



May 19, 2026

TO: Peter A. Feldman, Acting Chairman

FROM: Christopher W. Dentel, Inspector General

***INADEQUATE SEGREGATION OF DUTIES & NONCOMPLIANT ADMINISTRATIVE CONTROL OF FUNDS POLICY INCREASES RISK AT THE CPSC***

This management alert notifies you of two urgent issues that, although longstanding, require immediate attention and action. Specifically, the U.S. Consumer Product Safety Commission's (CPSC) lack of necessary internal controls over the segregation of duties has created a potential fraud risk by authorizing the budget officer to hold incompatible roles in the appropriation process. The budget officer is currently authorized to issue allowances, obligate funds, and conduct the agency's investigation into whether the obligation of those funds constituted an Antideficiency Act (ADA) violation. Furthermore, Directive 1230.1, *Administrative Control of Funds*, (Directive 1230.1), which has been in effect since 2014, is not in compliance with 31 USC 1514,<sup>1</sup> Section 150 of the Office of Management and Budget's (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (A-11), and The Federal Managers' Financial Integrity Act of 1982 (FMFIA). Although this Management Alert found no new ADA violations, a noncompliant administrative control of funds policy makes the agency more susceptible to ADA violations. We are pleased to note that the agency has already begun addressing these issues and urge CPSC management to complete the actions necessary to rectify these longstanding issues.

**Background**

An effective funds control regulation is a critical internal control for federal agencies to ensure compliance with fiscal laws and maintain accountability over taxpayer resources. FMFIA requires federal executive branch agencies to establish internal control in accordance with the Government Accountability Office's *Standards for Internal Control in the Federal Government*, which states, "[s]egregation of duties helps prevent fraud, waste, and abuse in the entity by considering the need to separate authority, custody, and accounting in the organizational structure." Further, the ADA requires agency heads to prescribe, by regulation, its system of administrative control of funds. An agency's funds control regulation must be approved by OMB. A-11 Section 150 – *Administrative Control of Funds* and Appendix H, *Checklist for Funds Control Regulations*, provide agencies with guidance for the development of the agency's system of administrative control of funds.

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<sup>1</sup> Colloquially known as the Antideficiency Act.

MANAGEMENT ALERT

## **Lack of Segregation of Duties**

Per Directive 1230.1, the budget officer has delegated authority to issue agency sub-allotments, maintain a system of allowances, and investigate and report on potential ADA violations, amongst other duties. The OIG confirmed that, in the list the Office of Financial Management, Planning and Evaluation uses to track allowance holders<sup>2</sup> (an individual with authority to obligate funds), the budget officer is listed as an allowance holder for 14 different organization codes. As such, the budget officer would be the individual responsible for issuing allowances, obligating funds, and then investigating the appropriateness of those obligations. These internal control roles are incompatible. While the OIG has not found specific instances of wrongdoing, the lack of segregation of duties is a potential significant internal control failure. Similar issues have previously been identified in the agency's financial system.<sup>3</sup>

## **Agency Fund Control Regulations Non-Compliant with A-11**

Additionally, the OIG determined that CPSC Directive 1230.1, meant to ensure compliance with A-11's Section 150 and Appendix H, is outdated and noncompliant with OMB's requirements. For instance, Section 150 requires that the CPSC's OMB-approved funds control regulations be posted on the agency website. However, as of the issuance of this management alert, the agency has not posted its administrative control of funds directive to the agency website. A-11 states that agencies should internally review funds control regulations periodically; at a minimum, whenever staff from the agency has violated the ADA. The OIG is aware of two ADA violations reported to Congress between the issuance of Directive 1230.1 in 2014 and now, but there is no documentation that the policy has been reviewed since its initial issuance. This is also a violation of CPSC Directive 0100, *Directive on Directives and Delegations of Authority*, which requires each directive to be reviewed for possible revision or cancellation at least once every five years.

Appendix H lists certain items that must be in a federal agency's funds control regulations. Directive 1230.1 does not include all the relevant requirements. For instance, the directive does not describe roles and responsibilities or agency-specific guidance in the "Apportionment Procedures" section. It's also missing required language detailing the CPSC's policy over allotments and sub-allotments. Further, A-11 specifies that violations of the ADA "must be reported immediately upon discovery," while Directive 1230.1 states that these violations "should" be reported to the budget officer. Per the Government Accountability Office's definition, "must" is a

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<sup>2</sup> Per Management Alert M-26-01, *The CPSC's Lack of Proper Delegations of Authority Has Resulted in Unauthorized Individuals Obligating the Agency*, allowance holders are not identified by position or name. However, in Management's Response to the Management Alert, the agency's longstanding operational practice is that program office heads serve as allowance holders with the authority to obligate funds. Management maintains a list of allowance holders in a document titled "Allowance Structure."

<sup>3</sup> See the CPSC's *FY 2024 Agency Financial Report*, material weakness "B. Controls Over the Review of Journal Entries," and *FY 2025 Agency Financial Report* significant deficiency, "C. Controls over the Review of Journal Entries."

requirement, and “should” denotes a principle requirement that agencies should comply with, except in rare circumstances. Finally, while the directive lists certain actions which are prohibited by the CPSC, the agency fails to define the related penalties for these prohibited actions, as required by A-11.

## **Conclusion**

Management have indicated that are already taking the corrective action needed to ensure proper internal controls are in place for segregation of duties in the appropriation process. Also, the agency has indicated that they are taking steps to ensure compliance with federal control of funds requirements. Inadequate segregation of duties and outdated, noncompliant funds control regulations expose the agency to significant fraud risks, including potential violations of the ADA and diminished accountability over taxpayer resources. Addressing these deficiencies promptly will not only align CPSC practices with OMB Circular A-11 but also reinforce the integrity and reliability of the agency’s financial management processes. We appreciate the agency’s willingness to begin taking corrective actions as soon as these issues were brought to their attention.

## **APPENDIX A. Objective, Scope, and Methodology**

### **A.1 Objective & Scope**

The objective of this Management Alert is to immediately notify CPSC management of an area of potential fraud risk and area of non-compliance that requires urgent attention. We based this Management Alert on agency directives and information gathered from agency management in fiscal year 2026.

### **A.2 Methodology**

We performed the work on this matter from November 2025 to March 2026 and conducted this management alert in accordance with the CPSC OIG *Standard Operating Procedure - 012: Management Alerts* and not generally accepted audit standards. This standard requires that we obtain sufficient evidence to provide a reasonable basis for our conclusions. We reviewed applicable governmentwide criteria documents, such as OMB's A-11 and its relevant Appendix H, and CPSC policy documents, such as Directive 1230.1, *Administrative Control of Funds*.

We are issuing this management alert under the authority conferred by the Inspector General Act of 1978, as amended, Section (b)(2), "to promote economy, efficiency, and effectiveness in the administration of. . . and to prevent and detect fraud and abuse in [CPSC] programs and operations."<sup>4</sup>

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<sup>4</sup> See 5 U.S.C. § 402(b)(2).

# APPENDIX B. Management Response



United States  
Consumer Product Safety Commission

## Memorandum

**DATE:** May 14, 2026

**TO:** Christopher W. Dentel  
Inspector General

**THROUGH:** Brien Lorenze, Executive Director  
Matthew Campbell, General Counsel

**FROM:** Casey Waithe, Acting Chief Financial Officer **CASEY WAITHE** Digitally signed by CASEY WAITHE  
Date: 2026.05.14 09:48:40 -04'00'

**SUBJECT:** Management Response to OIG Management Alert on Segregation of Duties & Policy Compliance

Thank you for raising this Management Alert. Strengthening internal controls in support of clear separation of duties is a priority for agency management, and we have taken steps to resolve the concerns raised by the OIG.

We concur that, for a few organizational offices, the allowance structure list appeared to permit improper segregation of duties related to the budget officer role. In response to the concerns identified, we have since updated the Allowance Holder (AH) Structure List to ensure it no longer reflects, or suggests, that the budget officer has control over all allowances. We engaged five organizational offices and requested that each designate a secondary AH. This action appropriately reinforces accountability for fund obligations by ensuring that program offices remain responsible for the resources entrusted to them. For offices that are too small to identify a secondary Allowance Holder, the positions have been temporarily designated as "vacant" pending updates to the administrative controls of funds, through which these circumstances will be formally addressed.

Additionally, as stated in our response to MA-26-M-01, we plan to revise Directive 1230.1 to comply with the requirements outlined in OMB Circular A-11, Appendix H, and other applicable federal requirements.

We are not aware of any instances of fraud, waste, or abuse related to obligations or delegations of authority within those offices where the budget officer was listed as an AH (or secondary AH), nor has the OIG found specific instances of wrongdoing. It is worth noting that the agency has additional internal controls that prevent one individual from having complete authority over a financial process. The monthly Funds Control Officer (FCO) reconciliation serves as one such safeguard; that process requires each FCO to reconcile office expenditures with balances in the financial system of record. That reconciliation process also requires signatures from the AH and/or the FCO, further ensuring appropriate oversight and separate duties as it affords the AH and/or FCO an opportunity to independently review the appropriateness of obligations within their allowance.

We remain committed to strengthening our internal control environment, improving compliance, and ensuring strong stewardship of agency resources. We appreciate the OIG's commitment to accountability and transparency and will work collaboratively to update outdated directives, clarify roles, and reinforce internal controls. Our shared goal is to maintain the highest standards of compliance and stewardship of public funds.