

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION



PERFORMANCE AND ACCOUNTABILITY REPORT (PAR) FISCAL YEAR 2025

December 26, 2025

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Enclosure 1: Federal Mine Safety and Health Review Commission Independent Auditor's Report and Financial Statements for the Years Ended September 30, 2025, and 2024

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Message from the Chair

December 26, 2025

I am pleased to present the Federal Mine Safety and Health Review Commission's (FMSHRC) Performance and Accountability Report for Fiscal Year (FY) 2025. This report fulfills the requirements of the Government Performance and Results Modernization Act of 2010. It includes audited financial statements and related information as required by the Accountability of Tax Dollars Act of 2002.

Consistent with the Administration's priorities, including those outlined in the President's Management Agenda, FMSHRC continues to strengthen efficient government operations, accountability for results, and responsible stewardship of taxpayer resources by implementing structured change management practices. The Commission continues to refine its adjudicatory processes while ensuring fair, timely, and consistent decision-making. To further its mission, the Commission continues to use electronic filing while advancing efforts to modernize its current system to promote administrative efficiency, enhance access, and maintain continuity of operations nationwide. At the trial level, Administrative Law Judges hold in-person hearings, at the discretion of the Chief Administrative Law Judge, to promote the efficient and orderly resolution of disputes. At the appellate level, the Commission continues to conduct open meetings and oral arguments in person, reinforcing transparency and public engagement.

This report presents performance outcomes for FY 2025. In FY 2025, the Office of the Chief Administrative Law Judge met two of its four performance targets and concluded the year with 1,151 trial-level cases on hand. At the appellate level, the Commission met two of its five established case-processing targets and substantially met one additional target. In FY 2025, the Commission continued to advance efforts consistent with Administration and President's Management Agenda priorities to streamline operations, reduce backlogs, and strengthen the efficient resolution of disputes. Details of these efforts and progress toward performance goals for both fiscal years are provided within this report.

We are pleased to report that the independent auditor issued on the Commission's financial statements for the fiscal years ended September 30, 2025, confirming that they present fairly, in all material respects, the financial position and results of operations in accordance with U.S. generally accepted accounting principles. Based on this audit and the Commission's internal control framework, I assess that the financial and performance data in this report for FY 2025 are reliable, complete, and accurately presented.

FMSHRC remains committed to fulfilling its statutory mission with integrity, accountability, and efficiency. As we further align our activities with the President's Management Agenda and the Administration's emphasis on streamlined government operations and sound stewardship of taxpayer resources, we continue to focus on fair adjudication and support for the nation's mining workforce and industry.

Marco M. Rajkovich, Jr.
Chair

Management Discussion and Analysis

MISSION AND ORGANIZATIONAL STRUCTURE

The Federal Mine Safety and Health Review Commission (FMSHRC, or the Commission) is an independent adjudicatory agency that provides administrative trial and appellate review of legal disputes arising under the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended. The Commission is entirely independent and is not a component of the Department of Labor (DOL) or the Mine Safety and Health Administration (MSHA).

Section 113 of the Mine Act establishes FMSHRC and sets forth its responsibilities. The Mine Improvement and New Emergency Response Act of 2006, P.L. 109-236 (MINER Act) added responsibility to FMSHRC, resolving disputes between the Secretary of Labor and underground coal operators with respect to the contents of emergency response plans or the Secretary's refusal to approve such plans.

The mission of FMSHRC is to provide just, speedy, and legally sound adjudication of proceedings authorized under the Mine Act in a manner that deters noncompliance with the Act and ensures that a penalty once proposed and contested before the Commission is not compromised out of view of the public or without justification.

FMSHRC currently consists of four organizational elements:

- Office of the Chair and Commissioners (OCC)
- Office of the General Counsel (OGC)
- Office of the Chief Administrative Law Judge (OCALJ)
- Office of the Executive Director (OED)

The Commission is headquartered in Washington, DC, with satellite offices located in Denver, CO, and Pittsburgh, PA.

The Commission carries out its responsibilities through trial-level adjudication by administrative law judges and appellate review of the judges' decisions by a five-member Commission. The Commissioners are appointed by the President and confirmed by the Senate.

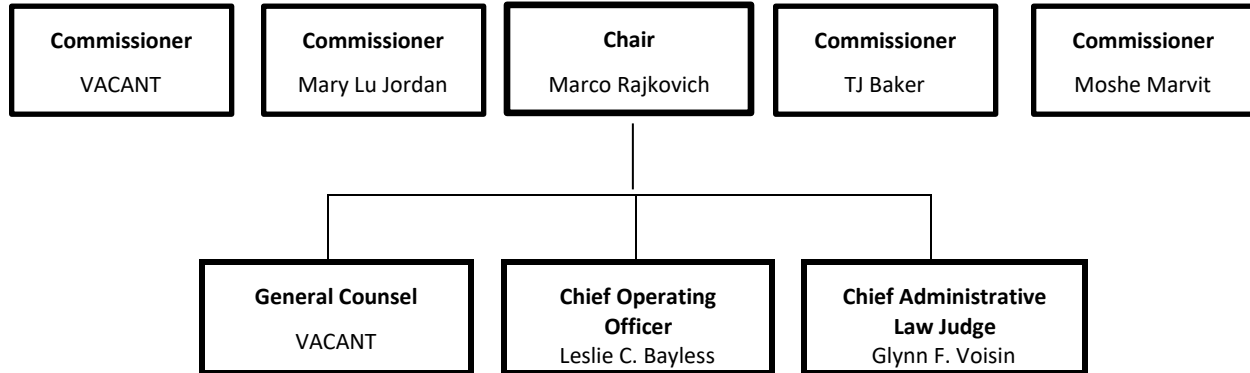
Most cases involve the contest of civil penalties proposed by MSHA to mine operators for alleged violations of mandatory health and safety standards, and address whether the alleged safety and health violations occurred, as well as the assessment of appropriate civil penalties sufficient to deter operator noncompliance. The Commission is required by the Mine Act to review proposed penalty settlements between operators and MSHA to ensure that a penalty once proposed and contested before the

Commission is not compromised out of the view of the public, and without justification. Other types of cases include contests of MSHA orders to close a mine for health or safety reasons, miners' requests for compensation after being idled by such orders, review of MSHA's approval or disapproval of operators' emergency response and other mine safety plans, miners' complaints that they suffered discrimination because they exercised protected safety rights, and miners' allegations of interference with the exercise of such rights. Disputes involving the temporary reinstatement of a miner or an emergency response plan must be decided on an expedited basis.

Once a case is filed with the Commission, it is referred to the Chief Administrative Law Judge (Chief Judge). Thereafter, litigants in the case must submit additional filings before the case is assigned to a judge. To expedite the decisional process, the Chief Judge may rule on certain motions and, where appropriate, issue orders of settlement, dismissal, or default. Otherwise, once a case is assigned to an individual judge, that judge is responsible for the case and rules upon motions and settlement proposals. If a hearing is necessary, the judge will schedule and preside over the hearing and issue a decision based upon the record. A judge's decision becomes a final, non-precedential order of the Commission unless it is accepted for review by the Commission. The Commission provides administrative appellate review. It may, in its discretion, review decisions issued by judges when requested by a litigant, or it may, on its own initiative, direct cases for review. The Commission's decisions are precedential, and appeals from the Commission's decisions are heard in the federal courts of appeals.

The Chair of the Commission is responsible for the administrative operations of the Commission. The Chief Operating Officer (COO) oversees the Commission's daily operations and provides management guidance to the Chair to ensure Commission compliance with federal regulations and improve the Commission's overall efficiency and effectiveness. The COO also manages the Commission's budget, information technology, and facilities functions, in addition to directing the functions within the Office of the Executive Director (OED) to include administrative, human resources, financial management, procurement, and other mission support services.

KEY PERSONNEL ORGANIZATION CHART



PERFORMANCE GOALS

For Fiscal Year 2025, FMSHRC set forth the following strategic goals:

Strategic Goal 1: Ensure expeditious, fair, and legally sound adjudication of cases.

Strategic Goal 2: Increase the Commission's overall operational efficiency and effectiveness.

Strategic Goal 3: Achieve organizational excellence through workforce development.

KEY CHALLENGES

FMSHRC's major challenge is the unpredictability of the workload. The number of contests filed by operators or appellate petitions brought to FMSHRC at both the trial and appellate levels is not subject to FMSHRC's control.

- Most trial-level cases that come before FMSHRC involve civil penalties proposed by MSHA against mine operators. These cases are the result of mine operators contesting those penalties.
- Most of the cases accepted for review are generated from petitions filed by parties adversely affected by a judge's decision. Additionally, the Commission may, on its own initiative, decide to review the case.
- The Commission at the appellate level also considers requests to reopen cases in which a mine operator is in default for failing to timely respond to the Secretary's proposed penalty or to a judge's order ("default cases").

In FY 2025, 11 petitions were received, and 11 were granted. At the end of the fiscal year, 37 default cases remained on hand; 7 of these had been pending for more than six months (about 19% of the total), so the goal of keeping this share below 40% was met. The Commission disposed of 12 substantive cases during FY 2025 and ended the year with 16 substantive cases on hand; therefore, the goal of having fewer than 16 substantive cases pending at year-end was not met.

ANALYSIS OF FINANCIAL STATEMENTS

The Accountability of Tax Dollars Act of 2002 requires that FMSHRC's financial statements be audited annually. In accordance with the Accountability of Tax Dollars Act of 2002, FMSHRC began annual audits in FY 2003. FMSHRC has received an "unmodified" opinion for each annual review conducted by an independent auditor.

FMSHRC has contracted with the Department of the Treasury, Bureau of the Fiscal Service, Administrative Resource Center, for accounting services since 1998. The Administrative Resource Center prepared FMSHRC's FY 2025 financial statements. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources.

Analysis of the Balance Sheet

FMSHRC's assets in fiscal year 2025 were \$12,408,456 as of September 30, 2025. The Fund Balance with Treasury of \$12,382,838 represents FMSHRC's largest asset as of September 30, 2025. This represents an increase of approximately 5.5% from fiscal year 2024 and accounts for approximately 99% of the agency's total assets.

FMSHRC's liabilities in fiscal year 2025 totaled \$3,946,120 as of September 30, 2025. This is a decrease of \$112,309 from the fiscal year 2024 balance of \$4,058,429. The Intragovernmental Accounts payable on September 30, 2025, were \$874,603. The balance as of September 30, 2024, was \$1,099,305. Employer contributions and payroll taxes payable totaled \$59,668 on September 30, 2025. The balance as of September 30, 2024, was \$56,519. Federal employees' salaries, leave, and benefits payable decreased \$122,720 in FY 2025 from FY 2024. Unfunded annual leave increased by \$17,604 in FY 2025 from FY 2024. Unfunded annual leave represents approximately 15 percent of total agency liabilities.

The net position is the difference between total assets and total liabilities. The total net position for fiscal year 2025 increased by \$762,355, from \$7,699,981 in fiscal year 2024 to \$8,462,336 as of September 30, 2025.

Analysis of the Statement of Net Cost

The Statement of Net Cost shows the net cost of operations for the agency, and it is broken out between FMSHRC's two major functions, Administrative Law Judges and Review Commission. The total net cost of operations in fiscal year 2025 was \$16,900.817, which is a decrease of \$278,492 from the fiscal year 2024 net cost of operations of \$17,179,309, a change of approximately 1.6 percent.

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in the agency's net position during the reporting period. The net position consists of two components: the unexpended appropriations and the cumulative results of operations. The Net Position increased \$762,355, an increase in fiscal year 2025 from fiscal year 2024, a change of approximately 9.9 percent.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources presents how the budgetary resources were made available and the status of the budgetary resources at the end of the reporting period. The total budgetary resources must always equal the total status of budgetary resources. For fiscal year 2025, FMSHRC had total budgetary resources of \$24,615,373, which is \$201,207 more than in fiscal year 2024.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION				
Table of Key Measures				
Dollars in Thousands			Increase	(Decrease)
	FY 2025	FY 2024	\$	%
COSTS				
Total Financing Sources	\$17,032	\$17,702	(\$670)	(3.8%)
Less: Net Cost	\$16,900	\$17,719	(\$819)	(4.6%)
Net Change of Cumulative Results of Operations	\$131	(\$17)	\$148	—
Assets:				
Fund Balance with Treasury	\$12,383	\$11,733	\$650	5.5%
Accounts Receivable - Intragovernmental	\$25	\$19	\$6	31.6%
Advances and Prepayments	\$0	\$5	(\$5)	(100.0%)
Accounts Receivable - Other than Intragovernmental	\$0	\$1	(\$1)	100.0%
Property, Equipment, and Software				
Total Assets:	\$12,408	\$11,758	\$650	5.5%
Liabilities:				
Accounts Payable - Intragovernmental	\$875	\$1,099	(\$224)	(20.4%)
Other Liabilities - Intragovernmental	\$66	\$73	(\$7)	(9.6%)
Accounts Payable - Other than Intragovernmental	\$2,200	\$1,958	242	12.4%
Federal Employees Salary/Leave/Benefits Payable	\$805	\$928	(\$123)	(13.3%)
Total Liabilities:	\$3,946	\$4,058	(\$112)	(2.8%)
Net Position (Assets minus Liabilities)	\$8,462	\$7,700	762	9.9%

MANAGEMENT ASSURANCES

Analysis of Systems, Controls, and Legal Compliance

FMSHRC is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding assets and complying with applicable laws and regulations. As a small independent Federal agency, it is more efficient for FMSHRC to leverage servicing agencies for key functions than to build an organic capability. Consequently, FMSHRC must rely heavily on the systems and controls provided by servicing agencies to meet OMB's guidelines and the requirements of law with respect to financial management, accounting systems, and financial reporting.

All financial data reported was obtained from the FY 2025 accounting reports prepared by the Department of the Treasury, Bureau of the Fiscal Service, Administrative Resource Center, FMSHRC's accounting servicing provider. Commission managers have verified the performance data on case intake and dispositions. There are no known material inadequacies, since the material weakness identified is related to FMSHRC's internal processes.

Based on the results of our assessment, FMSHRC can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2025, with the exception of the material weakness identified by our auditors during the financial statement audit. The Commission's external auditors identified and reported to us a material weakness related to weaknesses in our entity-level controls surrounding the design of appropriate control activities, our organizational structure, expectations of competence, and the recruitment and retention of personnel

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position and results of operations of the Federal Mine Safety and Health Review Commission, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from FMSHRC's books and records in accordance with Federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

FRAUD REDUCTION REPORT

Pursuant to the Fraud Reduction and Data Analytics Act of 2015 (Public Law 114-186, 32 U.S. Code 3321), FMSHRC is reporting on its fraud reduction efforts for FY 2025 and the final quarter of FY 2024 in three key areas:

1. Implementation of financial and administrative controls

As a small agency, the Federal Mine Safety and Health Review Commission (FMSHRC) outsources budget, financial, human resources, procurement, and travel services to a shared services provider through an interagency agreement. Additionally, FMSHRC's payroll services are managed externally through a shared services interagency agreement. The outsourcing of these functions allows FMSHRC to tap into the abilities and capacity of a large, better-resourced agency with its own systems of internal controls.

2. The fraud risk principle in the Standards for Internal Control in the Government (the GAO Green Book)

FMSHRC is in the process of establishing a formal internal controls mechanism. Although significant efforts were made throughout FY 2025 to address operational areas that lack internal controls, additional staffing with the requisite expertise is still needed to ensure comprehensive and effective internal controls within the Commission, rather than relying on the internal controls of its service providers. Consistent with the Administration's commitment to strong governance and stewardship of federal resources, the Commission will also begin to address the findings identified in the GAO report as part of this effort.

The Standards for Internal Control in the Federal Government (*GAO Green Book*) require a fraud risk management program, consistent with the Administration's priorities to enhance transparency, accountability, and internal controls. While the Commission currently lacks sufficient resources to establish this program at the necessary level and fully address the related GAO report recommendations, it remains committed to strengthening its control environment. The Commission continues to participate in the independent financial statement auditor's annual fraud, waste, and abuse interviews, where potential allegations are disclosed and benefits from a low risk of fraudulent financial reporting through its use of an authorized shared services financial provider.

3. OMB Circular A-123 with respect to leading practices for managing fraud risk

OMB Circular A-123 provides the framework for effective fraud risk management. The Commission is committed to addressing GAO and external audit findings and strengthening its internal control environment. Although the Commission benefits from a hybrid operational model that incorporates support from external agencies, it must continue building its own policies, procedures, and processes to achieve full compliance with the Circular. To support these efforts, the Commission will seek the appropriate resources necessary to meet these requirements.

Performance Section

PERFORMANCE GOALS AND RESULTS

For Fiscal Year 2025, FMSHRC set forth the following strategic goals:

Strategic Goal 1: Ensure expeditious, fair, and legally sound adjudication of cases.

Strategic Goal 2: Increase the Commission's overall operational efficiency and effectiveness.

Strategic Goal 3: Achieve organizational excellence through workforce development.

The first strategic goal is accomplished through the Administrative Law Judges' function at the trial level and the Commission Review function at the appellate level. The second and third strategic goals are accomplished through the Office of the Executive Director function and the Chief Operating Officer.

ADMINISTRATIVE LAW JUDGES FUNCTION

FMSHRC employs administrative law judges to hear and decide contested cases at the trial level. Judges travel to hearing sites located at or near the mine involved to afford mine operators, miners, and their representatives a full opportunity to participate in the hearing process or provide virtual hearings where appropriate. FMSHRC judges are also responsible for evaluating and approving or denying settlement agreements proposed by the parties under the Mine Act.

FMSHRC received 2,397 new case filings in FY 2025. The number of new cases was a twenty-eight percent increase from the 1,877 received in FY 2024.

1,237 trial-level cases were pending at the start of FY 2025. In FY 2025, there were 2,483 dispositions.

The FY 2025 end-of-year inventory was 1,151 undecided cases.

FMSHRC met, substantially met, or did not meet the four performance targets for the Administrative Law Judges function, as shown in the Performance Measurement Matrix.

ADMINISTRATIVE LAW JUDGES FUNCTION PERFORMANCE MEASUREMENT MATRIX

Performance Metrics – Office of the Chief Administrative Law Judges Function						
Performance Goals		FY2021	FY2022	FY2023	FY 2024	FY 2025
Average time from receipt to disposition of all cases (measured in days)	Target	180	180	180	180	180
	Results	196	183	192	225	222
	Status	SM	SM	SM	NM	NM
Average time from receipt to disposition of penalty cases (measured in days)	Target	180	180	180	180	180
	Results	184	171	184	217	192
	Status	SM	M	SM	NM	SM
Percent of all cases on hand over 365 days in age	Target	20%	20%	20%	20%	20%
	Results	11%	6%	10%	21%	14%
	Status	M	M	M	M	M
Number of cases pending at year's end	Anticipated	886	938	1,276	1,573	1375
	Results	1,101	1,126	1,373	1,237	1151
	Status	NM	NM	M	M	M

Status:

M - Target met or exceeded

SM - Target substantially met - within 10% of target

NM - Target not met

COMMISSION REVIEW FUNCTION

FMSHRC decides two principal types of cases: (1) substantive cases, which are cases in which a judge has issued a final or interlocutory decision on the merits and the Commission has granted a petition for review filed by either party, or at least two Commissioners have decided to grant review on their own initiative; and (2) default cases, which are cases where an operator has failed to timely contest a proposed penalty or to timely respond to a judge's order and the operator has filed a motion to reopen the final order.

In FY 2025, 11 petitions were filed, and 11 were granted. The targets for three of the four performance goals for substantive cases were not met or substantially met, as shown in the following matrix.

The average time from the date granted to decision issuance was 15 months in FY 2025, versus a goal of 12 months. Accordingly, this performance goal was not met.

The average time from briefing completion to issuance of a decision was 13 months in FY 2025, exceeding the target of 9 months. Therefore, this performance goal was not met. In FY 2025, 37 default cases remained on hand at the end of the fiscal year. Of these 37 cases, 7 cases have been on hand for more than 6 months. This was 19 percent of the total number of cases. Thus, the goal of less than 40 percent was met.

The Commission disposed of 12 substantive cases in FY 2025 and ended the fiscal year with 16 substantive cases pending. Because this result was below the anticipated level of 20 cases, the goal for substantive cases pending at year's end was met.

COMMISSION REVIEW FUNCTION PERFORMANCE MEASUREMENT MATRIX

Performance Metrics - Commission Review Function						
Performance Goal		FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Average time from date granted to issuance of decision for substantive cases (measured in months)	Target	13	13	13	13	12
	Result	13	12	13	13	15
	Status	M	M	M	M	NM
Average time from briefing completion to issuance of decision for substantive cases (measured in months)	Target	9	9	9	9	9
	Result	10	9	10	10	13
	Status	SM	M	SM	SM	NM
Percent of substantive cases on hand over 18 months in age	Target	20%	20%	20%	20%	20%
	Result	20%	16%	18%	33%	31%
	Status	M	M	M	M	NM
Percent of default cases on hand over 6 months in age	Target	40%	40%	40%	40%	40%
	Result	36%	46%	19%	43%	19%
	Status	M	NM	M	NM	M
Number of substantive cases pending at year's end	Anticipated	16	16	16	16	20
	Result	5	13	15	18	16
	Status	M	M	M	NM	M

Status:

M – Target met or exceeded

SM – Target substantially met – within 10% of target

NM – Target not met

OFFICE OF THE EXECUTIVE DIRECTOR FUNCTION

The Commission's COO manages the Commission's budget, information technology, and facilities functions, in addition to directing functions within the Office of the Executive Director (OED) to include administrative, human resources, financial management, procurement, and other mission support services.

Information technology entails help-desk functions, network administration, cybersecurity, telecommunications, and government-furnished equipment policy formulation.

Facilities management services cover property and space management, organization management, and physical security.

General administrative services provided by OED include the administration of employee travel authorizations and reimbursements, and the employee public transit benefit program.

Human resources services include recruitment and placement, classification and pay administration, performance management and incentive awards, employee benefits and retirement, personnel security, coordination of employee training programs, and wellness and employee assistance programs.

Financial management services include accounting, budget formulation, budget execution, funds control, financial reporting, and vendor payments.

Procurement covers the acquisition of necessary services and supplies through contracts and the government purchase card program.

Federal Mine Safety and Health Review Commission (FMSHRC)
Fiscal Year 2025 Financial Statement Audit

Final Independent Auditors' Report

Submitted for review and acceptance to:
Theodosia Villatoro-Sorto
Contracting Officer's Representative (COR)
Federal Mine Safety and Health Review Commission
1331 Pennsylvania Avenue, NW
Washington, DC 20004

Submitted by:
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Final Independent Auditors' Report

Prepared under contract to the Federal Mine Safety and Health Review Commission (FMSHRC) to provide financial auditing services

**FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
AUDIT REPORT
SEPTEMBER 30, 2025**



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Independent Auditors' Report

Chair, Federal Mine Safety and Health Review Commission
Chief Operating Officer:

Report on the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act of 2002, we have audited the Federal Mine Safety and Health Review Commission (FMSHRC) financial statements. FMSHRC financial statements comprise the balance sheet as of September 30, 2025; the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended; and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FMSHRC 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.

Responsibilities of Management for the Financial Statements

Management is responsible for

- the preparation and fair presentation of the financial statements in accordance U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in FMSHRC's Performance and Accountability Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's 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 of the financial statements conducted in accordance with GAAS, generally accepted government auditing standards (GAGAS), and OMB Bulletin No. 24-02 will always detect a material misstatement or material weakness 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, including omissions, are considered to be 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, GAGAS, 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 an audit of the financial statements 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 FMSHRC's internal control over financial reporting. 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.
- Perform other procedures we consider necessary in the circumstances.

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

Required Supplementary Information (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of FMSHRC's financial statements, in order to report omissions or material departures from FASAB guidelines, if any,

identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FMSHRC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in FMSHRC's Performance Accountability Report. The other information comprises the *Message from the Chair*, *Management Discussion and Analysis (MD&A)* and *Performance* sections but does not include the financial statements and our auditor's 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 exist 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.

Report on Internal Control over Financial Reporting

In connection with our audit of FMSHRC's financial statements, we considered FMSHRC's internal control over financial reporting, consistent with the auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies¹ or to express an opinion on the effectiveness of FMSHRC's internal control over financial reporting. Given these limitations, during our 2025 audit, we identified a deficiency in FMSHRC's internal control over financial reporting that we consider to be a material weakness. This deficiency is described in the accompanying *Exhibit I, Material Weakness Findings and Recommendations*, to this report.

We considered the material weakness in determining the nature, timing, and extent of our audit procedures on FMSHRC's fiscal year 2025 financial statements. Although the material weakness in internal control did not affect our opinion on FMSHRC's fiscal year 2025 financial statements, misstatements may occur in unaudited financial information reported internally and externally by FMSHRC because of the internal control deficiencies described in this report.

¹ 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 combination of deficiencies, in internal control over financial reporting, 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 a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to FMSHRC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

FMSHRC management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of FMSHRC's financial statements as of and for the fiscal year ended September 30, 2025, in accordance with U.S. generally accepted government auditing standards, we considered FMSHRC's internal control relevant to the financial statement 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 FMSHRC's internal control over financial reporting. Accordingly, we do not express an opinion on FMSHRC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FMSHRC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of FMSHRC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audit of FMSHRC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FMSHRC. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

FMSHRC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to FMSHRC.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to FMSHRC that have a direct effect on the determination of material amounts and disclosures in FMSHRC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FMSHRC. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

FMSHRC's Response to Findings

FMSHRC's responses to the findings identified during our audit are described immediately following the auditor's recommendations in *Exhibit I*. FMSHRC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Allmond & Company, LLC

Lanham, MD
December 18, 2025

Improvements needed in FMSHRC Entity Level Control Policies and Procedures 2025-01**CONDITION:**

Improvements are needed in the Federal Mine Safety and Health Review Commission (FMSHRC) entity-level control policies and procedures. Entity-level controls are an integral part of an entity's internal control systems and serves as a foundation of the processes management uses to guide its operations. These controls include the control environment, risk assessment, information and communication, control activities, and monitoring activities. We noted FMSHRC has weaknesses in its entity-level controls within the following areas:

Design Appropriate Types of Control Activities – FMSHRC management did not have documented policies and procedures over significant financial processes. FMSHRC was unable to provide documented policies and procedures over their Financial Reporting, Fund Balance with Treasury, Procurement, Payroll and Personnel, and Budget significant process areas during the FY 2025 FMSHRC Financial Statement Audit.

Organizational Structure – FMSHRC management has not established the organizational structure necessary to enable the entity to plan, execute, control, and assess the organization in achieving its objectives. Management develops the overall responsibilities from the entity's objectives that enable the entity to achieve its objectives and address related risks. Currently, FMSHRC has several significant leadership positions vacant including Chief Human Capital Officer, Chief Financial Officer, and Executive Director. We noted that over the last several years FMSHRC has been under great scrutiny regarding questionable internal practices. As a result, FMSHRC has been without key personnel due to ongoing investigations.

Expectations of Competence – FMSHRC management has delegated authority and responsibilities to certain FMSHRC employees who lack the appropriate qualifications, training, and experience necessary to competently perform the functions outlined in their scope of work.

Recruitment, Development, and Retention of Individuals– We noted that FMSHRC has been under unofficial hiring freezes that have made it difficult for the agency to hire and retain the skillset necessary to support the agency's operations. During FY 2025 the administration enforced an official government wide hiring freeze, officially making this an ongoing issue.

CRITERIA:

U.S. Government Accountability Office GAO-14-704G, *Standards for Internal Control in the Federal Government* (or "Green Book"), September 2014 revision, *Section 10.03 Design of Appropriate Types of Control Activities* states that, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

In addition, *Section 10.02 Response to Objectives and Risk* states, "Management designs control activities

in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses."

Further, *Section 4.04 Expectations of Competence* states, "Personnel need to possess and maintain a level of competence that allows them to accomplish their assigned responsibilities, as well as understand the importance of effective internal control. Holding individuals accountable to established policies by evaluating personnel's competence is integral to attracting, developing, and retaining individuals. Management evaluates competence of personnel across the entity in relation to established policies. Management acts as necessary to address any deviations from the established policies."

Also, *Section 3.04 Organizational Structure* states, "Management develops an organizational structure with an understanding of the overall responsibilities and assigns these responsibilities to discrete units to enable the organization to operate in an efficient and effective manner, comply with applicable laws and regulations, and reliably report quality information."

Ultimately, as *Section OV4.08 Documentation Requirements*, of the Greenbook states, "Documentation is a necessary part of an effective internal control system. The level and nature of documentation vary based on the size of the entity and the complexity of the operational processes the entity performs. Management uses judgment in determining the extent of documentation that is needed. Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system."

CAUSE:

FMSHRC relies heavily on the role of their service provider, Bureau of Fiscal Service Administrative Resource Center (BFS/ARC), in their significant processes as well as BFS' internal policies and procedures.

FMSHRC has not documented policies and procedures for all significant process areas, including outlining the responsibilities of FMSHRC personnel and the responsibilities of FMSHRC's service providers.

EFFECT:

Without documented FMSHRC policies and procedures, FMSHRC is at risk of having an ineffective internal control system. More specifically, FMSHRC is susceptible to failing to design and implement control activities to achieve objectives and appropriately respond to risks.

Additionally, management and other personnel are at risk of being unable to adequately fulfill appointed positions ultimately leaving the agency vulnerable to misstatements in financial reporting.

RECOMMENDATION:

We recommend that FMSHRC management:

- Document policies and procedures for all significant process areas; including outlining the responsibilities of FMSHRC personnel and the responsibilities of FMSHRC's service providers.
- Ensure that all management and personnel, directly and indirectly responsible for performing processes outlined, have read, and understand the documented policies and procedures.
- Perform periodic review of policies and procedures, and policies and procedures are updated in a timely manner.
- Develop process narratives to assist new and transitioning personnel in understanding their scope of responsibilities and job function as well as help management perform review.

MANAGEMENT RESPONSE

The Commission acknowledges the material weakness identified in this and the prior audit and will take the recommendations provided in this finding. The Commission recognizes that entity-level controls are foundational to an effective system of internal control and are essential to guiding operations and achieving organizational objectives. In response, the Commission will begin executing actions to strengthen its entity- level control policies and procedures. Specifically, the Commission will (1) document policies and procedures for all significant process areas, including clearly outlining the responsibilities of FMSHRC personnel and the responsibilities of FMSHRC's service providers; (2) ensure that all management and personnel, directly and indirectly responsible for performing the processes outlined, have read and understand the documented policies and procedures; (3) perform periodic reviews to confirm policies and procedures remain current and are updated promptly; and (4) develop process narratives to assist new and transitioning personnel in understanding their scope of responsibilities and job functions and to support management review.

The Commission further acknowledges that similar issues were identified in the prior audit and that longstanding staffing and organizational challenges have contributed to delays in full remediation. Recruitment efforts are underway to address critical vacancies and strengthen organizational capacity, which will support improved oversight, clearer accountability, and more effective implementation and monitoring of internal control policies and procedures. Furthermore, the Commission recently transitioned between agency heads; a new Chair was appointed in November 2025.

AUDITORS' RESPONSE

We will perform audit procedures during FY 2026 to determine if appropriate corrective action has been taken.

The following table provides the fiscal year (FY) 2025 status of all recommendations included in the Independent Auditor’s Report on FMSHRC’s FY 2024 Financial Statements (November 15, 2025).

FY 2024 Finding	Initial Finding Year	FY 2024 Recommendation	FY 2025 Status
Improvements needed in FMSHRC Entity Level Control Policies and Procedures (2024-01)	2024	<p>We recommend that FMSHRC management:</p> <ul style="list-style-type: none"> • Document policies and procedures for all significant process areas; including outlining the responsibilities of FMSHRC personnel and the responsibilities of FMSHRC’s service providers. • Ensure that all management and personnel, directly and indirectly responsible for performing processes outlined, have read, and understand the documented policies and procedures. • Perform periodic review of policies and procedures, and policies and procedures are updated in a timely manner. • Develop process narratives to assist new and transitioning personnel in understanding their scope of responsibilities and job function as well as help management perform review. 	<p>Open</p> <p>Open</p> <p>Open</p> <p>Open</p>
Improvements needed over Contract Budgetary Approval Process (2024-02)	2024	<p>We recommend that FMSHRC management:</p> <ul style="list-style-type: none"> • Ensure that budgetary approval is performed, documented, and retained for each contract prior to obligation of funds within the financial system. • Establish internal policies and procedures to document the procurement process and the responsibilities of FMSHRC personnel and their service provider. 	<p>Closed</p> <p>Closed – Covered in NFR 2025-01</p>

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2025**



Enclosed for your review are the 4th quarter financial statements for fiscal year 2025. Please forward any comments or questions by October 23, 2025. No response by this date will be viewed as acceptance and the financial statements will be submitted.



**FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2025
(In Dollars)

	2025
Assets	
Intragovernmental Assets	
Fund Balance with Treasury (Note 2)	\$ 12,382,838
Accounts Receivable, Net (Note 3)	25,324
Advances and Prepayments	94
Total Intragovernmental Assets	12,408,256
Other than Intragovernmental Assets	
Accounts Receivable, Net (Note 3)	200
Total Other than Intragovernmental Assets	200
Total Assets	\$ 12,408,456
Liabilities	
Intragovernmental Liabilities	
Accounts Payable	\$ 874,603
Other Liabilities (Note 5)	66,268
Total Intragovernmental Liabilities	940,871
Other than Intragovernmental Liabilities	
Accounts Payable	2,200,185
Federal Employee Salary, Leave, and Benefits Payable	805,064
Total Other than Intragovernmental Liabilities	3,005,249
Total Liabilities	\$ 3,946,120
Net Position	
Unexpended Appropriations	
Funds from Other than Dedicated Collections	\$ 9,069,470
Total Unexpended Appropriations (Consolidated)	9,069,470
Cumulative Results of Operations	
Funds from Other than Dedicated Collections	(607,134)
Total Cumulative Results of Operations (Consolidated)	(607,134)
Total Net Position	\$ 8,462,336
Total Liabilities and Net Position	\$ 12,408,456

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

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
STATEMENT OF NET COST
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(In Dollars)

	2025
Gross Program Costs	
Commission Review:	
Gross Costs	\$ 10,945,015
Less: Earned Revenue	(145)
Net Program Costs	\$ 10,944,870
 Administrative Law Judge:	
Gross Costs	\$ 5,985,710
Less: Earned Revenue	(29,763)
Net Program Costs	\$ 5,955,947
 Net Cost Of Operations	 \$ 16,900,817

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

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(In Dollars)

	2025
Unexpended Appropriations	
Beginning Balance	\$ 8,438,440
Appropriations Received	18,012,000
Other Adjustments	(1,643,467)
Appropriations Used	(15,737,503)
Net Change in Unexpended Appropriations	631,030
Total Unexpended Appropriations	\$ 9,069,470
Cumulative Results of Operations	
Beginning Balance	\$ (738,459)
Appropriations Used	15,737,503
Imputed Financing (Note 8)	1,294,864
Other	(225)
Net Cost of Operations	(16,900,817)
Net Change in Cumulative Results of Operations	131,325
Total Cumulative Results of Operations	\$ (607,134)
Net Position	\$ 8,462,336

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

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
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 (Note 9)	\$ 6,573,690
Appropriations	18,012,000
Spending Authority From Offsetting Collections	29,683
Total Budgetary Resources	\$ 24,615,373
Status of Budgetary Resources	
New Obligations and Upward Adjustments (Total)	\$ 17,548,515
Unobligated Balance, End of Year	
Apportioned, Unexpired Accounts	596,486
Unexpired, Unobligated Balance, End of Year	596,486
Expired, Unobligated Balance, End of Year	6,470,372
Unobligated Balance, End of Year (Total)	7,066,858
Total Budgetary Resources	\$ 24,615,373
Outlays, Net and Disbursements, Net	
Outlays, Net (Total)	\$ 15,719,212
Distributed Offsetting Receipts	(225)
Agency Outlays, Net	\$ 15,718,987

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Mine Safety and Health Review Commission (“the Commission”) is an independent federal agency with the mission of providing administrative trial and appellate review of legal disputes arising under the Federal Mine Safety and Health Amendments Act of 1977, Public Law 91-173, amended by Public Law 95-164. The Commission reporting entity is comprised of General Funds and General Miscellaneous Receipts.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

The Commission has rights and ownership of all assets reported in these financial statements. The Commission does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Commission. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency’s operating results; the Statement of Changes in Net Position displays the changes in the agency’s equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency’s resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Commission in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, as amended, and the Commission’s accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Commission’s use of budgetary resources. The financial statements and associated notes are presented on a singular basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates the control and monitoring of federal funds as well as the compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the Commission's funds with Treasury in expenditure, and receipt fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The Commission does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. When the reporting entity seeks to use Fund Balance with Treasury to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed for the agency on demand.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the Commission by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

Property, equipment, and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The Commission's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	Period of Lease
Office Equipment	5

G. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

H. Liabilities

Liabilities represent the amount of funds likely to be paid by the Commission as a result of transactions or events that have already occurred.

The Commission 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 or person that is not a federal agency, including private sector firms 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 liabilities funded by a current appropriation or other 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.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

J. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the Commission's employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the Commission terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

The Commission's employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the Commission's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and

Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the Commission matches any employee contribution up to an additional four percent of pay. For FERS participants, the Commission also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the Commission remits the employer's share of the required contribution.

The Commission recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the Commission for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The Commission recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The Commission does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

The Commission's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGlIP) may continue to participate in these programs after their retirement. The OPM has provided the Commission with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The Commission recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the Commission through the recognition of an imputed financing source.

M. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

N. Contingencies

In accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government, amended by SFFAS No. 12, Recognition of Contingent Liabilities Arising from Litigation, we recognize material contingent liabilities meeting the following criteria:

- A past event or exchange transaction has occurred;
- A future cash outflow is probable; and
- A future cash outflow is measurable.

The estimated liability we record is either a specific amount or within a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, we recognize the minimum amount in the range, and we disclose the range and a description of the nature of the contingency.

If one or more, but not all, of the above criteria for recognition are met, and there is a reasonable possibility of loss, we will disclose, if material, the nature of the contingent liability, along with a range of possible loss, if estimable, and a description of the nature of the contingency.

O. 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

Fund Balance with Treasury account balances as of September 30, 2025 were as follows:

	2025
Status of Fund Balance With Treasury	
Unobligated Balance	\$ 7,066,858
Obligated Balance Not Yet Disbursed	5,315,980
Total Fund Balance With Treasury	\$ 12,382,838

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

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 on hand. (See also Note 10)

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2025 were as follows:

	2025
Intragovernmental	
Accounts Receivable	\$ 25,324
Total Intragovernmental Accounts Receivable	\$ 25,324
Other than Intragovernmental	
Accounts Receivable	\$ 200
Total Other than Intragovernmental Accounts Receivable	\$ 200

Total Accounts Receivable	\$ 25,524
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The accounts receivable is primarily made up of amounts owed by other federal agencies and employee receivables. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2025.

NOTE 4. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the Commission as of September 30, 2025 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2025
Unfunded Leave	\$ 607,333
Total Liabilities Not Covered by Budgetary Resources	\$ 607,333
Total Liabilities Covered by Budgetary Resources	3,338,787
Total Liabilities	\$ 3,946,120

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 5. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2025 were as follows:

	Current	Non-Current	Total
2025			
Intragovernmental Other Liabilities			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 12,943	\$ -	\$ 12,943
Employer Contributions and Payroll Taxes Payable	46,725	-	46,725
Other Post Employment Benefits Due and Payable	6,600	-	6,600
Total Intragovernmental Other Liabilities	\$ 66,268	\$ -	\$ 66,268
Total Other Liabilities	\$ 66,268	\$ -	\$ 66,268

NOTE 6. LEASES

The Commission occupies office space in three locations, of which all three of the lease agreements are accounted for as intragovernmental leases per SFFAS 54 guidance. Annual rent for each location is charged by the General Service Administration (GSA), which acts as the federal leasing agent for the Commission.

Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total intragovernmental lease expense for fiscal year 2025 was \$1,897,139.

The Commission occupies office space at 721 19th St, Denver, CO under a lease agreement that is accounted for as an intragovernmental lease. The lease term began on June 1, 2019 and expires on May 31, 2029. Below is an estimated schedule of future payments, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

Below is a schedule of future payments for the term of the lease:

	Buildings	Total Federal
Fiscal Year		
2026	\$ 151,739	\$ 151,739
2027	152,810	152,810
2028	153,905	153,905
2029	103,153	103,153
Total	\$ 561,607	\$ 561,607

The Commission occupies office space at 875 Greentree Rd, Pittsburgh, PA under a lease agreement that is accounted for as an intragovernmental lease. The lease term began January 1, 2024 and expires on December 31, 2033. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

Below is a schedule of future payments for the term of the lease:

	Buildings	Total Federal
Fiscal Year		
2026	\$ 109,360	\$ 109,360
2027	109,360	109,360
2028	109,360	109,360
2029	119,462	119,462
2030	122,829	122,829
2031-2034	399,193	399,193
Total	\$ 969,564	\$ 969,564

The Commission occupies office space at 1331 Pennsylvania Avenue, Washington, DC, under a lease agreement that is accounted for as an intragovernmental lease. The lease term began on August 23, 2022, and expires on August 22, 2032. This lease includes a negotiated period of free rent, which covers the first eight months of the contract. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses, which are subject to annual adjustments.

Below is a schedule of future payments for the term of the lease:

	Buildings	Total Federal
Fiscal Year		
2026	\$ 1,724,377	\$ 1,724,377
2027	1,749,622	1,749,622
2028	1,775,624	1,775,624
2029	1,802,407	1,802,407
2030	1,829,993	1,829,993
2031-2032	3,508,727	3,508,727
Total	\$ 12,390,750	\$ 12,390,750

The intragovernmental lease amount does not include estimated payments for leases with annual renewal options.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The agency recognizes and discloses contingencies in accordance with SSFAS No. 5, as amended by SFFAS No. 12. In FY 2025, the agency incurred a liability for \$5,000 for one legal case where the risk of loss was probable and the claim was settled.

NOTE 8. INTER-ENTITY COSTS

The Commission recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. The Commission recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees.

The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal year ended September 30, 2025 inter-entity costs were as follows:

	2025
Office of Personnel Management	\$ 1,294,864
Total Imputed Financing Sources	\$ 1,294,864

NOTE 9. UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations, and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2025, consisted of the following:

	2025
Unobligated Balance Brought Forward from Prior Year, October 1	\$ 7,007,186
Recoveries of Prior Year Obligations	1,209,971
Other Changes in Unobligated Balances	(1,643,467)
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 6,573,690

NOTE 10. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2025 were as follows:

	Intragovernmental	Other than Intragovernmental	Total
2025			
Paid Undelivered Orders	\$ 94	\$ -	\$ 94
Unpaid Undelivered Orders	1,518,061	484,456	2,002,517
Total Undelivered Orders	\$ 1,518,155	\$ 484,456	\$ 2,002,611

NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2025 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2026 and can be found at the OMB website: <http://www.whitehouse.gov/omb/>. The Fiscal Year 2026 Budget of the United States Government, with the "Actual" column completed for 2024, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

	Total Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 24	\$ 17	\$ -	\$ 17
Unobligated Balance Not Available	(6)	-	-	-
Budget of the U.S. Government	\$ 18	\$ 17	\$ -	\$ 17

NOTE 12. CUSTODIAL REVENUES

The Commission's custodial collection primarily consists of fines, penalties, proprietary interest, and Freedom of Information Act request fees. While these collections are considered custodial, they are neither

primary to the mission of the Commission nor material to the overall financial statements. The Commission total custodial collections are \$0 for the year ended September 30, 2025.

NOTE 13: RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation of Net Cost to Net Outlays as of September 30, 2025:

	Intragovern- mental	Other than Intragovern- mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	\$ 6,566,415	\$ 10,334,402	\$ 16,900,817
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	5,885	(393)	5,492
Advances and Prepayments	(4,758)	-	(4,758)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	224,702	(241,973)	(17,271)
Federal Employee Salary, Leave, and Benefits Payable	-	122,720	122,720
Other Liabilities	6,851	-	6,851
Financing Sources:			
Imputed Cost	(1,294,864)	-	(1,294,864)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ (1,062,184)	\$ (119,646)	\$ (1,181,830)
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	\$ -	\$ (225)	\$ (225)
Custodial/Non-Exchange Revenue	(9)	9	-
Non-Entity Activity	225	-	225
Total Other Reconciling Items	\$ 216	\$ (216)	\$ -
Total Net Outlays (Calculated Total)	\$ 5,504,447	\$ 10,214,540	\$ 15,718,987
Budgetary Agency Outlays, net			\$ 15,718,987

