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

January 30, 2026

Ms. Casey Waithe, Acting Chief Financial Officer
United States Consumer Product Safety Commission
Bethesda, Maryland 20814

To the management of United States Consumer Product Safety Commission:

In planning and performing our audit of the financial statements of the United States Consumer Product Safety Commission (CPSC) as of and for the year ended September 30, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the CPSC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPSC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CPSC's internal control.

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 and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards*, we issued our report dated January 16, 2026, on our consideration of the CPSC's internal control over financial reporting in which we communicated certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. During our audit, we identified certain deficiencies in internal control. These comments and recommendations are summarized in Exhibit I.

The CPSC's responses to the deficiencies identified in our audit are presented in Exhibit I. The CPSC's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

The purpose of this letter is solely to describe the deficiencies in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

A. Risk of Invalid Open Obligations

The CPSC's management did not have sufficient review controls in place to assess the validity of open obligations. In prior fiscal years, we noted that the CPSC had weaknesses in its review controls in place to assess the validity of open obligations. In response, the CPSC agreed to develop a corrective action plan. Although a corrective action plan was implemented in FY 2025, we still identified invalid obligations in current year testing. This year, we identified one open obligation from our statistical sample, that was previously obligated in a prior year and had no activity during the year ending September 30, 2025. The applicable contracting officer's representatives (COR) confirmed that work was completed, and no further invoices were expected from the vendor for that prior year. The amount of this prior year obligation was $15 thousand. Based on the statistical sample, the projected overstatement of prior year funds is approximately $777 thousand.

The above instance occurred because CPSC management did not have sufficient policies and procedures to identify, analyze, and respond to risks related to the validity of open obligations. Furthermore, the CPSC lacked sufficient communication across support offices to assist CORs and contracting officers in effectively assessing the validity of open obligations on a periodic basis. Insufficient policies and procedures to review the validity of open obligations with no activity may result in budgetary resources remaining obligated that could otherwise be available to the CPSC for management's priorities. Specifically, we noted there were $2.4 million of open obligations from prior years that did not have activity during the current year ending September 30, 2025.

GAO's *Standards for Internal Control in the Federal Government* (Green Book) Principles 10 – Design Control Activities, 12 – Implement Control Activities, and 14 – Communicate Internally are relevant to the conditions noted.

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

1. Design and implement a control to identify, analyze, and respond to risks related to the validity of open obligations.

2. Establish procedures and recurring communication with the appropriate stakeholders to assist in the identification and de-obligation of stale undelivered orders.

<u>Management's Response:</u>

In response to KPMG's prior year finding, CPSC strengthened our policies and procedures related to open obligation reviews in FY 2025. Staff also maintained ongoing communication with the agency's Contracting Officer Representatives to review and validate the open obligations and initiate the required deobligation actions where applicable. In addition, staff conducted targeted review of CPSC's oldest open obligations by engaging vendors to confirm whether additional invoices were expected, before closing out contracts. These efforts resulted in the processing of more than 140 contract and non-contract actions leading to the deobligation of $2.2M across four prior fiscal years. However, consistent with appropriations law, the deobligated prior-year funds were no longer available to use for CPSC's FY 2025 requirements. We also note that KPMG did not identify any instances where the deobligated amounts were improperly obligated in prior fiscal years.

For added context, it is not uncommon for inactive open obligations to continue from previous years as vendors have up to five years to submit invoices. Nonetheless, management remains committed to further improving our review process for open obligations and will continue to take the necessary action to deobligate where applicable.

Auditors' Response:

Management stated that action had been taken in FY 2025 to identify and deobligate potential invalid obligations in response to the finding issued in the prior year. However, as stated in our comment, management did not have established controls documented with sufficient policies and procedures to perform systemic and timely reviews of aged obligations. As such, we did not revise this comment and the associated recommendations. Follow-up procedures will be conducted in fiscal year 2026 to determine whether corrective actions have been implemented.

B. Identification and Logging of Leases

In prior fiscal years, we noted that CPSC management did not have sufficient controls or processes in place to identify, log, and determine the financial reporting requirements for all operating leases. In response, the CPSC agreed to develop a corrective action plan that has not yet been implemented. This year, we continued to note that CPSC management did not have sufficient policies and procedures to identify, log, and determine the financial reporting requirements related to the identification and disclosure of leases. Furthermore, the CPSC lacked communication across support offices to effectively identify and log these leases. Insufficient policies and procedures for leases may result in noncompliance with applicable financial reporting disclosure requirements.

GAO Green Book Principles 6 – Define Objectives and Risk Tolerances, 7 – Identify, Analyze and Respond to Risks, 10 – Design Control Activities, and 14 – Communicate Internally are relevant to the condition noted.

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

3. Design a control to identify, analyze, and respond to risks related to the reporting of leases.

4. Establish recurring communication with the appropriate stakeholders.

Management's Response:

In response to KPMG's Fiscal Year 2024 findings, CPSC staff maintained ongoing communication with internal stakeholders to obtain updated information on the agency's full portfolio of commercial leases and revised the budget object classification in the Oracle financial system. Staff also updated the draft policy to align with the new Federal lease standard, Statement of Federal Financial Accounting Standard 54. Management will continue executing its corrective action plan to finalize the policy and sustain recurring communication with internal stakeholders to ensure accurate reporting of lease liabilities.

Auditors' Response:

Management has stated that action has been taken to address the matters identified in this comment. Follow-up procedures will be conducted in fiscal year 2026 to determine whether corrective actions have been implemented.