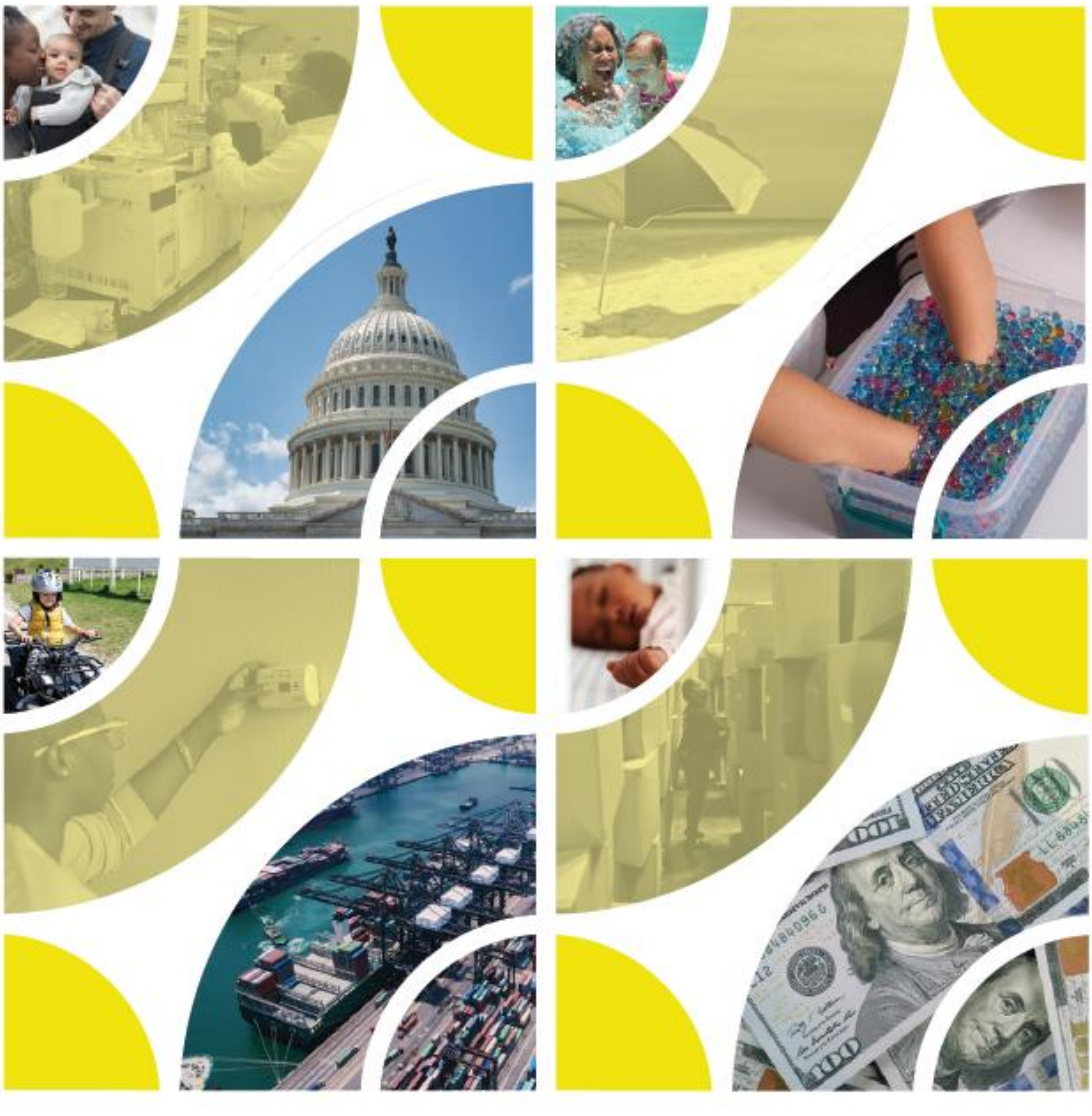
United States
Consumer Product Safety Commission

Agency Financial Report

FISCAL YEAR 2025 | JANUARY 2026



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About the Consumer Product Safety Commission

CPSC is a federal agency with a mission that spans health, safety and law enforcement. We oversee thousands of everyday items – from toys and cribs to household appliances and furniture – to make sure they do not pose unreasonable risks of injury. When we find a problem, we can develop safety standards, recall products, or stop unsafe shipments before they reach store shelves. We also give the public a way to report hazards and learn about recalls, so families have the information they need to stay safe.

Congress created CPSC in 1972 through the Consumer Product Safety Act (CPSA). In addition to the CPSA, as amended by the Consumer Product Safety Improvement Act of 2008 (CPSIA) and Pub. L. No. 112-28, CPSC also administers the Flammable Fabrics Act, the Refrigerator Safety Act, the Federal Hazardous Substances Act, the Poison Prevention Packaging Act, the Labeling of Hazardous Art Materials Act, the Child Safety Protection Act, the Children's Gasoline Burn Prevention Act, the Drywall Safety Act, the Child Nicotine Poisoning Prevention Act, the Portable Fuel Container Safety Act, the Safe Sleep for Babies Act, Reese's Law, the imitation firearms provisions of Pub. L. Nos. 100-615 and 117-167, and the STURDY requirements of Pub. L. No. 117-328 (Division BB, Title II). Furthermore, the CPSC administers two grant programs under the Virginia Graeme Baker (VGB) Pool and Spa Safety Act and the Nicholas and Zachary Burt (NZB) Memorial Carbon Monoxide Poisoning Prevention Act.

CPSC uses analysis, standards development, enforcement, and education to identify and address product safety hazards that may cause injury. This important work includes:

- Import Surveillance - analyzing import data using the agency's Risk Assessment Methodology (RAM) to identify and interdict violative consumer products before they enter the United States;
- Compliance and Enforcement - enforcing mandatory standards and removing defective products through compliance activities, such as recalls or other corrective actions, and civil and criminal litigation;
- Hazard Identification and Assessment - collecting information and developing injury and death statistics relating to the use of products under CPSC's jurisdiction;
- Standards Development - supporting the development and strengthening of industry standards and developing federal consumer product safety standards if needed;
- Public Outreach - educating consumers, families, industry, about alerts and recalls, safety initiatives, emerging hazards, mandatory and voluntary standards, and product safety requirements in the United States;
- Intragovernmental and Intergovernmental Coordination - coordinating work on product safety issues with other federal government stakeholders, as well as with state, local, and tribal authorities;
- Stakeholder Engagement - engaging with a wide range of external stakeholders, including industry, trade associations, consumer groups, nonprofit entities, standards development organizations, and other government entities.

For information on CPSC's organization, please visit: www.cpsc.gov/Organization-Chart.

ABOUT THIS REPORT

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

This AFR is organized into four major sections:

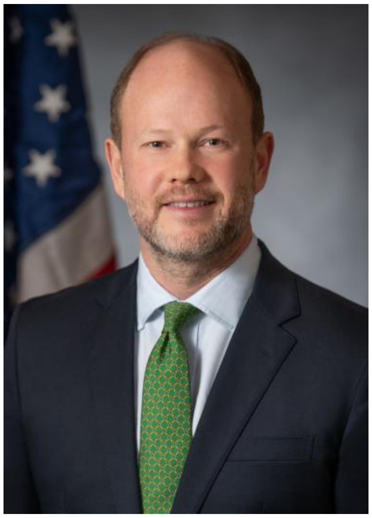
Management's Discussion and Analysis (MD&A): Includes information about the agency's mission, vision, and strategic plan; selected performance results; financial statement analysis; compliance with systems, controls, and pertinent laws; management assurance; and the limitations of the financial statements.

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

Other Information: Includes a summary of the financial statement audit results; the CPSC Office of Inspector General (OIG) Management Challenges Report; and reporting on PIIA, adjustment of inflation for Civil Monetary Penalties, and the grant programs.

Appendix: Report to OMB on material weaknesses and corrective actions taken and planned.

MESSAGE FROM THE ACTING CHAIRMAN



I am pleased to present the U.S. Consumer Product Safety Commission's (CPSC) FY 2025 Agency Financial Report (AFR) and share that the agency earned an unqualified (clean) audit opinion on our financial statements. This outcome represents the strongest level of assurance an independent auditor can provide. It reflects the professionalism and dedication of our staff and reinforces our commitment to strong stewardship of taxpayer resources despite a number of inherited management challenges. Under Biden-era leadership, the agency received a qualified audit opinion for FY 2023, with auditors identifying three material weaknesses and one significant deficiency. Specifically, auditors found that the Commission was unable to provide sufficient audit evidence related to property, plant, and equipment, resulting in the qualified opinion.

Under current leadership, CPSC is committed to restoring strong financial stewardship, accountability, and transparency. The agency's progress reflects a fundamental shift in agency culture. The Inspector General has highlighted this progress, noting that current leadership has taken decisive action to address misconduct, improve organizational tone, and pursue ambitious reforms that will better equip CPSC to protect American families. This year's unqualified (clean) opinion reflects measurable progress in correcting long-standing deficiencies, strengthening internal controls, and re-establishing sound financial management practices. We will continue this work with urgency and discipline to ensure taxpayers' resources are protected and the agency's mission is fully supported.

We have made measurable progress in strengthening our internal controls. Building on prior-year remediation, one material weakness identified last year has been downgraded, and we are executing targeted corrective actions on the remaining areas related to property, plant, and equipment, internal-use software, and entity-level financial management controls. Our focus is on strengthening procedures, improving documentation, and sustaining consistent oversight to address and close these matters.

Looking ahead to FY 2026, senior leadership will complete corrective actions, deepen enterprise risk management and internal control integration, and align our efforts with the transition to CPSC's forthcoming 2026–2030 strategic framework. These steps will help us strengthen mission delivery and continue protecting American families from unreasonable risks of injury associated with consumer products.

We appreciate the constructive engagement and diligence of the Office of Inspector General and the KPMG audit team throughout this process, and we thank our colleagues across the agency for their unwavering commitment to fiscal integrity and public service.

Peter A. Feldman

Peter A. Feldman
Acting Chairman
U.S. Consumer Product Safety Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

CPSC's Mission, Vision, and Strategic Plan

Current Strategic Plan and Transition

The CPSC is transitioning from the 2023 – 2026 Strategic Plan to a new strategic framework for 2026 – 2030, which will be published in spring 2026. The previous plan focused on protecting the public from hazardous consumer products with a vision of eliminating unreasonable risks of injury and death. It was structured around four key goals: Prevent, Address, Communicate, and Support.

As we move into this transition year, the updated 2026 – 2030 plan introduces an enhanced mission and vision that align better with the changing consumer product safety landscape. The new mission is "Protecting American families from unreasonable risks of injury associated with consumer products," supported by three strategic goals that align closely with the CPSC's initiatives.

This forward-looking approach emphasizes proactive risk management, stakeholder engagement, consumer education, and operational excellence. Therefore, the summary of CPSC's FY 2025 achievements will help realign efforts under the new strategic framework and metrics to be reported in the FY 2025 Agency Performance Report (APR) scheduled for March 2026.

Summarized Performance Results

As the AFR primarily reports on the financial results, CPSC expects to publish the FY 2025 Agency Performance Report (APR) in March 2026, with a primary focus on reporting performance results in accordance with OMB Circular No. A-11, Part 6, *The Federal Performance Framework for Improving Program and Service Delivery*. The report will be available on CPSC's website shortly after its publication: www.cpsc.gov/About-CPSC/Agency-Reports/Performance-and-Budget/. Until the FY 2025 APR is published, below are some of our FY 2025 achievement highlights. Through disciplined oversight and targeted improvements, CPSC demonstrated resilience and sustained its commitment to accountability, transparency, and mission delivery.

Some of CPSC's FY 2025 highlights include:

- Received more than 681,000 reports of harm, compared to more than 509,000 reports of harm received in FY 2024.
- Completed more than 67,000 examinations of consumer products to verify compliance with CPSC rules, regulations, and bans.
- Made Preliminary Determination (PD) within 85 business days of case opening date for nearly 91% of cases with Hazard Priorities A, B, and C (excludes Fast-Track cases). This was a significant increase from FY 2024 (84%). Making PDs efficiently is an indicator of CPSC's timeliness of case work and contributes to timely recalls for noncompliant and defective products.
- Accepted Corrective Action Plan (CAP) or issued public notice of hazard within 90 days of PD for 97.4% of cases with Hazard Priorities A, B, and C. The increase from FY 2024 (93%) indicates the timeliness of CPSC's negotiation of CAPs with firms and of initiation of unilateral public notice process to firms. The timeliness contributes to the efficiency and speed of recalls for noncompliant and defective products.
- Garnered more than 19 million engagements across major social media platforms, amplifying the reach of safety and recall messaging.
- To improve agency transparency through increased timeliness of Freedom of Information Act (FOIA) responses to the public, CPSC's Office of the General Counsel met timeliness benchmarks for releasing information to the public for 81% of responses, exceeding the annual target of 75%.
- Achieved 99% of operating uptime for the agency's IT networks, exceeding the annual target of 98%. This demonstrates the agency's high degree of availability of its networks.

Analysis of Financial Statements

As of September 30, 2025, CPSC's financial condition was sound, with planned programs appropriately sized to available funds and satisfactory controls in place to provide reasonable assurance that CPSC's obligations did not exceed budget authority. CPSC prepared its financial statements in accordance with the U.S. Generally Accepted Accounting Principles (GAAP) and with OMB Circular No. A-136, Financial Reporting Requirements, which included OMB's approval for agencies to present their financial information using a single-year presentation.

Sources and Uses of Funds: CPSC's total budgetary resources for FY 2025 were $162.5 million and consisted of funds received from these three sources:

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

CPSC's FY 2025 salaries and expenses appropriation was $150.9 million. Of this amount, $146.9 million was available for obligation through September 30, 2025. The remaining $4.0 million was designated for awarding and administering two grant programs (VGB Pool and Spa Safety Act and NZB Carbon Monoxide Poisoning Prevention Act), each for $2.0 million, which remains available until expended. Other budgetary resources available in FY 2025 included $8.9 million of unobligated balances from prior years' budget authority, consisting mostly of $5.0 million from the remaining balance of the appropriated VGB and NZB grant funds, which remain available for obligation until expended.

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

Analysis of the Balance Sheet

CPSC's assets totaled $72.0 million as of September 30, 2025. The changes in key asset line items as of the fiscal year ended September 30, 2025, are as follows:

Intragovernmental Assets

The *Fund Balance with Treasury* (FBWT) consists of appropriated funds and other funds maintained at the U.S. Treasury until final disposition. The *FBWT* represents CPSC's largest asset of $48.1 million as of September 30, 2025. The *Accounts Receivable (AR), Net* is comprised primarily of reimbursable agreement activity being billed and not yet collected from other federal agencies.

Other than Intragovernmental Assets

Accounts Receivable, Net is $3.0 million for FY 2025 and is comprised of year-end uncollected amounts of civil fines and penalties levied by CPSC, unpaid FOIA fees, and debt. The *Property, Plant, and Equipment (PPE), Net*, consists of the net value of CPSC's leasehold improvements, equipment, furniture and fixtures, computer hardware and software, and construction in progress. The *PPE, Net Book Value*, is $18.3 million as of September 30, 2025. This significant increase is due to the internal use software (IUS) development costs being understated by $12.2 million in prior years.

Analysis of the Statement of Net Cost

The *Statement of Net Cost* (SNC) represents CPSC's gross costs less revenue earned, which was $161.7 million for the fiscal year ended September 30, 2025. The reconciliation of the SNC of Operations with Budgetary Outlays is described in Note 15 of the Notes to Financial Statements, found in the Financial Section of this report.

The net cost of operations for each strategic goal in CPSC's prior 2023 – 2026 Strategic Plan was:

- Strategic Goal 1, Prevent: $58.7 million
- Strategic Goal 2, Address: $24.5 million
- Strategic Goal 3, Communicate: $7.9 million
- Strategic Goal 4, Support: $70.6 million

Analysis of the Statement of Changes in Net Position

The *Statement of Changes in Net Position* reports the change in net position during the reporting period. The difference between total assets and total liabilities is net position. Net position is affected by two components: Unexpended Appropriations and Cumulative Results of Operations (CRO). CPSC's net position was $52.1 million as of September 30, 2025.

Analysis of the Statement of Budgetary Resources

The *Statement of Budgetary Resources* (SBR) presents the sources of budgetary resources available and the status of the budgetary resources at the end of the period. It represents the relationship between budget authority and budgetary outlays and reconciles total obligations with total outlays. This statement also includes unobligated balances from prior years' budget authority. For the fiscal year ended September 30, 2025, CPSC had available budgetary resources of $162.5 million, comprised of the FY 2025 appropriation of $151.0 million, prior years' unobligated balances of $8.9 million, and billed offsetting collections of $2.6 million. The Status of Budgetary Resources for new obligations and upward adjustments totaled $152.0 million.

Analysis of the Statement of Custodial Activity

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

Civil penalties constitute a significant portion of the custodial collections and are based on assessments of companies violating CPSC safety statutes. The number of cases and dollars assessed varies from year to year based on priorities of the Commission. Civil penalty collections are not available for CPSC to use and instead are returned to the U.S. Treasury annually. In FY 2025, the CPSC collected $13.3 million in civil penalties and fines.

Analysis of Systems, Controls, and Legal Compliance

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

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

Antideficiency Act (ADA): CPSC had no ADA violations in FY 2025.

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

The FMFIA requires agencies to establish controls to ensure: (i) expenses follow laws; (ii) assets are protected from loss or misuse; and (iii) revenues and expenses are accurately recorded. This applies to programs, operations, administration, and financial management. Annually, the CPSC Chairman provides a statement of assurance on how well these internal controls are operating. Within CPSC, senior managers are responsible for maintaining effective controls within their respective program areas and also prepare yearly assurance statements highlighting any control issues for the Chairman, based on:

- Insights from daily operations,
- Internal control reviews,
- Annual Performance Plan (APP),
- OIG reports, and the
- Internal control checklists from GAO's "Standards for Internal Control in the Federal Government," also known as the "GAO Green Book."

In FY 2021, the OIG issued an audit report on CPSC's implementation of FMFIA and determined that CPSC's operations did not comply with FMFIA for FY 2018 and FY 2019. The Office of Financial Management, Planning and Evaluation (EXFM) developed a Corrective Action Plan to address these findings. By the end of FY 2025, all 14 assessable units had conducted process-level risk and control assessments. Also, in FY 2025, CPSC established internal guidance on CPSC's Internal Control program by integrating information from the GAO Green Book with FMFIA requirements.

FY 2025 Results for the FMFIA
CPSC evaluated its management control systems for operations for the fiscal year ended September 30, 2025. Because of the assurance process activities described above, CPSC was able to provide reasonable assurance that internal controls over operations were operating effectively as of September 30, 2025, except for those matters identified in the Management Assurance Statement.

FY 2025 Results for OMB Circular No. A-123, Appendix A and ERM Activities
Due to the federal government hiring freeze that commenced in January 2025 and continued through December 2025, CPSC was not able to hire the agency's Internal Controls Auditor. In lieu of formal testing, CPSC staff continued to execute its system of internal controls established in the prior year. CPSC's Enterprise Risk Management (ERM) program has become a strategic asset by achieving key milestones. These include forming the first Senior Management Council (SMC) for risk governance, distributing an Internal Control/ERM training program, and integrating internal controls with risk strategies. The program enhanced audit readiness and compliance, managing legacy findings. Supported by the SMC, it has embedded risk-informed decision-making into policy and operations. As the ERM program matures, CPSC will streamline its tools and deliverables to strengthen mission delivery and remain agile against emerging risks.

Federal Financial Management Improvement Act of 1996 (FFMIA)
The FFMIA requires federal agencies to implement and maintain systems that substantially comply with the following: (i) federal financial management system requirements; (ii) applicable federal accounting standards; and (iii) the U.S. Government Standard General Ledger, at the transaction level. The FFMIA requires the Chair to determine the agency's financial management system compliance with the FFMIA and to develop Corrective Action Plans for noncompliant financial systems, as needed.

FY 2025 Results for the FFMIA and Section 4 of the FMFIA
CPSC uses the Oracle Federal Financial System, managed by the Administrative Resources Center (ARC) within the U.S. Treasury's Bureau of Fiscal Service, as its financial shared services provider. CPSC reviewed ARC's Statement on Standards for Attestation Engagements No. 18 (SSAE 18) audit report, which confirmed the design and operating effectiveness of controls and compliance with FMFIA requirements. CPSC also reviewed the SSAE 18 report for DOI's Federal Personnel and Payroll System (FPPS) used for payroll services. Both reports identified no material weaknesses or major deficiencies. Overall, the systems meet federal requirements and accounting standards under FFMIA and Section 4 of FMFIA.

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

Prompt Payment Act (PPA) of 1982
The PPA requires federal agencies to make timely payments to vendors for supplies and services, pay interest penalties when payments are made after the due date, and take cash discounts when they are economically justified. In FY 2025, CPSC made nearly 100 percent of its vendor payments electronically and incurred only $371 in interest penalties.

Payment Integrity Information Act of 2019 (PIIA)
The PIIA requires agencies to report annually on all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in susceptible programs and activities, and report the results of improper payment activities. A detailed report on improper payments is presented later in this report.

Debt Collection Improvement Act of 1996
The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the federal government to service and collect debts. CPSC pursues the collection of delinquent debt and refers all

eligible delinquent debt more than 120 days delinquent to the U.S. Treasury for collection. As of September 30, 2025, the delinquent debt due to CPSC was $368.

Digital Accountability and Transparency Act of 2014 (DATA Act)
The DATA Act requires agencies to establish common standards for financial data provided by all government agencies and expand the amount of data that agencies must provide to the government website, USASpending.gov. CPSC met the government-wide DATA Act reporting requirements in FY 2025.

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

The GAO-IG Act requires each federal agency to include, in its annual budget justification to Congress, a report that identifies recommendations issued by the GAO or CPSC OIG. In addition, the Act requires a reconciliation between the agency's records and the Inspector General's Semiannual Report to Congress (SAR). CPSC included this information in its FY 2026 President's Budget Request. CPSC will continue to update and submit these recommendations in future budget requests.

Federal Information Security Modernization Act of 2014 (FISMA 2014)
As mandated by FISMA, CPSC maintains a robust information security program to ensure the confidentiality, integrity, and availability of agency information and systems. Throughout FY 2025, the agency executed routine security operations and introduced targeted programmatic and technical enhancements to reduce cybersecurity risk. Key accomplishments for FY 2025 include:

- Increased the agency's average FISMA domain score by 44%, reflecting measurable improvements in cybersecurity maturity and program effectiveness.
- Remediated 33 findings from penetration tests and FISMA, Financial, and OIG audits.
- Remediated 22 findings from internal technical assessments.
- Completed deployment of a Zero Trust networking solution, replacing the legacy VPN solution and aligning with OMB M-22-09.
- Achieved Event Logging Maturity Level 3 (Advanced) under OMB M-21-31, meeting federal standards for log collection, accessibility, and utility.
- Implemented BOD 25-01 Secure Cloud Business Application (SCuBA) baselines for the agency's productivity and collaboration cloud.
- Increased participation in Cybersecurity and Infrastructure Security Agency (CISA)-sponsored cybersecurity activities, including penetration testing and threat hunting exercises targeting public-facing applications.
- Implemented Endpoint Detection and Response (EDR) tools on mobile devices via CISA shared services, improving endpoint visibility and threat mitigation.
- Migrated to CISA's Vulnerability Disclosure Program (VDP) platform.
- Conducted tabletop exercises for incident response and contingency planning across all seven major systems, producing after-action reports and enhancing cross-functional coordination and readiness.

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

Management Assurance Statement

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

In accordance with the requirement of OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, CPSC management assessed its internal controls over the effectiveness and efficiency of programmatic operations, reliable reporting, and compliance with applicable laws and regulations. Based on the results of that assessment, I can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2025[1] [2] with the exception of two material weaknesses contained in the FY 2025 financial statement audit report. These involve process and controls related to the recording of property, plant, and equipment additions, leases, and internal use software, including the related depreciation expense; and the weakness in entity-level financial management controls, which I have directed agency staff to address these matters.

In addition, CPSC management assessed the federal financial system requirements in accordance with OMB Circular No. A-123 Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996* (FFMIA). The results of that assessment demonstrated that the agency complied with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level. Based on that assessment, I can provide reasonable assurance that the CPSC complied with Section 4 of the FMFIA as of September 30, 2025.

Peter A. Feldman
Acting Chairman

1 In FY 2021, the Inspector General issued an audit report on the CPSC's Implementation of FMFIA for FYs 2018 and 2019. Based on the actions taken in FYs 2023, 2024, and FY 2025 (see FMFIA in the Controls, Systems, and Legal Compliance Section), reasonable assurance can be provided that internal controls over operations were effective as of September 30, 2025.

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

Limitations of the Financial Statements

The following financial statements were prepared to report the financial position and results of CPSC's operations consistent with the requirements of 31 U.S.C. § 3515(b). The statements were prepared from CPSC's records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and the formats prescribed by OMB. Additionally, the reports used for monitoring and controlling budgetary resources were prepared from the same records. The statements should be read with the realization that they were prepared for a component of the U.S. government, a sovereign entity.

FINANCIAL SECTION

Message from the Acting Chief Financial Officer

I am proud to report that in FY 2025, the U.S. Consumer Product Safety Commission earned an unqualified audit opinion on its financial statements, an achievement that underscores our unwavering commitment to fiscal integrity and transparency.

Despite significant staffing challenges, our team demonstrated resilience and professionalism, ensuring continuity of operations and advancing critical improvements to our internal control environment. We successfully downgraded one material weakness and closed one significant deficiency, which is no small feat! We continue targeted remediation for the remaining areas, including property and software accounting and entity-level financial management controls. These efforts reflect our dedication to strengthening processes, enhancing accountability, and safeguarding taxpayer resources.

I would like to extend my gratitude and appreciation to our finance, budget, and procurement professionals, and ARC's accounting team, whose collective dedication and expertise have been instrumental in our success. Furthermore, I appreciate the unwavering support from all agency staff committed to robust financial stewardship, accountability, and transparency.

We look forward to continuing our collaborative efforts to optimize federal resources and advance the mission of the CPSC, ensuring the safety and well-being of consumers across the nation.

Casey Waithe
Acting Chief Financial Officer

Independent Auditors' Report

January 16, 2026

TO: Peter A. Feldman, Acting Chairman

FROM: Christopher W. Dentel, Inspector General CHRISTOPHER DENTEL Digitally signed by CHRISTOPHER DENTEL Date: 2026.01.16 18:00:54 -05'00'

SUBJECT: Audit of the Consumer Product Safety Commission's Fiscal Year 2025 Financial Statements

Pursuant to the Accountability of Tax Dollars Act of 2002, this letter transmits the Independent Auditors' Report issued by KPMG, LLP (KPMG), for the fiscal year (FY) ending September 30, 2025. The audit was performed under a contract with, and monitored by, the Office of Inspector General (OIG), in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 24-02, Audit Requirements for Federal Financial Statements.

Since FY 2023, the Consumer Product Safety Commission (CPSC) faced a number of challenges regarding the issuance of its financial statements. That year, realizing that it would not be able to meet the financial statement audit deadline for federal agencies, the CPSC requested and received an extension from OMB to issue its financial statements late and later requested and received a second extension. While the CPSC met this second deadline, it received a "qualified" rather than a "clean" or "unqualified" audit opinion. This was due to the agency inappropriately calculating the accumulated depreciation and depreciation expense related to its Property, Plant, and Equipment (PP&E) and being unable to recalculate said accumulated depreciation and depreciation expense in a timely manner. Additionally, the agency restated its net position due to material errors identified in its accrual for accounts payable.

To their credit, CPSC management took decisive action in FY 2024 to ensure that the agency would receive a clean audit opinion by investing substantial resources into contracting for financial management and audit remediation support. As a result, the agency was able to issue its financial statements in a timely manner and earned an unqualified opinion. However, there was negligible progress on identified weaknesses in internal control as the agency received three material weaknesses and a significant deficiency for a second straight year.

This year, the agency continued to maintain its contracted financial management and audit remediation support. In large part due to their contracted support, the agency was able to again earn an unqualified opinion, resolve its significant deficiency for prepaid expenses identified in both FY 2023 and FY 2024, and downgrade the severity of the finding for controls over the review of journal entries

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from a material weakness to a significant deficiency. However, poor communication continues to plague the CPSC. The failure to properly communicate between the Office of Financial Management, Planning and Evaluation (EXFM) and the Office of Information and Technology Services led to the agency failing to capitalize internal use software development costs for the past several years. Furthermore, the failure of EXFM to communicate with KPMG regarding the nature and timing of the corresponding correcting prior period adjustment did not allow KPMG adequate time to audit the adjustment. As a result, for the second time in three years the agency both had to make a material correction to net position and requested and received an extension from OMB to issue its financial statements after the statutory deadline.

The failure of agency management to fully implement corrective actions to address the underlying problems with its financial management and internal control identified in the FY 2023 Financial Statement Audit has led to a continuing lack of: CPSC personnel with the required competence in financial management operations and reporting experience, training, communication across offices, risk assessments, and monitoring processes due to the lack of effective entity level controls, which was itself a material weakness. In FY 2025, the CPSC experienced two material weaknesses and a significant deficiency. These issues increase the risk of both fraud occurring and the risk that misstatements due to error or fraud may go undetected and uncorrected by management. These weaknesses caused certain deficiencies in process level controls that resulted in known misstatements that were subsequently corrected. These matters are discussed in greater detail below and in the independent auditor's report.

Opinion on the Financial Statements

KPMG audited the financial statements of the CPSC, which comprise the balance sheet as of September 30, 2025, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended, and the related notes to the financial statements; collectively known as the financial statements. The objective of the audit was to express an opinion on the fair presentation of those financial statements. In connection with the audit, KPMG also considered the CPSC's internal controls over financial reporting and tested the CPSC's compliance with certain provisions of applicable laws and regulations that could have a material effect on its financial statements.

In KPMG's opinion, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the CPSC as of, and for the year ending September 30, 2025, are presented in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control

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

Because of inherent limitations in internal controls, including the possibility of management override of controls; misstatements, losses, or noncompliance may nevertheless occur and not be detected.

According to the American Institute of Certified Public Accountants:

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

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

KPMG found that CPSC management had still not addressed the material weakness at the entity level of internal control over its financial reporting and financial management it had found in FY 2023. Entity level internal controls help management achieve desired results through effective stewardship of public resources. This foundational level weakness played a key role in the agency receiving a qualified opinion in FY 2023, receiving three material weaknesses and a significant deficiency in its internal controls in FY 2024, and two material weaknesses and a significant deficiency in its internal controls in FY 2025. Although management drafted a corrective action plan regarding these matters after the FY 2023 Financial Statement Audit, they did not implement it. As a result of the ongoing deficiency at the entity level of internal control, KPMG found that the CPSC still:

- Lacked a comprehensive succession plan to ensure appropriate personnel with the required competence in financial management operations and reporting experience were available to perform the requisite responsibilities. Management also lacked a process to ensure historical information regarding key financial reporting decisions was maintained. This failure is particularly noteworthy given that the Office of Personnel Management first noted the CPSC's shortcomings in the area of succession planning in 2008; this office issued a report recommending that the agency develop a formal succession plan in March of 2023; and that the agency, has to date, still not taken appropriate corrective action.
- Had not adequately trained employees to ensure they had the necessary knowledge and information to meet their control objectives.
- Had inadequate communication channels between offices within the CPSC to ensure financial information was communicated timely and accurately.
- Had not performed regular and comprehensive risk assessments to identify and evaluate potential risks that could impact financial reporting objectives.
- Did not have sufficient monitoring processes in place to assess its internal control over financial

reporting.

Due to the lack of effective entity level controls discussed above, there were errors in the financial statements that required adjustments, and the CPSC experienced an additional material weakness and a significant deficiency.

First, CPSC management has still not designed, documented, or implemented adequate processes and controls related to the recording of PP&E, including calculating the related depreciation expense. This material weakness previously resulted in the qualification of the FY 2023 financial statements and was also found to be a material weakness in both FY 2023 and FY 2024. This is a continuation of the CPSC's long history of PP&E issues. These issues include: findings made in the Review of Personal Property Management System and Practices for Calendar Year 2017 that the CPSC had not implemented sufficient internal controls to ensure that property was properly accounted for and reliable data entered into the CPSC's property management systems, the CPSC having to restate its FY 2018 financial statements due to errors for the amortization of leasehold improvements and tenant allowance liability balances, and the finding of a material weakness in the FY 2020 Financial Statement Audit related to controls over leases and leasehold improvements. This year, it resulted in a material correction in net position and multiple issues regarding improperly calculated depreciation, which the CPSC continues to process manually.

Second, the agency continued to have inadequate implementation of internal controls over manual journal entries. As these entries can record transactions to any general ledger account for any amount necessary, they require appropriate internal controls which include monitoring activities. KPMG found that more than 80 percent of their sampled journal entries lacked documentation of review or approval by CPSC for entries initiated by the agency's service organization. Furthermore, management did not maintain documentation that it timely performed a quarterly review of journal entries that were processed and reviewed solely by the service organization. KPMG considered this matter to constitute a significant deficiency.

Report on Compliance with Laws and Regulations

CPSC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether the CPSC's financial statements are free of material misstatements, KPMG performed tests of compliance with certain provisions of laws and regulations, noncompliance which could have a material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 24-02. KPMG did not test compliance with all laws and regulations applicable to the CPSC.

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

OIG Evaluation of KPMG's Audit Performance

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

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

KPMG

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

Independent Auditors' Report

Acting Chairman and Inspector General
United States Consumer Product Safety Commission:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the United States Consumer Product Safety Commission (CPSC), which comprise the balance sheet as of September 30, 2025, and the related statements of net cost, changes in net position, custodial activity, and budgetary resources for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CPSC as of September 30, 2025, and its net cost, changes in net position, budgetary resources, and custodial activity for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Other Matter - Interactive Data

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CPSC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the About The Consumer Product Safety Commission, About This Report, Message from the Acting Chairman, Message from the Acting Chief Financial Officer, Other Information, and Appendix A sections but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2025, we considered the CPSC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the CPSC financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CPSC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described as items A and B in Exhibit I to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item C in Exhibit II to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CPSC's financial statements as of and for the year ended September 30, 2025, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

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

CPSC's Response to Findings

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

KPMG LLP

Washington, DC
January 16, 2026

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Exhibit I
Material Weaknesses

A. Entity-Level Controls

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

- Succession and contingency planning: CPSC management did not have a financial management succession plan to ensure appropriate personnel with the required competence in financial management operations and reporting experience were available to perform the requisite responsibilities. Additionally, CPSC management had no process in place to ensure information regarding key historical financial reporting decisions was maintained such that financial reporting personnel would be able to perform the responsibilities of their positions with the relevant financial information.

- Training and communication: CPSC financial management employees did not have adequate training to ensure they had the necessary knowledge to meet their control objectives. Additionally, there continued to be inadequate communication channels between offices within the CPSC to ensure relevant and necessary financial reporting information requirements were communicated timely to achieve financial reporting deadlines.

- Risk assessments: CPSC management did not conduct regular and comprehensive risk assessments to identify, evaluate, and document potential risks that could impact financial reporting objectives. As such, necessary responses to those risks were not in place.

- Monitoring and oversight: CPSC management did not have sufficient processes in place to monitor its internal control over financial reporting. Accordingly, certain controls were not operating effectively during the fiscal year.

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

- A correction was required for internal-use software and software-in-development that had not been properly capitalized in prior years. The total adjustment was $12.2 million, net of accumulated amortization.

- Adjustments required for errors and omissions of certain amounts to the financial statements and related notes.

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

Exhibit I
Material Weaknesses

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

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

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

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

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

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

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

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

B. Controls Over Property, Plant, and Equipment

The CPSC management has not designed, documented, or implemented adequate processes and controls related to the recording of Property, Plant, and Equipment (PP&E), including calculating the related depreciation expense. From a sample of four capitalized assets, we identified: one capitalized asset that incorrectly included warranty costs, and three capitalized assets with incorrectly calculated depreciation expense. The impact of the three errors resulted in a net actual understatement of $8,670 and a projected overstatement of $18,220, of the net book value.

Additionally, based on our review of management's equipment reconciliations, we identified four assets where management calculated depreciation expense even though the assets were already fully depreciated; and an unidentified difference of $425,497 in accumulated depreciation and the final trial balance amount. Furthermore, during our testing of completeness and existence of capitalized assets, we identified one accountable asset that was still in service, but had been recorded as a disposal.

Lastly, we noted that management recorded a prior period correction of an error for $8.9 million of internal-use software and $4.8 million of software-in-development that was incorrectly expensed in prior periods.

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

Exhibit I
Material Weaknesses

CPSC lacked adequate policies and procedures for the manual calculation of depreciation expense and inventory of assets still in-use.

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

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

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

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

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

Exhibit II
Significant Deficiency

C. Controls Over the Review of Journal Entries

As part of the financial reporting process, CPSC management uses manual journal entries to record transactions that are not automated as part of other business processes. These manual journal entries may include quarterly accruals or year-end, on-top adjustments for financial reporting purposes. As these entries can record transactions to any general ledger account for any amount necessary, they require appropriate review controls for approval. CPSC utilizes a service organization to assist in processing and recording a portion of their manual journal entries.

During our testing, we noted CPSC management did not have effective controls over journal entries. Specifically, we identified 14 of 17 sampled manual journal entries that were initiated by the service organization; with no documentation of review and approval by CPSC. In addition, no documentation was maintained to evidence that CPSC's quarterly review of the report of journal entries that were processed and reviewed solely by the service organization, was done timely.

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

The deficiencies noted above occurred because CPSC management did not have consistent policies over the journal entry process nor requirements for documentation to be maintained evidencing the quarterly journal entry report review. Additionally, CPSC management did not have an effective risk assessment process to assess the appropriate journal entry review policies.

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

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

10. Update policies, and procedures related to monitoring and oversight of internal controls related to journal entries, to ensure internal consistency with, and clear definition of, those journal entries that are processed by the service provider; and to define the required documentation to be maintained to evidence CPSC's quarterly review of journal entry reports.

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

II - 1

Exhibit III
Management's Response

United States
Consumer Product Safety Commission

Memorandum

DATE: January 13, 2026

TO: Christopher W. Dentel
Inspector General

FROM: Brien Lorenze
Executive Director

BRIEN LORENZE Digitally signed by BRIEN LORENZE Date: 2026.01.13 15:47:43 -05'00'

SUBJECT: Management Response to Independent Auditor's Draft Report

I appreciate this opportunity to provide a response to the Fiscal Year (FY) 2025 Independent Auditor's Report of the CPSC's Financial Statements (Draft Report) and would like to thank the Office of Inspector General and KPMG audit team for their insight and support during the FY 2025 annual audit. Furthermore, we appreciate the auditors' issuance of an unmodified opinion, affirming that our financial statements present fairly, in all material respects, the Commission's financial position and results of operations for the year ended September 30, 2025.

CPSC management is pleased that the auditors found improvements to certain CPSC operations, to include entity level controls, journal entries, and prepaid expenses. Specifically, the auditors were able to close the prepaid expenses significant deficiency initially identified in FY 2023 due to our formalization of policies and procedures, development of related staff training, and implementation of newly designed controls to ensure completeness and accuracy of prepaid expense reporting. Additionally, the auditors downgraded the review of journal entries from a material weakness identified in FY 2024 to a significant deficiency for FY 2025.

At the same time, despite the substantial progress made in FY2025, CPSC management acknowledges KPMG's finding of two material weaknesses and one significant deficiency which is a downgrade from a material weakness identified previously regarding the review of journal entries. As explained below, management intends to timely address these findings.

<u>Material Weaknesses</u>

1. *<u>Entity-Level Controls</u>*. The auditors identified weaknesses in entity-level controls in the areas of succession and contingency planning, training and communication, risk assessment, and monitoring and oversight. The Draft Report concludes that these weaknesses led to errors related to the recording of internal use software and adjustments required for errors of certain amounts to the financial statements and related notes.

Expanding on the auditor's acknowledgement of progress made, specific actions completed in FY 2025 include the following:

A. Developed in-depth succession plans for three key financial management positions (CFO, Budget Officer, and Internal Controls Auditor) to ensure continuity of operations during staff transition;

U.S. Consumer Product Safety Commission
4330 East-West Highway
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cpsc.gov

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

Exhibit III
Management's Response

United States
Consumer Product Safety Commission

B. Delivered targeted training for the accounting staff regarding prepaid expenses, journal entry guidance on segregation of duties, and GAAP hierarchy updates;
C. Established reoccurring solutions groups to facilitate communications with other CPSC offices to obtain necessary financial reporting information;
D. Improved the ERM program by updating risk assessment processes, providing internal control briefings to the Senior Management Council governance body, and updating the CPSC risk profile; and
E. Assessed staff resource needs in alignment with Executive Order (EO) 14120, *Implementing The President's "Department of Government Efficiency" Workforce Optimization Initiative*, EO 14356, *Ensuring Continued Accountability in Federal Hiring*, Office of Personnel Management (OPM) Guidance related to EO 14356, *Ensuring Continued Accountability in Federal Hiring*, and OPM guidance on *Performance Management for Federal Employees*.

CPSC management acknowledges the entity-level control finding and will update the corrective action plan, continuing its execution to resolve this by FY 2026. This demonstrates our commitment to financial excellence.

2. *Controls Over Recording Property, Plant, and Equipment (PPE) and Related Depreciation Expense*. The auditors found that inadequate policies, procedures, and communication across support offices hindered the proper capitalization and recognition date of internal use software and the calculation of PPE depreciation expense. CPSC management acknowledges this finding, has established a corrective action plan to remediate it, and will continue to implement the plan.

Significant Deficiency

Controls Over the Review of Journal Entries. This issue, previously a material weakness in FY 2024, shows progress with actions taken in FY 2025. Despite CPSC establishing interim policies and procedures outlining duties between CPSC and the shared service provider, auditors found inconsistencies and inadequate documentation for validating quarterly journal entry reviews. CPSC management acknowledges this finding and will update the current corrective action plan to fully remediate in the next fiscal year.

In summary, CPSC takes its fiscal responsibilities seriously and continues to have a high degree of confidence in the integrity of CPSC's financial operations and programs and our demonstrated ability to continuously improve them and remain committed to fully addressing the identified weaknesses and deficiencies. Our goal is to strengthen internal controls and sustain reliable, timely financial reporting.

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Financial Statements

BALANCE SHEET

AS OF SEPTEMBER 30, 2025
(in dollars)

		2025
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$	48,135,254
Accounts Receivable, Net (Note 3)		321,927
Advances to Other Federal Agencies (Note 4)		272,614
Total Intragovernmental		48,729,795
Other than Intragovernmental:		
Accounts Receivable, Net (Note 3)	$	3,012,444
Property, Plant, and Equipment, Net (Note 5)		18,267,908
Advances and Prepayments (Note 4)		2,008,900
Total Assets	**$**	**72,019,047**
LIABILITIES: (Note 6)		
Intragovernmental:		
Accounts Payable	$	406,880
Employee Benefits		457,598
Worker's Compensation		177,419
Employer Contributions Payable		130,970
Custodial Liability		3,011,321
Other Liabilities Without Related Budgetary Obligations (Note 7)		968,835
Total Intragovernmental		5,153,023
Other than Intragovernmental:		
Accounts Payable		5,297,456
Federal Employee Benefits Payable (Note 9)		7,065,759
Accrued Funded Payroll		2,347,493
Other Liabilities with Related Budgetary Obligations (Note 7)		50,291
Total Other than Intragovernmental		14,760,999
Total Liabilities	**$**	**19,914,022**
NET POSITION:		
Total Unexpended Appropriations	$	41,936,464
Total Cumulative Results of Operations		10,168,561
Net Position	**$**	**52,105,025**
Total Liabilities and Net Position	**$**	**72,019,047**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET COST

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(in dollars)

		2025
Strategic Goal 1 - Prevent:		
Gross Cost	$	62,158,945
Earned Revenue		(3,482,133)
Net Cost Strategic Goal 1		**58,676,812**
Strategic Goal 2 - Address:		
Gross Cost	$	24,529,621
Earned Revenue		-
Net Cost Strategic Goal 2		**24,529,621**
Strategic Goal 3 - Communicate:		
Gross Cost	$	7,883,319
Earned Revenue		-
Net Cost Strategic Goal 3		**7,883,319**
Strategic Goal 4 - Support:		
Gross Cost	$	70,630,627
Earned Revenue		-
Net Cost Strategic Goal 4		**70,630,627**
Total Entity:		
Total Gross Cost		165,202,512
Total Earned Revenue		(3,482,133)
Total Net Cost of Operations (Note 15)	**$**	**161,720,379**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(in dollars)

	2025
Unexpended Appropriations	
Beginning Balance	$ 44,561,887
Appropriations Received	150,975,000
Other Adjustments	(1,379,172)
Appropriations Used	(152,221,251)
Net Change in Unexpended Appropriations	(2,625,423)
Total Unexpended Appropriations	**$ 41,936,464**
Cumulative Results of Operations	
Beginning Balance	$ (2,114,538)
Corrections of Errors (Note 1F)	12,219,051
Beginning Balance, as Adjusted	$ 10,104,513
Appropriations Used	152,221,251
Imputed Financing (Note 9)	9,563,252
Other	(76)
Net Cost of Operations (Note 15)	(161,720,379)
Net Change in Cumulative Results of Operations	64,048
Total Cumulative Results of Operations	**$ 10,168,561**
Net Position	**$ 52,105,025**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF BUDGETARY RESOURCES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(in dollars)

	2025
Budgetary Resources	
Unobligated Balance from Prior Year Budget Authority, Net	$ 8,926,283
Appropriations	150,975,000
Spending Authority from Offsetting Collections	2,602,304
Total Budgetary Resources	**$ 162,503,587**
Status of Budgetary Resources	
New Obligations and Upward Adjustments (Total) (Note 13)	$ 152,039,605
Unobligated Balance, End of Year	
Apportioned, Unexpired Accounts	5,844,327
Unapportioned, Unexpired Accounts	804,121
Unexpired, Unobligated Balance, End of Year	6,648,448
Expired, Unobligated Balance, End of Year	3,815,534
Unobligated Balance, End of Year (Total)	10,463,982
Total Budgetary Resources	**$ 162,503,587**
Outlays, Net and Disbursements, Net	
Outlays, Net (Total)	$ 154,545,318
Distributed Offsetting Receipts	(22,083)
Agency Outlays, Net (Note 15)	**$ 154,523,235**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CUSTODIAL ACTIVITY

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(in dollars)

	2025
REVENUE ACTIVITY:	
Sources of Cash Collections:	
Civil Penalties & Fines	$ 13,250,000
FOIA and Miscellaneous	22,083
Total Cash Collections	13,272,083
Accrual Adjustments	3,010,991
Total Custodial Revenue (Note 14)	$ 16,283,074
DISPOSITIONS OF COLLECTIONS:	
Transferred to Others (by Recipient)	$ 13,272,083
Increase/(Decrease) in Amounts Yet to be Transferred	3,010,991
Total Disposition of Collections	$ 16,283,074
Custodial Revenue Less Disposition of Collections	**$ -**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the U.S. Consumer Product Safety Commission (CPSC), an independent federal agency with a mission to protecting American families from unreasonable risks of injury associated with consumer products. Congress established the U.S. Consumer Product Safety Commission (CPSC) over fifty years ago through the Consumer Product Safety Act (CPSA). The CPSA, as amended, authorizes the CPSC to:

- Issue and enforce mandatory standards;
- Pursue recalls of products or arranging for their repairs;
- Develop voluntary standards;
- Conduct research on potential product hazards;
- Inform and educate consumers; and
- Respond to industry and consumer inquiries.

Fund Accounting Structure

CPSC's financial activities are meticulously accounted for using federal account symbols to ensure transparency and accountability. These accounts include appropriated funds, general fund receipt accounts, and gifts and donations receipt accounts.

- Appropriated Funds: These funds consist of salaries and expenses appropriation accounts used to support agency operations, capital expenditures, grant programs, and COVID-19 relief efforts under the American Rescue Plan Act, highlighting CPSC's commitment to public safety and adaptability.

- General Fund Receipt Accounts: Civil penalties, FOIA fees, and other receipts are collected by CPSC and, by law, cannot be retained. At the end of each fiscal year, all cash balances in these receipt accounts are automatically transferred to the general fund of the U.S. Treasury, ensuring fiscal responsibility of taxpayer resources.

- 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 has occasionally received donations from non-governmental sources in support of the agency's mission.

Budget Authority

Congress enacts appropriations granting CPSC the authority to obligate funds for essential program activities. These funds, subject to OMB apportionment, are managed under CPSC's Administrative Control of Funds directive, which aligns with OMB Circular No. A-11. This directive imposes internal restrictions on the use of apportioned funds, ensuring obligations do not exceed the appropriated amounts.

Basis of Accounting and Presentation

The financial statements are prepared on an accrual basis, in accordance with GAAP for the federal government, and conform to OMB Circular No. A-136, *Financial Reporting Requirements*, to include authorization of a single year presentation for the financial statements and notes. Revenues are recognized when earned, and expenses when incurred, regardless of cash flow. This approach ensures accurate financial reporting, despite differences from budgetary reporting principles, such as the capitalization and depreciation of property and equipment and the treatment of long-term assets and liabilities.

Assets

Intragovernmental assets are those arising from transactions with other federal entities. The Fund Balance with Treasury is the majority of the intragovernmental assets on CPSC's Balance Sheet.

A. Fund Balance with Treasury

The U.S. Department of Treasury manages cash collections and disbursements for CPSC. The Fund Balance with Treasury includes appropriated funds for liabilities and commitments, and general fund receipt accounts for collections made by CPSC. At year-end, these balances are transferred to the U.S. Treasury's general fund. The Fund Balance with Treasury represents both obligated and unobligated balances, available for allowable expenditures and restricted uses to include amounts related to expired authority and amounts not available for use by CPSC.

B. Accounts Receivable and Allowance for Uncollectible Accounts

CPSC's accounts receivable are categorized into entity and non-entity accounts. Entity receivables include amounts due from customers for reimbursable agreements and overpayments to vendors and employees (current and former). Non-entity receivables consist of civil monetary penalties and FOIA fees. CPSC's current policy is to establish an accounts receivable for civil penalties based on the provisional settlement date. The final order assessment date initiates the prompt pay requirement to ensure timely collection. These receivables are held in a custodial capacity. Based on historical data, all amounts are considered fully collectible, so no allowance for uncollectible accounts is established.

C. Property, Plant, and Equipment (PPE)

CPSC capitalizes equipment, software, furniture, fixtures, and leasehold improvements with a useful life of two or more years and acquisition costs meeting specific thresholds. Equipment and software are capitalized at $30,000 per unit or $100,000 for bulk purchases. Furniture, fixtures, and other equipment are capitalized at $100,000 for aggregate purchases. Leasehold improvements are capitalized based on contractual agreements. All other acquisitions are expensed. PPE is depreciated using the straight-line method, with leasehold improvements amortized over the lesser of their useful life or the lease term. Disposals are recognized by removing the asset from accounts and recording any gain or loss.

D. Leases

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

Liabilities

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

A. Accounts Payable

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

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

B. Salaries and Federal Employee Benefits

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

C. Accrued Annual Leave

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

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

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

F. Immaterial Correction of Errors
During fiscal year 2025, management identified an error in prior year financial statements related to certain internal use software costs that had been expensed and should have been capitalized. Management corrected this error by increasing the opening balance of Cumulative Results of Operations as of October 1, 2024 by $12.2M.

Estimates and Assumptions

Preparation of CPSC's 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 may differ from those estimates.

Changes in Entity or Financial Reporting

The presentation of the Balance Sheet, Statement of Changes in Net Position, Statement of Custodial Activity, and the Undelivered Order Note (12) have been modified to be consistent with the presentation of this document's reporting period. The format of the Balance Sheet has changed to reflect more detail for certain line items, as required by OMB Circular No. A-136 for all significant reporting entities. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the Financial Report of the United States Government.

Classified Activities

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

Note 2 – Fund Balance with Treasury

CPSC's Fund Balance with Treasury consists of apportioned and unapportioned funds. The status of this fund is for the fiscal year ended September 30, 2025 is as follows:

	2025
Status of Fund Balance with Treasury	
Unobligated Balance	
Available	$ 6,648,448
Unavailable	3,815,534
Obligated Balance Not Yet Disbursed	37,671,272
Total Fund Balance with Treasury	**$ 48,135,254**

The available unobligated fund balances represent the current period amount available for obligation or commitment. The available unobligated balances for the fiscal year ended September 30, 2025, were $6,648,448. The unavailable unobligated fund balances represent the amount of appropriation for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. The unavailable unobligated balances for the fiscal year ended September 30, 2025, were $3,815,534.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the Fund Balance with Treasury on hand (see Note 12). The custodial funds held for Treasury consist of collections of fines and penalties received from violators of the CPSA (as amended) and fees from FOIA charges, both of which are not available for CPSC to use. The custodial funds held for Treasury make up the difference between the Fund Balance with Treasury amount reported in the CPSC general ledger and the balance reported in the Governmentwide Accounting (GWA) Statement Module.

Note 3 – Accounts Receivable, Net

CPSC's accounts receivable are comprised of entity and non-entity accounts. The entity receivables include amounts due from other agencies for goods and services provided, amounts due from current and former employees, and other public receivables. The non-entity receivables include Civil Fines and Penalties and FOIA activities. The non-entity civil fines and penalties are aged and are either in litigation, forbearance, or in a formal appeals process. No allowance for uncollectible amounts or related provision for estimated losses has been established for CPSC's accounts receivable, as these amounts are fully collectible based on historical experience. The composition of accounts receivable for the fiscal year ended September 30, 2025, is as follows:

	2025
Entity	
Intragovernmental	
Account Receivable	$ 321,927
Non-Entity	
Other than Intragovernmental	
Civil Fines and Penalties	3,000,000
Other Receivables	12,444
Total Non-Entity Accounts Receivable	**3,012,444**
Total Accounts Receivable	**$ 3,334,371**

Note 4 – Advances and Prepayments

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

	2025
Intragovernmental	
Advances and Prepayments	$ 272,614
With the Public	
Advances and Prepayments	$ 2,008,900
Total Other Assets	**$ 2,281,514**

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

The composition of PPE, Net is for the fiscal year ended September 30, 2025, is as follows:

Class of PPE	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value	Useful Life in Years
Leasehold Improvement	$ 24,409,385	$ 23,579,431	$ 829,954	6 – 14
Equipment	26,775,427	19,981,896	6,793,531	5 - 20
Furniture, Fixture & Other Equipment	2,608,689	2,608,689	-	3 - 5
Software	10,289,598	4,652,246	5,637,352	5
Software in Progress	4,975,071	-	4,975,071	NA
Equipment - Work in Progress	32,000	-	32,000	NA
Total	**$ 69,090,170**	**$ 50,822,262**	**$ 18,267,908**	

Note 6 – Liabilities Not Covered by Budgetary Resources

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

The liabilities on CPSC's Balance Sheet for the fiscal year ended September 30, 2025, include liabilities not covered by budgetary resources. The intragovernmental liabilities are owed to DOL for the FECA (disability) payments and the General Services Administration (GSA) for the Tenant Improvement Allowance (TIA) provided as a part of the long-term lease on office facilities. CPSC also recognizes liabilities for employee annual leave earned but not yet taken and for workers' compensation actuarial liability. CPSC also collects receivables that are withdrawn to Treasury with no budgetary resource associated. The composition of the liabilities not covered by budgetary resources for the fiscal year ended September 30, 2025, is as follows:

	2025
Intragovernmental	
Workers' Compensation	$ 177,419
Other Liabilities Without Budgetary Obligations	968,835
Total Intragovernmental	**1,146,254**
Accrued Annual Leave	6,013,751
Workers' Compensation Actuarial	964,462
Total Liabilities Not Covered by Budgetary Resources	**8,124,467**
Total Liabilities Covered by Budgetary Resources	**8,778,234**
Total Liabilities Not Requiring Budgetary Resources (see Note 7)	**3,011,321**
Total Liabilities	**$ 19,914,022**

Note 7 – Other Liabilities

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

Other Liabilities	2025
Intragovernmental	
Employee Benefits	$ 457,598
Workers' Compensation	177,419
Employer Contributions Payable	130,970
Custodial Liability	3,011,321
Other Liabilities Without Related Budgetary Obligations	968,835
Total Intragovernmental	**$ 4,746,143**
Other than Intragovernmental	
Other Liabilities with Related Budgetary Obligations	50,291
Total Other Than Intragovernmental	**50,291**
Total Other Liabilities	**$ 4,796,434**

Civil Service Retirement System (CSRS), Federal Employees' Retirement System (FERS), Federal Insurance Contributions Act (FICA), FEHB, and FEGLI contributions are shown on the Balance Sheet and included in employee benefits and employer contributions liability balances. The amount owed to the Office of Personnel Management (OPM) and the U.S. Treasury for the fiscal year ended September 30, 2025, was $588,568. For the Other Liabilities Without Related Budgetary Obligations, this amount includes TIL and CPSC has authority to levy fines and penalties against manufacturers, retailers, or distributors who violate the CPSA (as amended), Federal Hazardous Substance Act (FHSA), and the Flammable Fabrics Act (FFA). Civil penalty collections are deposited in the U.S. Treasury and are not available for CPSC to use. CPSC also charges a fee for the processing of FOIA requests. FOIA fees are also deposited in the U.S. Treasury and are not available for CPSC to use. Civil penalties and FOIA fees due and balances in the general fund receipt accounts are recognized as a custodial liability on CPSC's Balance Sheet. For the fiscal year ended September 30, 2025, the total Custodial Liabilities was $3,011,321. The revenue and collection activities of these liabilities are presented in the Statement of Custodial Activities.

Note 8 – Other Liabilities without Related Budgetary Obligation, Intragovernmental

The Intragovernmental Other Liabilities without Budgetary Obligations totaled $968,835 on CPSC's Balance Sheet for the fiscal year ended September 30, 2025, which includes $2,038 for other unfunded employment related liabilities and Tenant Improvement Liabilities (TIL) totaling $966,797. The specific composition of TIL for the fiscal year ended September 30, 2025, is as follows:

Other Liabilities	2025
Intragovernmental	
TIL – HQ	$ 100,792
TIL – NPTEC	866,005
Total Tenant Improvement Liability	**$ 966,797**

The unfunded TIL is payable to GSA over the life of the lease. CPSC's lease agreements with GSA are for two facilities in Maryland: The Headquarters (HQ) offices located in Bethesda and the National Product Testing and Evaluation Center (NPTEC) located in Rockville. The two leases provided an allowance for customization of the properties. The TIL is amortized over the life of the lease. The TIL is reduced when the amortized amount is billed by GSA and paid by CPSC.

Note 9 – Federal Employee Benefits Payable

Federal employee benefits consist of the actuarial portion of future benefits earned by federal employees but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits, excluding workers compensation. These benefits are administered by the U.S. Office of Personnel Management (OPM) and not CPSC. Since CPSC does not administer the benefit plans, CPSC does not recognize any liability on the

Balance Sheet for pensions, other retirement benefits, and other post-employment benefits. CPSC does, however, recognize the imputed financing sources/costs related to these benefits on Net Cost of Operations and the Statement of Changes in Net Position. The federal employee retirement benefit costs paid by OPM and imputed to CPSC for the fiscal year ended September 30, 2025, related to imputed financing sources that totaled $ 9,563,252.

	2025
Estimated future pension costs (CSRS/ FERS)	$ 5,131,426
Estimated future postretirement health insurance (FEHB)	4,419,471
Estimated future postretirement life insurance (FEGLI)	12,355
Total Imputed Costs	**$ 9,563,252**

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

For employees participating in CSRS, CPSC contributes seven percent to their plan. FERS is a three-tiered retirement system consisting of a Basic Benefit Plan, Thrift Savings Plan (TSP), and Social Security Benefits. The TSP under FERS is a savings plan in which CPSC automatically contributes one percent of base pay and matches any employee contributions up to an additional four percent of base pay. For most employees hired after December 31, 1983, CPSC also contributes the employer's matching share for Social Security. CPSC's contributions are recognized as current operating expenses.

The federal employee benefits payable as shown on the Balance Sheet as of September 30, 2025, are $7,065,759, which consists of accrued annual leave ($6,013,751), FECA actuarial liability ($964,462), as well as employer contributions and payroll taxes ($87,546). The total accrued funded payroll as of September 30,2025, was $2,347,493.

Note 10 – Operating Lease

CPSC's lease agreements with GSA are for three facilities in Maryland: HQ offices located in Bethesda, the National Product Testing and Evaluation Center (NPTEC) located in Rockville, and the Sample Storage Facility (SSF) located in Gaithersburg. Although CPSC has smaller operating leases, they are minimal and do not have a significant impact on overall operations and thus are not presented. The operating lease agreements for the three facilities expire between fiscal years 2028 and 2035. Lease costs for the period ended September 30, 2025, amounted to approximately $8,458,476.

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

CPSC's apportionments fall under three Categories: Direct Category A, quarterly apportionment for salaries and expenses; Direct Category B, restricted and activity apportionment for the VGB Act grant program and COVID-19 relief under the ARPA; and Reimbursable Category B, restricted and activity apportionment for reimbursable activities. CPSC currently does not have any Reimbursable Category A apportionments. Apportionment categories of obligations incurred for the fiscal year ended September 30, 2025, are as follows:

	2025
Direct Obligations, Category A	$ 146,849,473
Direct Obligations, Category B	2,228,796
Reimbursable Obligations, Category B	2,961,336
Total New Obligations and Upward Adjustments	**$ 152,039,605**

Note 12 – Undelivered Orders

The amount of budgetary resources obligated for orders undelivered for the fiscal year ended September 30, 2025, is as follows:

	Federal	Non-Federal	Total
2025			
Paid Undelivered Orders	$ 272,614	$ 2,008,900	$ 2,281,514
Unpaid Undelivered Orders	1,071,574	28,477,234	29,548,808
Total Undelivered Orders	**$ 1,344,188**	**$ 30,486,134**	**$ 31,830,322**

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

A reconciliation of CPSC's FY 2024 statement of budgetary resources with the corresponding information presented in FY 2025 President's Budget is as follows:

	Total Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$174,342,325	$ 167,067,920	$ 6,767	$169,446,200
Unobligated Balances Not Available	(3,443,252)			
Differences	(899,073)	(67,920)	(6,767)	553,800
Budget of the U.S. Government	**$170,000,000**	**$ 167,000,000**	**$ -**	**$170,000,000**

The FY 2027 Budget of the U.S. Government (also known as the President's Budget) will not be published prior to February 2026. Accordingly, a comparison between the FY 2025 data reflected on the statement of budgetary resources and FY 2025 data in the President's Budget cannot be performed. The Budget with the actual amount for FY 2025 will be available at a later date at https://www.whitehouse.gov/omb/budget. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both expired and unexpired appropriations, while the President's Budget presents only unexpired budgetary resources that are available for new obligations.

Note 14 – Custodial Revenue

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

In FY 2025, CPSC collected $13,250,000 in civil penalties and $22,083 in FOIA and miscellaneous fees for the fiscal year ended September 30, 2025. The receivable accrued, but not yet collected in FY 2025 was $3,010,991 and resulted in $16,283,074 revenue earned for the fiscal year ended September 30, 2025. All custodial revenue collections are deposited in the U.S. Treasury annually and are not available for CPSC to use.

Note 15 – Reconciliation of Net Cost to Net Outlays

The Budget Accrual Reconciliation (BAR) is a reconciliation of net outlays that are presented on a budgetary basis and the net cost that are presented on an accrual basis, to provide an explanation of the relationship between budgetary and financial accounting information. The BAR for the period ending September 30, 2025, is as follows:

BUDGET AND ACCRUAL RECONCILIATION (BAR)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(in dollars)

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 44,088,220**	**$ 117,632,159**	**$ 161,720,379**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense		(2,702,938)	(2,702,938)
Property, Plant, and Equipment Disposals and Revaluations		(15,322)	(15,322)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	(284,378)	(11,996)	(296,374)
Advances and Prepayments	65,580	(182,224)	(116,644)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	289,660	1,986,802	2,276,462
Federal Employee Salary, Leave, and Benefits Payable		1,618,899	1,618,899
Pension, Other Post-Employment, Benefits Payable		456,204	456,204
Other Liabilities	39,137	249,494	288,631
Financing Sources:			
Imputed Cost	(9,563,252)		(9,563,252)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (9,453,253)**	**$ 1,398,919**	**$ (8,054,334)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets		879,273	879,273
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost		$ 879,273	$ 879,273
Misc Items			
Distributed Offsetting Receipts (SBR 4200)		(22,083)	(22,083)
Custodial/Non-Exchange Revenue	16,283,074	(16,283,074)	-
Total Other Reconciling Items	**$ 16,283,074**	**$ (16,305,157)**	**$ (22,083)**
Total Net Outlays (Calculated Total)	**$ 50,918,041**	**$ 103,605,194**	**$ 154,523,235**
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			**$ 154,523,235**

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OTHER INFORMATION

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	3	0	1	0	2
Total Material Weaknesses	3	0	1	0	2

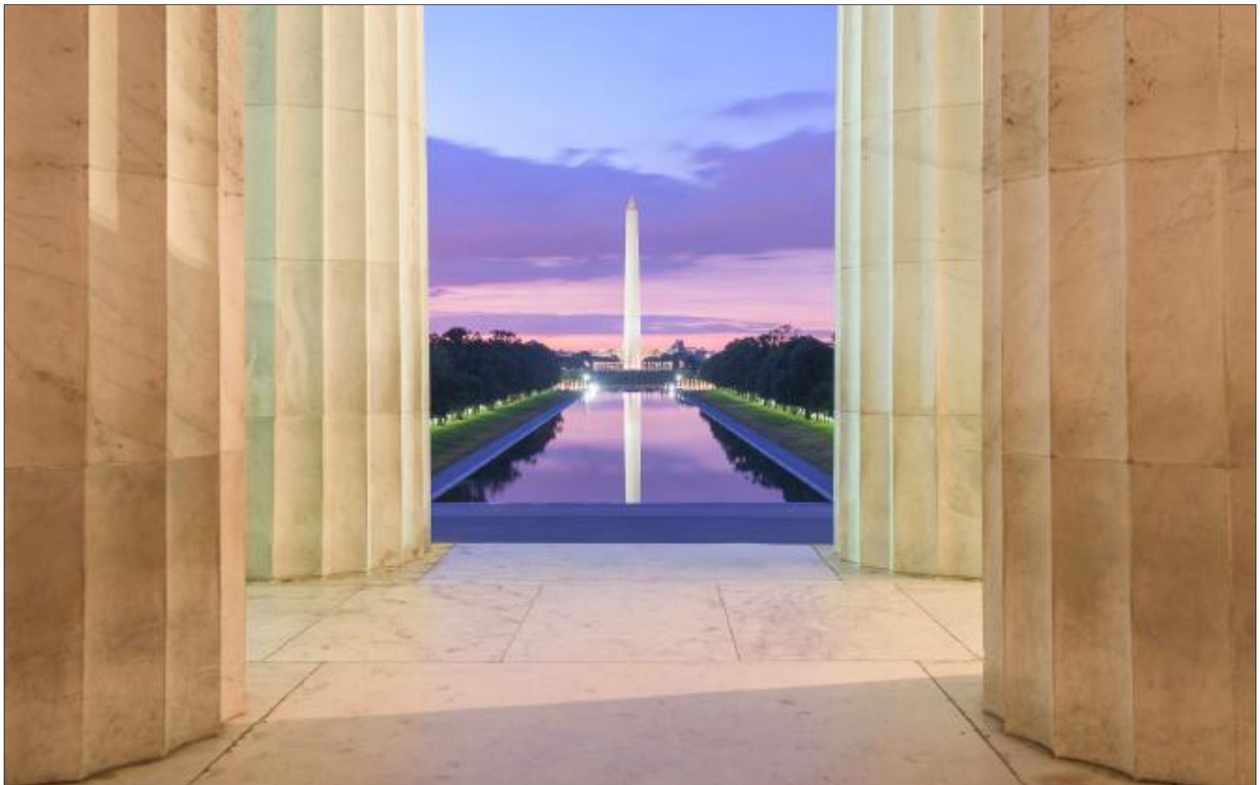
Summary of Management Assurances						
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Modified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1
Effectiveness of Internal Control over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

Inspector General's Management Challenges Report

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

Management and Performance Challenges for Fiscal Year 2026

December 18, 2025 26-O-01



VISION STATEMENT

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

STATEMENT OF PRINCIPLES

We will:

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

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

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

Be innovative, question existing procedures, and suggest improvements.

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

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

Work together to address government-wide issues.

December 18, 2025

TO: Peter A. Feldman, Acting Chairman

FROM: Christopher W. Dentel, Inspector General CHRISTOPHER DENTEL Digitally signed by CHRISTOPHER DENTEL Date: 2025.12.18 11:03:35 -05'00'

SUBJECT: Management and Performance Challenges for Fiscal Year 2026

In accordance with the Reports Consolidation Act of 2000, I am providing you information on what I consider to be the most serious management and performance challenges facing the U.S. Consumer Product Safety Commission (CPSC) in fiscal year (FY) 2026. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. These challenges are defined as mission critical areas or programs that have the potential to be a significant weakness or vulnerability that would greatly impact agency operations or strategic goals if not addressed by management.

As detailed in the following pages, the CPSC has made great improvements in terms of tone at the top and accountability, two areas that have been highlighted as weaknesses in past years' management challenges. Current senior leadership, unlike a number of their predecessors, has taken action to address issues related to employees who have failed to meet the high legal and ethical standards expected of federal employees. However, a number of the challenges inherited by senior management will take time to address. In FY 2026, the most serious management and performance challenges facing the CPSC remain similar to those it faced in FY 2025:

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

Complicating senior leadership's efforts to address the above challenges are issues related to the agency's culture. They will need to overcome agency management's historic reluctance to embrace change and hold staff accountable for results in order to achieve the objectives they have set regarding optimizing the use of limited resources, integrating Artificial Intelligence and other IT solutions into agency operations, developing better measures of program effectiveness, and ensuring adherence to policies, rules, regulations, and laws.

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

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INTRODUCTION

The fiscal year (FY) 2026 management and performance challenges directly relate to the current administration's priorities of improving government efficiency, restoring government accountability, and eliminating waste. They also relate to the U.S. Consumer Product Safety Commission's (CPSC) statutory mission of "Protecting the public from hazardous consumer products" and address the CPSC's *Strategic Goal 1: Sustain the operational backbone of the Commission to ensure resilience and continuity.*

Senior agency management have set a number of ambitious goals for themselves and appear to be bringing fresh ideas to deal with longstanding issues. For example, the CPSC plans to create an Analytic Center of Excellence and leverage advanced data analytics to improve its ability to identify unsafe products and target illegal shipments. However, this forward lean must be balanced against the challenges that agency leadership has inherited. These include the need to address shortcomings in the way the agency has dealt with human capital and financial management that have gone uncorrected for years and will not be susceptible to quick fixes. However, I am happy to report that, as noted below, the agency is now showing a greater willingness to address these issues and progress has been reported by the agency in a number of areas.

The FY 2026 management and performance challenges are:

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

Neither the listed challenges nor the issues underlying these challenges are new. Examples of the impacts of these persistent challenges and their ongoing nature include the two most recent Financial Statement Audits (FSAs), which resulted in findings related to pervasive weaknesses in the agency's system of internal control over its finances. In addition, the CPSC failed to properly complete its statutorily required annual report on the administration of the Consumer Product Safety Act (CPSA) to the President and Congress for fiscal years 2020, 2021, and 2022 and its Real Property Capital Plan in 2022. These reports are all valuable tools which, when prepared timely and accurately, can assist agency staff in planning and risk assessment tasks.

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

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

I. ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) is an integrated approach to understanding, analyzing and managing risk across an agency in order to help the agency achieve its objectives. It includes and integrates internal controls as a fundamental part of its framework. While ERM is broader than just internal control, an effective internal control system is considered an essential component for managing and mitigating risks to achieve an organization's objectives.

This is an area where the agency has made substantial progress in the past two years. However, resources constraints due to budgetary pressure and the FY 2025 hiring freeze have undercut the agency's ability to fully incorporate ERM into its operations. Specifically, as noted below, the loss of the agency's only internal control auditor, and the inability to fill this position, as well as the decision to no longer contract for internal control support, have impacted the agency's efforts in this area.

Risk is the effect of uncertainty on agency operations. Traditionally, organizations managed risks by placing responsibilities on unit leaders to manage the risks within their areas of responsibility. For example, the chief information officer was responsible for managing risks related to the organization's information technology operations, the chief financial officer (CFO) was responsible for managing risks related to finance and budget, the general counsel for legal risks, and so on. This traditional approach to risk management is often referred to as silo risk management whereby each silo leader is responsible for managing risks within their silo.

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

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

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

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

We note that the CPSC has experience using a risk-based methodology for certain of its operations, for example, its research and inspection operations. However, it is only relatively recently that the Office of Financial Management, Planning, and Evaluation began developing a risk assessment process for the agency as a whole. The agency reported that by the end of FY 2024, risk assessments had been performed by all assessable units[1] and internal controls have been identified to deal with the risks found by that process.[2]

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

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

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

There are multiple frameworks developed by well-regarded independent oversight entities, such as the Treadway Commission, which develops guidelines for organizations to evaluate internal controls, risk management, and fraud deterrence designed to facilitate the implementation of an effective ERM program. Most recommend organizations do the following:

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

[1] Certain offices in the CPSC are not included in the agency's definition of assessable units.

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

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

The agency now reports that its ERM program is operational rather than pilot. It has implemented a Senior Risk Management Counsel that provides governance to its ERM program by identifying and mitigating risks to the agency's ability to meet its strategic goals. However, its efforts in the area of internal control were hampered in FY 2025 by the lack of an internal control auditor and the loss of the contractor support previously used to perform risk assessments. On a foundational level, the CPSC is only now incorporating ERM into its operations and we have not had the opportunity to audit the effectiveness of the agency's efforts in this area.

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

The CPSC's past weaknesses in applying the principles of ERM and the resulting negative impact on the CPSC's ability to implement internal controls have been repeatedly noted in past Federal Information Security Modernization Act (FISMA) reviews, including the Evaluation of the CPSC's FISMA Implementation for FY 2025, Financial Statement Audit for FY 2023, Evaluation of the CPSC's Compliance with the Payment Integrity Information Act for Fiscal Year 2024 (PIIA), the Audit of the CPSC's Grants Program, and the Report of Investigation Regarding the 2019 Clearinghouse Data Breach.

The agency acknowledged that resource constraints have prevented them from testing the effectiveness of the internal controls in question, but it is apparent that agency management has placed both emphasis on and resources behind this effort that had been lacking in the past. The development of formal internal controls covering the majority of the agency would represent a truly foundational step in implementing effective internal controls at the CPSC. Agency management has indicated that they are planning on improving their risk assessment and statement of assurance processes in FY 2026 as well as providing managers additional training in these areas.

Another area where improvement has been made but much work remains to be done involves the agency's system of directives. A fundamental weakness in the CPSC's internal control system historically has been the failure to develop and maintain an up-to-date set of written policies and procedures. This problem was first reported over four years ago in our Audit of the CPSC's Directives System. In an effort to address this issue, the Chairman directed the Office of General Counsel to take the lead in ensuring that the agency reviews and revises its directives system. Although not yet audited, it appears that this is another area where substantial improvements have been made in the past few years. The Office of General Counsel has developed a process to track, review, and revise agency directives. However, although the development of such a process is a key development and a vital first step in addressing the ongoing issues with outdated written policies and procedures, the agency continues to have challenges in this area. Additionally, the agency's recent progress in this area has been negatively impacted this year by resource constraints and the hiring freeze. For example, some key human capital and financial management directives are over two decades old and clearly out of date. Other areas of agency operations suffer from having no written policies or procedure governing their operations.

The lack of written policies and procedures has contributed to the agency not meeting basic statutory and regulatory requirements. The agency's recent failure to comply with PIIA reporting requirements in FY 2024, complete mandatory reports to Congress regarding agency operations, as required by the CPSA, and not being aware of the requirement to complete a capital planning report required by OMB, appear to be linked to weaknesses in internal control rather than deliberate acts. In the case of the CPSA reporting requirements, there were no internal controls in place to ensure that these reports were completed. In the case of the capital planning reporting requirements, there was no process in place to ensure the agency tracked the creation of external requirements. On a positive note, for the first time in two decades, the names of the individuals selected to serve on the FY 2025 Senior Executive Service Performance Review Board were published in the Federal Register as required by federal regulation. Prior to this, the last time the CPSC met this requirement was FY 2006.

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

- Creation of a Senior Management Counsel to address ERM at the agency level and provide governance and risk mitigation.
- Development of an agency risk register.
- Ongoing efforts at reviewing and revising its directive system.
- Ongoing efforts to revise the management assurance and internal controls program governance, including its internal communication and its processes for consolidating its entity-level checklist responses for the statement of assurance.
- Reported success in meeting its goal to have all assessable units develop formal internal control programs in accordance with Green Book and A-123.

Recently completed OIG work in this area includes: Audit of the Consumer Product Safety Commission's Fiscal Year 2024 Financial Statements, Management Alert 23-O-04, Human Capital Program Assessment, Evaluation of the CPSC's Compliance with Tax Withholding Requirements, and Evaluation of the CPSC's Federal Information Security Modernization Act (FISMA) Implementation for FY 2024 and FY 2025, and Audit of the CPSC's Internal Controls Over Space Utilization. Ongoing OIG work in this area includes the Audit of the Consumer Product Safety Commission's Fiscal Year 2025 Financial Statements and the Pre-Dissemination Review Audit. Upcoming OIG work in this area includes scheduled evaluations of the CPSC's Budget Process and Senior Executive Service (SES) Performance Management System.

Until recently, a recurring challenge at the CPSC, and one which has compounded the difficulty in adequately addressing the CPSC's other internal control deficits, has been the "tone at the top" of the agency. I am happy to report that current senior leadership is in the process of reversing this trend.

Agency management has acted decisively to deal not only with a number of recent integrity type offenses but also moved to review the agency's responses to prior incidents.

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

II. RESOURCE MANAGEMENT

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

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

Current agency management has taken decisive action to refocus the agency on achieving its mission of protecting the public from hazardous consumer products and reshaping the agency to more efficiently accomplish this mission. The agency needs to continually assess whether it currently has the right personnel to support the mission and is providing the right training, tools, structure, and incentives to achieve operational success. Management must continually assess the agency's needs regarding knowledge, skills, and abilities so that the agency can be effective now and prepare for the challenges of the future. These challenges are complicated by the ERM issues discussed previously and budgetary and hiring constraints within which the agency must operate.

Management's efforts in this area have been affected by its Human Capital Program which, as noted in our assessment of same, has historically not aligned with federal regulations and lacked overall accountability. Additionally, the CPSC has not made full use of flexibilities available to it to aid in the recruitment and retention of information technology (IT) and other professionals; nor was it adequately performing succession planning. Many of the findings and recommendations found in the Human Capital Program Assessment were over two decades old and were first identified in Office of Personnel Management evaluations in 1998 and 2008. However, these recommendations were not resolved, including a finding that the CPSC had not established a system of accountability to ensure that its human capital program is managed effectively and efficiently. As noted, when the report was issued, these shortcomings, if not corrected, could prevent the CPSC from achieving its mission. I am happy to report that the CPSC has addressed some of these concerns, senior agency management officials have become directly involved, and three longstanding recommendations were closed in FY 2025.

Recent examples of the high cost of failing to retain competence or adequately plan for succession occurred during the FY 2023 and FY 2024 audits of the CPSC's financial statements. Despite being warned repeatedly by this office of the existence of a "key person" risk, created by the agency's over reliance on one individual to both manage financial operations and prepare the financial statements for the agency, the agency did not develop a succession plan to deal with the risk of this individual leaving the agency. When this individual did leave the agency, there was no one able to adequately perform their duties. This resulted in disruptions to the financial operations of the agency and to its ability to successfully complete its publication of its audited FY 2023 financial statements in a timely manner. It also played a role in the agency receiving a qualified audit opinion in FY 2023 and being found to have material weaknesses in its financial reporting in FY 2023 and FY 2024. Agency management has addressed these competency issues over the past two years by supplementing its internal staff with contractors. The FY 2025 Financial Statement Audit is ongoing as of the time this document is being written but it seems likely that agency management will again in FY 2026 be forced to make hard decisions involving what work should be done in-house and what work should be outsourced to contractors.

The agency enters FY 2026 after experiencing unprecedented turnover in FY 2025. Overall headcount decreased by 80 (from 525 to 445). Support operations (HR, Finance, etc.) staffing levels fell over 20 percent. In contrast, field and scientific/laboratory staff decreased by approximately eight percent in the same period. Additionally, a number of existing critical vacancies (chief financial officer, budget officer, internal control auditor, human resource director, etc.) could not be filled. The agency reports that steps have been taken to improve the transfer of information from departing employees. This assertion has not yet been assessed by this office. This creates both a challenge in conducting current operations and an opportunity to reshape the agency.

The CPSC needs to implement policies and procedures to secure and safeguard vulnerable assets as well as accurately track property as part of its financial operations. Vulnerable assets include physical property and data the agency collects and uses to analyze potential harm to consumers. The CPSC should have adequate policies and procedures in place to safeguard data from unauthorized release and both track the value of physical assets and protect them from misappropriation. Issues related to property management were noted in the FY 2023 and FY 2024 Financial Statement Audits, where they played a role in the agency receiving a qualified opinion in FY 2023, and having to request and receive permission from OMB to utilize a single year (rather than the traditional two year comparative) presentation in FYs 2023 and 2024.

As part of resource management, the agency should implement best practices and recommendations, such as those described in government-wide directives from the General Services Administration, OMB, and Office of Personnel Management, as well as the Government Accountability Office and OIG reports, to improve the efficiency and effectiveness of the CPSC's operations. These reports include recommendations with which management has previously concurred. Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of government operations. Historically, insufficient resources were allocated to implementing OIG recommendations with which the agency had already concurred. This led to the continuation of problems that had already been identified and that management had already agreed to address.

The agency appears to be placing much greater emphasis on this area of late with senior management officials becoming directly involved in the audit follow-up process. This has clearly led to a greater effort on the part of management officials to implement recommendations. For example, the agency took steps to address recommendations relating to human capital and internal control issues which, despite having been concurred with, had gone years without being directly addressed. Similarly, the agency closed the final open recommendation related to the 2019 Data Breach Investigation this year.

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

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

Recently completed OIG work in this area includes: Audit of the CPSC's Internal Controls Over Space Utilization, Audit of the Consumer Product Safety Commission's Fiscal Year 2024 Financial Statements, Human Capital Program Assessment, Evaluation of the CPSC's FISMA Implementation for FY 2024, and Audit of the CPSC's FISMA Implementation for FY 2025. Ongoing OIG work in this area includes the Audit of the Consumer Product Safety Commission's Fiscal Year 2025 Financial Statements and the Fleet Vehicle Planning, Management, and Analysis Audit. Upcoming OIG work in this area includes scheduled evaluations of the CPSC's Budget Process and SES Performance Management System and the Audit of the CPSC's FISMA Implementation for FY 2026.

III. INFORMATION TECHNOLOGY SECURITY

Senior leadership is making a concerted effort to upgrade CPSC's use of technology. They are working to replace outdated data collection systems with Artificial Intelligence powered data mining efforts. This initiative will provide CPSC staff access to electronic health and injury records, commercial trade data, and retailer information. By integrating this data, CPSC staff will have real-time insights into emerging hazards enabling them to act more quickly. These efforts have the potential to make CPSC a much more effective organization supporting the mission of keeping American families from unreasonable risks of injury associated with consumer products.

In IT, there is competition for the resources required to maintain current systems and the resources required to develop new tools and systems. Additionally, there is competition for resources necessary to meet mission initiatives and resources required to address the ever-evolving IT security environment. As this office has expressed before, and the agency also noted, the CPSC will not be able to meet current and future demands with its current IT resources. The agency will need to reassess the risks and benefits of allocating resources to new systems versus securing and maintaining legacy systems. This challenge is not unique to the CPSC. Current agency leadership appears to be more willing to develop new systems and ways of doing things than many of their predecessors. For example, as previously discussed, the agency has announced that it will be creating an Analytic Center of Excellence to harness advanced data analytics, consistent with President Trump's Executive Order 14179.

During the FY 2025 FISMA evaluation, the CPSC's compliance with the annual FISMA reporting metrics set forth by the Department of Homeland Security and the OMB was assessed. It was found that improvements have occurred in some areas. The CPSC was able to close 23 recommendations. Specifically, since the FY 2024 FISMA evaluation, the CPSC had:

- defined and documented the taxonomy of the CPSC's information system components
- implemented solutions to perform scenario analysis and modeled potential responses, including modeling the potential impact of a threat exploiting a vulnerability and the resulting impact to organizational systems and data
- implemented registration and inventorying procedures for the CPSC's information systems
- developed, documented, and implemented a process for determining and defining system boundaries
- implemented the CPSC's policies and procedures for provisioning, managing, and reviewing privileged accounts
- developed and implemented policies and procedures in support of Binding Operational Directive 22-01, Reducing the Significant Risk of Known Exploited Vulnerabilities
- performed an assessment of the knowledge, skills, and abilities of the CPSC personnel with significant security responsibilities
- developed a security awareness and training strategy/plan
- defined and implemented event logging requirements

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

The IT challenges currently facing the CPSC include: evolving threats, increasingly sophisticated attacks including state-sponsored attacks, and new compliance requirements. These challenges are further complicated by the rapid changes in the agency's IT environment as CPSC management overhauls its data collection and analysis tools.

Recently completed OIG work in this area includes: Audit of the Consumer Product Safety Commission's Fiscal Year 2024 Financial Statements, Evaluation of the CPSC's FISMA Implementation for FY 2025, Evaluation of the CPSC's Management of Cloud Computing, Shared Services, & Third-Party Systems; and Evaluation of the CPSC's NIST Cybersecurity Framework Implementation. Ongoing OIG work in this area includes the Audit of the CPSC's Adoption of Zero Trust Architecture and Audit of the Consumer Product Safety Commission's Fiscal Year 2025 Financial Statements. Upcoming OIG work in this area includes the scheduled Audit of the CPSC's FISMA Implementation for FY 2026.

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

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

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Payment Integrity Information Act (PIIA) Reporting

In an effort to enhance the accuracy of federal payments, Congress passed several laws, including the Payment Integrity Information Act of 2019. This law requires agencies to improve oversight of high-dollar and high-risk programs and mandates the sharing of data about payment eligibility and amounts. CPSC also complies with OMB Memorandum M-19-21, which revised Appendix C in OMB Circular No. A-123, *Requirements for Payment Integrity Improvement*. For more information on improper payments and previous years' reports, please visit the following link: https://paymentaccuracy.gov/.

Review of Program Activities in FY 2025

CPSC, in partnership with their financial shared services provider, ARC, strives to ensure payments are accurate and justified by using experienced staff, a robust financial management system, and thorough internal process reviews. In its 2025 analysis, CPSC found no significant improper payments that resulted in a loss to taxpayers.

CPSC assesses payments reporting for two program activities: Payroll and Non-Payroll. The program activity for payroll and non-payroll totaled $101,680,063 and $41,807,450, respectively. For FY 2025, the agency identified one improper payment related to administrative processing error for an underpayment, which was subsequently corrected by working with the vendor to remit the proper payment.

Payment Reporting & Prior Year PIIA Compliance

The FY 2024 PIIA review, issued by the OIG in May 2025, found that CPSC complied with OMB Memorandum M-21-19.

Recapture of Improper Payments

The PIIA (also refer to 31 U.S.C. § 3352) requires agencies to conduct payment recapture (or recovery) audits for each program that expends $1 million or more annually, if conducting such audit would be cost effective. A payment recapture audit is a detective and corrective control activity designed specifically to identify and recapture overpayments. CPSC previously conducted a cost-benefit analysis of two alternatives for payment recapture audits, which explored the use of federal versus contract staff. Neither alternative was cost effective to pursue a payment recapture audit based on the root cause and nature of the improper payments, which Management informed both OMB and the CPSC OIG of the analysis and final decision.

While CPSC concluded that payment recapture audits are not cost effective, agency staff self-report improper payments as noted above in the CPSC analysis. CPSC will continue to collect and resolve improper payments through existing financial procedures, including pre-audit of travel reimbursements, internal control review activities, internal and external audits, training of CPSC staff, and debt collection, as necessary.

Do-Not-Pay Initiative

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

CPSC performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. Based on the monthly reviews from DNP and SAM Exclusions list, no errant payments were identified.

Civil Monetary Penalty Adjustment for Inflation

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

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

Grant Programs

In FY 2025, CPSC administered two grant programs: the VGB Act and the NZB Memorial Carbon Monoxide Poisoning Prevent Act of 2022, which award funding to subrecipients.

The summary table below shows the number of awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by 2 years or more before September 30, 2025. CPSC does not have any current grants or cooperative agreements exceeding closeout for two years or more before September 30, 2025.

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

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APPENDIX A: Report to OMB on Material Weaknesses & Corrective Actions Taken and Planned

Material Weakness (MW)	Actions Taken in FY 2025	Actions Planned in FY 2026	Target Completion Date	Status
Entity Level Control Deficiency. CPSC did not establish and implement effective entity-level controls over financial management.	CPSC completed the following actions: 1) Ensured staff received training on key financial management processes related to the proper calculation and recording for prepaid expenses to ensure estimates were presented accurately on the financial statements and ensured CORs received refresher training on proper calculation of accruals for contracts 2) Utilized the Enterprise Risk Management (ERM) and Internal Control programs to enhance risk assessment reviews at the enterprise and process levels to identify and monitor significant changes in the control environment and remediate risks. 3) Established an ERM governance body known as the Senior Management Council (SMC) to review and discuss agency level risks and mitigation strategies. The SMC also has an established charter with defined roles and responsibilities. 4) Developed succession plans for key positions within the Office of Financial Management, Planning, and Evaluation (EXFM) to improve continuity of operations during staff transitions.	CPSC will complete the following actions: 1) Continue updating the succession plans for additional EXFM staff to continuously ensure continuity of operations during staff transitions. 2) Revise policies and procedures to ensure financial data related to asset depreciation, internal use software development, and operating leases are timely communicated from the applicable program office to EXFM. 3) Continue updating CPSC financial reporting and property management directives, cycle memos, and standard operating procedures to increase oversight, review, and accountability. 4) Continue to improve the communication process between offices within the CPSC to ensure relevant and necessary financial reporting information requirements are communicated timely to achieve financial reporting requirements.	FY 2026	Open / In progress

Material Weakness (MW)	Actions Taken in FY 2025	Actions Planned in FY 2026	Target Completion Date	Status
Controls over PPE additions and related depreciation. CPSC did not fully document, or implement adequate processes and controls related to the recording of PPE, including calculating the related depreciation expense.	CPSC completed the following actions: 1) Developed a capital asset checklist to verify receipt of a capital asset and ensure an accurate in-service date has the proper required supporting documentation and is properly recorded in the Property Management System. 2) Established recurring communication with applicable program offices for EXFM to obtain current data (additions, disposals, and work in progress) for timely and accurate financial reporting and disclosure of assets on the financial statements.	CPSC will complete the following actions: 1) Evaluate and assess the current Property Management process and update the applicable Directive, Cycle Memo, Standard operating procedure (SOP), and end user guides. 2) Strengthen recurring communication with applicable program offices to ensure EXFM receives fixed asset data (additions, disposals, and work in progress) and internal use software development updates to ensure timely and accurate financial reporting and disclosure of assets on the financial statements. 3) Update policies and procedures to incorporate a monitoring control to ensure internal use software and fixed assets are accurately and timely reported to EXFM and recorded on a quarterly basis and the depreciation and/or amortization calculation is based on supporting documentation.	FY 2026	Open / In progress
(Prior year MW) **Controls over review of Journal Entries.** CPSC did not have effective controls over journal entries and did not maintain documentation to evidence that quarterly review of the journal entry log.	CPSC completed the following actions: 1) Revised policies and procedures ensure more effective segregation of duties were in place for journal entry approvals. 2) Reviewed and revised the existing roles for both the journal entries and the compensating control for recording the journal entry log and updated as appropriate. 3) Provided training on the updated policies and procedures for journal entry approvals.	CPSC will complete the following actions: 1) Strengthen policies and procedures ensure more effective segregation of duties are in place for journal entry approvals and reviewing the journal entry log.	FY 2026	Downgraded from MW to Significant Deficiency (see audit report on p. 15)

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