



**U.S. Chemical Safety and
Hazard Investigation Board**

**Performance and
Accountability Report
Fiscal Year 2016**

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MESSAGE FROM THE CHAIRPERSON

The U.S. Chemical Safety and Hazard Investigation Board (CSB) Strategic Plan for Fiscal Years (FY) 2012 to 2016 states the mission is to independently investigate significant chemical incidents and effectively advocate for the implementation of the resulting recommendations to protect workers, the public, and the environment. This report measures performance based on that plan, which expired on September 30, 2016.

In FY 16, the agency completed the *2017-2021 Strategic Plan*. As part of that process, the agency revised mission and vision statements and developed new core values to best serve the public and our stakeholders. We will discuss these enhancements throughout this report.

During FY 2016, the CSB completed nine safety products, including seven reports and two safety videos. The CSB issued a total of 47 new recommendations to improve chemical safety and reduce hazards. The CSB's investigation of the explosion and fire that occurred at the West Fertilizer Company included recommendations to the Federal Emergency Management Agency (FEMA) to improve training on emergency response to fertilizer grade ammonium nitrate fires. In September 2016, FEMA awarded two grants of a million dollars each to develop and deliver training in accordance with CSB's recommendation. FEMA's speed, coupled with the grant award amounts, clearly demonstrates the impact of the lessons learned and recommendations from the CSB's investigation.

In FY 2016, CSB deployed investigation teams to four incidents, including the explosions and fire that occurred at the Enterprise Pascagoula Gas Plant in Moss Point, Mississippi, on June 27, 2016. The resulting damage from the incident was significant, which made determining the potential sources of the explosions and fire a complex task. The CSB investigation team spent many weeks working with the company to assess and photo-document the incident scene. There are many installations similar to the Pascagoula Gas

Plant across the country in regions of the country where oil and gas are produced. Determining the causal factors of the explosion at the gas plant may yield broad lessons for the industry nationwide.

The agency also continues to advance its investigations of incidents at DuPont and ExxonMobil facilities. In January 2016, the CSB held an interim public meeting to discuss preliminary findings from its investigation of the explosion that occurred in the electrostatic precipitator (ESP) at the ExxonMobil Refinery in Torrance, California. The explosion injured four workers, caused significant property damage to multiple process units within the plant, and resulted in an off-site accidental release of catalyst dust. During the ESP explosion, there was also a near miss release of hydrofluoric acid when a large piece of ESP debris fell within feet of a storage vessel storing thousands of gallons of modified hydrofluoric acid in the neighboring alkylation unit. If the vessel had failed due to impact from ESP debris following the explosion, hydrofluoric acid would have been released. Based on the release characteristics of hydrofluoric acid, hundreds of thousands of workers and community members could have been exposed to the toxic gas with the possibility of serious injuries and fatalities. ExxonMobil refused to provide information about the HF near miss incident, so CSB began working with the Department of Justice to enforce subpoenas to ExxonMobil so that a full all-cause investigation can be conducted.

The CSB closed 30 safety recommendations from prior years during FY 2016, bringing the cumulative total of successfully implemented recommendations to 76% of those issued. These closures demonstrate that CSB recommendations continue to be successfully implemented to drive chemical safety change.

In FY 2016, the CSB transformed its *Most Wanted List to Drivers of Critical Chemical Safety Change Program*, to encourage implementation of changes that are most likely to achieve important national-level safety improvements. The Board also voted to add two issues to the Critical Drivers List (CDL). The first issue added was the need for more robust preventive maintenance programs based on CSB findings that inadequate mechanical integrity programs, delayed or deferred preventive maintenance, and the

ageing infrastructure of equipment at chemical facilities have been a recurring root cause of incidents. The second issue that the Board voted to add is Emergency Planning and Response, based on recurring findings of inadequate or poor emergency planning or response, as noted in 15 previous CSB investigations.

CSB Safety Videos continue to be an effective way to convey the findings, lessons, and recommendations from CSB investigations and studies. In FY 2016, the CSB released two safety videos to the public focusing on investigation findings. These videos provide stakeholders with incident descriptions through the use of computer-generated animations and staff and witness interviews. The videos released in FY 2016 include *Dangerously Close: Explosion in West, Texas*, which describes the incident at the West Fertilizer Company that resulted in 15 fatalities, 260 injuries, and widespread community damage. CSB safety videos are widely viewed, with nearly 16,000 subscribers to the agency's YouTube channel, and 1.3 million views with over 7 million minutes watched.

In FY 2016, the CSB launched a new initiative aimed at expanding the agency's outreach to Spanish-speaking stakeholders. The CSB offered news releases outlining key safety information and lessons learned in Spanish. The first Spanish language releases included a summary of the final investigation report into the massive explosion and fire that occurred in 2009 at the Caribbean Petroleum terminal facility near San Juan, Puerto Rico, and another regarding the ongoing investigation into the fatal methyl mercaptan release that took place in 2014 at DuPont's pesticide manufacturing plant in La Porte, Texas. The CSB also began offering safety videos with Spanish subtitles; to date the CSB has translated twelve of its safety videos.

In addition to CSB meetings held in communities affected by chemical incidents, the CSB held five public meetings in Washington, D.C., to discuss CSB business, including the status of on-going investigations. The Board is also reviewing additional governance issues, such as the revision of outdated Board Orders, in order to improve communication, efficiency, and operational effectiveness. During FY 2016, CSB updated ten Board Orders and made significant progress on others, including CSB's investigation protocol.

In FY 2016, the Office of Inspector General (OIG) identified three management challenges based on its prior audit work. The specific challenges related to addressing employee morale, increasing the number of investigations conducted and improving investigative management controls, and establishing a Chemical Reporting Regulation. In response to the OIG, the CSB worked on several initiatives to improve employee morale, which contributed to a 12% increase in employee satisfaction in Federal Employee Viewpoint Survey results, ranking CSB in the top five of most improved small agencies. The CSB also completed six investigations in FY 2016 and plans to complete an update to its Investigation Protocol by the end of calendar year 2016. With leadership focus on addressing employee morale and investigations, the Chemical Reporting Rule was not a priority and has been deferred.

This Performance and Accountability Report was prepared using guidance from the Office of Management and Budget (OMB) and contains a selection of performance information; the CSB's financial statements, as required by the Accountability of Tax Dollars Act of 2002; and a report on material weaknesses, as required by the Federal Managers' Financial Integrity Act (FMFIA).

The information provided serves as a mechanism for fiscal and programmatic accountability and serves as an accounting to the American people on our stewardship of the funds that have been entrusted to us for fulfillment of our mission in FY 2016. The results also summarize our success in achieving the performance goals the CSB established for FY 2016. The CSB continues to aggressively improve performance planning practices to ensure our goals are results-driven and oriented toward achieving specific desired outcomes.

Allmond & Company, LLC, an Independent Public Accounting firm, has audited the CSB's FY 2016 consolidated financial statements included in this report and has issued an Unmodified Opinion, the highest level of assurance, which states the financial statements present fairly, in all material respects, the financial position of the CSB as of September 30, 2016, and 2015, and its net costs, changes in net positions, and budgetary resources for the years then ended, in conformity with accounting principles generally

accepted in the United States. This achievement demonstrates both our continued dedication to sound financial management and the reliability of the financial data upon which the CSB bases our critical decisions.

The FMFIA requires the CSB to annually evaluate its management controls and identify any material weaknesses. This requirement covers all of the CSB's programs and administrative functions. As the CSB works to serve the American people, we must administer our programs as efficiently, economically, and responsibly as possible. The CSB relies on a system of management controls to provide reasonable assurance that our financial activities comply with all applicable laws, and safeguards resources as well as properly accounts for operational expenditures.

Based on both internal and external evaluations, and knowledge gained from daily operations, I am able to certify with reasonable assurance that the CSB is in compliance with the provisions of the FMFIA.



Vanessa Allen Sutherland
Chairperson and CEO

November 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

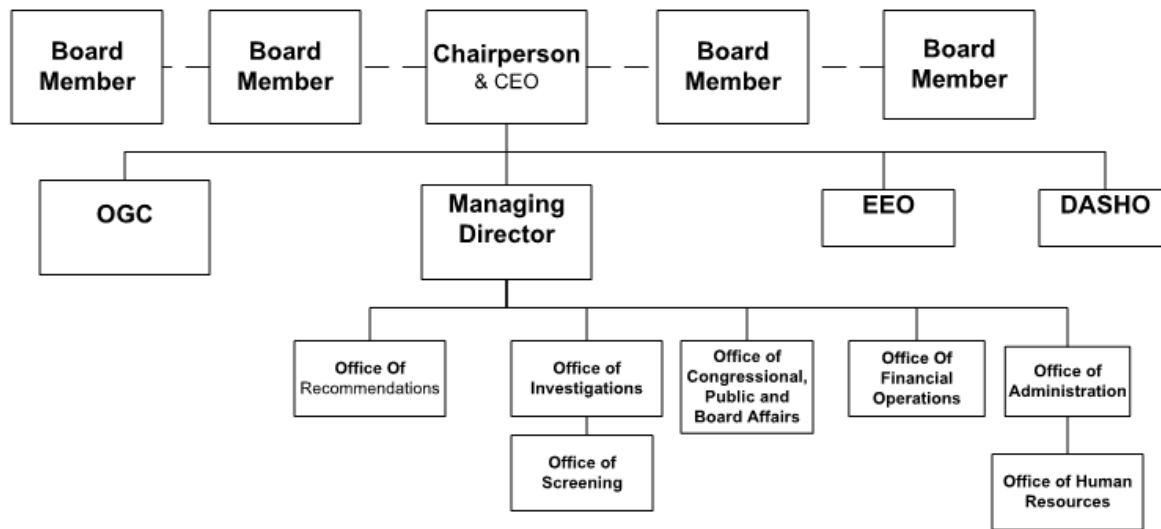
The U.S. Chemical Safety and Hazard Investigation Board (CSB) is an independent federal agency charged with investigating industrial chemical incidents and hazards. CSB investigations look into all aspects of chemical incidents, including proximate causes such as equipment failures, and root causes such as inadequacies in safety management systems and safety culture. The Board makes safety recommendations to regulatory agencies, facility management, industry organizations, and labor groups. This discussion and analysis provides a concise overview of the CSB. For detailed information visit our website at www.csb.gov.

Mission and Organizational Structure

This report is on accomplishments in the final year of CSB's *2012-2016 Strategic Plan*. The mission of the CSB is to independently investigate significant chemical incidents and hazards and effectively advocate for the implementation of resulting recommendations to protect workers, the public, and the environment. One of our FY 2016 accomplishments was updating that plan. We focused the agency's mission and vision statements to best serve the public and stakeholders as we work to complete timely investigations of chemical incidents and influence chemical safety for the better. The revised mission is to drive chemical safety change through independent investigations to protect people and the environment.

The CSB began operations in fiscal year (FY) 1998. The CSB is headquartered in Washington, DC, has a field office in Denver, Colorado, and remote employees in Houston, Texas, and other locations. The CSB is governed by its Board, which consists of one presidentially-appointed Chairperson (who also serves as a Board Member) and four presidentially-appointed Board Members. All nominations to the Board are subject to Senate confirmation; each member serves a five-year fixed term. As of September 30, 2016, there were four appointed Board Members, including the Chairperson, and a professional staff of 37.

The following is the organizational chart, which was in effect September 30, 2016.



Performance Goals, Objectives, and Results

The CSB's *2012-2016 Strategic Plan* drives our mission to independently investigate significant chemical incidents and hazards and effectively advocate for the implementation of the resulting recommendations. The strategic goals outlined in this plan are as follows:

- **Goal 1:** Conduct incident investigations and safety studies concerning releases of hazardous chemical substances.
- **Goal 2:** Improve safety and environmental protection by ensuring that CSB recommendations are implemented and by broadly disseminating CSB findings through advocacy and outreach.
- **Goal 3:** Preserve the public trust by maintaining and improving organizational excellence.

Overview of CSB Accomplishments

Goal 1: Conduct incident investigations and safety studies concerning releases of hazardous chemical substances.

Goal 1 drives the core mission of the agency by ensuring that we select and complete incident investigations that have the potential to generate recommendations with high preventive impact. In FY 2016, the CSB continued to emphasize investigations and safety by issuing reports or case studies on the incident investigations including:

- ***Caribbean Petroleum.*** The Board approved the final investigation report into the 2009 explosion and fire at an aboveground petroleum storage tank farm in San Juan,

Puerto Rico, which damaged approximately 300 nearby homes and businesses and resulted in the release of petroleum into the surrounding soil, waterways and wetlands.

The report contained recommendations to address regulatory gaps in safety oversight of petroleum storage facilities to the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA). The report also included an analysis of process safety regulations that exempt atmospheric storage tanks of gasoline and similar flammable liquids.

- ***West Fertilizer.*** The Board approved the final investigation report of an explosion and fire at the West Fertilizer Company, a fertilizer blending, retail, and distribution facility in West, Texas. The violent detonation of fertilizer grade ammonium nitrate (FGAN) fatally injured 12 emergency responders and three members of the public. Local hospitals treated more than 260 injured victims, many of whom required hospital admission. The blast completely destroyed the West Fertilizer Company facility and caused widespread damage to more than 150 offsite buildings.

As part of its investigation, the CSB found that curriculum manuals used for hazardous materials (HAZMAT) training and certification of firefighters place little emphasis on emergency response to storage sites containing FGAN. This is true for both the federal and Texas HAZMAT training and certification programs. In addition, lessons learned from previous FGAN-related fires were not shared with other fire departments, including the West Volunteer Fire Department. If previous lessons learned had been applied at West, the firefighters and emergency personnel who responded to the incident may have better understood the risks associated with FGAN-related fire and acted accordingly. As a result, the CSB made recommendations to Federal Emergency Management Agency (FEMA) within the Department of Homeland Security to create and implement a competitive funding mechanism to provide training to regional, state, and local career and volunteer fire departments on how to respond to fire and explosion incidents at facilities that store FGAN.

In September 2016, FEMA awarded two grants of a million dollars each to the Georgia Tech Research Institute and the International Association of Fire Fighters to develop and deliver HAZMAT training, focusing on FGAN hazards in accordance with the CSB's recommendations. The responsiveness and speed with which FEMA acted upon the CSB's recommendations is highly noteworthy, and coupled with the grant award amounts, clearly demonstrates the FEMA's commitment to address the lessons learned from the CSB investigation.

- ***Macondo/Deepwater Horizon.*** The Board approved the final two volumes of its investigation of the Macondo/Deepwater Horizon well explosion and fire. These volumes addressed the human, organizational and safety system factors that contributed to the incident and the gaps in the regulatory oversight of offshore oil and gas operations. The final volumes contained twelve safety recommendations including the revision and augmentation of existing offshore oil and gas safety

regulations to a more robust risk management regulatory framework that embodies key regulatory attributes found in other global offshore regions, including systematic analysis and documentation by the responsible companies that risks have been reduced to As Low As Reasonably Practicable (ALARP) and barriers are effective to manage major accident hazards.

- ***Freedom Industries.*** The Board approved the final investigation report of the January 2014 release of up to 10,000 gallons of an industrial product primarily composed of 4-Methylcyclohexane methanol (MCHM) into the Elk River. The CSB concluded that Freedom Industries failed to inspect or repair corroding tanks. In addition, as hazardous chemicals flowed into the river, the water company and local authorities were unable to effectively communicate the risks to hundreds of thousands of affected residents, who were left without clean water for drinking, cooking and bathing.

CSB recommendations included calling upon aboveground storage tank owners to establish regular inspection and monitoring and coordinate with nearby water utilities and emergency response organizations to ensure that they provide adequate information about their stored chemicals for effective planning in the event of a leak.

In addition to completing six investigations, CSB deployed to four new incidents and continued work on two ongoing investigations, including:

- ***Enterprise Pascagoula Gas Plant.*** On June 27, 2016, there were explosions and large fires at the Enterprise Pascagoula Gas Plant in Moss Point, Mississippi. While there were no injuries, several large fires burned through the night. Installations similar to the Pascagoula Gas Plant processing facility are common in regions of the country where oil and gas are produced. Determining the causal factors of the explosion at the gas plant may yield broad lessons for the industry nationwide.
- ***Delaware City Refining Company.*** On November 29, 2015, an operator at the Delaware City Refining Company's Kellogg Alkylation Unit suffered second degree burns to his face and neck areas while performing de-inventorying activities on a vessel in preparation for the removal of a pipe spool from a connected process. This incident follows two other incidents at the same facility that occurred on August 21, 2015, and August 28, 2015. The CSB is developing a Safety Bulletin that includes key lessons for preventing incidents when preparing equipment for maintenance.
- ***ExxonMobil.*** On February 18, 2015, , an explosion in the electrostatic precipitator at the ExxonMobil refinery in Torrance, California, released spent catalyst material into the surrounding community, and resulted in four minor injuries and extensive property damage. The CSB's investigation will focus on the technical cause of the equipment failure; organizational factors; process hazard analyses and mechanical integrity at the refinery; the community impact; and the State of California's PSM regulatory initiative. The CSB held an interim public meeting in the community to discuss preliminary findings during FY 2016, and expects to release its report in FY 2017.

- **DuPont.** On November 15, 2014, nearly 24,000 pounds of the methyl mercaptan was released at the DuPont chemical manufacturing facility in La Porte, Texas, which resulted in four fatalities and injuries to three other workers. In FY 2016, DuPont announced closure of the La Porte facility, so the final investigation report will focus on broader lessons learned.

Goal 2: Improve safety and environmental protection by ensuring that CSB recommendations are implemented and by broadly disseminating CSB findings through advocacy and outreach.

Goal 2 focuses on the implementation of safety recommendations and the Board's associated advocacy and outreach. Safety recommendations are one of the CSB's primary tools for bringing about permanent improvements in chemical safety. Most investigations and studies issue multiple recommendations to the parties best able to carry out the recommended action to improve safety. Once the CSB issues a recommendation, our Board Members and staff encourage implementation, ensure the recommendations are effectively communicated to the recipient(s), together with any needed justification or explanation, and track the recommendations to completion.

In FY 2016, the CSB closed 30 previously issued recommendations. In almost all cases, the recommended actions were successfully implemented by recipients. For example, as part of its Combustible Dust Hazard Study, the CSB recommended that OSHA revise the Hazard Communication Standard (HCS) to better advise employers and employees about the potential explosion hazards of combustible dusts. In February 2016, OSHA released Publication No. 3844-02 entitled: *Hazard Communication: Hazard Classification Guidance for Manufacturers, Importers, and Employers*, which addressed combustible dusts and allowed CSB to close its recommendation.

Throughout FY 2016, the CSB engaged in outreach activities with recommendations recipients and other stakeholders to encourage the implementation of key safety changes throughout industry and to distribute findings from CSB investigation reports to stakeholders. Key efforts included:

- **Drivers of Critical Chemical Safety Change.** In FY 2016, the CSB renamed its *Most Wanted Chemical Safety Improvements Program* to the *Drivers of Critical Chemical Safety Change Program* and continues to pursue the implementation of changes that are most likely to achieve important safety improvements. The Board added two issues to the list: Preventive Maintenance and Emergency Response and Planning.

The Board identified the need for more robust Preventive Maintenance programs as a causal factor in several completed investigations. The CSB found that inadequate mechanical integrity programs, delayed or deferred preventive maintenance, and the aging infrastructure of equipment at chemical facilities has been a recurring root cause in 11 incidents. The agency made recommendations to address gaps in facility, corporate, regulatory programs and industry standards aimed to ensure that damage mechanisms are promptly identified and prevented, equipment upgrades and

replacement are not delayed, and equipment is not made to last beyond its integrity operating window.

Second, inadequate or poor Emergency Response and Planning is a recurring finding in CSB investigations. The most recent example is the West Fertilizer Company fire and explosion that resulting in the death of 12 emergency responders.

- **En Español.** The *En Español* initiative, a new webpage that makes CSB materials available to Spanish-speaking stakeholders, is one example of the agency's efforts to engage new audiences. To date CSB has produced a variety of Spanish-language materials, including five new releases related to the Caribbean Petroleum, DuPont La Porte, ExxonMobil, West Fertilizer and Tesoro Martinez investigations; eight safety digests; and 12 safety videos with Spanish subtitles.
- **Safety Videos.** The CSB distributes computer-animated safety DVDs free of charge within the United States to disseminate investigative findings. The agency makes the videos available on the CSB website and on YouTube for public viewing. In FY 2016, the CSB released two safety videos: *Filling Blind* on the massive explosion at the Caribbean Petroleum Company terminal facility, and *Dangerously Close: Explosion in West, Texas* on the fire and explosion at the West Fertilizer Company.

CSB safety videos have 1.3 million views on YouTube, totaling 7 million minutes watched. The CSB also has 15,638 subscribers to the safety video YouTube channel.

The CSB's safety video program was recognized in November 2015 with awards from the Television, Internet and Video Association of DC, Inc, for the production of educational videos. Two videos, *Shock to the System* and *Caribbean Petroleum Animation* received silver awards in the Government category.

- **Advocacy and Outreach.** During FY 2016, the CSB continued to promote the implementation of its safety recommendations by engaging with recipients and stakeholders and presenting on safety topics at conferences, professional society and stakeholder meetings. CSB Board Members presented at 85 conferences and stakeholder events, a notable increase over previous years. Other professional staff members presented at more than 25 conferences and stakeholder meetings, many related to the CSB's *Drivers of Critical Chemical Safety Change Program*. The outreach activities were extended to a broader stakeholder pool including groups such as the Society of Fire Protection Engineers and the National Organization of Black Chemists and Chemical Engineers.

Goal 3: Preserve the public trust by maintaining and improving organizational excellence.

Goal 3 serves to bind all agency processes using best practice project management. This includes the agency's high-performing information technology and administrative functions.

The Federal Employee Viewpoint Survey results for FY 2016 showed a 12% increase in employee satisfaction, ranking CSB in the top five of most improved very small agencies. Improvements in employee morale reflected many initiatives, including:

- Development of a Code of Conduct that highlights the manner in which employees are to treat each other;
- Agency-wide completion of OPM 360 Surveys to help non-supervisors, supervisors, managers and executives identify their leadership strengths and developmental needs;
- Completion of an organizational assessment of the CSB's current organizational structure and employee position descriptions; and
- Held regular meetings with Board Members and agency managers, as well as all hands meetings.
- Creation of additional forms of communication between leadership and staff, including a biweekly newsletter.

In FY 2016, the Board approved the 2017-2021 Strategic Plan, which will serve as a blueprint for future priorities. This plan facilitates the allocation of resources to achieve strategic goals and promotes accountability for our safety mission. The plan builds on efforts to improve organizational efficiency and health and will help focus on the timely completion of chemical incident investigations and drive chemical safety improvements.

Analysis of Financial Statements

The CSB's financial statements have been prepared to report the financial position and our operational results pursuant to the requirements of the Accountability of Tax Dollars Act of 2002. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The following chart summarizes our budget and outlays since FY 2012.

**CSB's Budget and Outlays
(Dollars in Thousands)**

Fiscal Year	Budget ¹	Outlays
2016	\$11,000	\$10,125
2015	11,000	11,146
2014	11,000	10,478
2013	10,547	10,303
2012	11,129	11,044

We note the CSB's first full financial audit was conducted for FY 2001. Our financial statements for that and all subsequent fiscal years received unqualified or unmodified opinions, meaning our statements were fairly presented and free from material misstatements.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Systems, Controls, and Legal Compliance

The CSB is cognizant of the importance of establishing and maintaining adequate controls for the programs and administrative functions for which it is responsible. As mentioned, the CSB is developing, implementing, evaluating, and modifying our controls to provide reasonable assurance that the CSB has adequate accountability of our resources. In addition, given the small size of our agency, the CSB determined it to be more cost effective to obtain accounting, travel support, and personnel services from outside federal agencies, which also provide additional levels of control.

Based on internal and external evaluations, and knowledge gained from daily operations, our controls provide reasonable assurance that our resources are safeguarded and properly managed. Our Board Members and managers continue to emphasize the importance of internal controls, and evaluate and further enhance them as necessary.

¹ Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2016 the Emergency Fund had not been used and had a balance of \$844,000.

Management Assurances

Federal Managers' Financial Integrity Act

In accordance with the Federal Managers' Financial Integrity Act (FMFIA), the CSB has an internal management control system, which helps provide assurance that obligations and costs comply with applicable law, assets are safeguarded against waste, loss, unauthorized use or misappropriation, and revenues and expenditures are properly accounted for and recorded. This includes appropriate policies and controls to mitigate the risk of fraud and inappropriate charge card practices. The FMFIA also requires assurance that funds are being used in accordance with the agency's mission and that they are achieving their intended results; that resources are protected from waste, fraud and mismanagement, and that appropriate laws and regulations are followed. The FMFIA encompasses program, operational and administrative areas, as well as accounting and financial management.

In FY 2016, the Office of Inspector General (OIG) proposed three management challenges and one internal control weakness for the CSB based upon their prior audit and evaluation work.² The specific management challenges raised by the OIG related to addressing employee morale, increasing investigations and improving investigative management controls, and establishing a Chemical Reporting Regulation. As the CSB responded to the OIG, CSB had several initiatives to address its employee morale issues including establishing the Code of Conduct and the completion of OPM 360 Surveys to help employees identify their leadership strengths and developmental needs.

In response to the investigation related management challenge, the CSB completed six investigations in FY 2016, and focused on the investigation protocol, planning to complete an update by the end of calendar year 2016. With leadership focus on addressing employee morale and investigations, the Chemical Reporting Rule was not a priority and has been deferred.

Finally, the OIG identified an internal control weakness related to addressing operational controls, such as purchase cards and program operations. The OIG subsequently identified the CSB's purchase card program as low risk. With respect to program operations, the CSB updated ten Board Orders in FY 2016 and drafted a **Management Accountability and Control Plan**, which was approved in October 2016.

The FMFIA requires the agency head to provide an assurance statement on the adequacy of management controls and conformance of financial systems with Government-wide standards. This assurance statement is contained in the Message from the Chairperson.

Improper Payments Information Act

The Improper Payments Information Act of 2002 (IPIA), as amended by the 2010 Improper Payments Elimination and Recovery Act (IPERA) and the Improper Payments

² The OIG's report is available on EPA's website (<https://www.epa.gov/office-inspector-general/report-fy-2016-us-chemical-safety-and-hazard-investigation-board-management>).

Elimination and Recovery Improvement Act of 2012 (IPERIA), requires agencies to review annually all programs and activities to identify those susceptible to significant improper payments, estimate the annual improper payments in the susceptible programs and activities, and report the results of their improper payment reduction plans and activities.

The CSB has not identified any significant risk of improper payments. However, we recognize the importance of maintaining adequate internal controls to ensure proper payments, and our commitment to the continuous improvement in the overall disbursement management process remains strong. In FY 2016, the CSB continued our agreement with the Bureau of the Fiscal Service (BFS) to process financial transactions, make administrative payments, and prepare various financial reports. This agreement promotes the accuracy of our financial records and payments.

Finally, in FY 2016, the OIG conducted a review of CSB's IPERIA compliance. The OIG found CSB complied with IPERIA requirements. The OIG's report (containing the CSB's response) is available on EPA's website: <https://www.epa.gov/office-inspector-general/report-csb-complied-improper-payment-legislation-requirements-fiscal-year>.

PERFORMANCE REPORT

In FY 2012, the CSB updated its multi-year strategic plan. This plan covers FY 2012 through FY 2016, and serves as a guide in setting priorities, allocating resources, and making decisions. The plan has three strategic goals for 2012–2016:

- **Goal 1:** Conduct incident investigations and safety studies concerning releases of hazardous chemical substances.
- **Goal 2:** Improve safety and environmental protection by ensuring that CSB recommendations are implemented and by broadly disseminating CSB findings through advocacy and outreach.
- **Goal 3:** Preserve the public trust by maintaining and improving organizational excellence.

Goal 1 drives the core mission of the agency by ensuring that we select and complete incident investigations that have the potential to generate thorough recommendations with high preventive impact. It also focuses the agency on developing and completing safety studies with an emphasis on emerging safety issues. Goal 2 focuses on implementing our recommendations and their associated advocacy and outreach. The highly successful CSB safety videos are an important component of the agency information dissemination efforts. Goal 3, on organizational excellence, serves to bind all agency processes using best practice project management. This includes the agency's high-performing information technology and administrative functions.

GOAL 1: Conduct incident investigations and safety studies concerning releases of hazardous chemical substances.

OBJECTIVES	FY 2016 TARGET	RESULTS
1. Select incidents and hazards for investigation with high potential to generate recommendations with broad preventive impact.	No specific target set.	Deployed to four incidents: <ul style="list-style-type: none"> • Delaware City Refinery • Enterprise Products • Sunoco Logistics Partnership • Airgas
2. Complete timely, high-quality investigations that examine the technical, management systems, organizational, and regulatory causes of chemical incidents.	Complete at least four investigations.	Completed six investigations: <ul style="list-style-type: none"> • Caribbean Refining Corp • Macondo • West Fertilizer • Tesoro Martinez • Freedom Industries • Williams Olefins
3. Develop recommendations that will help prevent chemical incidents.	No specific target set.	Issued 47 recommendations
4. Complete studies with broad safety and environmental preventive impact.	Complete a draft scope and proposal for a study and will likely commence work on that study.	Evaluated a proposed study on land use planning. However, due to other priorities the CSB deferred this activity.
5. Advance the identification and understanding of new and recurring issues in chemical safety and the environment.	No specific target set.	Investigation findings related to: <ul style="list-style-type: none"> • Organizational Safety Culture • Emergency Response & Planning • Maintenance of Aboveground Storage Tanks

GOAL 2: Improve safety and environmental protection by ensuring that CSB recommendations are implemented and by broadly disseminating CSB findings through advocacy and outreach.

OBJECTIVES	FY 2016 TARGET	RESULTS
<p>1. Advocate the timely implementation of high-impact recommendations to the Congress, federal agencies, state governments, and private and non-profit entities</p>	<p>Complete 25% of its open recommendations.</p>	<p>At the end of FY 2016, 76% of all recommendations issued were closed. During the year:</p> <ul style="list-style-type: none"> • Closed 30 recommendations • Advanced 15 recommendations³
<p>2. Emphasize Board and staff advocacy of the Most Wanted Chemical Safety Improvements Program.</p>	<p>Assure that each Board Member participates in outreach related to items on the Most Wanted List.</p>	<p>Renamed <i>Most Wanted List</i> to <i>Drivers of Critical Chemical Safety Change</i>, and added two new issues:</p> <ul style="list-style-type: none"> • Preventive Maintenance Programs • Emergency Planning and Response <p>Board Members participated in 85 outreach events; staff participated in more than 25 outreach events, many related to <i>Critical Drivers List</i>.</p>
<p>3. Disseminate information by producing high-quality videos and outreach products that result in improved worker and environmental protection.</p>	<p>Commence and promote a new communications outreach initiative to make its materials available in Spanish.</p>	<p>Added the <i>En Español</i> page to the CSB website with key safety information, videos and lessons learned in Spanish.</p> <p>Released new safety videos related to the Caribbean Petroleum and West Fertilizer investigations.</p>

³ Recommendation recipient responses that remained open, but the Board Members voted to change their status (e.g., open – acceptable response) based on staff evaluations during the year.

GOAL 3: Preserve the public trust by maintaining and improving organizational excellence.

OBJECTIVES	FY 2016 TARGET	RESULTS
<p>1. Institute best practice planning and project management in all CSB processes</p>	<p>Update at least 25% of current Board Orders, to correct outdated or inaccurate information and to make significant progress on updating its internal practices</p>	<p>Reviewed all Board Orders and determined 7% required no revisions. Updated 22% of current Board Orders. Made significant progress on a new Board Order on preparing and managing the operating budget.</p>
	<p>Re-examine initiatives that were underway regarding both incident investigations and deployment assessments to update and standardize certain processes.</p>	<p>Developed a deployment decision tree to aid in incident selection. Investigation Protocol under revision.</p>
<p>2. Ensure optimization of the CSB’s budget and resource management by aligning action plans to strategic goals</p>	<p>Commence work on its next strategic plan, to be completed by December 31, 2016.</p>	<p>The Board approved the 2017-2021 Strategic Plan in September 2016.</p>
<p>3. Maintain effective human capital management by promoting development and retention of leadership, technical, and analytical competencies</p>	<p>Support organizational health initiatives, including the completion and roll-out of a Code of Conduct, employee and Board training, and commencement of identifying a provider to commence 360 assessment of staff.</p>	<p>Developed Code of Conduct. Completed an organizational assessment. All staff participated in an OPM Leadership 360 assessment. Staff completed more than 70 training initiatives.</p>

OBJECTIVES	FY 2016 TARGET	RESULTS
4. Support the CSB mission by maintaining state-of-the-art information technology and effective administrative processes	Continue to close out and complete open audit recommendations from the OIG, making significant progress on them.	Closed 24 of 35 open or issued OIG recommendations during FY 2016.
5. Foster effective internal communications	See Objective #3	An internal newsletter is prepared biweekly for all staff. Chats with the Chair take place every Thursday afternoon to encourage communication between the staff and Chairperson.

Completeness and Reliability of Performance Data

Reported performance data are free from any material inadequacies in the completeness and reliability of the data. As a small agency, the CSB can readily monitor and report on its actual performance in achieving its goals.

Agency Plans and Schedules for Improving Performance

To best serve the public and our stakeholders over the next five years, CSB staff and Board Members changed the focus of the agency mission and vision statements and developed new core values. Our mission is to drive chemical safety change through independent investigations to protect people and the environment. By working to execute this mission, we also seek to achieve a broader vision of a nation safe from chemical disasters.

The *2017–2021 Strategic Plan* is a blueprint for CSB priorities. This plan allows us to judiciously allocate our resources to achieve our strategic goals and to promote accountability for our safety mission. It is a living document that will provide flexibility in executing the mission as circumstances change. The strategic plan will help assure focus as the CSB works to complete timely investigations of chemical incidents and influence chemical safety for the better. The following are the revised, mission, vision, and goals:



MISSION

Drive chemical safety change through independent investigations to protect people and the environment.



VISION

A nation safe from chemical disasters.



STRATEGIC GOALS

Advancing the mission in three ways.



GOAL 1: Prevent recurrence of significant chemical incidents through independent investigations.



GOAL 2: Advocate safety and achieve change through recommendations, outreach, and education.



GOAL 3: Create and maintain an engaged, high-performing workforce.

FINANCIAL REPORT

A Message from the Chief Financial Officer

The CSB recognizes the significance of accountability and public disclosure. This report is a demonstration of our obligation to fulfill our fiduciary responsibilities to the American taxpayers.

I am pleased to present our financial statements for fiscal years 2016 and 2015. This year the independent public accounting firm, Allmond & Company, LLC, issued an Unmodified Opinion, the highest level of assurance, which is consistent with opinions issued since our first full financial audit was conducted in FY 2001.

These financial statements fairly present our financial position and were prepared in accordance with GAAP in the United States of America and formats prescribed by the OMB.



Elizabeth A. Robinson
Chief Financial Officer

November 15, 2016



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

U.S. Chemical Safety Board

**Audit of the U.S. Chemical Safety
and Hazard Investigation Board's
Fiscal Years 2016 and 2015
Financial Statements**

Report No. 17-F-0047

November 15, 2016

Are you aware of fraud, waste or abuse in an EPA or CSB program?

EPA Inspector General Hotline

1200 Pennsylvania Avenue, NW (2431T)

Washington, DC 20460

(888) 546-8740

(202) 566-2599 (fax)

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At a Glance

Why We Did This Review

We performed this audit in accordance with the Accountability of Tax Dollars Act of 2002, which requires the U.S. Chemical Safety and Hazard Investigation Board (CSB) to prepare, and the Office of Inspector General (OIG) to audit, the board's financial statements each year.

The U.S. Environmental Protection Agency's OIG, which also serves as the Inspector General for CSB, contracted with Allmond & Company, LLC, to perform the audit of the CSB's fiscal year 2016 financial statements. CSB's fiscal year 2015 statements had previously been audited by Walker and Company, LLP.

This report addresses the following CSB goal:

- *Preserve the public trust by maintaining and improving organizational excellence.*

Send all inquiries to our public affairs office at (202) 566-2391 or visit www.epa.gov/oig.

Listing of [OIG reports](#).

Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2016 and 2015 Financial Statements

What Allmond & Company Found

Allmond & Company rendered an unmodified opinion on the CSB's financial statements for fiscal year 2016, meaning that the statements were fairly presented and free of material misstatements. Walker and Company had previously rendered an unmodified opinion on the CSB's financial statements for fiscal year 2015.

The CSB received an unmodified opinion on its fiscal year 2016 financial statements.

In planning and performing its audit, Allmond & Company considered the CSB's internal control over financial reporting. Allmond & Company noted no matters involving the internal control and the CSB operation that it considered to be a material weakness. However, Allmond & Company identified certain deficiencies in internal control that it considered to be a significant deficiency, which is a control deficiency or combination of control deficiencies that adversely affect CSB's ability to reliably initiate, authorize, record, process or report financial data. Allmond & Company found that CSB's internal controls over financial reporting were not sufficiently designed to detect and correct material errors in its financial statements. Specifically, Allmond & Company noted that CSB did not disclose in a note a \$1 million material difference in Net Outlays, did not prepare explanations for other material differences, did not properly record calculated imputed costs, and did not record an accrual for all liabilities owed by the agency. Allmond & Company reported that CSB subsequently corrected all errors noted.

As part of obtaining reasonable assurance about whether the CSB's financial statements are free of material misstatement, Allmond & Company performed tests of the CSB's compliance with certain provisions of laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Allmond & Company's fiscal year 2016 audit disclosed no instances of noncompliance or other matters that are required to be reported.

Allmond & Company is responsible for the enclosed auditor's report and the conclusions expressed in the report. We do not express any opinion or conclusions on the CSB's financial statements, internal control, or compliance with laws and regulations.

Allmond & Company Recommendations and CSB Comments

Allmond & Company made various recommendations for CSB to implement and enhance policies and procedures. CSB concurred with the recommendations.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

November 15, 2016

The Honorable Vanessa Allen Sutherland
Chairperson and Board Member
U.S. Chemical Safety and Hazard Investigation Board
1750 Pennsylvania Avenue NW, Suite 910
Washington, D.C. 20006

RE: Report No. 17-F-0047, Audit of the U.S. Chemical Safety and Hazard Investigation Board's
Fiscal Years 2016 and 2015 Financial Statements

Dear Ms. Sutherland:

This letter transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal year 2016 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002. The fiscal year 2015 financial statements had previously been audited.

The independent public accounting firm of Allmond & Company, LLC, performed the audit of the CSB financial statements as of and for the fiscal year ended September 30, 2016. Allmond & Company is reporting one significant deficiency. The audit was required to be done in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*; and the Financial Audit Manual of the Government Accountability Office/President's Council on Integrity and Efficiency. The fiscal year 2015 financial statements as of and for the fiscal year ended September 30, 2015, had previously been audited by the independent public accounting firm of Walker and Company, LLP.

Allmond & Company is responsible for the enclosed auditor's report dated November 14, 2016, and the opinions and conclusions expressed in the report. We do not express any opinion or conclusions on the CSB's financial statements, internal control, or compliance with laws and regulations.

Action Required

Please provide us a written response to this report within 60 calendar days of the final report date. For corrective actions planned but not completed by the response date, reference to specific milestone dates will assist us in deciding whether to close this report in our audit tracking system. Your response will be posted on the Office of Inspector General's public website, along with our letter commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul C. Curtis". The signature is fluid and cursive, with the first name "Paul" being the most prominent.

Paul C. Curtis
Director, Financial Statement Audits

Enclosure



Independent Auditors' Report

Chairman and CEO U.S. Chemical Safety and Hazard Investigation Board
Inspector General, Environmental Protection Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB), which comprise the balance sheet as of September 30, 2016 and the related statement of net cost, changes in net position, and combined statement of budgetary resources for the year ended, and the related notes to the financial statements (hereinafter referred to as the financial statements). The financial statements of CSB as of September 30, 2015 were audited by other auditors whose report, dated November 16, 2015, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal year 2016 financial statements of CSB based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Chemical Safety and Hazard Investigation Board as of September 30, 2016, and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Other Information

The information in the *Message from the Chairperson* and *Management and Discussion Analysis* section of this report is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However we did not audit this information and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2016, we considered CSB's internal control over financial reporting by obtaining an understanding of CSB's internal control, determining whether internal control had been placed in operation, assessing control risk, and performing tests of control to determine auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide an opinion on the effectiveness of CSB internal control over financial reporting. Accordingly, we do not express an opinion on CSB's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 15-02. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

Our consideration of internal control over financial reporting was for the limited purpose as described in the paragraph above and was not designed to identify all deficiencies in internal control over financial reporting that might be a control deficiency, significant deficiency, or material weakness.

A control 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 misstatement on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

In our fiscal year 2016 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above.

However, as described in Exhibit I, we identified certain deficiencies in internal control that we consider to be a significant deficiency. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects CSBs' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CSB's financial statements that is more than inconsequential will not be prevented or detected.

Also, we noted certain additional matters that we will report to CSB management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CSBs' fiscal year 2016 financial statements are free of material misstatements, we performed test of CSBs' compliance with certain provisions of laws and regulations, which noncompliance with could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws specified in OMB Bulletin No. 15-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph, disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 15-02.

CSB's Response to Findings

CSB's responses to the findings identified in our engagement are described immediately following Exhibit I. CSB's responses were not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of the Office of Inspector General, CSB management, OMB, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

Allmond & Company, LLC

November 14, 2016

CONDITION

CSB's internal controls over financial reporting are not sufficiently designed to detect and correct material errors in its financial statements. Based on our review of the financial statements and note disclosures, improvements are needed over reviewing the financial statements and note disclosures for completeness, accuracy, and consistency. Specifically, we noted the following:

- CSB did not disclose in their draft financial statement Note 9 a material difference of \$1 million between Net Outlays reported on the SBR and the Budget of the U.S. Government in accordance with OMB Circular A-136.
- CSB did not prepare the explanation of material differences between the SBR and the Budget of the U.S. Government using comparable information. For example: (1) CSB used the actual amounts reported on the SBR instead of rounding to the nearest millions; and (2) CSB used the incorrect amount of \$11 million for Budget of the U.S. Government budgetary resources instead of the \$12 million indicated on line 1930 reported in the Appendix of the President's Budget.
- CSB did not properly record the calculated Office of Personnel Management (OPM) imputed costs of \$291,535.39 into the general ledger. Instead, CSB's service provider recorded an OPM imputed costs of \$144,488.68.
- CSB did not record an accrual for all liabilities owed by the agency as of September 30, 2016. We identified one disbursement totaling \$115,594.56 that was paid between 10/1/16 and 10/10/16, but was not included in CSB Accounts Payable as of September 30, 2016.

CSB subsequently corrected all errors noted above.

CRITERIA

OMB Circular A-136, *Federal Financial Reporting Requirements*, (issued October 2016), section II.4.9.35, *Note 35 Explanation of Differences between the SBR and the Budget of the US Government*, states the following:

“Agencies should provide a schedule to display the material differences between the SBR and Budget. At a minimum, agencies should display the material differences for comparable line items related to budgetary resources, obligations, distributed offsetting receipts and outlays....Agencies can find comparable information reported in the SBR to the President's Budget in...(b) the “Detailed Budget Estimates by Agency” found in the Appendix for budgetary resources, net outlays and obligations incurred included in the Budget of the United States Government.”

Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (issued September 2014), *Principle 10 – Design Control Activities*, 10.03, *Accurate and timely recording of transactions*, states, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions....In addition, management designs control

activities so that all transactions are completely and accurately recorded.”

Statement of Federal Financial Accounting Standards (SFFAS) Number (No.) 5, Accounting for Liabilities of the Federal Government, provides the definition and general principle for the recognition of a liability: A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measureable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date.”

Federal accounting standards require financial statements and footnote disclosures of all agencies of the federal government to be presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP). However, with regards to materiality, SFFAS No., Accounting for Selected Assets and Liabilities, paragraph 12 and 13, respectively state: “Except as otherwise noted, the accounting and reporting provisions of the accounting standards recommended in this Statement need not be applied to items that are qualitatively and quantitatively immaterial. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.”

CAUSE

The issues noted above were caused by the following:

CSB does not have policy or procedure designed to review the note disclosures prepared by service organization to validate the completeness and accuracy of the information presented and that material differences between the SBR and the Budget of the U.S. Government is explained.

CSB service provider prepared the imputed cost journal voucher for the incorrect accounting period instead of the current accounting period. Furthermore, CSB does not have policy or procedure designed to review financial information prepared by its service provider for completeness and accuracy.

The purchase order was not established in the general ledger until after CSB had completed its review of open obligation to identify those obligations eligible for accrual. As a result the obligation was not considered during the year-end accrual process. Also, CSB does not have a control procedure in place to review the reasonableness of the accounts payable recorded by the service provider.

EFFECT

The issues noted above effect the following:

Continuing not to disclose the explanation for material differences between the SBR and President's Budget increases the risk of including misleading or inaccurate explanations in the financial statement

note disclosures.

Imputed Financing Sources in the Statement of Net Position was understated by a known amount of \$147,047.

Intragovernmental Gross Cost in the Statement of Net Costs was understated by a known amount of \$147,047.

Imputed Financing Sources reported in Reconciliation of Net Cost of Operation to Budget Note in the financial statements is understated by a known amount of \$147,047.

Property Plant and Equipment (PP&E) Net and Accounts Payable was understated by approximately \$115,595.

Continuing not to properly review unpaid liabilities recorded by the service provider increases the risk of potential misstatements reported on the Balance Sheet, Statement of Net Costs, and Statement of Budgetary Resources.

RECOMMENDATION

We recommend that CSB management:

1. Update Note 9 Budgetary Resource Comparisons to the Budget of the United States Government to include a schedule and explanation of the material difference of \$1 million for Net Outlays between the SBR and President's Budget.
2. Design and implement policy or procedure to review the note disclosures prepared by the service organization to validate the completeness and accuracy of information presented in the financial statements.
3. Design and implement a policy or procedure to review the computed imputed costs to validate the completeness and accuracy of the amount recorded in the general ledger.
4. Enhance current policies and procedures over the review of the accruals recorded, by including in their review a comparison between disbursements made in the subsequent fiscal year and the accruals recorded by the service organization. If a significant difference exists, notify the service provider to conduct research to determine the appropriate corrective action.

**U.S. Chemical Safety and
Hazard Investigation Board**

1750 Pennsylvania Avenue NW, Suite 910 | Washington, DC 20006
Phone: (202) 261-7600 | Fax: (202) 261-7650
www.csb.gov

Honorable Vanessa Allen Sutherland
Chairperson and Member

Honorable Manny Ehrlich, Jr.
Board Member

Honorable Rick Engler
Board Member

Honorable Kristen M. Kulinowski
Board Member



November 14, 2016

Mr. Paul C. Curtis
Director, Financial Audits
Office of Inspector General
U.S. Environmental Protection Agency
1300 Pennsylvania Avenue, N.W., (2410T)
Washington, DC 20400

Dear Mr. Curtis:

Thank you for the opportunity to review your draft report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2016 and 2015 financial statements. We are pleased the independent public accounting firm, Allmond & Company, LLC, will issue an Unmodified Opinion, the highest level of assurance on our financial statements.

We also appreciate the recommendations to improve controls over internal reviews over the financial statements and note disclosures for completeness, accuracy, and consistency. The following are the specific audit recommendations and CSB corrective actions.

Recommendation 1. Update Note 9 Budgetary Resource Comparisons to the Budget of the United States Government to include a schedule and explanation of the material difference of \$1 million for Net Outlays between the SBR [Statement of Budgetary Resources] and President's Budget.

Note 9 to the financial statements was updated in accordance with the recommendation.

Recommendation 2. Design and implement policy or procedure to review the note disclosures prepared by the service organization to validate the completeness and accuracy of information presented in the financial statements.

For future reporting, the service organization (Bureau of the Fiscal Service or BFS) will include a reconciliation table and narrative in the footnotes that will allow CSB

U.S. Chemical Safety and Hazard Investigation Board

to complete a proper review of the reconciliation prior to the presentation of the statements.

Recommendation 3. Design and implement a policy or procedure to review the computed imputed costs to validate the completeness and accuracy of the amount recorded in the general ledger.

BFS will add an additional validation when calculating imputed costs to project the ending balance in the impacted accounts to ensure the calculated entry will update the balance. BFS will also generate a trial balance report after the entry is posted to ensure the accuracy of the posted entry. Finally, BFS will add a quarterly validation to review the reasonableness of imputed cost amounts.

Recommendation 4. Enhance current policies and procedures over the review of the accruals recorded, by including in their review a comparison between disbursements made in the subsequent fiscal year and the accruals recorded by the service organization. If a significant difference exists, notify the service provider to conduct research to determine the appropriate corrective action.

CSB will review all open orders and identified goods/services received/accepted and request additional accruals above the unpaid invoices recorded in accounts payable. CSB financial and procurement staff will coordinate to ensure all open orders are reviewed and the unpaid obligations are accrued properly every quarter. After accruals are submitted to BFS, CSB financial staff will follow up with BFS to ensure accruals are entered to the financial system and will request corrections/updates if accruals are not posted as expected.

Again, we appreciate the audit team's work and recommendations for improvement. If you or your staff has any questions about this response, please feel free to contact me or Anna Brown, Audit Liaison, at 202-261-7639.

Sincerely,



Vanessa Allen Sutherland
Chairperson and Board Member

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2016 AND 2015**



U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 3,932,331	\$ 3,254,350
Total Intragovernmental	3,932,331	3,254,350
Accounts Receivable, Net (Note 2)	-	59,000
Property, Equipment, and Software, Net (Note 4)	513,638	437,879
Total Assets	\$ 4,445,969	\$ 3,751,229
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 37,469	\$ 15,459
Other (note 6)	57,789	103,703
Total Intragovernmental	95,258	119,162
Accounts Payable	281,578	389,128
Federal Employee and Veterans' Benefits (Note 5)	3,908	3,908
Other (Note 6)	660,796	690,389
Total Liabilities (Note 5)	\$ 1,041,540	\$ 1,202,587
Net Position:		
Unexpended Appropriations - Other Funds	\$ 3,281,832	\$ 2,571,752
Cumulative Results of Operations - Other Funds	122,597	(23,110)
Total Net Position	\$ 3,404,429	\$ 2,548,642
Total Liabilities and Net Position	\$ 4,445,969	\$ 3,751,229

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Program Costs:		
Gross Costs (Note 8)	\$ 10,234,456	\$ 11,130,123
Net Cost of Operations	\$ 10,234,456	\$ 11,130,123

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	\$ (23,110)	\$ (418,912)
Budgetary Financing Sources:		
Appropriations Used	10,088,628	11,167,085
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	291,535	358,840
Total Financing Sources	10,380,163	11,525,925
Net Cost of Operations (Note 8)	(10,234,456)	(11,130,123)
Net Change	145,707	395,802
Cumulative Results of Operations	\$ 122,597	\$ (23,110)
Unexpended Appropriations:		
Beginning Balances	\$ 2,571,752	\$ 3,365,173
Budgetary Financing Sources:		
Appropriations Received	11,000,000	11,000,000
Other Adjustments	(201,292)	(626,336)
Appropriations Used	(10,088,628)	(11,167,085)
Total Budgetary Financing Sources	710,080	(793,421)
Total Unexpended Appropriations	\$ 3,281,832	\$ 2,571,752
Net Position	\$ 3,404,429	\$ 2,548,642

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 1,491,716	\$ 1,891,083
Recoveries of Prior Year Unpaid Obligations	300,095	186,967
Other changes in unobligated balance	(196,568)	(618,952)
Unobligated balance from prior year budget authority, net	1,595,243	1,459,098
Appropriations	11,000,000	11,000,000
Total Budgetary Resources	\$ 12,595,243	\$ 12,459,098
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	\$ 10,904,144	\$ 10,967,382
Unobligated balance, end of year:		
Apportioned, unexpired account (Note 2)	940,987	986,126
Expired unobligated balance, end of year (Note 2)	750,112	505,590
Unobligated balance, end of year (total)	1,691,099	1,491,716
Total Budgetary Resources	\$ 12,595,243	\$ 12,459,098
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 1,762,634	\$ 2,128,521
New obligations and upward adjustments (Note 10)	10,904,144	10,967,382
Outlays (gross)	(10,125,451)	(11,146,302)
Recoveries of Prior Year Unpaid Obligations	(300,095)	(186,967)
Unpaid Obligations, End of Year (Gross)	2,241,232	1,762,634
Memorandum entries:		
Obligated Balance, Start of Year	\$ 1,762,634	\$ 2,128,521
Obligated Balance, End of Year	\$ 2,241,232	\$ 1,762,634
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 11,000,000	\$ 11,000,000
Actual offsetting collections	(4,725)	(7,384)
Recoveries of prior year paid obligations	4,725	7,384
Budget Authority, net, (total)	\$ 11,000,000	\$ 11,000,000
Outlays, gross	\$ 10,125,451	\$ 11,146,302
Actual offsetting collections	(4,725)	(7,384)
Outlays, net, (total)	10,120,726	11,138,918
Distributed Offsetting Receipts	61,560	-
Agency outlays, net	\$ 10,182,286	\$ 11,138,918

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



CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The United States Chemical Safety and Hazard Investigation Board (CSB) is an independent Federal agency with the mission of ensuring the safety of workers and the public by promoting chemical safety and accident prevention. The CSB was established by the Clean Air Act Amendments of 1990 and is responsible for advising the President and Congress on key issues related to chemical safety and evaluating the effectiveness of other Government agencies on safety requirements. The CSB receives all of its funding through appropriations. The CSB 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. The CSB manages Operations and Facilities, Engineering and Development General Fund accounts.

General 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 CSB has rights and ownership of all assets reported in these financial statements. The CSB 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 CSB. 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 CSB 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 CSB 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 CSB's use of budgetary resources. The financial statements and associated notes are presented on a comparative 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 compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the CSB's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The CSB does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand. Foreign currency payments are made either by Treasury or the Department of State and are reported by the CSB in the U.S. dollar equivalents.

E. Accounts Receivable

Accounts receivable can consist of amounts owed to the CSB 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 and a security deposit prior to 2003 which was reclassified to a receivable. 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 CSB's capitalization threshold is \$10,000 for individual purchases and \$50,000 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	Lease Term
Office Furniture	7
Office Equipment	5
Computer Equipment	3
Software	3

G. Liabilities

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

The CSB reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public 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, unfunded FECA, actuarial FECA and the amounts due to Treasury for collection and accounts receivable of civil penalties and Freedom of Information Act (FOIA) request fees.

H. 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. Non-vested 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 effective at 100%.

I. 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 CSB 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 CSB 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 the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

J. Retirement Plans

The CSB employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the CSB 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 CSB matches any employee contribution up to an additional four percent of pay. For FERS participants, the CSB 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 CSB remits the employer's share of the required contribution.

The CSB 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 CSB for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The CSB recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The CSB 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.

K. Other Post-Employment Benefits

The CSB employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGSIP) may continue to participate in these programs after their retirement. The OPM has provided the CSB with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The CSB 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 CSB through the recognition of an imputed financing source.

L. 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.

M. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The CSB recognized imputed costs and financing sources in fiscal years 2016 and 2015 to the extent directed by accounting standards.

N. Reclassification

Certain fiscal year 2015 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2016 and 2015 were as follows:

	2016	2015
Fund Balances:		
Appropriated Funds	\$ 3,932,331	\$ 3,254,350
Total	\$ 3,932,331	\$ 3,254,350
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 940,987	\$ 986,126
Unavailable	750,112	505,590
Obligated Balance Not Yet Disbursed	2,241,232	1,762,634
Total	\$ 3,932,331	\$ 3,254,350

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

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The 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 Note 11).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2016 and 2015 were as follows:

	2016	2015
With the Public		
Accounts Receivable	\$ -	\$ 59,000
Total Accounts Receivable	\$ -	\$ 59,000

The accounts receivable was made up of a security deposit of \$59,000 made prior to 2003, which was reclassified to a receivable. This receivable was collected during 2016.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2016 and 2015.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2016:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 983,356	\$ 811,184	\$ 172,172
Furniture & Equipment	1,096,282	867,200	229,082
Software	246,864	134,480	112,384
Total	\$ 2,326,502	\$ 1,812,864	\$ 513,638

Schedule of Property, Equipment, and Software as of September 30, 2015:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 983,356	\$ 756,814	\$ 226,542
Furniture & Equipment	1,669,364	1,458,027	211,337
Software	131,270	131,270	-
Total	\$ 2,783,990	\$ 2,346,111	\$ 437,879

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the CSB as of September 30, 2016 and 2015 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.

	2016	2015
Intragovernmental – FECA	\$ 1,020	\$ 1,020
Unfunded Leave	386,113	456,061
Actuarial FECA	3,908	3,908
Total Liabilities Not Covered by Budgetary Resources	\$ 391,041	\$ 460,989
Total Liabilities Covered by Budgetary Resources	650,499	741,598
Total Liabilities	\$ 1,041,540	\$ 1,202,587

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 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2016 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,020	\$ -	\$ 1,020
Payroll Taxes Payable	56,769	-	56,769
Total Intragovernmental Other Liabilities	\$ 57,789	\$ -	\$ 57,789
With the Public			
Payroll Taxes Payable	\$ 32,153	\$ -	\$ 32,153
Accrued Funded Payroll and Leave	242,530	-	242,530
Unfunded Leave	386,113	-	386,113
Total Public Other Liabilities	\$ 660,796	\$ -	\$ 660,796

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,020	\$ -	\$ 1,020
Payroll Taxes Payable	43,683	-	43,683
Custodial Liability	59,000	-	59,000
Total Intragovernmental Other Liabilities	\$ 103,703	\$ -	\$ 103,703
With the Public			
Payroll Taxes Payable	\$ 30,854	\$ -	\$ 30,854
Accrued Funded Payroll and Leave	203,474	-	203,474
Unfunded Leave	456,061	-	456,061
Total Public Other Liabilities	\$ 690,389	\$ -	\$ 690,389

NOTE 7. LEASES

Operating Leases

The CSB occupies offices in Washington, DC and Denver, CO under lease agreements. The total operating lease expenses for the years ended September 30, 2016 and 2015 were \$674,401 and \$1,199,842, respectively. Lease expenses dropped significantly in FY 2016 because CSB moved to lower cost office space in Washington, DC in September 2015.

The lease agreement for office space in Washington, DC is accounted for as an operating lease. The lease agreement has a ten-year term commencing on October 1, 2015 and ending on September 30, 2025. According to Section 1.03 of this agreement, beginning in the 4th year of the lease and continuing through the 10th year of the lease, the first two (2) months of rent in each year (totaling 14 months of free rent) shall be entirely abated. Below is a schedule of future

payments for the term of the lease, excluding annual adjustments to real estate taxes and operating expenses.

Washington, DC

Fiscal Year	Building
2017	\$ 657,461
2018	674,961
2019	545,997
2020	545,997
2021	545,997
Thereafter	2,183,990
Net Future Payments	\$ 5,154,403

The lease agreement for office space in Denver, CO is accounted for as an operating lease. The lease agreement is for a period of 60 months commencing on or about December 1, 2014.

Lease payments are increased annually based on the adjustments for operating cost. The CSB may relinquish space upon four (4) months' notice. Thus, at any future time, the CSB's financial obligation can be reduced to four (4) months of rent, plus the unamortized balance of any tenant improvements financed through Public Buildings Service (PBS) plus any rent concessions not yet earned. Below is a schedule of future payments for the Denver lease.

Denver, CO

Fiscal Year	Building
2017	\$ 96,737
2018	97,729
2019	98,742
2020 (2 months)	16,511
Total Future Payments	\$ 309,719

NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between the CSB and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2016	2015
Program A		
Intragovernmental Costs	\$ 2,347,903	\$ 2,122,713
Public Costs	7,886,553	9,007,410
Net Program Costs	\$ 10,234,456	\$ 11,130,123

NOTE 9. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President’s Budget that will include fiscal year 2016 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2017 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The Chemical Safety and Hazard Investigation Board Budget Appendix can be found on the OMB website: <http://www.whitehouse.gov/omb/budget>. The 2017 Budget of the United States Government, with the "Actual" column completed for 2015, has been reconciled to the fiscal year 2015 Statement of Budgetary Resources as shown below.

For the Fiscal Year Ended September 30, 2015 (In millions)

FY2015	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resource	\$12,000,000	\$ 11,000,000	\$ -	\$11,000,000
Difference - Due to Rounding				1,000,000
Budget of the U.S. Government	\$12,000,000	\$11,000,000	\$ -	\$12,000,000

NOTE 10. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources for 2016 and 2015 consisted of the following:

	2016	2015
Direct Obligations, Category B	\$ 10,904,144	\$ 10,967,382
Total New Obligations and Upward Adjustments	\$ 10,904,144	\$ 10,967,382

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2016 and 2015, budgetary resources obligated for undelivered orders amounted to \$1,590,733 and \$1,080,036, respectively.

NOTE 12. CUSTODIAL ACTIVITY

The CSB’s custodial collection primarily consists of Freedom of Information Act requests typically. For 2016, they collected a \$59,000 rent deposit from a lease agreement prior to 2003. While these collections are considered custodial, they are neither primary to the mission of the CSB nor material to the overall financial statements. The CSB’s total custodial collections are \$61,560 and \$1,237 for the years ended September 30, 2016, and 2015, respectively.

NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The CSB has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2016	2015
Resources Used to Finance Activities		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	\$ 10,904,144	\$ 10,967,382
Spending Authority from Offsetting Collections and Recoveries	(304,820)	(194,351)
Obligations Net of Offsetting Collections and Recoveries	10,599,324	10,773,031
Other Resources		
Imputed Financing from Costs Absorbed by Others	291,535	358,840
Total Resources Used to Finance Activities	10,890,859	11,131,871
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(753,062)	(84,354)
Total Resources Used to Finance the Net Cost of Operations	10,137,797	11,047,517
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	96,659	82,606
Net Cost of Operations	\$ 10,234,456	\$ 11,130,123

ABBREVIATIONS AND ACRONYMS

ALARP	As low as reasonably practicable
BFS	Bureau of the Fiscal Service (within the U.S. Department of the Treasury)
CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
FGAN	Fertilizer Grade Ammonium Nitrate
FMFIA	Federal Manager's Financial Integrity Act
FY	Fiscal Year (October 1 to September 30)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
HAZMAT	Hazardous Materials
HCS	Hazard Communication Standard
IPERA	2010 Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination & Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
MCHM	4-Methylcyclohexane Methanol
OIG	Office of Inspector General
OMB	Office Management and Budget
OSHA	Occupational Health and Safety Administration (within the U.S. Department of Labor)
PSM	Process Safety Management

THE CSB WELCOMES YOUR COMMENTS!

Thank you for your interest in the CSB's FY 2016 Performance and Accountability Report. The CSB welcomes your comments on how we can make this report a more informative document for our readers. The CSB is particularly interested in your comments on the usefulness of this information and the manner in which it is presented. Please send your comments to cfo@csb.gov or write to:

Chemical Safety and Hazard Investigation Board
Chief Financial Officer
1750 Pennsylvania Ave, NW, Suite 910
Washington, DC 20006

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