  - **Validity**—The data for the performance measure are valid (the indicator measures what it is supposed to measure).

- **Accuracy**—Data are accurate.
- **Reliability**—The measure produces the same result under similar conditions.
- **Completeness**—Data are complete.
- **Timeliness**—Data are expected to be available from the source in time for performance reporting schedules.
- **Data entry**—Data entry methodology is documented and followed.
- **Limitations**—Any limitations are explained and steps to compensate for them are identified. (*e.g.*, missing records, possible double counting, incomplete data).

**Note:** for a data source that is external to the CPSC, it may be difficult to assess all of the dimensions of quality listed above.

- **Calculation method** – The method of calculation for the performance measure should be documented fully, including definitions of all terms, specification of formulas, identification of units of measurement, and instructions for any rounding. Each staff person involved in the collection and calculation of the data should be trained in the method of calculation. The same method of calculation should be used over time.

# CONSUMER PRODUCT SAFETY COMMISSION
## BALANCE SHEET
### AS OF SEPTEMBER 30, 2011 (CY) AND 2010 (PY)
### (IN DOLLARS)

| | 2011 | Unaudited Restated 2010 |
|---|---|---|
| **Assets:** | | |
| Intragovernmental: | | |
| Fund Balance with Treasury (Note 2) | $ 41,116,102 | $ 65,127,311 |
| Total Intragovernmental | $ 41,116,102 | $ 65,127,311 |
| Accounts Receivable (Note 3) | 374,645 | 962,161 |
| Equipment, net (Note 4) | 5,297,697 | 3,220,477 |
| Other | 1,158 | 1,484 |
| **Total Assets** | $ 46,789,602 | $ 69,311,433 |
| **Liabilities (Note 5):** | | |
| Intragovernmental Liabilities: | | |
| Accounts Payable | $ 1,037,295 | $ 2,000 |
| Actuarial Federal Employees' Compensation Act Liabilities | 368,391 | 353,052 |
| Other Liabilities | 554,664 | 621,567 |
| Total Intragovernmental | 1,960,350 | 976,619 |
| Accrued Benefits | $ 5,452,080 | $ 7,314,281 |
| Accounts Payable | 2,647,217 | 227,102 |
| Other Liabilities | 406,215 | 1,048,490 |
| **Total Liabilities** | 10,465,862 | 9,566,492 |
| **Net Position:** | | |
| Unexpended Appropriations | 32,647,935 | 58,602,260 |
| Cumulative Results of Operations | 3,675,805 | 1,142,681 |
| **Total Net Position** | 36,323,740 | 59,744,941 |
| **Total Liabilities and Net Position** | $ 46,789,602 | $ 69,311,433 |

# CONSUMER PRODUCT SAFETY COMMISSION
## STATEMENT OF NET COST
## FOR THE YEARS ENDED SEPTEMBER 30, 2011 (CY) AND 2010 (PY)
### (IN DOLLARS)

| Net Cost of Operations: | 2011 | Unaudited Restated 2010 |
|---|---|---|
| Program Costs | $144,595,723 | $110,577,661 |
| Less: Earned Revenue | (2,757,523) | (2,744,342) |
| **Total Net Cost of Operations (Note 6)** | $141,838,200 | $107,833,319 |

# CONSUMER PRODUCT SAFETY COMMISSION
# STATEMENT OF CHANGES IN NET POSITION
## FOR THE YEARS ENDED SEPTEMBER 30, 2011 (CY) AND 2010 (PY)
### (IN DOLLARS)

| | 2011 | Unaudited Restated 2010 |
|---|---|---|
| **Cumulative Results of Operations:** | | |
| Beginning Balances | $ 1,142,690 | $ (1,748,163) |
| **Budgetary Financing sources:** | | |
| Donations and forfeitures of cash and cash equivalents | 34,358 | - |
| Appropriations Used | 140,035,033 | 105,497,336 |
| Other | (3,953) | - |
| **Other Financing Sources(Non-Exchange):** | | |
| Transfers-In/Out Without Reimbursement | (451,375) | 451,375 |
| Imputed Financing | 4,757,252 | 4,775,452 |
| Total Financing Sources | 144,371,315 | 110,724,163 |
| Net Cost of Operations | 141,838,200 | 107,833,319 |
| Net Change | 2,533,115 | 2,890,844 |
| **Cumulative Results of Operations** | $ 3,675,805 | $ 1,142,681 |
| **Unexpended Appropriations:** | | |
| Beginning Balance | $ 58,602,251 | $ 46,510,824 |
| **Budgetary Financing Sources:** | | |
| Appropriations Received | 114,744,485 | 118,201,500 |
| Other Adjustments | (663,768) | (612,728) |
| Appropriations Used | (140,035,033) | (105,497,336) |
| Total Budgetary Financing Sources | (25,954,316) | 12,091,436 |
| **Total Unexpended Appropriations** | $ 32,647,935 | $ 58,602,260 |
| **Net Position** | $ 36,323,740 | $ 59,744,941 |

**NOTE:**

The 2005 Annual Fund was not closed out properly, resulting in a difference of $8.40 between 1) 2011 Cumulative Results of Operations, Beginning Balance and the 2010 Cumulative Results of Operations, Ending Balance as well as the 2) 2011 Unexpended Appropriations, Beginning Balance and 2010 Unexpended Appropriations, Ending Balance. While this entry is now corrected in Delphi, the 2005 Annual Fund is cancelled and is not included in current year financials, however the $8.40 is included in the prior year amounts, thereby creating the difference. This presentation difference will not be reflected in FY12.

# CONSUMER PRODUCT SAFETY COMMISSION
# STATEMENT OF BUDGETARY RESOURCES
## FOR THE YEARS ENDED SEPTEMBER 30, 2011 (CY) AND 2010 (PY)
## (IN DOLLARS)

| | 2011 | Unaudited Restated 2010 |
|---|---|---|
| **Budgetary Resources:** | | |
| Budget authority: | | |
| Unobligated balances-brought forward, October 1 | $ 7,291,366 | $ 8,911,625 |
| Recoveries of prior year unpaid obligations | 1,634,907 | 682,191 |
| Appropriation | 115,018,000 | 118,213,681 |
| Spending authority from offsetting collections | 2,810,216 | 2,735,496 |
| Advance Received | 300,622 | |
| Nonexpenditure Transfers | - | (37,714) |
| Permanently not available | (891,803) | (575,013) |
| **Total Budgetary Resources** | $ 126,163,308 | $ 129,930,266 |
| **Status of Budgetary Resources:** | | |
| Direct | 116,211,023 | 122,638,891 |
| Reimbursable | 3,055,583 | - |
| Unobligated balances currently available | 540,415 | 6,441,081 |
| Unobligated balances apportioned for subsequent periods | - | - |
| Unobligated balances anticipated | - | - |
| Unobligated balances not available | 6,356,287 | 850,294 |
| **Total Status of Budgetary Resources** | $ 126,163,308 | $ 129,930,266 |
| **Change in Obligated Balances:** | | |
| Unpaid obligated balance, brought forward, October 1 | 57,835,945 | 40,693,797 |
| Obligations incurred | 119,266,605 | 122,638,891 |
| Gross outlays | (141,248,243) | (104,814,552) |
| Recoveries of prior year unpaid obligations, actual | (1,634,907) | (682,191) |
| **Unpaid obligated balance, net-end of period (Note 7)** | $ 34,219,400 | $ 57,835,945 |
| **Net Outlays** | | |
| Gross outlays | 141,248,243 | 104,814,552 |
| Less: Offsetting collections | (3,110,838) | (2,735,496) |
| Less: Distributed offsetting receipts (Note 9) | (1,142,634) | (5,736,327) |
| **Total Net Outlays** | $ 136,994,771 | $ 96,342,729 |

# CONSUMER PRODUCT SAFETY COMMISSION
## STATEMENT OF CUSTODIAL ACTIVITY
### FOR THE YEARS ENDED SEPTEMBER 30, 2011 (CY) AND 2010 (CY)
### (IN DOLLARS)

| | 2011 | Unaudited Restated 2010 |
|---|---|---|
| **Revenue Activity:** | | |
| Sources of Cash Collections: | | |
| Miscellaneous: | | |
| Civil Penalties & Fines | $ 5,996,256 | $ 5,802,044 |
| FOIA and Miscellaneous | 12,379 | $ 13,992 |
| Total Cash Collections | 6,008,635 | 5,816,036 |
| Accrual Adjustments | 589,150 | 1,267,154 |
| **Total Custodial Revenue** | 6,597,785 | 7,083,190 |
| **Disposition of Collections:** | | |
| Transferred to Others: | | |
| Treasury General Fund | (4,593,389) | (13,425,506) |
| (Increase)/Decrease in Amount Yet to be Transferred | (2,004,396) | (9,215,020) |
| Retained by Reporting Entity | | 15,557,336 |
| Retained by Justice Department-Fees | - | - |
| **Total Disposition of Collections** | (6,597,785) | (7,083,190) |
| **Net Custodial Activity** | $ - | $ - |

# 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 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. 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, and
- 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 nongovernment sources in support of the agency's mission. Funds received from excess property sales are also maintained in this account.

### 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 U.S. Generally Accepted Accounting Principles (GAAP) and in the format required by OMB Circular A-136, Financial Reporting Requirements. 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.

CPSC prepares annual financial statements in accordance with U.S. generally accepted accounting principles, which 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. CPSC's cash receipts and disbursements are processed by the U.S. Treasury. Funds with 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 CPSC.

**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.

**Accounts Receivable**

Entity accounts receivables include amounts due from vendors and 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 nonentity 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 of two or more 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 exists 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.

### 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 financing sources/costs related to these benefits on the Balance Sheet, the Statement of Changes in Net Position and Reconciliation of Net Cost of Operations.

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 $16,500 for 2011 but do not receive a matching contribution from the CPSC. FERS participating employees may contribute up to $16,500 for 2011. 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 (FEGLIP). The CPSC matches the employee contributions to each program to pay for current benefits.

### Net Position

The CPSC's net position is comprised 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 revenue is 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. The following are examples of CPSC's exchange revenue, nonexchange revenue, and 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 $3.1 million in 2011. The CPSC's reimbursable agreements are with the following trading partners: the Centers for Disease Control and Prevention, National Institute for Occupational Safety and Health, Health and Human Services, National Highway Traffic Safety Administration, Food and Drug Administration, Consumer Financial Protection Board, and the Department of Army. The majority of these agreements are for CPSC to utilize its hospital reporting system to collect injury data.

Appropriations (Financing Source) – The CPSC receives financing sources through direct appropriation from the general fund of the Treasury to support its operations. Appropriations available for 2011 were $113,789,964 (annual); FY 2009-2011 $2,123,396; FY 2010-2011 $2,000,000; and FY 2011-2012 $998,000.

**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.

**Transactions with Related Parties**

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

**Restatements**

Certain fiscal year 2010 amounts have been restated to correct errors in the financial statements and notes. For further information, see Note 10 - Restatement of FY 2010 Financial Statements along with Note 2 - Fund Balance with Treasury, Note 3 – Accounts Receivable, Note 5 – Liabilities, Note 6 – Reconciliation of Net Cost of Operations to Budget, Note 7 – Unpaid Undelivered Orders, Net-End of Period and Note 9 – Analysis of Material Differences.

**Note 2 – Fund Balance with Treasury**

**FUND BALANCES**

| | 2011 | Restated 2010 |
|---|---|---|
| | | |
| General Funds | $41,116,102 | $65,127,311 |
| **Total** | $41,116,102 | $65,127,311 |

**STATUS OF FUND BALANCE WITH TREASURY**

| | 2011 | Restated 2010 |
|---|---|---|
| | | |
| Unobligated Balance | | |
| Available | $540,415 | $7,226,428 |
| Unavailable | 6,356,287 | 850,653 |
| Obligated Balance, Not Yet Disbursed | 34,219,400 | 57,050,230 |
| **Total** | $41,116,102 | $65,127,311 |

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

**Note 3 – Accounts Receivable**

**Fiscal Year 2011**

The CPSC's entity receivables are $3,967. CPSC's non-entity receivables include Civil Fines and Penalties and Freedom of Information Act activity. CPSC maintains these accounts in a custodial capacity in the total amount of $370,678.

**Restated Fiscal Year 2010**

The CPSC's entity receivables are $2,332. CPSC's non-entity receivables include Civil Fines and Penalties and Freedom of Information Act activity. CPSC maintains these accounts in a custodial capacity in the total amount of $959,829.

## Note 4 – Property, Plant & Equipment (PP&E)

**Property**

**Fiscal Year 2011**

| Classes of PP&E | Acquisition Cost | Accumulated Depreciation | Net Book Value | Service Life in Years |
|---|---|---|---|---|
| Equipment | 9,276,083 | 4,121,568 | 5,154,515 | 5-12 |
| ADP Software | 1,065,063 | 921,881 | 143,182 | 5 |
| **Total** | **10,341,146** | **5,043,449** | **5,297,697** | |

**Fiscal Year 2010**

| Classes of PP&E | Acquisition Cost | Accumulated Depreciation | Net Book Value | Service Life in Years |
|---|---|---|---|---|
| | | | | |
| Equipment | $6,543,569 | 3,466,583 | 3,076,986 | 5-12 |
| ADP Software | $965,260 | 821,770 | 143,491 | 5 |
| **Total** | **7,508,829** | **4,288,353** | **3,220,477** | |

## Note 5 – Liabilities

| | **2011** | **Restated 2010** |
|---|---|---|
| Liabilities Covered by Budgetary Resources: | | |
| Accrued Benefits | $285,625 | $709,307 |
| Advances | 300,622 | - |
| Accounts Payable | 4,747,329 | 3,069,636 |
| Total Liabilities Covered by Budgetary Resources | 5,333,576 | 3,778,944 |
| Liabilities Not Covered by Budgetary Resources: | | |
| Actuarial Federal Employees Compensation Act | 368,391 | 353,052 |
| Accrued Annual Leave | 4,389,264 | 4,473,747 |
| Unemployment Insurance | - | 921 |
| Other Liabilities | 374,631 | 959,829 |
| Total Liabilities Not Covered by Budgetary Resources | 5,132,286 | 5,787,549 |
| Total Liabilities | $10,465,862 | $9,566,492 |

Other liabilities include 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 9-30-11. CPSC maintains these accounts in a custodial capacity.

**Note 6 – Reconciliation of Net Cost of Operations to Budget**

FOR THE YEARS ENDED SEPTEMBER 30, 2011 (CY) AND 2010 (PY) (in dollars)

| **Resources Used to Finance Activities** | **2011** | **Restated 2010** |
|---|---|---|
| Budgetary Resources Obligated | | |
| Obligations incurred | $119,266,605 | $122,638,891 |
| Less: Spending Authority from Offsetting Collections | (4,745,746) | (3,417,688) |
| Obligations net of offsetting collections and recoveries | 114,520,859 | 119,221,203 |
| Less: Offsetting receipts | (1,142,634) | (5,736,327) |
| Net Obligations | 113,378,225 | 113,484,876 |
| Other Resources | | |
| Transfers In/Out Without Reimbursement | (451,375) | 451,375 |
| Imputed Financing from costs absorbed by others | 4,757,252 | 4,775,452 |
| Total Resources Used to Finance Activities | 117,684,102 | 118,711,703 |
| **Resources Used to finance items not Part of the Net Cost of Operations** | | |
| Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided | (24,865,930) | 16,454,821 |
| Resources that Fund Expenses Recognized in Prior Periods | 84,483 | 0 |
| Other | (5,900,732) | (4,423,881) |
| Resources that finance the acquisition of assets | 2,077,221 | 713,924 |
| Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations | 455,328 | (451,375) |
| Total resources used to finance items not part of the net cost of operations | (28,149,630) | 12,293,489 |
| **Resources Used to Finance the Net Cost of Operations:** (line 18) | $145,833,732 | $106,418,214 |
| **Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:** | | |
| Components Requiring Resources in Future Periods: | | |
| Increase in Annual Leave Liability | | 451,310 |
| Change in Other Liabilities (+/-) | 19,292 | 11,912 |
| Total Components of Net Cost of Operations that will Require Resources in the Future Period | 19,292 | 463,222 |
| Components not Requiring or Generating Resources: | | |
| Depreciation and amortization | 1,020,102 | 1,273,638 |
| **Total Components of Net Cost of Operations that will not Require or Generate Resources** | 1,020,102 | 1,273,638 |
| **Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period** | 1,039,394 | 1,736,860 |
| Other Adjustments (unreconciled difference to SNC) | (5,034,926) | (321,756) |
| **Net Cost of Operations** | $141,838,200 | $107,833,319 |

**Note 7 – Unpaid Undelivered Orders, net - end of period**

| | 2011 | Restated 2010 |
|---|---|---|
| Total Unpaid Undelivered Orders | $29,186,446 | $54,052,048 |

**Note 8 – Commitments and Contingencies**

CPSC may face reasonably possible claims estimated at $3,953. These claims relate to the Federal Torts Claim Act and the Equal Employment Opportunity Act.

**Note 9 – Analysis of Material Differences – FY 2011**

| | Budgetary Resources | Obligations Incurred | Net Outlays |
|---|---|---|---|
| | | | |
| Combined Statement of Budgetary Resources | **$126,163,308** | **$119,266,605** | **$136,994,771** |
| | | | |
| SF 133, Report on Budget Execution and Budgetary Resources | **$126,163,308** | **$119,266,605** | **$138,137,405** |
| **Difference** | **0** | **0** | **($1,142,634)** |

CPSC does not have any material differences between the Statement of Budgetary Resources and SF 133 as of 9/30/2011. The $1,142,634 net outlays difference is due to the distributed offsetting receipts reported on the Combined Statement of Budgetary Resources and not on the SF 133 (not required).

**Analysis of Material Differences – Restated FY 2010**

| | Budgetary Resources | Obligations Incurred | Net Outlays |
|---|---|---|---|
| | | | |
| Combined Statement of Budgetary Resources | **$129,930,266** | **$122,638,891** | **$96,342,729** |
| | | | |
| SF 133, Report on Budget Execution and Budgetary Resources | **$129,976,107** | **$122,684,741** | **$102,065,031** |
| **Difference** | **($45,841)** | **($45,850)** | **($5,722,302)** |

The $5,722,302 net outlays difference is due to the distributed offsetting receipts reported on the Combined Statement of Budgetary Resources and not on the SF 133 (not required). See Note 10 – Restatement of FY 2010 Financial Statements, Statement of Budgetary Resources section, for details related to the other differences.

**Note 10 – Restatement of FY 2010 Financial Statements**

CPSC has restated its FY 2010 financial statements to correct material errors. During FY 2011, CPSC noted that the financial statements were not adequately supported by the CPSC system of record. This resulted in aggregate balance sheet errors of $5.7M in FY 2010 for Miscellaneous Receipts adjustments. To correct the errors, CPSC restated the FY 2010 financial statement package. The financial details and subsequent corrections to the financial package are described in detail below. The errors were the result of improper accounting application of records in the financial system in preparing the financial statements. At the time, CPSC was still dealing with the transition to a new financial system service provider and had not adequately defined the division of duties between CPSC and the service provider, nor had internal controls and subsequent monitoring been effectively implemented. The restatement results in the proper reporting of the FY 2010 for comparative purposes in fiscal year FY 2011. To remedy the issue, CPSC moved to full service accounting with the service provider in May 2011, has defined roles and responsibilities between the agency and service provider, and is actively implementing stronger internal controls and monitoring activities. The financial reporting procedures have been strengthened and the proper amounts reported. During FY 2012 CPSC will employ additional reviews to strengthen the statement reporting process.

**BALANCE SHEET**

**Total Asset**s:

The difference of the FY 2010 originally stated amount and the restated amount is approximately $5.7M. This major difference consists of $5.7M in cash for the miscellaneous receipt funds. These funds were overstated in the presentation on the Balance Sheet Fund Balance with Treasury line.

A reconciliation was performed between CPSC's Property Management System (PMS) and the Delphi Accounting System. It was determined that there was a $395K difference in FY 2009 that was recorded as an expense instead of an asset. The difference has been corrected in FY 2011 with a decrease in expenses and an increase in assets. The net result of this adjustment is for FY 2009 and prior periods. The difference of approximately $2M for FY 2010 was adjusted in FY 2011 with a decrease in expenses and an increase in assets. For FY 2011 the Equipment line on the Balance Sheet is reconciled and agrees with the CPSC Property Management System.

**Total Liabilities:**

The difference of the FY 2010 originally stated amount and the restated amount is approximately $10.4M. This difference is comprised of an overstatement of custodial activity in the other liabilities section of $5.7M, plus an overstatement of liabilities due to the inclusion of Imputed Cost amounting to $4.7M.

**Total Net Position, Statement of Net Cost and Statement of Changes in Net Position:**

The difference of the FY 2010 originally stated amount and the restated amount is approximately $4.7M. This difference is comprised of an overstatement of gross cost, due primarily to overstatement of Unfunded Leave and Unfunded FECA expense, of approximately $4.3M in the Statement of Net Cost. The net cost amount flows from the Statement of Net Cost to the Statement of Changes in Net Position and onto the net position portion of the Balance Sheet.

## STATEMENT OF BUDGETARY RESOURCES

### Total Budgetary Resources:

The difference of the FY 2010 originally stated amount and the restated amount is approximately $45K. The resources were overstated by approximately $59K due to collections.

### Total Status of Budgetary Resources:

The difference of the FY 2010 originally stated amount and the restated amount is approximately $45K. Obligations in total were overstated by $45K.

# REQUIRED SUPPLEMENTARY INFORMATION

**Deferred Maintenance**

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

**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.

United States
CONSUMER PRODUCT SAFETY COMMISSION
Washington, DC 20814

OFFICE OF THE INSPECTOR GENERAL

Independent Audit Report

# CONSUMER PRODUCT SAFETY COMMISSION'S FISCAL YEAR (FY) 2011 FINANCIAL STATEMENTS

Date Issued: November 15, 2011

## *Independent Audit Report*

Chairman Tenenbaum:

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting the audits of the financial statements of the U.S. Consumer Product Safety Commission. In our audits of the Commission for fiscal years 2011 and 2010, we found

- the financial statements for fiscal year 2011, are presented fairly, in all material respects, in conformity with the U.S. generally accepted accounting principles,
- although internal controls could be improved, for FY 2011 the Commission had effective internal controls over financial reporting (including safeguarding assets) and compliance with laws and regulations, and
- reportable noncompliance in FY 2011 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, and net position as of September 30, 2011; and net costs; changes in net position; budgetary resources; and custodial activity for the year ended September 30, 2011. In regards to fiscal year 2010, the scope of our work was not sufficient to enable us to express an opinion on the Commission's financial statements for the year ended September 30, 2010.

### *Restated 2010 Financial Statements*

The Commission has restated its financial statements for fiscal year 2010 due to material errors affecting the Commission's Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Custodial activity, and the accompanying notes. The Commission reports that, "The errors were the result of improper accounting application of records in the financial system in preparing the financial statements." These errors were made at a time when the Commission was in the process of integrating its operations with those of a new financial system service provider. The Commission acknowledges that it had not adequately defined the division of duties between its staff and the service provider, nor had internal controls and subsequent monitoring been effectively implemented. These problems were compounded by a lack of supervision over the execution of internal controls.

Management's disclosures were not sufficiently timely so as to allow us to fully evaluate the effectiveness of management's actions to determine and correct misstatements in the previously issued financial statements. Management reports that: the financial reporting

procedures have been strengthened, these procedures include employing additional reviews to strengthen the statement reporting process; the restatement results in the proper reporting of the financial position of the FY2010 for comparative purposes in FY 2011; and the Commission transitioned to having the service provider provide "full service accounting" in May of 2011.

The Commission's restated fiscal year 2010 financial statements reflect a $5.7 million decrease in total assets, mainly attributable to an overstatement of miscellaneous receipt funds. Further, the Commission performed reconciliation between the Commission's Property Management System (PMS) and the Delphi Accounting system and identified $395 thousand and $1.7 million in capitalized property omitted from the balance sheet for fiscal years 2009 and 2010, respectively. We noted that the Commission corrected this error solely in fiscal year 2011, without properly restating the 2010 Property, Plant, and Equipment balance to include property acquired and place into service during 2010 and 2009. In addition, the Commission restated its 2010 financial statements to reflect a $10.5 million decrease in total liabilities. The Commission found an overstatement of other liabilities of $6.8 million and the inclusion of imputed costs of $4.7 million. The effects of restatement caused a $4.7 million understatement of the Commission's net position on the Balance Sheet and Statement of changes in Net Position for fiscal year 2010. For the Statement of Net Cost, the Commission found an overstatement of gross program cost of $4.3 million. Finally, the Commission restated various amounts on the Statement Budgetary Resources and the Statement of Custodial Activity. However, the Commission found the aggregate effects of these restated amounts to have had an immaterial impact on the respective financial statements. We noted that the Commission has disclosed the full nature of the effects of the restated 2010 financial statements in the accompanying notes to the 2011 financial statements, see Note 10.

Due to material errors throughout the Commission's financial statements, our report on the fiscal year 2010 financial statements, issued on November 15, 2010, is not to be relied upon. However, this report will not serve as the report on the restated fiscal year 2010 financial statements because as noted above, the Commission's decision to restate the fiscal year 2010 financial statements was not communicated to us in a sufficiently timely manner to allow us to audit them as part of our audit of the fiscal year 2011 financial statements. As such, we were unable to obtain sufficient and appropriate audit evidence to support the restatement of the fiscal year 2010 financial statements. Because of this limitation on the scope of our work, we are unable to give an opinion on the restated 2010 financial statements.

Appendix III presents the Commission's analysis of the restated 2010 financial statements.

### *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, 2011 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* (FMFIA); the Office of Management and Budget (OMB) Circular A-123, *Management Accountability and Control*; 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.*

However, our work identified the need to improve certain internal controls, as listed below and described in detail in Appendix IV of this report. This deficiency in internal control, although not considered to be a material weakness, represents a significant deficiency in the design or operations of internal control, which adversely affects the entity's ability to meet the internal control objectives listed below. In addition, misstatements may occur in other financial information reported by the Commission and not be prevented or detected because of the internal control deficiency described below.

The Commission's management is responsible for establishing and maintaining effective internal controls, and for its assertion on the effectiveness of internal control over financial reporting. 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Significant deficiencies have been identified in the following areas:

- Financial Management and Reporting
- Fund Balance with Treasury
- Property, Plant, and Equipment
- Accounts Payable and Expenses
- Earned Revenue

Appendix IV discusses in detail the significant deficiencies identified.

### *Compliance with Laws and Regulations*

In connection with our audit of the Commission's financial statements, we performed tests of compliance with certain provisions, laws, and regulations which could have a direct and material effect on the determination of amounts in the Commission's financial statements. Except as noted below, our tests for compliance with selected provisions of laws and regulations disclosed no other 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 the overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

The results of certain tests of compliance, disclosed the following two instances of non-compliance (discussed in Appendix IV) required to be reported under U.S. generally accepted government auditing standard or OMB audit guidance:

- The Prompt Payment Act, as implemented by the Prompt Payment Final Rule (formerly OMB Circular A-125, "Prompt Payment") requires Executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. Based on our review of a control sample, interest was not always paid when payments were late, as required by the Prompt Payment Act. This deficiency was first reported as a Notice of Finding and Recommendation of the FY 2010 financial statement audit on November 19, 2010. For further details about this noncompliance issue see Appendix IV.

- The Debt Collection Improvement Act of 1996 states that a non-tax debt or claim owed to the United States that has been delinquent for a period of 180 days shall be transferred to the Secretary of the Treasury for collection or termination of collection actions. The Commission is not properly reviewing and transferring debt related receivables resulting from individuals failure to pay fees associated with the CPSC Freedom of Information Act program to the Department of the Treasury's Financial Management Service for collection. This deficiency was first reported as a Notice of Finding and Recommendation of the FY 2010 financial statement audit on October 25, 2010. For further details about this noncompliance issue see Appendix IV.

### *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, and (3) 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 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 (2) 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; and

- tested compliance with selected provisions of the following laws and regulations: the Prompt Payment Act, Debt Collection Improvement Act, the Anti-Deficiency Act, 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, 2011. 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.

### *Restricted Use*

This report is intended solely for the information and the use of the Commission's management, OMB, U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specific parties.

Christopher W. Dentel
Inspector General
U.S. Consumer Product Safety Commission

November 15, 2011

APPENDIX I

# MANAGEMENT'S RESPONSE

UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
WASHINGTON, DC 20207

**Memorandum**

Date: November 15, 2011

TO : Christopher Dentel
Inspector General

THROUGH: N.J. Scheers
Office of Financial Management, Planning and Evaluation (EXFM)

FROM : Deborah Peebles Hodge
Director
Division of Financial Services

SUBJECT : Audit of FY 2011 Financial Statements

The audit report prepared by the Office of the Inspector General regarding CPSC's Financial Statements for Fiscal Year 2011 has been reviewed by the Division of Financial Services. We are pleased to have received an unqualified audit opinion. The Finance Division concurs with the findings and opinions expressed in the report. We acknowledge the five significant deficiencies pertaining to internal controls noted in the report: Financial Management and Reporting, Fund Balance with Treasury, Property Plant and Equipment, Accounts Payable and Expenses, and Earned Revenue. We are committed to resolving these issues. We developed and are implementing a corrective action plan which includes standard operating procedures, improved internal controls and monitoring to address these findings, improving communications with our service provider, and providing targeted training for financial services staff.

APPENDIX II

# FINANCIAL STATEMENTS

Management's financial statements and notes presented on pages 123-138 are the same as those included in Appendix II of the IG's Independent Audit Report. The financial statements are not repeated here.

APPENDIX III

# COMMISSION'S ANALYSIS OF RESTATED 2010 FINANCIAL STATEMENTS

The restatements as reflected on the FY 2010 *Balance Sheet*, the *Statement of Net Cost*, the *Statement of Changes in Net Position, the Statement of Budgetary Resources* and the *Statement of Custodial Activity* are presented in the charts below.

| **Balance Sheet** | Fy 2010 Originally Stated | Effect of Restatement | FY 2010 as Restated |
|---|---|---|---|
| Assets | | | |
| Intragovernmental | | | |
| 1. Fund Balance With Treasury | $70,863,638.00 | $ (5,736,327.33) | $65,127,310.67 |
| 2. Investments | | | |
| 3. Accounts Receivable | | | |
| 4. Loans Receivable | | | |
| 5. Other | | | |
| 6. Total Intragovernmental | $70,863,638.00 | $ (5,736,327.33) | $65,127,310.67 |
| Assets With the Public | | | |
| 7. Cash and Other Monetary Assets | | | |
| 8. Investments | | | |
| 9. Accounts Receivable, Net | $ 995,058.00 | $ (32,897.45) | $ 962,160.55 |
| 10. Taxes Receivable, Net | | | |
| 11. Loans Receivable and Related Foreclosed Property, Net | | | |
| 12. Inventory and Related Property, Net | | | |
| 13. General Property, Plant, and Equipment, Net | $ 3,220,477.00 | $ (0.21) | $ 3,220,476.79 |
| 14. Other | $ - | $ 1,484.80 | $ 1,484.80 |
| Advances to Others | $ 1,485.00 | $ (1,485.00) | $ - |
| 15. Total Assets | $75,080,658.00 | $ (5,769,225.19) | $69,311,432.81 |
| 16. Stewardship PP&E | | | |
| Liabilities | | | |
| Intragovernmental | | | |
| 17. Accounts Payable | $ 173,078.00 | $ (171,078.00) | $ 2,000.00 |
| 18. Debt | | | |
| 19. Other | $ 353,052.00 | $ 621,567.03 | $ 974,619.03 |
| 20. Total Intragovernmental | $ 526,130.00 | $ 450,489.03 | $ 976,619.03 |
| Liabilities With the Public | | | |
| 21. Accounts Payable | $ - | $ 227,102.22 | $ 227,102.22 |
| 22. Loan Guarantee Liability | | | |
| 23. Debt Held by the Public | | | |
| 24. Federal Employee and Veteran Benefits | | | |
| 25. Environmental and Disposal Liabilities | | | |
| 26. Benefits Due and Payable | | | |
| 27. Other | $ 6,729,053.00 | $ 1,633,718.19 | $ 8,362,771.19 |
| Accrued Benefits | $ 8,023,588.00 | $ (8,023,588.00) | $ - |
| Imputed Financing Sources | $ 4,775,452.00 | $ (4,775,452.00) | $ - |
| Unemployment Insurance | $ 921.00 | $ (921.00) | $ - |
| 27A. Other - Grants Accrual | | | |
| 24009900 RECLASS | | | |
| 28. Total Liabilities | $20,055,144.00 | $ (10,488,651.56) | $ 9,566,492.44 |
| 29. Commitments and Contingencies | | | |
| Net Position | | | |
| 30. Unexpended Appropriations - Earmarked Funds | | | |
| 31. Unexpended Appropriations - Other Funds | $61,404,392.00 | $ (2,801,773.15) | $58,602,618.85 |
| 32. Cumulative Results of Operations - Earmarked Funds | | | |
| 33. Cumulative Results of Operations - Other Funds | $ (6,378,878.00) | $ 7,521,199.52 | $ 1,142,321.52 |
| 34. Total Net Position | $55,025,514.00 | $ 4,719,426.37 | $59,744,940.37 |
| 35. Total Liabilities and Net Position | $75,080,658.00 | $ (5,769,225.19) | $69,311,432.81 |

| **Statement of Net Cost** | Fy 2010 Originally Stated | Effect of Restatement | FY 2010 as Restated |
|---|---|---|---|
| Program Costs: | | | |
| Program A: | | | |
| 1. Gross costs | $ 114,939,496.00 | $ (4,361,834.96) | $ 110,577,661.04 |
| 2. Less: Earned Revenue | $ 2,795,379.00 | $ (51,036.66) | $ 2,744,342.34 |
| 3. Net Program Costs | $ 107,833,318.70 | $ - | $ 107,833,318.70 |
| 4. (Gain)/Loss on pension, ORB, or OPEB Assumption changes | | | |
| 5. Net program expenses including Assumption changes | $ 112,144,117.00 | $ (4,310,798.30) | $ 107,833,318.70 |
| 6. Costs not assigned to programs | | | |
| 7. Less: Earned revenues not attributed to programs | | | |
| 8. Net cost of operations | $ 112,144,117.00 | $ (4,310,798.30) | $ 107,833,318.70 |

| **Statement of Changes in Net Position** | Fy 2010 Originally Stated | Effect of Restatement | FY 2010 as Restated |
|---|---|---|---|
| Cumulative Results of Operations: | | | |
| 1. Beginning Balances | $ (4,317,824.00) | $ 2,569,660.93 | $ (1,748,163.07) |
| 2. Adjustments (+/-) | | | |
| 2a. Changes in Accounting Principles (+/-) | | | |
| 2b. Corrections of Errors (+/-) | | | |
| 3. Beginning Balances, As Adjusted | $ (4,317,824.00) | $ 2,569,660.93 | $ (1,748,163.07) |
| Budgetary Financing Sources: | | | |
| 4. Other Adjustments (Rescissions, etc.) (+/-) | $ 2,613,327.00 | $ (2,613,327.00) | $ - |
| 5. Appropriations Used | $ 105,459,619.00 | $ 37,717.27 | $ 105,497,336.27 |
| 6. Nonexchange Revenue | | | |
| 7. Donations and Forfeitures of Cash and Cash Equivalents | $ (13,681.00) | $ 13,681.00 | $ - |
| 8. Transfers-In/Out Without Reimbursement (+/-) | | | |
| 9. Other (+/-) | $ - | $ - | $ - |
| Reimbursement received | $ (2,753,072.00) | $ 2,753,072.00 | $ - |
| Accounts receivable | $ (67.00) | $ 67.00 | $ - |
| Advance | $ 1,485.00 | $ (1,485.00) | $ - |
| Other Financing Sources (Non Exchange): | | | |
| 10. Donations and Forfeitures of Property | | | |
| 11. Transfers-In/Out Without Reimbursement (+/-) | $ - | $ 451,375.02 | $ 451,375.02 |
| 12. Imputed Financing | $ 4,775,452.00 | $ - | $ 4,775,452.00 |
| 13. Other (+/-) | | | |
| 14. Total Financing Sources | $ 110,083,063.00 | $ 641,100.29 | $ 110,724,163.29 |
| 15. Net Cost of Operations (+/-) | $ 112,144,117.00 | $ (4,310,798.30) | $ 107,833,318.70 |
| 16. Net Change | $ 222,227,180.00 | $ (219,246,335.41) | $ 2,980,844.59 |
| 17. Cumulative Results of Operations | $ (6,378,878.00) | $ 7,521,559.52 | $ 1,142,681.52 |
| Unexpended Appropriations: | | | |
| 18. Beginning Balances | $ 46,472,263.00 | $ 38,560.80 | $ 46,510,823.80 |
| 19. Adjustments (+/-) | | | |
| 19a. Changes in Accounting Principles (+/-) | | | |
| 19b. Corrections of Errors (+/-) | | | |
| 20. Beginning Balances, as Adjusted | $ 46,472,263.00 | $ 38,560.80 | $ 46,510,823.80 |
| Budgetary Financing Sources: | | | |
| 21. Appropriations Received | $ 118,200,000.00 | $ 1,499.51 | $ 118,201,499.51 |
| 22. Appropriations Transferred-In/Out (+/-) | | | |
| 23. Other Adjustments (Rescissions, etc.) (+/-) | $ - | $ (612,728.19) | $ (612,728.19) |
| Reimbursement received | $ 2,753,072.00 | $ (2,753,072.00) | $ - |
| Cancellation of expired year | $ (575,005.00) | $ 575,005.00 | $ - |
| Donated Revenue | $ 13,681.00 | $ (13,681.00) | $ - |
| 24. Appropriations Used | $ (105,459,619.00) | $ (37,717.27) | $ (105,497,336.27) |
| 25. Total Budgetary Financing Sources | $ 14,932,129.00 | $ (2,840,693.95) | $ 12,091,435.05 |
| 26. Total Unexpended Appropriations | $ 61,404,392.00 | $ (2,802,133.15) | $ 58,602,258.85 |
| 27. Net Position | $ 55,025,514.00 | $ 4,719,426.37 | $ 59,744,940.37 |

| Statement of Budgetary Resources | Fy 2010 Originally Stated | Effect of Restatement | FY 2010 as Restated |
|---|---|---|---|
| **BUDGETARY RESOURCES** | | | |
| 1. Unobligated balance; start of year | | | |
| 1A. Brought forward, October 1 (+ or -) | $ 8,873,910.00 | $ 37,714.93 | $ 8,911,624.93 |
| 1B. Adjustment to unobligated balance brought forward , October 1 (+ or -) | | | |
| 2. Recoveries of prior year unpaid obligations: | | | |
| 2A. Actual | $ 681,823.00 | $ 368.26 | $ 682,191.26 |
| 2B. Anticipated | | | |
| 3. Budget authority: | | | |
| 3A. Appropriation: | | | |
| 3A1. Actual | $ 118,200,000.00 | $ 13,681.34 | $ 118,213,681.34 |
| 3A2. Anticipated | | | |
| 3B. Borrowing Authority | | | |
| 3C. Contract Authority | | | |
| 3D. Spending Authority from Offsetting Collections (gross): | | | |
| 3D1. Earned | | | |
| 3D1a. Collected | $ 2,795,379.00 | $ (59,882.65) | $ 2,735,496.35 |
| 3D1b. Change in receivables from Federal sources | | | |
| 3D2. Change in unfilled customer orders (+ or -): | | | |
| 3D2a. Advance received | | | |
| 3D2b. Without advance from Federal sources | | | |
| 3D3. Anticipated for rest of year | | | |
| 3D4. Previously unavailable | | | |
| 3D5. Expenditure transfers from trust funds: | | | |
| 3D5a. Collected | | | |
| 3D5b. Change in receivables from trust funds | | | |
| 3D5c. Anticipated | | | |
| 3E. Subtotal | $ - | $ 120,949,177.69 | $ 120,949,177.69 |
| 4. Nonexpenditure transfers, net: | | | |
| 4A. Actual transfers, budget authority (+ or -) | | | |
| 4B. Anticipated transfers, budget authority (+ or -) | | | |
| 4C. Actual transfers, unobligated balances (+ or -) | $ - | $ (37,714.87) | $ (37,714.87) |
| 4D. Anticipated transfers, unobligated balances (+ or -) | | | |
| 5. Temporarily Not Available Pursuant to Public Law (-) | | | |
| 6. Permanently not available: | | | |
| 6A. Cancellations of expired and no-year accounts (-) | $ (575,005.00) | $ (8.32) | $ (575,013.32) |
| 6B. Enacted reductions (-) | | | |
| 6C. Capital transfers and redemption of debt (-) | | | |
| 6D. Other authority withdrawn (-) | | | |
| 6E. Pursuant to Public Law__ (-) | | | |
| 6F. Anticipated rest of year (-) | | | |
| 7. Total Budgetary Resources | $ 129,976,107.00 | $ (45,841.31) | $ 129,930,265.69 |
| STATUS OF BUDGETARY RESOURCES | | | |
| 8. Obligations incurred: | | | |
| 8A. Direct: | | | |
| 8A1. Category A | $ 119,889,362.00 | $ 2,749,529.15 | $ 122,638,891.15 |
| 8A2. Category B | | | |
| 8A3. Exempt from apportionment | | | |
| 8B. Reimbursable: | | | |
| 8B1. Category A | | | |
| 8B2. Category B | $ 2,795,379.00 | $ (2,795,379.00) | $ - |
| 8B3. Exempt from apportionment | | | |
| 8C. Subtotal | $ 122,684,741.00 | $ (46,209.85) | $ 122,638,531.15 |
| 9. Unobligated balance: | | | |
| 9A. Apportioned: | | | |
| 9A1. Balance, currently available | $ 4,476,786.00 | $ 1,950,613.75 | $ 6,427,399.75 |
| 9A2. Apportioned for subsequent periods | | | |
| 9A3. Anticipated (+ or -) | | | |
| 9B. Exempt from apportionment: | | | |
| 9B1. Balance, currently available | $ - | $ 13,681.34 | $ 13,681.34 |
| 9B2. Anticipated (+ or -) | | | |
| 9C. Subtotal | $ - | $ 6,441,081.09 | $ 6,441,081.09 |

| Statement of Budgetary Resources (cont.) | Fy 2010 Originally Stated | Effect of Restatement | FY 2010 as Restated |
|---|---|---|---|
| 10. Unobligated balance not available: | | | |
| 10A. Deferred | | | |
| 10B. Withheld pending rescission | | | |
| 10C. Other | $ 2,814,580.00 | $ (1,964,286.55) | $ 850,293.45 |
| 11. Total status of budgetary resources | $ 129,976,107.00 | $ (45,841.31) | $ 129,930,265.69 |
| CHANGE IN OBLIGATED BALANCES | | | |
| 12. Obligated balance, net; start of year: | | | |
| 12A. Unpaid obligations, start of year: | | | |
| 12A1. Unpaid obligations, brought forward, October 1 (+) | $ 40,693,437.00 | $ 359.77 | $ 40,693,796.77 |
| 12A2. Adjustment to unpaid obligations, brought forward, October 1 (+ or -) | | | |
| 12B. Uncollected customer payments from Federal sources, start of year: | | | |
| 12B1. Uncollected customer payments from Federal sources, brought forward, October 1 (-) | | | |
| 12B2. Adjustment to uncollected customer payments from Federal sources, brought forward, October 1 (+ or -) | | | |
| 12C. Total, unpaid obligated balance, brought forward, net | $ 40,693,437.00 | $ 359.77 | $ 40,693,796.77 |
| 13. Obligations incurred (+) | $ 122,684,741.00 | $ (45,849.85) | $ 122,638,891.15 |
| 14. Gross Outlays (-) | $ (104,860,410.00) | $ 45,857.87 | $ (104,814,552.13) |
| 15. Obligated balance transfers, net: | | | |
| 15A. Actual transfers, unpaid obligations (+ or -) | | | |
| 15B. Actual transfers, uncollected customer payments from federal sources (+ or -) | | | |
| 15C. Total unpaid obligated balance transferred, net | | | |
| 16. Recoveries of prior-year unpaid obligations, actual (-) | $ (681,823.00) | $ (368.26) | $ (682,191.26) |
| 17. Change in uncollected customer payments from Federal sources | | | |
| 18. Obligated balance, net, end of period: | | | |
| 18A. Unpaid obligations (+) | $ 57,835,945.00 | $ (0.47) | $ 57,835,944.53 |
| 18B. Uncollected customer payments from Federal sources (-) | | | |
| 18C. Total, unpaid obligated balance, net end of period | $ 57,835,945.00 | $ (0.47) | $ 57,835,944.53 |
| NET OUTLAYS | | | |
| 19. Net Outlays: | | | |
| 19A. Gross Outlays (+) | $ 104,860,410.00 | $ (45,857.87) | $ 104,814,552.13 |
| 19B. Offsetting collections (-) | $ (2,795,379.00) | $ 59,882.65 | $ (2,735,496.35) |
| 19C. Less: Distributed offsetting receipts | $ (5,736,327.00) | $ (0.48) | $ (5,736,327.48) |
| 19D. Net outlays | $ 96,328,704.00 | $ 14,024.30 | $ 96,342,728.30 |

| Statement of Custodial Activities | FY 2010 Originally Stated | Effect of Restatement | FY 2010 as Restated |
|---|---|---|---|
| 6. Custom Duties | 0 | - | 0 |
| 13. Refunds and Other Payments | - | - | - |
| 15. Net Custodial Activty | - | - | - |
| 8. Total Cash Collections | 5,803,677.00 | 10,167.63 | 5,813,844.63 |
| 10. Total Custodial Revenue | 5,803,677.00 | 1,244,424.00 | 7,048,101.00 |
| 12. (Increase)/Decrease in Amount Yet to Be Transferred (+/-) | | (202,095.33) | (202,095.33) |
| 11. Transferred to Others (by Recipient): | (5,803,677.00) | (7,586,740.48) | (13,390,417.48) |
| 7. Miscellaneous | - | 5,813,844.63 | 5,813,844.63 |
| 4. Estate and Gift Taxes | - | - | - |
| 1. Individual Income and FICA/SECA Taxes | - | - | - |
| 2. Corporate Income Taxes | - | - | - |
| 3. Excise Taxes | - | - | - |
| 9. Accrual Adjustments | - | 1,234,256.37 | 1,234,256.37 |
| 14. Retained by the Reporting Entity | - | 20,640,613.81 | 20,640,613.81 |
| Revenue Activity: | | - | |
| 5. Federal Unemployment Taxes | - | - | - |
| Disposition of Collections: | | - | |
| Sources of Cash Collections: | | - | |

APPENDIX IV

# INTERNAL CONTROL SIGNIFICANT DEFICIENCIES

Appendix IV
Internal Control Significant Deficiencies and Other Matters of Significance
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Introduction

Appendix IV herein describes the control deficiencies, which collectively resulted in a significant deficiency, for the year ended September 30, 20011, and our recommendations.

**Financial Management and Reporting**

*(1) Improvement Needed Surrounding Controls Over the Financial Reporting Process*

*a. Financial Monitoring Reports*

*Condition*:
We noted that management identified specific monitoring and reconciliations reports that are obtained from Delphi or from the Enterprise Service Center (ESC), to assist in providing monitoring and oversight over ESC's transactional processing as of May 1, 2011. As such, FMFS management has assigned specific FMFS accountants to monitor activity from these reports and report any anomalies back to management. The reports are as follows:

- PO Module vs. GL (4801) Recon
- Suspense Aging by Fund
- Accounts Receivable vs. General Ledger Recon
- Accounts Payable vs. General Ledger Recon
- Budgetary to Proprietary Query
- Cash vs. GWA Reconciliation
- Reconciliation of Statement of Difference (224)
- Abnormal Balances Report

Therefore, we requested the above reports as of 4/30/11 to evaluate the design and implementation of the control, as controls should have been designed prior to the transition. Upon review, we noted that the reports had not been run and/or reviewed timely; as the reports were signed and dated from 6/21/11 to 6/23/11, which occurred during our "walkthrough" to assess the design and implementation on internal controls.

We further noted that the Accounts Receivable vs. General Ledger Report was not signed off or reviewed by an FMFS accountant or management. We further noted that the reports that were completed had no analysis performed over the balances, explanations for reconciling items, or explanations for variances identified. Further, based on the lack of detail in the reports, we could not assess which accountant had obtained the report and if it was the assigned accountant. Ultimately, we noted that all reports obtained during the review, were signed off by the Financial Reporting Accountant and the Deputy Director of FMFS.

In a separate review of the Monitoring the GL Standard Operating Procedure (SOP) draft document, the processes to be used in the analysis and review of these reports were not addressed or documented. Although it was noted in our walkthrough discussion that the

FMFS accountants will run the reports in question and then discuss the issues they find with ESC in weekly focus meetings, if needed; there is no further documentation to describe the accountant's roles and responsibilities in using these reports.

*Cause:*
The Division of Financial Management (FMFS) transitioned transactional processing in the middle of fiscal year, which caused significant changes to the internal control structure of FMFS. Although the transition date occurred as of May 1, 2011, the controls were not completely designed and/or in place so as to be effective at this point in time. Training of FMFS staff was still occurring and the positions within the department were changing to accommodate the transition. The degree of planning for the transition to ESC was not adequate to develop the controls and have them in place at the point in time the transition took place.

*Effect:*
The weakness identified in internal control can contribute to possible misstatements of reported financial statement amounts; which can lead to significant deficiencies and/ or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
*Statement of Federal Financial Accounting Concepts Number 1: Objectives of Federal Financial Reporting* states that "Financial Reporting is the means of communication with those who use financial information. For this communication to be effective, information in financial reports must have these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability".

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

*Recommendation*:
1. We recommend that if FMFS management is considering all of the reports listed above for the financial reporting monitoring and oversight process, then the process should be standardized in a SOP(s) for specific process areas.
2. We recommend reports be run by the Accountant that is in charge of the associated accounting area on a determined periodic basis. Coordinating the review of these reports with the FMFS accountant's current specific roles and responsibilities over process areas will maximize the efficiency of the overall financial statement review.
3. We further recommend that if the above reports are to be used, that they are obtained and reviewed timely and that the proper oversight techniques are used by the FMFS accountants and management to ensure the proper reporting of financial statement transactions

*Management Response*:
Management generally agreed with our findings and recommendations.

*b. Procedures over Opening Balances*

*Condition:*
During our assessment of the design and implementation of internal controls over financial reporting, we noted that no review had been performed over the FY 2011 opening balances of the CPSC financial statements. At this time, we inquired of FMFS Management what procedures were in place to ensure that an adequate review of the opening balances of the CPSC financial statement took place. Management's response was that they were unsure about the procedures in place and could not provide any review done over the 10/1/11 opening balances. However, following the issuance of this finding, FMFS management was able to provide a review over opening balances.

*Cause:*
Opening balances are determined through routines performed at year-end within the Delphi accounting system. As such, the Division of Financial Management has not established and implemented proper procedures, including management review and oversight controls over the opening balances for financial reporting.

*Effect:*
The weakness identified in internal control can contribute to possible misstatements of reported financial statement amounts; which can lead to significant deficiencies and/or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
*Statement of Federal Financial Accounting Concepts Number 1: Objectives of Federal Financial Reporting* states that "Financial Reporting is the means of communication with those who use financial information. For this communication to be effective, information in financial reports must have these basic characteristics: understandability, reliability,

relevance, timeliness, consistency, and comparability".

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

OMB Circular A-127, *Financial Management Systems*, prescribes policies and standards for executive departments and agencies to follow when managing their financial management systems. Revisions include incorporating new requirements for agencies to adopt standard financial business practices and to use financial management shared service providers to implement and maintain their core financial system.

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

*CPSC Directive, Order No. 1200.3*: The financial management system of CPSC shall meet the objectives set forth in Section 6 of OMB Circular A-127. These objectives are intended to establish a framework for complying with applicable law, appropriate budget and accounting principles and standards, Treasury reporting requirements, and the best contemporary financial practice. Systems developed and operated under this Circular shall be the source for financial information used in the budget, Treasury financial statements, financial reports to Congress, and other financial reports. CPSC shall establish and maintain a single, integrated financial management system, which may be supplemented by subsidiary systems. Data needed in this system and other agency systems shall be posted automatically to appropriate accounts or other parts of the system or systems. Funds shall be expended only for systems that meet the requirements of OMB Circular A-127.

*Recommendation*:
4. We recommend that the FMFS division develops procedures over opening balances in order to review the accuracy of the beginning balances for each fiscal year. The procedures developed should be incorporated into a Standard Operating Procedure document as part of the financial reporting process.

*Management Response*:
Management generally agreed with our findings and recommendation.

c. *Interim Financial Statement Review - 1*

*Condition*:
During our review of the 3/31/11 Financial Statements, including the Balance Sheet, Statement of Net Cost, and Statement of Budgetary Resources, we noted that the prior year 3/31/10 amounts were not consistent with what had been reported to OMB previously. We noted that the incorrect prior year amounts were reported to OMB with the 3/31/11 Financial Statements.

In addition, we noted that Director and Deputy Director of the Division of Financial Management (FMFS) had reviewed the financial statements.

*Cause:*
FMFS did not have the proper controls in place to monitor the financial review work being performed by FMFS Accountants and Interns. FMFS did not follow the internal guidance of the Financial Statement SOP and checklist for preparation and review procedures.

*Effect:*
Currently, the FMFS accounting service provider, Enterprise Service Center (ESC), prepares the financial statements for the CPSC. However, in the prior year, the statements were prepared manually by FMFS. The balances reported in the prior year by FMFS are different from what ESC calculated for the same period. When ESC prepared the CPSC's 3/31/11 Financial Statements they used the prior year balances they calculated rather than the prior year balances reported to OMB by the CPSC. FMFS personnel did not review the 3/31/11 financial statements to ensure that the prior year balances reported to OMB agreed with the balances previously reported for the same period. We noted that FMFS has a Standard of Operating Procedure (SOP) that covers the review of the financial statements provided by ESC via a checklist. As such, it was noted that at the time of the financial statement review, the checklist did not include a review of prior year balances, which resulted in the balances not being reviewed.

*Criteria:*
*Statement of Federal Financial Accounting Concepts Number 1: Objectives of Federal Financial Reporting* states that "Financial Reporting is the means of communication with those who use financial information. For this communication to be effective, information in financial reports must have these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability". Characteristics related to this finding involve exceptions regarding the following:

> *Comparability*: "Financial reporting should help report users make relevant comparisons among similar federal reporting units, such as comparisons of the costs of specific functions or activities. Comparability implies that differences among financial reports should be caused by substantive differences in the underlying transactions or organizations rather than by the mere selection of different alternatives

in accounting procedures or practices."

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.). Specifically, Circular A-136 requires that basic statements and the related notes, should present amount for current year and the prior year, except for the Statement of Social Insurance.

*Recommendation*:
5. We recommend that the FMFS division strengthens controls over financial reporting in relation to management oversight and review of the financial statements. Although management has an SOP and checklist established in the financial reporting process area, attention to specific line item balances should be referenced back to supporting documentation in order to verify that the account balances are correct at the trial balance detail level, which then flows through to the financial statements.
6. We recommend that FMFS management resubmits the correct 3/31/11 comparative statements to OMB.

*Management Response*:
Management generally agreed with our findings and recommendations.

### *d. Interim Financial Statements Review - 2*

*Condition:*
During our review of the 6/30/11 Financial Statements, we noted that the 6/30/11 Financial Statement Checklist (Appendix B, Financial Reporting Standard Operating Procedures (SOP)), was prepared and completed by an FMFS Accountant on 8/1/11 and then reviewed and approved by the FMFS Deputy Director on 8/1/11. This review took place approximately two weeks after the statements had been submitted to OMB. We noted that the statements were reviewed and approved by the FMFS Director and Deputy Director on 7/21/11. The statements were then submitted to OMB on 7/22/11 for the Commissions quarterly financial reporting.

We noted that the Financial Reporting Checklist was created for the review and oversight of the financial statements, as prepared by FMFS' accounting service provider, Enterprise Service Center (ESC) in order to determine whether the statements prepared are complete and accurate. When the financial checklist is completed after the financial statements have been submitted to OMB, a timely and proper review is not being completed and/or documented by FMFS Management.

Following the issuance of this finding to Management on 8/22/2011, FMFS management was able to provide additional documentation to support the review of the financial statements. This additional support was provided on 8/26/2011, which included various email communication between FMFS Management and the FMFS Financial Reporting Accountant. Further, FMFS Management indicated that checklist provided and the completion date annotated signifies when the checklist was prepared and not when the actual review was completed. FMFS Management asserted that the FMFS Financial Reporting Accountant was given approval orally to submit the financial statements on 7/22/2011. In addition to the support provided, FMFS management indicated on 8/29/2011 that the Financial Statement Review Checklist is part of a *draft* SOP, which was being "tested" for the period and not finalized. Therefore, FMFS management suggested that the established Checklist has little relevance and was not required to be completed in a timely manner, if other support was provided to prove that the review was conducted timely. During our review of the supporting documents for the FMFS Financial Statement Checklist (Appendix B) within the Standard Operating Procedures (SOP), we noted an FMFS Intern conducted reviews of the Balance Sheet to GL Reconciliation and the Net Cost to GL Reconciliation that were prepared on 7/21/11. We noted this practice is inconsistent with guidance explicitly stated in the SOP Checklist, that an "*FMFS Accountant is to perform the procedures over the checklist and answer all questions*" associated with the checklist.

*Cause:*
FMFS did not have the proper controls in place to monitor the financial review work being performed by FMFS Accountants and Interns. FMFS did not follow the internal guidance of the Financial Statement SOP and checklist for preparation and review procedures.

We noted that FMFS must provide their financial statements to OMB, within 21 calendar days of the quarter end, as required by Circular A-136. Under this requirement, FMFS 3rd quarter statements were due to OMB on 7/22/2011 (to account for the 7/4/2011 Federal holiday). As such, we noted that FMFS and ESC closed the 6/30/2011 accounting period close to the deadline in which the financial statements were due to OMB. As a result, FMFS had a limited period of time to review the statements and all supporting schedules provided by ESC in order to meet OMB reporting requirements. Thus, the Financial Reporting Checklist was completed after the OMB submission date.

FMFS Management indicated that the FMFS Accountant responsible for performing the financial statement review and completing the checklist was out on sick leave. Therefore, the Accountant was unable to complete the checklist at the time the review

was performed, and Management indicated that other "*priorities*" prevented them from completing the Checklist themselves.

*Effect:*
The preparation of the checklist and supporting documents by an FMFS intern can lead to mistakes in the review over the financial statements. An experienced FMFS Accountant, as noted in the SOP, should be performing this step in the monitoring and oversight as well as FMFS Management for the Financial Statement review. We noted that a lack of internal controls over the review of the financial statements can result in a weakness of internal controls over the financial statements. Such a weakness in internal control can contribute to possible misstatements in the financial statement amounts, which can lead to significant deficiencies and/or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria*:
Statement of Federal Financial Accounting Concepts Number 1: *Objectives of Federal Financial Reporting* states, "Financial Reporting is the means of communication with those who use financial information. For this communication to be effective, information in financial reports must have these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability".

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.). Specifically, A-136 states "Agencies will submit unaudited interim financial statements to OMB 21 calendar days after the end of each of the first three quarters of the fiscal year. This Circular makes this a permanent quarterly requirement. Agencies participating in the pilot program get 21 business days".

*Recommendation*:
7. We recommend that the FMFS division strengthens controls over financial reporting in relation to management oversight and review of the financial statements. Although management has an SOP and checklist established in the financial reporting process area, the review was not performed in accordance with the SOP. FMFS Accountants and Management should be reviewing all financial statements and accompanying information

in detail before they are submitted to OMB to ensure completeness and accuracy of the information provided on behalf of the Commission. This may require FMFS Management to take a more active approach in financial reporting and working more closely with ESC to ensure information needed to make external reporting requirements is provided from ESC in timely fashion to FMFS.

8. Based on the discussion with FMPB and FMFS management on 8/29/2011 and the additional support received, we recognize that the review of the financial statements as of 6/30/2011 did occur on a timely basis, but not in accordance with the SOP and checklist used during the period-end; nor was the review documented properly. While there is disagreement, between the OIG and FMFS Management on whether the SOP checklist should be evaluated as part of the audit process, FMFS did utilize the checklist as part of the financial reporting review of the financial statements for the period. Further, the OIG considers the checklist to function as a key internal control for period. As such, the OIG noted that Financial Statement Review Checklist should function as a "checklist", which under normal circumstances would be completed while the review was being conducted to ensure all steps were performed completely and accurately. Thus, going forward we recommend that FMFS utilize the checklist in conjunction with the financial statement review, and sign-off and date the checklist on the date in which the review is completed. In doing so, it will remove any ambiguities surrounding the timeliness of the review from the process.

*Management Response*:
Management generally agreed with our findings and recommendations.

e. *Financial Checklist Implementation and Preparation*

*Condition:*
During our review of the supporting documents for the FMFS Financial Statement Checklist (Appendix B) within the Standard Operating Procedures (SOP), we noted an FMFS Intern conducted reviews of the Balance Sheet to GL Reconciliation and the Net Cost to GL Reconciliation that were prepared on 7/21/11. We noted this practice is inconsistent with guidance explicitly stated in the SOP Checklist, that an "*FMFS Accountant is to perform the procedures over the checklist and answer all questions*" associated with the checklist.

In addition, we noted that an FMFS Accountant performed and completed the checklist as of 8/1/11. As such, the FMFS Accountant signed off as completing the reviews of the two reconciliations that were performed by the FMFS Intern. The FMFS Deputy Director signed off on the checklist as being reviewed as of 8/1/11.

*Cause:*
FMFS did not have the proper controls in place to monitor the financial review work being performed by FMFS Accountants and Interns. FMFS did not follow the internal guidance of the Financial Statement SOP and checklist for preparation and review procedures.

*Effect:*
The preparation of the checklist and supporting documents by an FMFS intern can lead to mistakes in the review over the financial statements. An experienced FMFS Accountant, as noted in the SOP, should be performing this step in the monitoring and oversight as well as FMFS Management for the Financial Statement review. We noted that a lack of internal controls over the review of the financial statements can result in a weakness of internal controls over the financial statements. Such a weakness in internal control can contribute to possible misstatements in the financial statement amounts, which can lead to significant deficiencies and/or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

*Recommendation*:
9. We recommend that the FMFS division strengthens controls over financial reporting in relation to management oversight and review of the financial statements. Management should explicitly follow its internally developed SOP for the proper review of the Financial Statements and supporting schedules.
10. We recommend that in the future, only an experienced FMFS Accountant prepare and complete all items relating to the Financial Reporting checklist due to the importance of proper monitoring and oversight by FMFS Accountants and Management.

*Management Response*:
Management generally agreed with our findings and recommendations.

### *f. Timely Review of the SF-133 as of 6/30/11*

*Condition:*
During our review of the 6/30/11 Financial Statements, we noted that the 6/30/11 SF-133 Checklist (Appendix B, SF-133 Standard Operating Procedures (SOP)), was prepared and completed by an FMFS Accountant on 8/1/11, and then reviewed and approved by the FMFS Deputy Director on 8/1/11. This review took place approximately two weeks after the statements had been submitted to OMB. We noted that they were reviewed and approved by the FMFS Director and Deputy Director on 7/21/11. The statements were then submitted to OMB on 7/22/11 for the Commissions quarterly financial reporting. In addition, the SF-133 was signed by the FMFS Director on 7/27/2011, after the statements were submitted to OMB.

We also noted that the SF-133 Checklist was created for the review and oversight over the preparation of the SF-133 and the accompanying Statement of Budgetary Resources, as prepared by FMFS' accounting service provider, Enterprise Service Center (ESC). However, when the SF-133 checklist is completed after the financial statements have been submitted to OMB, a timely and proper review is not being completed and/or documented by FMFS Management.

Following the issuance of this finding to Management on 8/22/2011, FMFS management was able to provide additional documentation to support the review of the SF-133 prior to the submission date into the Federal Agencies Centralized Trial Balance System (FACTS) II. This additional support was provided on 8/26/2011, and included various emails between FMFS and ESC. Further, FMFS Management indicated that the checklist provided and the completion date annotated signified when the checklist was prepared and not when the actual review was completed. ESC confirmed via email the transmission of the SF-133 to FACTS II on 7/15/2011. In addition to the support provided, FMFS management indicated on 8/29/2011 that the SF-133 Checklist was part of a *draft* SOP, which was being "tested" for the period and not finalized. Therefore, FMFS management suggested that the established Checklist had little relevance and was not required to be completed in a timely manner, if other support was provided to prove that the review was conducted timely.

*Cause:*
We noted that FMFS must provide their financial statements to OMB, within 21 calendar days of the quarter end, as required by Circular A-136. Under this requirement, FMFS' 3rd quarter statements were due to OMB on 7/22/2011 (to account for the 7/4/2011 Federal holiday). As such, we noted that FMFS and ESC closed the 6/30/2011 accounting period close to the deadline in which the financial statements were due to OMB. Such a late closing of the accounting period caused a chain reaction and delayed FMFS's performance of monitoring, analysis, and oversight over the financial information provided by ESC.

Further, we noted that in order for FMFS Accountants and Management to perform a thorough review of the financial statements, the SF-133 checklist was created by FMFS Management to facilitate oversight and monitoring. However, FMFS was not using the checklist to review the financial statements before they were submitted to OMB.

FMFS Management indicated that the FMFS Accountant responsible for performing the SF-133 review and completing the checklist was out on sick leave. Therefore, the Accountant was unable to complete the checklist at the time the review was performed, and Management indicated that other "*priorities*" prevented them from completing the Checklist themselves.

*Effect:*
The incomplete review of the SF-133 and accompanying financial statements results in a weakness of internal controls over the financial statements. Such a weakness in internal

control can contribute to possible misstatements in the financial statement amounts, which require timely and unforeseen adjustments to financial statements, after the fact. Further, these misstatements can lead to significant deficiencies and/or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
Statement of Federal Financial Accounting Concepts Number 1: *Objectives of Federal Financial Reporting* states, "Financial Reporting is the means of communication with those who use financial information. For this communication to be effective, information in financial reports must have these basic characteristics: understandability, reliability, relevance, timeliness, consistency, and comparability".

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.). Specifically, A-136 states "Agencies will submit unaudited interim financial statements to OMB 21 calendar days after the end of each of the first three quarters of the fiscal year. This Circular makes this a permanent quarterly requirement. Agencies participating in the pilot program get 21 business days".

*Recommendation*:
11. We recommend that the FMFS division strengthens controls over financial reporting in relation to management oversight and review of the financial statements. Although management has an SOP and checklist established in the financial reporting process area, the review was not performed in accordance with the SOP. FMFS Accountants and Management should be reviewing all financial statements and accompanying information in detail before they are submitted to OMB to ensure completeness and accuracy of the information provided on behalf of the Commission. This may require FMFS Management to take a more active approach in financial reporting and working more closely with ESC to ensure information needed to make external reporting requirements is provided from ESC in timely fashion to FMFS.
12. Based on the discussion with FMPB and FMFS management on 8/29/2011 and the additional support received, we recognize that the review of the financial statements as of 6/30/2011 did occur on a timely basis, but not in accordance with the SOP and checklist used during the period-end; nor was the review documented properly. While there is

disagreement, between the OIG and FMFS Management on whether the SOP checklist should be evaluated as part of the audit process, FMFS did utilize the checklist as part of the financial reporting review of the financial statements for the period. Further, the OIG considers the checklist to function as a key internal control for period. As such, the OIG noted that Financial Statement Review Checklist should function as a "checklist", which under normal circumstances would be completed while the review was being conducted to ensure all steps were performed completely and accurately. Thus, going forward we recommend that FMFS utilize the checklist in conjunction with the financial statement review, and sign-off and date the checklist on the date in which the review is completed. In doing so, it will remove any ambiguities surrounding the timeliness of the review from the process.

*Management Response*:
Management generally agreed with our findings and recommendations.

Fund Balance with Treasury (FBWT)

*(2) Improvement is needed in the controls dealing with the Fund Balance with Treasury*

*a. Implementation of the FBWT Oversight and Review Process*

*Condition:*
We obtained the Government-Wide Accounting (GWA) to Trial Balance Reconciliation prepared by ESC as of 4/30/11 from the Division of Financial Management (FMFS) management and noted that it had not been reviewed by the FMFS accountant and management in a timely fashion. Our walkthrough of internal controls occurred on 6/15/11. The review of the reconciliation was prepared on 6/17/11 by the accountant and signed off by management on 6/23/11.

In addition, to the untimely review, we noted that the FMFS accountant did not tie out the "unavailable receipt" amounts under the GWA column on the reconciliation. Thus, prompting the OIG to perform a review of the reconciliation. Upon OIG review of the reconciliation, we noted there were material variances between the GWA and trial balance accounts. FMFS did not follow-up with ESC regarding these variances until 6/24/11.

We noted during our walkthrough that FMFS had not performed a review of the SF 224 to Trial Balance (or General Ledger) Reconciliation to ensure the accuracy of the ESC prepared SF-224. We noted that in the prior year, ESC had provided a SF 224 to General Ledger Reconciliation to FMFS, but this reconciliation has not been used in the current year for oversight.

We further noted that a "post review" was performed by management over the SF-224 once it was already submitted to Treasury by ESC. If the SF-224 to General Ledger

reconciliation was performed before the submission to Treasury, FMFS management would be better able to ensure the accuracy of the SF-224 that was submitted to Treasury.

*Cause:*
The Division of Financial Management implemented a new accounting system in FY 2010. This created more significant changes in the internal control structure than originally anticipated by management in the areas of transactional processing and financial reporting. Further, as result of the FY 2010 audit, FMFS decided to shift all transactional processing to ESC as of 5/2/11. This created another shift in the internal control structure due to FMFS' need to establish monitoring, oversight, and analysis internal controls over ESC's new duties. Consequently, FMFS management has not been able to fully implement a firm internal control structure. The challenges facing FMFS in this area include both dealing with other conflicting priorities created by the transition of transactional processing to ESC and simultaneously developing a new internal control structure. These conflicting priorities include the new learning curve associated with the transition, turnover of key personnel, and the training of new and current FMFS personnel to a new internal control structure. All of which played a role in the creation of the above described weaknesses in the internal control structure.

*Effect:*
The weaknesses identified in the internal controls over FBWT could contribute to possible significant misstatements of the reported financial statement amounts, which could lead to significant deficiencies and/ or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control,* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

Treasury Financial Manual (TFM), Part 2 Chapter 5100, *"Reconciling Fund Balance with Treasury Accounts," Section 5125- Background*: Reconciling FBWT accounts is a key internal control process. It assures the reliability of the Government's receipt and disbursement data reported by agencies. Therefore, agencies must perform timely

reconciliations and implement effective and efficient reconciliation processes. TFM supplement, "Fund Balance with Treasury Reconciliation Procedures" (available on the Internet, see Contacts page), provides more detailed instructions on the various types of reconciliation. Agencies should use these procedures as a guide in the reconciliation process. The requirements for reconciling FBWT accounts entail the following components:

- Reconciliation of an agency's reported deposit/debit voucher transactions with Treasury's FMS 6652: Statement of Differences Deposit Transactions.
- Reconciliation of an agency's reported disbursement and OPAC transactions with Treasury's FMS 6652: Statement of Differences Disbursing Transactions.
- Reconciliation by Non-Treasury Disbursing Offices (NTDOs) and RFCs of check issue magnetic tape data with the check issue amount reported on the SOA reports.
- Reconciliation of an agency's SGL 1010 accounts to Treasury's FMS 6653 and 6655.
- Agencies should document their reconciliations and make them available to agency management, auditors and Treasury if requested. Agencies also should ensure that all adjustments are researched and traceable to supporting documents.

*Recommendation*:
13. We recommend that FMFS establish an explicit schedule establishing the timeframe in which the FBWT review should be completed by the Financial Reporting Accountant. By establishing a schedule, it will assist in ensuring that the Accountant performs the review in a timely manner, so that FMFS management will have ample time for supervisory review and follow-up, if needed. This schedule should also establish when follow-up should occur with ESC, to ensure issues are addressed and resolved in a timely manner.
14. We recommend that FMFS incorporate the SF 224 to Trial Balance Reconciliation and the Statement of Differences monitoring reports from ESC into this process area. A detailed review should be conducted over these reports, with the Financial Reporting Accountant performing the initial review and FMFS management providing the supervisorial review of the Accountant's review.
15. We recommend that the management review of the SF-224 to General Ledger reconciliation be performed before the submission of the SF-224 to Treasury.

*Management Response*:
Management generally agreed with our findings and recommendations.

### *b. FBWT Monthly Reconciliations*

*Condition:*
We obtained the Government-Wide Accounting (GWA) to Trial Balance Reconciliation prepared by ESC as of 4/30/11 from the Division of Financial Management (FMFS) management and noted that it had variances totaling $4,548,815. Per inquiry of FMFS

and ESC, most of these items are related to transactions with the State Department. Upon examining the difference detail, we noted that the variances spanned from June 2010 to the current period.

We obtained the GWA to Trial Balance Reconciliation prepared by ESC as of 7/31/11 from FMFS and noted that the variances had decreased to $2,140,476. However, we noted that the variances still spanned from the June 2010 period through the current period.

When we obtained the 3/31/11 and 6/30/11 GWA to Trial Balance reconciliations, we noted that there were only two variances of $1.64 that netted out. Upon inquiry to FMFS about the variances appearing on non quarter-end months and them not appearing on quarter-end months we obtained the following explanation: "*ESC completes a journal entry at the end of each quarter to correct cash. This entry is reversed the following month. Per ESC, all variances must be cleared quarterly with an ADI to pass FACTS II edit checks. The one variance that is left $1.64 nets out between two accounts that are not required to report in FACTS II as they are miscellaneous receipt funds and do not include budgetary accounting*".

With further inquiry with ESC about the variances, we noted the following statement was provided by ESC from an FMFS Accountant: "*The State Department reconciling items represent unrecorded disbursements (unrecorded in the Delphi system) from State Department. ESC needs documentation from the State Department before these disbursements can be recorded in the Delphi system. Per ESC, normally it takes about three months to obtain documentation from State Department for reconciling items more than three months old.*" The OIG contacted the Director of the Cash Accounting Division at the Department of Treasury's Financial Management Service (FMS), and noted the Commission had a "Red Score" indicating that they had reconciling items that were over the two-month threshold for appropriate reporting, per FMS guidance. In order to have a "Red Score", CPSC had to have reconciling differences over six months from the current monthly period.

*Cause:*
The Division of Financial Management implemented a new accounting system in FY 2010. This created more significant changes in the internal control structure than originally anticipated by management in the areas of transactional processing and financial reporting. Further, as result of the FY 2010 audit, FMFS decided to shift all transactional processing to ESC as of 5/2/11. This created another shift in the internal control structure due to FMFS' need to establish monitoring, oversight, and analysis internal controls over ESC's new duties. Consequently, FMFS management has not been able to fully implement a firm internal control structure. The challenges facing FMFS in this area including both dealing with other conflicting priorities created by the transition of transactional processing to ESC and simultaneously developing a new internal control structure. These conflicting priorities include the new learning curve associated with the transition, turnover of key personnel, and the training of new and current FMFS personnel to a new internal control structure. All of which played a role in the creation of the above described weaknesses in the internal control and compliance with laws and

regulations structure.

*Effect:*
The weaknesses identified in the internal controls and compliance with laws and regulations over FBWT could contribute to possible significant misstatements of the reported financial statement amounts, which could lead to significant deficiencies and/ or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control,* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, dated November 1999, "defines the minimum level of quality of acceptable internal controls in government and provided a basis against, which internal controls is to be evaluated". The five standards of internal control include: control environment, risk assessments, control activities, information and communication, and monitoring. Specifically, internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives. Some examples of control activities include appropriate documentation of transactions and internal control, accurately and timely recording of transaction and events, reviews by management at the functional or activity level, etc.

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

Treasury Financial Manual (TFM), Volume I, Part 2 – Chapter 5100, *Reconciling Fund Balance with Treasury (FBwT) Accounts,* requires the monthly reconciliation of the FBwT. As such, reconciling FBwT accounts is key internal control process. It assures the reliability of the Government receipt and disbursement data report by agencies. Part of the reconciliation process includes preparing and submitting a SF-224 – Statement of Transactions.

*Recommendation*:
16. We recommend that FMFS work more actively with ESC to gain an understanding of the differences in the GWA to Trial Balance monthly reconciliations, and to continue to resolve the differences as of 9/30/11.
17. We further recommend that the internal controls over reviewing the GWA to Trial Balance reconciliation be strengthened to ensure that FMFS has a full understanding of the nature and timing of the differences. We recommend that all future differences be cleared timely and in accordance with the FMS guidance that differences should not exceed a two-month period.

*Management Response*:
Management generally agreed with our findings and recommendations.

### c. *SF-224 – Statement of Transactions Review as of 3/31/11*

*Condition:*
We noted that FMFS Management did not perform a proper and timely review of the SF-224 and the Supplemental SF-224 as of 3/31/11. Through review of the SF-224s, we noted that the FMFS Director signed the review and approval date on both documents on 7/27/11. This evidence of review took place approximately four months after the documents were submitted to the U.S. Treasury.

*Cause:*
The Division of Financial Management fully outsourced all transactional based accounting to the Enterprise Service Center (ESC) effective 5/2/11. However, ESC was also involved in preparing specific financial reports and standard forms on behalf of the Commission effective December 2010 when the transition to the Delphi accounting system through ESC took place. We noted that ESC accountants took on the role of preparing the SF-224. However, FMFS Management was/is still responsible for the oversight and review of all accounting information provided by ESC on behalf of the Commission.

*Effect:*
The weaknesses identified in the internal controls over FBwT and supporting reported information can contribute to possible significant misstatements of the reported financial statement amounts, which can lead to significant deficiencies and/ or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess

internal control effectiveness."

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, dated November 1999 "defines the minimum level of quality of acceptable internal controls in government and provided a basis against, which internal controls is to be evaluated". The five standards of internal control include: control environment, risk assessments, control activities, information and communication, and monitoring. Specifically, internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives. Some examples of control activities include appropriate documentation of transactions and internal control, accurately and timely recording of transaction and events, reviews by management at the functional or activity level, etc.

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

Treasury Financial Manual (TFM), Volume I, Part 2 – Chapter 5100, *Reconciling Fund Balance with Treasury (FBwT) Accounts,* requires the monthly reconciliation of the FBwT. As such, reconciling FBwT accounts is key internal control process. It assures the reliability of the Government receipt and disbursement data report by agencies. Part of the reconciliation process includes preparing and submitting a SF-224 – Statement of Transactions.

*Recommendation*:
18. We recommend that FMFS strengthens its controls over the financial oversight in regards to ESC transactional accounting as well as reporting of information to various Federal agencies on behalf of the Commission.
19. We recommend that FMFS Management perform a comprehensive and timely review over the SF-224 before it is submitted to the U.S. Treasury in order to review the integrity of the information being reported on behalf of the Commission.

*Management Response*:
Management generally agreed with our findings and recommendations.

Property, Plant and Equipment (PPE)

*(3) Improvement is needed with controls over Property, Plant, and Equipment*

*a. Depreciation Expense Calculation and Journal Voucher Review*

*Condition:*
Upon review of depreciation expense, we noted that based on FMFS calculations the amount for depreciation expense as of 6/30/11 was $167,413.21. We further noted that the excess depreciation over disposed assets as of 6/30/11 was $159,179.15. Therefore, the net amount of current depreciation was $8,234.06 as of 6/30/11.

The OIG obtained the Journal Voucher (JV) that was prepared by ESC for depreciation expense, and we noted the amount recorded for the period in Delphi was $572,058.57 as of 6/30/11. Upon inquiry with ESC, we noted that the entry also included an adjustment for accumulated depreciation for an amount as of 9/30/10. We noted that the accumulated depreciation adjustment was combined with the current depreciation expense as of 6/30/11 as follows:

| GI Account | Entered Dr | Entered Cr | Period Name |
|---|---|---|---|
| 67100000 | $572,058.57 | | JUN-11_FY-11 |
| 67100000 | | $563,824.51 | JUN-11_FY-11 |
| 67100000 | $16,018.98 | | JUN-11_FY-11 |
| 67100000 | $247,246.76 | | MAR-11_FY-11 |
| 67100000 | $1,095.19 | | MAR-11_FY-11 |
| 67100000 | $74,899.87 | | MAR-11_FY-11 |
| 67100000 | $840.00 | | MAR-11_FY-11 |
| 67100000 | $7,532.80 | | MAR-11_FY-11 |
| 67100000 | $15,920.57 | | MAR-11_FY-11 |
| 67100000 | $2,399.24 | | MAR-11_FY-11 |
| 67100000 | $6,321.64 | | MAR-11_FY-11 |
| 67100000 | $8,030.15 | | MAR-11_FY-11 |
| 67100000 | $2,987.16 | | MAR-11_FY-11 |
| 67100000 | $3,752.82 | | MAR-11_FY-11 |
| 67100000 | $563,824.51 | | SEP-10_FY-10 |

In the detail above provided by ESC, we noted that the debit entry for $563k dated "SEP-10_FY-10" was for an entry that was requested by FMFS as of 9/30/10. We noted that in the support provided by FMFS for this entry, it noted that the Delphi system was not agreeing in total to the CPSC Property Management System (PMS). In order to have the balance agree between the two systems for financial statement reporting, CPSC requested that an adjustment in the amount of $563k be made by ESC. However, upon OIG request to FMFS for the asset detail that made up the $563k reconciliation to the PMS system, we noted that this information could not be provided.

In further discussion with ESC to determine the information that could be provided to support the $563k adjustment, we noted that PPE is recorded on a high level as the details of the PPE are maintained in the CPSC PMS. When details of the PPE change within PMS, FMFS provides information of those changes to ESC that must be recorded in Delphi via JV. Therefore, ESC does not have details of PPE and must book entries based upon guidance and approval from FMFS. However, we noted inconsistencies in the level of detail provided to ESC to record the $563k adjustment as of 9/30/10; whereas as of 3/31/11, FMFS began providing more detail to ESC to record depreciation expense, which included a listing of disposed assets and their respective accumulated depreciation, which directly agrees to the journal entry recorded. ESC further concluded that the

reversal of the $563k was necessary, as it included depreciation and amortization, thus if not reversed the amount for 6/30/11 would have not been correct.

We then noted that all the 'MAR-11_FY-11" entries above agreed to the test work the OIG performed as of 3/31/11. We then took the difference between the debit for the $572k and the credit for $563k for the period "JUN-11_FY11" above and noted the difference was the $8,234.06. As noted above, this was the actual depreciation expense that occurred as of 6/30/11. Therefore, we believe the amount expensed for depreciation in the amount of $8k is reasonable; however, the reversal of the initial amount of $563k is not properly supported in order to reconcile the entire entry that was recorded.

*Cause:*
We noted that CPSC is the custodian for the PMS and reviews all the details for the assets as performed in the Fixed Asset reconciliation. CPSC then sends ESC the entries to be made to update Delphi accordingly based on the activity in the PMS System. We noted that at the end of FY 2010, ESC had created an Asset Fund to hold the detail of all CPSC's current assets. However; as of 9/30/10, the asset fund did not equal the PMS system; therefore, CPSC proposed the high level entry of $563k to have the balance agree for financial reporting purposes. CPSC did not go back and perform a reconciliation to determine which assets were included in the Asset Fund and which were only in PMS, therefore, the entry made was unsupported and when the entry was reversed as of 6/30/11, there was not proper documentation to support the accuracy and validity of the entire depreciation entry.

We noted that FMFS management reviewed and approved the entry when provided to ESC, and for ESC to post in Delphi, however, they cannot provide an explanation for what assets are included in the amount of $563k. Therefore, the proper understanding of the entry before posting is not evident.

*Effect:*
The weaknesses identified in the internal controls over management review of Property, Plant, and Equipment financial balances can contribute to possible significant misstatements of the reported financial statement amounts, which can lead to significant deficiencies and/ or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, dated November 1999 "defines the minimum level of quality of acceptable

internal controls in government and provided a basis against which internal controls is to be evaluated". The five standards of internal control include: control environment, risk assessments, control activities, information and communication, and monitoring. Specifically, internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives. Some examples of control activities include appropriate documentation of transactions and internal control, accurately and timely recording of transaction and events, reviews by management at the functional or activity level, etc.

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

*Recommendation*:
20. We recommend that in the future FMFS performs detailed transactional level reconciliations over each accounting period in which they propose that ESC make adjustments to CPSC fixed assets. This will help to support the accuracy of the recorded amounts.
21. We further recommend that in the future management performs a detailed review on the amounts that are calculated and proposed for journal entries related to fixed assets. This detailed review may require FMFS management and staff to question these entries to ensure all entries are proper and supported.

*Management Response*:
Management generally agreed with our findings and recommendations.

*b. Timely Review and Approval of the Fixed Asset Reconciliation as of 6/30/2011*

*Condition:*
During our review of Property, Plant, and Equipment as of 6/30/2011, we found that FMFS had prepared a Journal Voucher (JV) to calculate the depreciation expense by asset year as of 6/30/11, prior to the completion of the Fixed Asset Reconciliation. The CPSC entry prepared and posted was reviewed by the FMFS Director on 7/8/11.

We obtained the JV for depreciation expense as of 6/30/11 that was prepared by ESC and noted that the FMFS Director approved it for posting on 7/19/11. We further noted that the 6/30/11 CPSC Financial Statements were submitted to OMB on 7/22/11.

Upon review of the Fixed Asset Reconciliation, we noted that it was prepared by the FMFS accountant and reviewed by the FMFS Director as of 7/28/11. Based on the

review/ approval date of 7/28/11, we noted that the evidenced review was performed after the JV's were prepared and posted in Delphi by ESC, as well as after the 6/30/11 Financial Statements were submitted to OMB.

We further noted that the Provided By Client (PBC) date for the Fixed Asset Reconciliation as of 6/30/11 requested by the OIG was due on 7/28/11, and FMFS signed the reconciliation as of the due date, which evidenced that the timely management review over the control process was not effective.

*Cause:*
We noted that CPSC is the custodian of the Property management System (PMS) and FMFS monitors the activity in the system in order to reconcile to the Delphi Asset Fund each reporting period. The main component used to identify the changes in activity between PMS and Delphi is the Fixed Asset Reconciliation. However, we noted through clarification of the Fixed Asset reconciliation process, that reconciliation is the last step in the process. As such, JVs regarding depreciation expense, asset additions, and disposals had already been recorded; thus, FMFS is "confident" that the balances will agree. We note that the current process of reviewing PPE defeats the purpose of performing the reconciliation. When FMFS has already posted the JVs to adjust the balance, FMFS is now reconciling to the JVs rather than vice versa.

Based on this process, we noted that the proper reconciliation was not performed in a sufficiently timely manner to determine if the amounts calculated for depreciation, including additions and disposals were calculated properly before the JV was posted and the Financial Statements were submitted to OMB.

*Effect:*
The weaknesses identified in the internal controls over management review of Property, Plant, and Equipment financial balances can contribute to possible significant misstatements of the reported financial statement amounts, which can lead to significant deficiencies and/ or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, dated November 1999 "defines the minimum level of quality of acceptable internal controls in government and provided a basis against, which internal controls is to be evaluated". The five standards of internal control include: control environment, risk assessments, control activities, information and communication, and monitoring.

Specifically, internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives. Some examples of control activities include appropriate documentation of transactions and internal control, accurately and timely recording of transaction and events, reviews by management at the functional or activity level, etc.

OMB Circular A-136, *Financial Reporting Requirements*, establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

*Recommendation*:
22. We recommend that FMFS revise its current process of reconciling PPE to ensure that the reconciliation is performed before any entries are posted to adjust the PPE balance. Doing so will allow FMFS staff and management to be able to truly assess the differences in balances. This will significantly reduce the risk of misstatement. Under the current process, errors are generally not found until after entries have been posted to adjust the PPE balance. The recommended system will significantly reduce the time and effort currently being put into reversing entries (if needed) that are posted prior to the reconciliation of PPE.
23. Also, we recommend, that FMFS change its process to ensure that JVs support the reconciliation performed. Thus, management should not approve entries for posting until the reconciliation has been completed and prior to the submission of financial statements to meet quarterly reporting requirements.

*Management Response*:
Management generally agreed with our findings and recommendations.

*c. Property, Plant, and Equipment Balance as of 9/30/11*

*Condition:*
***Fixed Assets- SGL 1750 Equipment Incorrect entry:***
Upon review of the Fixed Asset reconciliation as of 9/30/2011 performed by FMFS, we noted that the amount of equipment was $9,276,083, which agreed to the balance in the CPSC Property Management System (PMS). However, upon review over the 10/21/11 Draft Financial Statements, we noted the balance in the SGL 1750 was $16,061,637, resulting in an overstatement of $6,785,554.

When we asked FMFS management about the overstatement, we found that ESC had proposed and FMFS approved an adjustment at year-end to bring the Delphi CPSC Asset Fund balance into agreement with the CPSC PMS balance. Before the posting of this entry, the Delphi balance was $3,117,207. We noted that the balance had decreased significantly as of 6/30/11 when it was $6,183,466. The decrease was caused by ESC

reversing the entries in the CPSC Asset Fund to try and correct the details at the PO Module level. However, we noted via the emails provided, that at year-end ESC did not have the time to go back and correct the entries. Therefore, the proposed entry (CPSC JV# 176) in the amount of $6,158,875 was posted to make the Delphi CPSC Asset Fund balance agree to the PMS balance. However, we noted that ESC had not taken into account the capitalized property that was already recorded in other CPSC funds to the SGL 1750 prior to posting the entry to the CPSC Asset Fund.

Thus, to correct this issue, we noted that ESC had to post another entry to remove the assets in SGL 1750 from various other CPSC funds. As such, we obtained JV#177 for $7,068,405.51 and noted that $6,785,554 of assets for other CPSC funds was removed from SGL 1750.

***Untimely Additions:***
We further noted that there was a total of $3,106,031 in equipment additions made to the Fixed Asset listing in PMS. These additions were made across three fiscal years and break down as follows:

**FY 2011**: We noted that the amount at 6/30/11 was $70,847 and the amount at 9/30/11 was $1,045,996 resulting in an increase of $975,150;

**FY 2010**: We noted that the FY 2010 assets amounts at 6/30/11 were $701,454.06 and the amount at 9/30/11 was $2,442,089 resulting in an increase of $1,740,635.

**FY 2009**: We noted that the FY 2009 assets amounts at 6/30/11 were $1,106,759 and the amount at 9/30/11 was $1,502,256 resulting in an increase of $395,497

We noted that although the FY 2011 additions were recorded properly in the current fiscal year, FMFS was not reviewing the purchase orders expensed for property in a timely and efficient manner within Delphi. We noted that the FY 2011 additions were all added at year-end with the exception of one previously recorded asset, but they were purchased all throughout FY 2011.

We further noted that the additions in FY 2010 and FY 2009 should have been recorded in prior periods.

***Fixed Assets- SGL 1830 Internal Use Software (IUS) Incorrect entry:***
Upon review of the IUS reconciliation performed by FMFS, we noted that the amount of assets was $1,065,063. However, upon review of the 10/21/11 Draft Financial Statements, we noted the balance in SGL 1830 was $1,347,914, resulting in an overstatement of $282,851.

When we inquired about the overstatement to FMFS management, we found that ESC had proposed and FMFS approved an adjustment at year-end to account for the IUS in Delphi balance showing an asset amount of $682,408. We noted that the balance had decreased significantly as of 6/30/11 when it was $965,260. The decrease was caused by

ESC reversing the entries in the CPSC Asset Fund to try and correct the details at the PO Module level. However, we noted that via the emails provided at year-end, ESC did not have the time to go back and correct the entries. Therefore, the proposed entry (CPSC JV #176) in the amount of $382,654.24 was posted to Delphi to bring it into agreement with the accounting support provided. As previously noted, with SGL 1750, ESC did not account for the SGL 1830 balances in other CPSC funds, prior to posting the entry to the CPSC Asset Fund.

We noted that in order to correct this issue, ESC had to post another entry to remove assets from SGL 1830 from other CPSC funds. Thus, we obtained CPSC JV#177 and noted that $282,851 was removed from SGL 1830.

***Untimely Additions:***
We further noted that there were additions of $99,802 to IUS that were made at year-end. These additions were made across three fiscal years and break down as follows:

**FY 2011**: We noted that an addition as of 12/27/10 was added in the amount of $20,320, and one from 8/8/11 in the amount of $32,107.

**FY 2010**: We noted an addition from 6/24/10 in the amount of $14,375 was added.

**FY 2009**: We noted an addition from 11/2/09 was added in the amount of 33,000.

We noted that although the FY 2011 additions were recorded properly in the current fiscal year, FMFS was not reviewing the PO's expensed for property in a timely and efficient manner within Delphi.

We further noted that the additions in FY 2010 and FY 2009 should have been recorded in prior periods.

*Cause:*
**SGL 1750**
FMFS management did not properly review the CPSC Funds to determine the amount in assets that had previously been recorded to the SGL 1750. Had a proper review been performed, they would have noted that the balance in SGL 1750 was already $6,785,554.

**SGL 1830**
FMFS management did not properly review the CPSC Funds to determine that amount of assets that had previously been recorded to the SGL 1830. Had a proper review been performed they would have noted that the balance in that fund was already $282,851.

**Additions**
As previously noted in Audit Finding 15 – *Timely Review of Fixed Assets Reconciliation as of 6/30/2011*, FMFS does not appropriately perform their fixed asset reconciliation, as JVs related to CPSC fixed assets are already posted to their respective SGL accounts before the fixed reconciliation is completed and reviewed. As such, FMFS is not

performing complete and/or timely reviews over capitalized property or IUS. Therefore, the capitalized items (including IUS) are not properly tracked or monitored by FMFS. FMFS has been aware of the need to reclassify capitalized property from expenses since the implementation of Delphi in FY 2010. Based on the continuous nature of the issues with fixed assets throughout the fiscal year, it appears that FMFS management is not properly monitoring the internal controls that FMFS staff should be performing to move the expensed capitalized property into the appropriate SGLs.

*Effect:*
The weaknesses identified in the internal controls over management review of Property, Plant, and Equipment financial balances can contribute to possible significant misstatements of the reported financial statement amounts, which can lead to significant deficiencies and/ or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, dated November 1999 "defines the minimum level of quality of acceptable internal controls in government and provided a basis against, which internal controls is to be evaluated". The five standards of internal control include: control environment, risk assessments, control activities, information and communication, and monitoring. Specifically, internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives. Some examples of control activities include appropriate documentation of transactions and internal control, accurately and timely recording of transaction and events, reviews by management at the functional or activity level, etc.

OMB Circular A-136, *Financial Reporting Requirements*, this Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 –

576), the Accountability of Tax Dollars Act of 2002 ("ATDA") (Pub. L. No. 107 – 289), and Annual Management Reports under the Government Corporations Control Act (31 U.S.C. § 9101 et seq.).

*Recommendation*:
24. We recommend that FMFS management improves performance over monitoring and reviewing ESC transactions prior to approving journal vouchers proposed by ESC. If management had performed a more detailed review over the balance, they would have found that the amounts recorded in the CPSC Funds that should have been considered prior to posting of such a material year-end journal entry.
25. We further recommend that FMFS performs more timely reviews over fixed assets that are entered as expenses and then need to be reclassed into the fixed asset SGL's. These reviews should be incorporated into the quarterly fixed asset reconciliation or performed monthly, in order to ensure that assets are properly recorded, at the time the asset is placed into service. Further, the controls over review of this accounting data should also be strengthened by FMFS management to avoid recording all additions at year end or additions that took place in the prior year.

*Management Response*:
Management generally agreed with our findings and recommendations.

**Earned Revenue**

(4) Improvement is needed regarding controls to ensure earned revenue is completely and accurately stated.

*a. Understatement of Earned Revenue as of 6/30/2011*

*Condition:*
We noted that the amount of earned revenue reported as of 6/30/11 appeared to be understated, based on the nature and frequency of the transactions that constitute earned revenue for CPSC. As such, we performed additional analysis over the Statement of Net Cost earned revenue balance as of 6/30/11 and noted that CPSC reported $48,872. Of this amount, $18,794.23 (from SGL 5200) constituted earned revenue from reimbursable agreements, also known as Intra-Agency Agreements (IAA). Prior to our 6/30/2011 review, we noted during our preliminary review of the CPSC reported balances as of 3/31/11, the CPSC reported a change in accounting policy, where revenues from IAAs are now matched with the related expenses. The new accounting treatment contrasts to the prior year, where reimbursable revenue was recorded as earned upon the receipt of monies from the related IAA. As a result of the change in accounting treatment for reimbursable revenue, we noted a new balance sheet amount of $2,461,242 (SGL 2310), which was recorded in the Other Liabilities line item. This amount comes from IAAs that have been collected and "deferred" until FMFS and ESC can match revenues with expenses.

Following our inquiry regarding the 6/30/2011 balance, FMFS management stated that further follow-up with ESC was needed. After additional follow-up with ESC, we met with FMFS and FMPB officials on 10/6/11 to attempt to fully understand the circumstances regarding the 6/30/2011 earned revenue balance and to clarify the

procedures used to record earned revenue for IAAs. We noted that the balance was understated as of 6/30/11 because FMFS did not instruct ESC to record the revenue earned from program expenditures. The funds provided in advance from the IAAs were being obligated and adjusted based on usage of funds. However, the expenditures incurred were not being recognized to match with the revenue previously collected. We noted, per our discussion, that the balance would be properly adjusted as of 9/30/11 via journal entry, as FMFS and ESC were still analyzing the balance for correction.

*Cause:*
We noted that FMFS and FMPB did not have the proper internal control procedures in place for reviewing the revenue balance and the financial statement balances. We noted that FMFS and FMPB did not have a Standard Operating Procedures (SOP) in place until the July/August 2011 timeframe; well after the change in accounting treatment of earned revenue had been made. Further, based on the nature of the transactions and the knowledge of advanced reimbursements being received by CPSC in the amount of $2,480,036 as of 6/30/11, FMFS did not properly perform an analysis over the earned revenue balance to determine the completeness and accuracy of the balance to ensure that it was reflected properly in the financial statements.

*Effect:*
The weakness identified in internal control contributed to a gross understatement in earned revenue from reimbursable agreements as of 6/30/11. This has lead to improper reporting of the financial statements and inconsistent information being reported to OMB.

*Criteria:*
Statement of Federal Financial Accounting Standards (SFFAS) 7: *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* states that "revenue from exchange transactions should be recognized when goods or services are provided to the public or another Government entity at a price." Further, SFFAS 7 states "when advance fees or payments are received, such as for large-scale, long-term projects, revenue should not be recognized until costs are incurred from providing the goods and services (regardless of whether the fee or payment is refundable). An increase in cash and an increase in liabilities, such as "unearned revenue," should be recorded when the cash is received. "Unearned revenue" should also be recorded if an agency requests advances or progress payments prior to the receipt of cash and records the amount."

Federal Acquisition Regulation (FAR), *Interagency Acquisitions Subpart 17.502-2, The Economy Act,* states that "(1) The servicing agency may ask the requesting agency, in writing, for advance payment for all or part of the estimated cost of furnishing the supplies or services. Adjustment on the basis of actual costs shall be made as agreed to by the agencies. (2) If approved by the servicing agency, payment for actual costs may be made by the requesting agency after the supplies or services have been furnished. (3) Bills rendered or requests for advance payment shall not be subject to audit or certification in advance of payment. (4) If the Economy Act order requires use of a contract by the servicing agency, then in no event shall the servicing agency require, or

the requiring agency pay, any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) of entering into and administering the contract or other agreement under which the order is filled."

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

*Recommendation*:
26. We recommend that FMFS and/or FMPB perform a periodic analysis (reconciliation) of unearned revenue versus expenditures incurred from IAA's to ensure the earned revenue balance is completely and accurately stated. Any significant variances in activity should be investigated by FMFS and FMPB, with ESC.

*Management Response*:
Management generally agreed with our findings and recommendation.

**Accounts Payable (AP) and Expenses**

*(5) Improvement is needed over the controls regarding payments and operating expenses*

*a. Accounts Payable Monitoring and Control Environment*

*Condition:*
During our Accounts Payable (AP) walkthrough with the Division of Financial Management (FMFS) on 6/14/11, we noted that management discussed specific Delphi reports from the Enterprise Service Center (ESC) that would be used to monitor the AP balances. We noted that the AP integrity reports were to be run weekly from Delphi, and then assigned to specific FMFS accountants to monitor financial statement activity. The reports and assignments were as follows:

***Web Reports:***
- Purchase Order Information (PO00080)
- Approved/Unpaid Invoice (AP00197)

***Integrity Reports:***
- Receipt with NO Transaction Code (PO00143)
- Purchase Order with NO Transaction Code (PO00144)
- Unapproved Cancelled Invoices Report (AP15023).
- Invoices with NO Transaction Code (AP00004).
- Accounting Entries Error Report (AP00005)

- Payables Interfaces Not Processed (AP00012)
- Payments with NO Transaction Code (AP00009)
- Invoices on Hold (AP00013)
- Invoice Aging (AP00008)
- Unapproved Invoice Batch Report (AP15024)

***Discoverer Reports:*** (Currently trying to get access to these reports)

- Invoice Transaction Code Errors
- Over-Billed PO
- Distribution Report

The walkthrough meeting addressed the transition period of controls in place by FMFS as of 5/2/11 when the office outsourced the transactional accounting to ESC. We requested the above reports as of the week ending 5/9/11 to evaluate the design and implementation of the control.

We noted upon review, that the report tracking list provided to evidence the reports were run and reviewed was incomplete. There were reports that had not been run and reviewed for this weekly period. We further noted that the reports that were evidenced by sign-off had not been run and/or reviewed timely, as a majority of them were signed and dated from 6/21/11 through of 6/23/11, which was after the walkthrough took place.

We further noted that there was no evidence of any analysis being performed on these reports. They were run and then signed off and dated in a log and then signed off by management. We do not consider this to be a key control implemented to perform control oversight on the AP process area. Although it is noted that the FMFS accountants run the reports and then pose question to ESC in focus meetings about the issues, ESC also uses these reports internally to identify reporting issues and exceptions. If the reports are being used internally by ESC and then FMFS is analyzing the same reports, the work being performed is redundant.

We noted that management receives a monthly log from ESC that shows the invoices that were approved/disapproved for payment; however, there is no reconciliation performed monthly to ensure that all the invoices received by FMFS and/or directly by ESC were all entered into Delphi and paid accurately.

*Cause*:
We noted that with the transition to ESC accounting in the middle of the fiscal year, this posed significant changes to the internal control structure of FMFS. Although the transition date occurred on 5/2/11, the controls were not completely designed and/or in place to be effective at this point in time. Training of FMFS staff was still occurring and the positions within the department were changing to accommodate the transition. The planning of the transition to ESC accounting was not adequate to develop the controls and have them in place at the point in time the transition took place.

*Effect*:
The weakness identified in internal control can contribute to possible misstatements of reported financial statement amounts; which can lead to significant deficiencies and/ or material weaknesses or fraudulent reporting of the Commission's financial information.

*Criteria*:
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

5 Code of Federal Regulations (CFR) 1315: Prompt Payment, The Prompt Payment Final Rule (formerly OMB Circular A-125, "Prompt Payment") requires Executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. Section 1315.4(f) of the Prompt Payment rule states that the period available to an agency to make a timely payment without incurring an interest penalty begins on the date of receipt of a proper invoice.

*Recommendation*:
27. In order for the review of the reports in question to be considered a key monitoring control, the control process and review structure need to be re-developed. We recommend that only a few specific reports be run and that a detailed analysis be performed over them to identify specific transactional issues that impact the financial statements. We also suggest that specific reports, such as the AP to GL and PO to GL monitoring reports that are being run as a part of the financial statement review also be performed in this process area and documented in the AP Standard Operating Procedures (SOP). The reports being run noted above, are exception reports that ESC should focus on using internally, and then specific reports can be tailored to incorporate specific accounting analysis in the AP area to identify monthly transaction issues.
28. Although the transactional processing is performed by ESC, FMFS management is ultimately responsible for the completeness of the financial statements in general and in specific for ensuring that accounting transactions are processed completely and accurately. Thus, we recommend that FMFS develops a reconciliation to identify all the invoices by type (i.e. vendor, IPAC, or Travel) that are received/processed during the month by ESC. The reconciliation should identify the status of each invoice received, such as receipt date, paid date, and date recorded in Delphi, etc. The reconciliation prepared should be compared against ESC's integrity report(s) to effectively monitor if ESC is obtaining and entering invoices in a timely and proper manner. This reconciliation should also be used in conjunction with the monitoring of the associated obligation related to the payment.
29. We further recommend that if the above reports are to be used, that they are obtained and reviewed in a timely manner and that the proper oversight techniques be used by the FMFS accountants and management to ensure the proper reporting of financial statement transactions. FMFS accounting staff should be trained on how to obtain and analyze the

specific reports needed in order to identify potential accounting issues that need to be reported back to ESC.

*Management Response*:
Management generally agreed with our findings and recommendations.

### *b. Government Purchase Card Compliance and Internal Control*

*Condition:*
Through a review of 45 US Bank Purchase Card transactions, we noted the one sample did not have the proper approving official authorize the bank statement transactions for payment. Per review of sample #36 for Purchase Card Holder Mr. X on the 3/16/11 statement, Ms. Y approved the statement for Ms. Z, Chief of the Office of Facilities. We further noted that Y did not date her approval.

Per discussion with FMFS management, we noted that Ms. Z is the authorized approving official and in her absence, Ms. Y is the acting chief for facilities management. However, we have not been notified of any document or memo authorizing Ms. Y to approve any employee's bank statement. In this case, the employee in question is one that she does not directly supervise and is on the same organizational level as the she is within the agency.

We also noted that Ms. Y did not date the day in which she approved the bank statement for payment; therefore, we were unable to justify the delegation of authority to Ms. Y to approve the statement. For instance, if Ms. Y was unavailable for a short time period (less than a day), there was still time for Ms. Z to approve the statement.

We further noted this to be a repeat finding to audit finding #8 in FY 2010 for "Government Purchase Card Compliance and Internal Controls." In the prior year finding, we noted that Ms. Y was authorizing purchase card transaction for payment of Mr. X on behalf of Ms. Z and not dating the statement upon approval.

*Cause*:
FMFS still does not have the proper control over review and approval procedures of Purchase Card payments resulting inconsistent application of review and authorization controls.

*Effect*:
Weaknesses in the design or operation of internal control could potentially have an adverse affect on the Commission's financial reporting and compliance related to vendor payments. Further, these weaknesses can lead to improper use of the Government Purchase card, resulting in unauthorized purchases and possibly fraudulent transactions.

*Criteria*:
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

CPSC Directive Order No. 1540.1- The provisions of this order are applicable to CPSC employees who have been issued a purchase card as well as CPSC officials responsible for authorizing, approving, or overseeing the Government wide Commercial Purchase Card Program. *Approving Official (6b)*. The person responsible for: designating and monitoring cardholders in a specific organizational unit; reviewing the appropriateness of each item purchased by assigned cardholders; reviewing cardholders monthly statements; sending statements to the Finance Office and providing guidance to the cardholders in accordance with existing policy.
*ADFS (13b)*. ADFS will: (1) Process all requests for new cards; (2) Notify the Purchase Card Company of all cancelled cards and changes; (3) Assist cardholders in resolving disputes; (4) Certify payments based on the cardholder's and approving officials signatures; and (5) Process payments on time to the Purchase Card Company in accordance with the Prompt Payment Act.

CSC Directive Order 1540.1a- Purchase Card Handbook – same as above

*Recommendation:*
*30.* We recommend that in the future, the Office of Facilities properly delegates authority to an individual with supervisorial capacity at or above Ms. Z's supervisorial level to approve purchase card transactions, in the event of Ms. Parks extended absence.
31. We further recommend that FMFS monitors the approvals of bank card holders to ensure that they are being authorized by the appropriate and agency assigned officers. FMFS should not process payments for approval unless appropriate approval is obtained, regardless of the circumstances.

*Management Response*:
Management generally agreed with our findings and recommendations.

c. *Intra-governmental Payment and Collection (IPAC) Transactions Approval and Document Retention*

*Condition:*
We noted that out of an internal control sample of 45 items, the Division of Financial Management (FMFS) and ESC could not provide IPAC supporting documentation for the OIG to verify the proper approval of the payment of 19 of the samples. The amount of IPAC payments that could not be verified for approval was $581,511.70.

*Cause:*
FMFS transitioned to ESC outsourced accounting as of 5/2/11. At that time, all CPSC accounting files over payments were sent to ESC. We noted that FMFS did not have the proper document retention (i.e. did not retain copies of the files sent to ESC) over the items that were sent to ESC. FMFS also failed to track the documentation that ESC took for the transition.

We further noted that FMFS does not have the proper monitoring and oversight over IPAC payments to verify the approvals for payment and the accuracy of the IPAC transaction.

*Effect:*
Weaknesses in the design or operation of internal control could potentially have an adverse affect the Commission's financial reporting over accounts payable resulting is misstatements of significant financial accounts.

*Criteria:*
Treasury Financial Manual, Transmittal Letter No. 619, Part 6 – Chapter 4000, *Intragovernmental Payment and Collection (IPAC) System*

- *Section 4025.10*: Before accessing the IPAC System, each FPA must assign an IPAC Agency Administrator (IAA) for each of its ALCs. The IAA is responsible for registering agency personnel as IPAC users. If FMS has not assigned an IAA to the agency, the agency should contact FMS (see the Contacts page).

- *Section 4030*: Each Federal agency's accounting office must verify the accuracy of the transactions retrieved from the IPAC System. Agencies follow standard procedures to record the transactions applicable to their Treasury Account Symbols as of the accomplished/ transaction date reflected in the IPAC System.

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

*Recommendation*:
32. We recommend that the FMFS division strengthens controls over document retention related to all payments. Although ESC is used as an accounting service provider, FMFS should ensure the proper documents are retained in order to allow FMFS to verify and review the accuracy of ESC's payment processing.
33. We further recommend that the FMFS division takes more oversight responsibility over ESC activity and transactions. The review and approval of all ESC accounting entries should be highly monitored by FMFS management to ensure the accuracy of financial reporting.

*Management Response*:
Management generally agreed with our findings and recommendations.

### *d. Manual Travel Payments Compliance and Internal Controls*

*Condition:*
Through a Test of Operating Effectiveness, we noted that out of a sample of 45 manual travel payments as of 6/30/2011, the Travel Authorization form for sample number 33 did not have an approval authorizing the employee to make travel reservations.

Further ,We noted the Travel Authorization form for sample number 43 was signed and dated by the approving official on 9/27/2010, but the date of travel was from 6/28/2010 – 6/29/2010. The Travel Authorization form must be signed and dated by the approving official prior to the period of travel.

We also noted the Travel Voucher for samples 29 & 34 did not have proper authorization from the approving official for payment.

In all, we noted that 14 of the samples lack evidence that the Travel Vouchers in question were reviewed and certified by a FMFS Accountant prior to the vouchers being entered into Delphi for payment.

*Cause:*
FMFS does not have the proper internal controls to ensure payments are paid timely, accurately, and in accordance with applicable laws and regulations. Further, FMFS management does not follow-up or consistently monitor FMFS staff performing controls to ensure that controls are performed are consistently applied correct and in a timely fashion.

*Effect:*
The weakness in the design or operation of internal control could potentially have an adverse affect on the Commission's financial statements and compliance with applicable laws and regulations, which could lead to material misstatements.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

CPSC Directive 1300.*1 CPSC Travel Policy and Procedures*:

Responsibilities – Authorizing Officials (6a). Each authorizing official will maintain effective, systematic and positive control over travel expenditures. All proposed travel must be critically examined and determined to be absolutely necessary prior to the issuance of travel orders.

Responsibilities – Travelers (6b). Travelers shall submit accurate and factual vouchers for reimbursement of their traveling expenses. False statements involving claims for mileage, lodging, or other traveling expenses may result in the disallowance of the entire amount claimed by the employee on the voucher, and appropriate administrative or legal action where circumstances warrant.

Responsibilities – Supervisor's Responsibilities (6c). Supervisory review is primarily to confirm that the travel for which expenses are being claimed was performed as authorized. In reviewing Travel Vouchers, supervisors have the authority and the responsibility to reduce claims that are unreasonable and not justified by the employee.

CPSC Directive 0355.1 *Authority to CPSC Officials to Authorize Travel, Transportation and Related Allowances:*

General Delegations of Authority (8d). Travel must be authorized by an authorized official occupying a higher organizational level of authority in the chain of command.

Authority to Approve Travel Vouchers (10). Travel Vouchers including those of Regional Office Directors, must be signed by a supervisor after completion of a trip or period of travel, or every 30 days if the employee is in a continuous travel status. Approving officials shall ensure that Travel Vouchers are submitted to ADFS within 15 workdays after travel is completed.

Federal Travel Regulation (FTR) §301-2.1 states that "generally you must have written or electronic authorization prior to incurring any travel expense. If it is not practicable or possible to obtain such authorization prior to travel, your agency may approve a specific authorization for reimbursement of travel expenses after travel is completed. However, written or electronic advance authorization is required for items in §301-2.5(c), (i), (n), and (o) of this part".

Further, FTR §301-52.17 indicates that "your agency must reimburse you within 30 calendar days after you submit a proper travel claim to your agency's designated approving office. Your agency must ensure that it uses a satisfactory recordkeeping system to track submission of travel claims. For example, travel claims submitted by mail, in accordance with your agency's policy, could be annotated with the time and date of receipt by your agency".

*Recommendation*:

34. We recommend that the FMFS division strengthens controls over the processing of travel expenditures and relevant employees should receive appropriate training on these controls. This can be accomplished through the creation of a Standard Operating

Procedure (SOP) that defines FMFS' responsibilities that are not expressed in the current CPSC directives.
35. We would also recommend that the travel authorization and vouchers have a second level review performed to ensure all internal control reviews have been performed prior to the submission of payment.

*Management Response*:
Management generally agreed with our findings and recommendations.

### *e. Incorrect Per Diem Calculations*

*Condition:*
Through a Test of Operating Effectiveness, we noted that out of a sample of 45 manual travel payments as of 6/30/2011, in sample #23, the employee failed to either document the times of travel and/or annotate on their travel voucher their hours of travel that were over a 12-hour period to prove eligibility for an allowance reimbursement.

We further noted for sample #9, the employee only claimed $42 in subsistence for a trip properly documented over a 12 hour period. As of September 23, 2010 MI&E in Bethesda, MD for the first and last day of travel is awarded at $53.25. Thus, the payment was understated $11.25.

*Cause:*
FMFS does not have the proper internal controls to ensure payments are paid timely, accurately, and in accordance with applicable laws and regulations. Further, FMFS management does not follow-up or consistently monitor FMFS staff performing controls to ensure that controls are performed, are consistently applied correctly, and in a timely fashion.

*Effect:*
The weakness in the design or operation of internal control could potentially have an adverse affect on the Commission's financial statements and compliance with applicable laws and regulations, which could lead to material misstatements.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

Federal Travel Regulation (FTR) §301-11.1 indicates an employee is eligible for reimbursement of official travel when:

(a) "You perform official travel away from your official station, or other areas defined by your agency;
(b) You incur per diem expenses while performing official travel; and
(c) You are in a travel status for more than 12 hours".

Further, FTR §301-11.10 states that travelers "do not have to record departure/arrival times, but travelers must annotate your travel claim when travel is more than 12 hours but not exceeding 24 hours to reflect that fact".

Federal Travel Regulation (FTR): FY 2010 Per Diem rates for Maryland. Meals & Inc. Exp. Payment breakdown for First & Last Day of Travel.

*Recommendations*:
36. We recommend that the FMFS division strengthens controls over payment authorizations, to ensure proper approved payments are validated. FMFS should ensure travel costs are reimbursed in accordance to the Federal Travel Regulation (FTR), including the use of per diem rates for meal expenses. To accomplish this, we recommend that second level review is performed on travel authorizations and vouchers to ensure all internal control reviews have been performed prior to the processing of the obligation and payment.
37. We also recommend that FMFS follow-up on the two payments noted above, as follows:

Sample 23 – Follow-up with the traveler to determine the actual time of travel. If travel time does not exceed 12 hours, FMFS should recoup the allowance reimbursement paid.
Sample 9 – Follow-up with the traveler to verify actual travel time. If travel time is accurately stated, FMFS should pay the traveler the additional $11.25 owed to the traveler.

*Management Response*:
Management generally agreed with our findings and recommendations.

### *f. SF-1164 Payment Compliance and Internal Controls*

*Condition:*
Through a test of operating effectiveness, we noted that out of a sample of 45 SF-1164 Reimbursement payments as of 6/30/11, 6 of the samples lacked evidence as to when these claims were submitted to FMFS for payment. Due to the lack of recordkeeping, were unable to determine if these vouchers were paid within the 30 days time frame, as specified by the FTR.

*Cause:*
The Division of Financial Management does not have the proper controls in place over the review and approval procedures of SF-1164 vouchers resulting inconsistent application of review and authorization controls.

*Effect:*
Weakness in the design or operation of internal control could potentially have an adverse affect on the Commission's financial reporting resulting in misstatements of significant financial accounts.

*Criteria:*
Federal Travel Regulation (FTR) §301-52.17, states that the "agency must reimburse you within 30 calendar days after the traveler submits a proper travel claim to the agency's designated approving office. The agency must ensure that it uses a satisfactory recordkeeping system to track submission of travel claims. For example, travel claims submitted by mail, in accordance with the agency's policy, could be annotated with the time and date of receipt by your agency".

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

*Recommendation*:
38. We recommend that the FMFS division strengthens controls over the processing of SF-1164 vouchers and that the relevant employees receive appropriate training on these controls. This can be accomplished through the creation of a Standard Operating Procedure that defines FMFS' responsibilities that are not expressed in the current CPSC directives.
39. We recommend that the FMFS division strengthens controls over the initial receipt of travel vouchers and coordination of approvals to expedite the payment process and ensure that it is carried out in accordance with appropriate laws and regulations. To do so, FMFS should develop a method to properly track the SF-1164 vouchers received to efficiently ensure proper and timely payment. We would also recommend that the SF-1164 vouchers have a second level review performed to ensure all internal control reviews have been performed prior to the submission of payment.

*Management Response*:
Management generally agreed with our findings and recommendations.

*g. Lack of Supporting Documentation for SF-1164 Transactions*

*Condition:*
Through a test of operating effectiveness, we noted that out of a sample of 45 SF-1164 Reimbursement payments as of 6/30/2011, FMFS was unable to provide support for 2 of the samples.

*Cause:*
FMFS transitioned to ESC outsourced accounting as of 5/2/11. At that time, all CPSC accounting files relating to payments were sent to ESC. We noted that FMFS did not have the proper document retention policies in place (i.e. did not retain copies of the files sent to ESC) regarding the items that were sent to ESC. FMFS also failed to track the documentation that ESC took for the transition.

*Effect:*
Weakness in the design or operation of internal control could potentially have an adverse affect on the Commission's financial reporting resulting in misstatements of significant financial accounts.

*Criteria:*
OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

*Recommendations*:
40. We recommend that the FMFS division strengthens controls over document retention related to all payments. Although ESC is used as an accounting service provider, FMFS should ensure the proper documents are retained in order to allow FMFS to verify and review the accuracy of ESC's payment processing. Compliance with Laws and Regulations.

*Management Response*:
Management generally agreed with our findings and recommendation.

**Compliance with Laws and Regulations**

*h. Prompt Payment Act Compliance*

*Condition:*
Out of a review over a control sample of 45 items we noted the following:

- Sample #18- We noted that the invoice was received and date stamped by FMFS on 10/14/10 in the amount of $18,000. It was approved for payment on 10/15/10.

The invoice was then validated and paid in Delphi on 11/29/10. Based on the prompt payment act, the 30 day time period for payment would be on 11/14/10, therefore, the invoice was paid late. Per the Delphi invoice register report, we noted that interest was not calculated or paid out to the vendor.

- Sample #27- We noted that the invoice was received and date stamped by FMFS on 2/16/11 in the amount of $6,666.00. It was approved for payment on 3/1/11. The invoice was validated and paid in Delphi on 3/28/11. Based on the prompt payment act, the 30 day time period for payment would be on 2/16/11, therefore, the invoice was paid late. Per the Delphi invoice register report, we noted that interest was not calculated or paid out to the vendor.

- Sample #41- We noted that the invoice was received and date stamped by FMFS on 1/19/11 in the amount of $170,591.00. It was approved for payment on 2/22/11. The invoice was validated and paid in Delphi on 2/23/11. Based on the prompt payment act, the 30 day time period for payment would be on 2/19/11, therefore, the invoice was paid late. Per the Delphi invoice register report, we noted that interest was not calculated or paid out to the vendor.

*Cause:*
The Division of Financial Management (FMFS) does not have the proper control over prompt payments. Upon review of the sampled invoices, we noted that there is a date stamp for the "FMFS Division" that is stamped upon receipt of the invoice for payment. FMFS then sends the invoice to the specific inter-agency office for approval before payment, and re-stamps the invoice when it comes back in after approval. FMFS on occasion uses the second stamp date for the prompt payment compliance timeframe, which is incorrect per the guidance cited above. The 30 day timeline begins at the initial date the invoice is stamped by the designated agency office, FMFS, until complete payment is made.

*Effect:*
Weaknesses in the design or operation of internal control could potentially have an adverse affect on the Commission's financial reporting and compliance with the Prompt Payment Act and contractual vendor agreements.

*Criteria:*
5 Code of Federal Regulations (CFR) 1315: Prompt Payment, The Prompt Payment Final Rule (formerly OMB Circular A-125, "Prompt Payment") requires Executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. Section 1315.4(f) of the Prompt Payment rule states that the period available to an agency to make a timely payment without incurring an interest penalty begins on the date of receipt of a proper invoice.

*Specific Prompt Payment Guidance related to the finding*:

Section 1315.4(b) of the rule provides that an invoice is deemed to be received on the later of 1) the date a proper invoice is received by an agency if the agency annotates the invoice with the date of receipt, or 2) the seventh day after the date in which goods are delivered or services completed, unless acceptance occurs earlier or if a longer acceptance period is specified in the contract. If the agency fails to annotate an invoice with the date of receipt of the invoice, the date placed on the invoice by the contractor is used to determine the start date for the payment period.

Unless otherwise specified, Section 1315.4(g) of the Prompt Payment rule states that payment is due on either 1) the date specified in the contract, 2) in accordance with discount terms when discounts are offered and taken, 3) in accordance with Accelerated Payment Methods, or 4) 30 days after the start of a payment period, when a proper invoice is received.

When an invoice is determined improper, an agency must return the invoice to the vendor as soon as possible but no later than 7 days after receipt of the improper invoice. When returning an improper invoice, agencies are required to identify all defects that prevent payment.

If an agency fails to return the improper invoice to the vendor within 7 days of receiving the invoice, the number of days allowed for payment of a corrected invoice is reduced by the number of days between the seventh day and the day the improper invoice is sent to the vendor. For example, if an agency receives an invoice on November 1 but does not return it as improper to the vendor until November 13, 5 days after required, and the agency receives a corrected invoice on November 20, the payment due date is December 14, or 5 days earlier, if the payment was due 30 days after receipt of a proper invoice.

CPSC Directives Order No. 1200.1: It is the policy of CPSC to follow cash management practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances. These procedures require the use of timely methods, principally Electronic Funds Transfer (EFT) for the collection, deposit, and disbursement of funds.

OMB Circular A-123, *Management's Responsibility for Internal Control,* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

This deficiency was first reported as a Notice of Finding and Recommendation of the FY 2010 financial statement audit on November 19, 2010.

*Recommendation*:
41. We noted this to be a repeat finding based on the FY 2010 Finding #4-Non-Compliance with Prompt Payment. We recommend that the FMFS division strengthens controls over the initial receipt of invoices and coordination of approvals from inter-agency offices to expedite the payment process to be in compliance with the Prompt Payment Act.
42. We further recommend that FMFS develops a method to properly track the invoices received, sent within the agency to specific offices, or sent back to vendors to efficiently ensure proper and timely payment.

*Management Response*:
Management generally agreed with our findings and recommendations.

### *i. Non-Compliance with the Debt Collection Improvement Act (DCIA)*

*Condition:*
Through test of compliance with DCIA, we noted The CPSC Freedom of Information Act (FOIA) cases Aging Report as of 9/30/2011 had a total of 4 cases over 180 days delinquent on payment totaling $1,734.80.

Further, we reviewed the FOIA transactions (PBC Item 94) as part as our internal control review and determined of the 45 sampled 14 (1, 3, 8, 11, 13, 15, 16, 17, 19, 20, 24, 26, 27, 28, 29, 37, 42, & 43) transactions that were collected that were 180+ days past due, that were not transferred to Fed Debt, as required by DCIA.

*Cause:*
The Division of Financial Management is not properly reviewing and transferring the debt related receivables timely to Fed Debt.

*Effect:*
Weakness in the design or operation of internal control could potentially have an adverse affect on the Commission's financial reporting resulting in misstatements of significant financial accounts.

*Criteria:*
The Debt Collection Improvement Act of 1996 (DCIA) states that a non-tax debt or claim owed to the United States that has been delinquent for a period of 180 days shall be transferred to the Secretary of the Treasury for collection or termination of collection actions. The DCIA also provides exceptions to this general requirement when the debt or claim 1) is in litigation or foreclosure, 2) will be disposed of by sale under certain conditions, 3) has been referred to a private collection contractor for collection, 4) has been referred by, or with consent of, the Secretary of the Treasury to a debt collection center, 5) will be collected under internal offset, or 6) the debt is less than $25.

OMB Circular A-123, *Management's Responsibility for Internal Control* states that "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. Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

This deficiency was first reported as a Notice of Finding and Recommendation of the FY 2010 financial statement audit on October 25, 2010.

*Recommendation*:
43. We recommend that the Division of Financial Services establish procedures to review the receivables aging report each month for debt collections delinquent 180+ days that meet DCIA criteria, and refer delinquent cases that meet the general requirements to Fed Debt via the U.S Treasury in accordance with the DCIA guidelines.

*Management Response*:
Management generally agreed with our findings and recommendations.

# SUMMARY OF FINANCIAL STATEMENT AUDIT

| Summary of Financial Statement Audit | | | | | |
|---|---|---|---|---|---|
| Audit Opinion | Unqualified | | | | |
| Restatement (2010) | Yes | | | | |
| | **Beginning Balance** | **New** | **Resolved** | **Consolidated** | **Ending Balance** |
| Material Weaknesses | 0 | 0 | 0 | 0 | 0 |
| **Total Material Weaknesses** | 0 | 0 | 0 | 0 | 0 |

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

| Summary of Significant Deficiencies | | |
|---|---|---|
| **Significant Deficiencies Areas** | **No. of Significant Deficiencies** | **Description of Significant Deficiencies** |
| **Financial Management and Reporting** | **6** | • Financial Monitoring Reports<br>• Procedures over Opening Balances<br>• Interim Financial Statement Reviews - 1<br>• Interim Financial Statement Reviews - 2<br>• Financial Checklist Implementation and Preparation<br>• Timely Review of the SF-133 as of 6/30/11 |
| **Fund Balance with Treasury (FBWT)** | **3** | • Implementation of the FBWT Oversight and Review Process<br>• FBWT Monthly Reconciliations<br>• SF- 224 Review – Statement of Transactions Review as of 3/31/11 |
| **Property, Plant and Equipment (PPE)** | **3** | • Depreciation Expense Calculation and Journal Voucher Review<br>• Timely Review and Approval of the Fixed Asset Reconciliation as of 6/30/11<br>• Property, Plant, and Equipment Balance as of 9/30/11 |
| **Earned Revenue** | **1** | • Understatement of Earned Revenue as of 6/30/11 |
| **Accounts Payable (AP) & Expenses** | **7** | • Accounts Payable Monitoring and Control Environment<br>• Government Purchase Card Compliance and Internal Control<br>• Intra-governmental Payment and Collection (IPAC) Transactions Approval and Document Retention<br>• Manual Travel Compliance and Internal Controls<br>• Incorrect Per Diem Calculations<br>• SF-1164 Payment Compliance and Internal Controls<br>• Lack of Supporting Documentation for SF-1164 Transactions |
| **Total** | **20** | |

# ACRONYMS

| | |
|---|---|
| ANPR | Advance Notice of Proposed Rulemaking |
| ANSI | American National Standards Institute |
| AQSIQ | General Administration for Quality Supervision, Inspection, and Quarantine |
| ASTM | ASTM International, formerly American Society for Testing and Materials |
| ATV | All-Terrain Vehicle |
| CBP | U.S. Customs and Border Protection |
| CDC | Centers for Disease Control and Prevention |
| CFR | Code of Federal Regulations |
| CHAP | Chronic Hazard Advisory Panel |
| CO | Carbon Monoxide |
| CPSC | Consumer Product Safety Commission |
| CPSA | Consumer Product Safety Act |
| CPSIA | Consumer Product Safety Improvement Act |
| CPSRMS | Consumer Product Safety Risk Management System |
| EPA | Environmental Protection Agency |
| EWS | Early Warning System |
| FHSA | Federal Hazardous Substances Act |
| GAO | General Accountability Office |
| GSA | General Services Administration |
| IAG | Interagency Agreement |
| LOA | Letter of Advice |
| MUV | Multipurpose Off-Highway Utility Vehicles |
| NEISS | National Electronic Injury Surveillance System |
| NIOSH | National Institute for Occupational Safety and Health |
| NIST | National Institute of Standards and Technology |
| NNI | National Nanotechnology Initiative |
| NSF | National Science Foundation |
| NOR | Notice of Requirements |
| NPR | Notice of Proposed Rulemaking |
| NSN | Neighborhood Safety Network |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| PMO | Project Management Office |
| PPPA | Poison Prevention Packaging Act |
| RAM | Risk Assessment Methodology |
| RIP | Reduced Ignition Propensity |
| ROV | Recreational Off-Highway Vehicle |
| SRM | Standard Reference Materials |
| UL | Underwriters Laboratory |
| USFA | United States Fire Administration |
| VGB | Virginia Graeme Baker Pool and Spa Safety Act |
| VNR | Video News Release |
| XRF | X-Ray Fluorescence |
| 20XX | Years mentioned refers to fiscal years, except for deaths, injuries, and associated property losses, which are on a calendar year basis. |

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