



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

**Performance and
Accountability Report**

Fiscal Year 2013

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MESSAGE FROM THE CHAIRPERSON

The mission of the Chemical Safety and Hazard Investigation Board (CSB) is to independently investigate significant chemical incidents and hazards and effectively advocate for the implementation of the resulting recommendations to protect workers, the public, and the environment. Our independent investigative reports and videos bolster efforts by government, industry, labor, and local communities to prevent chemical process accidents.

During fiscal year (FY) 2013, the CSB completed four safety products, including one full report, one interim report, one case study, and one safety video. CSB investigations included a total of 35 recommendations to improve chemical safety and reduce hazards. Recommendations included one to the Governor and Legislature of the State of California in CSB's interim report on the massive fire at the Chevron Richmond Refinery in 2012. The CSB recommendation was to establish a multi-agency process safety regulatory program for all California oil refineries to improve the public accountability, transparency, and performance of chemical accident prevention and mechanical integrity programs. In response to this recommendation the State of California's Interagency Working Group on Refinery Safety released a report entitled, "Improving Public and Worker Safety at Oil Refineries," detailing the State's plan to improve oil refinery safety and environmental performance that can serve as the foundation for future state and national legislation.

In FY 2013 the CSB deployed to three accident sites in New Jersey, Texas, and Louisiana. This included the explosion at West Fertilizer in West, Texas that resulted in the deaths of at least fourteen individuals and caused severe damage to the community. In the aftermath of the West Fertilizer disaster, CSB testified before the U.S. Senate Committee on Environment and Public Works concerning the conduct of oversight of federal programs designed to prevent, mitigate, and address chemical threats, including risk management and emergency planning and community right-to-know programs.

The agency continues to advance several ongoing major investigations that will have a broad impact on safety throughout the chemical and petrochemical industries. Of particular note, the CSB won a critical legal victory in U.S. federal district court in Houston, affirming the Board's authority to investigate the Deepwater Macondo drilling

facility in the Gulf of Mexico. This ruling (more than a year in the making) resulted in the CSB's receiving a large volume of subpoenaed documents from Transocean, the operator of the Deepwater Macondo drilling facility, that will finally allow the CSB to complete its comprehensive report on the disaster in FY 2014. Additionally the CSB concluded its investigative work on the tragic 2010 explosion at the Tesoro refinery in Anacortes, Washington; the final draft report was entered into the internal review process as FY 2013 drew to a close, with a final public meeting anticipated on January 30, 2014. CSB investigators also drafted a report on potential regulatory reform for California's refineries, in the wake of the 2012 Chevron fire. This report also entered the internal review process late in FY 2013 as it is readied for presentation to the Board. CSB staff also completed a final report on an explosion at a crystal plant in Illinois that killed a member of the public.¹

The CSB closed 59 safety recommendations from prior years during FY 2013, bringing the cumulative total of successfully implemented recommendations to 78% of those issued. This demonstrates that CSB recommendations continue to be successfully implemented to make real impacts in the American workplaces and communities. For example, the CSB recommended that the National Fire Protection Association (NFPA) amend its National Fuel Gas Code to prohibit the inherently unsafe practice of using flammable gas to clean fuel gas piping. In response, the NFPA created a new technical committee which employed an expedited code development process to create a new gas process safety standard. NFPA 56: Standard for Fire and Explosion Prevention During Cleaning and Purging of Flammable Gas Piping Systems became a permanent NFPA standard in July 2013. NFPA 56 prohibits the use of flammable gas to clean piping and provides guidance for the use of non-flammable alternatives. NFPA 56 also contains other important safety requirements (e.g., requirements for written cleaning and purging procedures, and worker training) that went beyond the scope of the Board's original recommendation.

In July 2013, the Board voted to make the adoption of a combustible dust standard for general industry the first priority in the *Most Wanted Chemical Safety Improvements Program*. The CSB has four longstanding recommendations to OSHA calling for the issuance and expedited action on a comprehensive general industry combustible dust standard. These recommendations originated from the agency's 2006 study on the hazards of combustible dust and were reiterated in subsequent investigation reports

¹ This report was presented to the Board in final form late in FY 2013 and was calendared for consideration at a Board meeting on November 14, 2013, where it was approved in a unanimous vote.

including the 2009 report on the Imperial Sugar facility in Port Wentworth, Georgia, and the 2011 report on the three accidents at the Hoeganaes Corporation in Gallatin, Tennessee. With the designation of a combustible dust standard for general industry as a most wanted chemical safety improvement, the issue will be subject to more intense agency advocacy efforts.

CSB Safety Videos continue to be a way to convey the findings, lessons, and recommendations from CSB investigations and studies in a manner that is popular and effective. In FY 2013 the CSB released *Deadly Contract*, which detailed the findings and safety recommendations resulting from the Board's final Donaldson Enterprises, Inc. (DEI) report. The DEI video discussed how root causes of the explosion went far beyond DEI's flawed procedures as no federal, state or local codes, regulations or standards exist to establish safety requirements or provide guidance on proper ways to dispose of fireworks. The accident killed five federal subcontract workers in Hawaii in 2011. In conjunction with the interim report on the Chevron fire, the CSB also released an eight-minute narrated computer animation of the incident, which has been viewed online approximately 100,000 times.

This Performance and Accountability Report was prepared under the 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 2013. The results also summarize our success in achieving the performance goals the CSB established for FY 2013. The CSB continues to aggressively improve performance planning practices to ensure our goals are results driven and oriented toward achieving specific desired outcomes.

Brown & Company CPAs, PLLC, an Independent Public Accounting firm, has audited the CSB's FY 2013 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, 2013 and 2012, 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.

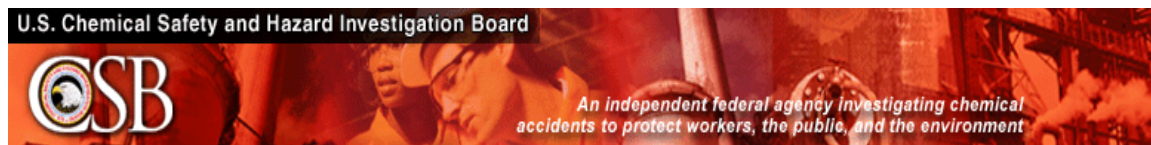
The FMFIA requires the CSB to annually evaluate its management controls and identify any material weaknesses. This requirement covers all of the CSB's programs and administrative functions. As the CSB works to serve the American people, we must administer our programs as efficiently, economically, and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



Rafael Moure-Eraso
Chairperson

December 16, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

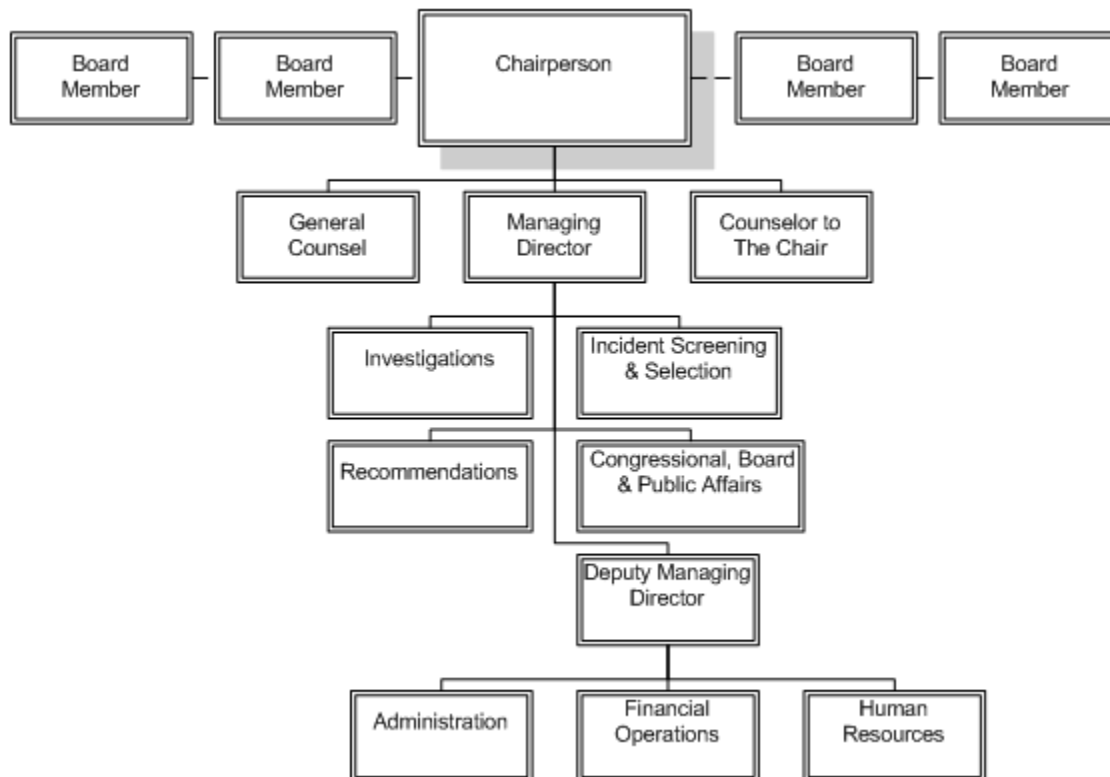
The U.S. Chemical Safety and Hazard Investigation Board (CSB) is an independent federal agency charged with investigating industrial chemical accidents and hazards. CSB investigations look into all aspects of chemical accidents, including the possible absence or inadequacy of regulations, especially those of the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA), 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, plants, 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

The mission of the CSB is to independently investigate significant chemical incidents and hazards and effectively advocate the implementation of the resulting recommendations to protect workers, the public, and the environment. Our vision is to be a recognized leader in protecting people and the environment from hazardous chemicals by issuing quality reports, high-impact recommendations, videos, and other educational tools that promote safety.

The CSB began operations in fiscal year (FY) 1998. The CSB is headquartered in Washington, DC, and has a field office in Denver, Colorado. 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, 2013, there were three appointed Board members, including the chairperson, and a professional staff of 38.

The following is the organizational chart, which was in effect September 30, 2013.



Performance Goals, Objectives, and Results

In continuing work towards our mission to independently investigate significant chemical incidents and hazards and effectively advocate the implementation of the resulting recommendations, the CSB developed an action plan for FY 2013. The specific goals of the action plan were to:

- **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 Accomplishments (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 thorough recommendations with high preventive impact. It also focuses the agency on developing and completing

safety studies with an emphasis on emerging safety issues. In FY 2013, the CSB continued to emphasize investigations and safety by issuing reports or case studies on the incident investigations listed below.

- **Donaldson Enterprises:** At a public meeting in January 2013 CSB released its final report on an explosion and fire that killed five workers during a fireworks disposal operation in Hawaii in 2011. The CSB determined the explosion resulted from unsafe disposal practices; insufficient safety requirements for government contractor selection and oversight; and an absence of national guidelines, standards, and regulations for fireworks disposal. The CSB recommended that federal agencies develop a new government-wide safety and environmental responsibility requirement for contractors, and calls for new regulations on the safe disposal of fireworks, a growing problem across the U.S.
- **Carbide Industries.** In February 2013 the CSB released its final report on the large explosion at Carbide Industries in Louisville, Kentucky that killed two workers and injured two in March 2011. The CSB found the explosion resulted from a failure by the company to investigate similar but smaller explosive incidents over many years while deferring crucial maintenance of the large electric arc furnace that blew up. The CSB made recommendations to prevent such explosions in similar furnaces.
- **Chevron Richmond Refinery.** At a public meeting in April 2013, the CSB released an interim report on its investigation of the massive fire at the Chevron Richmond Refinery near San Francisco, California, in August 2012. The interim report contained a detailed analysis of the hydrocarbon leak from highly corroded piping in a crude oil unit. The report also called attention to the need for refineries and chemical plants handling highly hazardous materials to maintain open communications with neighboring communities and other stakeholders.

The CSB's interim investigation report contained a recommendation to the Governor and Legislature of the State of California to establish a multi-agency process safety regulatory program for all California oil refineries to improve the public accountability, transparency, and performance of chemical accident prevention and mechanical integrity programs. In response to this recommendation the State of California's Interagency Working Group on Refinery Safety released a report entitled, "Improving Public and Worker Safety at Oil Refineries," detailing the State's plan to improve oil refinery safety and environmental performance that can serve as the foundation for future state and national legislation.

The Interagency Working Group's report adopted several of the CSB's recommendations from the interim report requiring refineries to implement inherently safer systems and conduct damage mechanism hazard reviews. The Working Group's report also announced the creation of an Interagency Refinery Task Force aimed at improving coordination of oversight and enforcement activities by regulatory agencies and facilitating information sharing. Finally, the

report contained a plan to hire additional safety inspectors to triple inspection capacity and ensure that all CSB recommendations are fully implemented. California's new state budget implements this tripling of refinery safety inspectors, using fees paid by the industry.

It is through the adoption of critical CSB recommendations, such as the increased number of preventative inspections by highly competent inspectors, that more rigorous major accident prevention can be achieved throughout the country.

In addition to the recommendation to establish a multi-agency process safety regulatory process in California, the CSB's interim report discussed establishing a Governor's Task Force to study the safety case regulatory regime as a rigorous goal-setting and prescriptive approach toward accident prevention.

In FY 2013, the CSB continued work on many investigations that were initiated in prior fiscal years, including the 2010 accident at the Tesoro Refinery in Anacortes, Washington that killed seven workers when a nearly forty-year-old heat exchanger catastrophically failed while being brought online following maintenance. When the vessel failed, it released highly flammable hydrogen and naphtha that ignited and exploded. The CSB expects the comprehensive final report to be released in FY 2014.

CSB also continued its investigation into the Deepwater Horizon/Macondo accident of April 2010. The CSB has achieved significant legal victories during FY 2013. In April 2013 a federal judge in Houston upheld the CSB's jurisdiction to conduct the investigation, and overruled the rig operator Transocean in its effort to block the release of information to the CSB. In July 2013, the United States Court of Appeals for the Fifth Circuit of New Orleans, Louisiana, found in favor of the CSB and refused to stay the lower court's decision. As a result of this ruling, the CSB has gained access to vital documents and information subpoenaed throughout the course of the agency's investigation. Access to these documents will allow the CSB to evaluate factors such as the role of human and organizational factors in this catastrophic accident.

In FY 2013 the CSB deployed to three accident sites in New Jersey, Texas, and Louisiana. This included the April 17, 2013 explosion at West Fertilizer in West, Texas that resulted in the deaths of at least fourteen individuals and caused severe damage to the community. West Fertilizer was not a manufacturer, but rather blended and distributed fertilizers to retail customers. The facility stored multiple fertilizer components on-site, including anhydrous ammonia and ammonium nitrate. On the day of the incident, a fire of undetermined origin broke out at the facility, and local volunteer firefighting departments responded. Although the firefighters were aware of the hazard from anhydrous ammonia, they were not informed of the explosion hazard from fertilizer grade ammonium nitrate inside the warehouse.

The community was severely affected by this event. The West Rest Haven nursing home was completely destroyed, as was an apartment complex across the street. Two large schools – the high school and the intermediate school – were structurally damaged beyond repair. A third school was also badly damaged. Nearly 200 homes were severely

damaged or destroyed. Some reports estimate that the total damages resulting from this explosion and fire may exceed \$230 million.

Although the CSB's investigation is ongoing, the agency has identified a gap in the regulatory standards and guidelines in effect prior to the explosion applicable to the chemical hazards of ammonium nitrate. The CSB has not identified any U.S. standards or guidance that would prohibit or discourage many of the factors that likely contributed to the West disaster.

In order to address these gaps, the CSB has worked with officials from industry associations, including The Fertilizer Institute and the Agricultural Retailers Association, to develop and disseminate findings on the safe handling of reactive chemicals, such as ammonium nitrate, to prevent future incidents.

Following this accident at West Fertilizer, CSB Chairperson Rafael Moure-Eraso was invited to testify before the U.S. Senate Committee on Environment and Public Works concerning the conduct of oversight of federal programs designed to prevent, mitigate, and address chemical threats, including risk management and emergency planning and community right-to-know programs. At the June 2013 hearing, the CSB Chairperson provided a synopsis of preliminary findings from two ongoing accident investigations at West Fertilizer, as well as a separate investigation at the Williams Olefins facility in Geismar, Louisiana.

On August 1, 2013, President Barack Obama issued Executive Order 13650 – Improving Chemical Facility Safety and Security to establish a chemical facility safety and security working group. The working group will evaluate the handling and storage of chemicals to improve chemical facility safety and security in coordination with owners and operators.

The Executive Order requires members of the working group to develop plans to address several key issues evaluated by the CSB that had been identified in previous investigations. These issues include improved communication among the Federal Government, first responders, and State, local, and tribal entities; the capabilities, limitations, and needs of the first responder community; sharing access of key information on chemical safety and security among first responders and emergency planning organizations; the development or enhancement of joint collaborative programs on chemical risk management; and improved public access to information about chemical facility risks.

Investigations undertaken by the CSB have revealed serious gaps in the prevention of accidents and responses to major chemical releases by companies and government authorities. The Executive Order will encourage the development of regulation and enforcement for the safe handling of hazardous chemicals, such as ammonium nitrate and other reactive hazards that the CSB has previously identified, to help prevent future incidents.

The Executive Order also calls for the revision and strengthening of the Environmental Protection Agency's (EPA's) Risk Management Program and the Occupational Safety and Health Administration's (OSHA's) Process Safety Management (PSM) standard, both of which have been recommended by the CSB for several years. With the cooperation of these agencies, stakeholders and the public can learn what happened in chemical accidents and use that knowledge to prevent high consequence incidents in the future.

Goal #2 Accomplishments (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 implementing our recommendations and their 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 different recipients, who are the parties best able to carry out the recommended action to improve safety. Once the CSB issues a recommendation, our Board members and staff advocate 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 2013, the CSB issued a total of 35 recommendations, and closed 59 previously issued recommendations. In almost all cases, the recommended actions were successfully implemented by recipients. The following are examples of FY 2013 safety improvements resulting from CSB recommendations:

- **Gas Process Safety:** Following its investigation of the February 7, 2010 deadly natural gas explosion at the Kleen Energy power generation facility in Middletown, Connecticut, the CSB recommended that the National Fire Protection Association amend its National Fuel Gas Code to prohibit the inherently unsafe practice of using flammable gas to clean fuel gas piping. In response, the NFPA created a new technical committee which employed an expedited code development process to create a new gas process safety standard. NFPA 56: *Standard for Fire and Explosion Prevention During Cleaning and Purging of Flammable Gas Piping Systems* became a permanent NFPA standard in July 2013. NFPA 56 prohibits the use of flammable gas to clean piping and provides guidance for the use of non-flammable alternatives. NFPA 56 also contains other important safety requirements (e.g., requirements for written cleaning and purging procedures, and worker training) that went beyond the scope of the Board's original recommendation.
- **Hot Work:** Following its investigation of the November 9, 2010 hot work incident at the DuPont Corporation's Yerkes facility near Buffalo, NY, the CSB recommended that DuPont develop corporate requirements for the safe conduct of hot work at its U.S. facilities. By early FY 2013, the corporation had developed and trained its employees in corporate safety requirements to prevent future loss of life and property from unsafe hot work practices.

- **Process Safety Indicators:** Following its investigation of the March 23, 2005 explosions and fire at the BP Texas City refinery, the CSB recommended to BP's Global Executive Board of Directors that the company shift its emphasis from personal safety measures to leading and lagging process safety indicators to more accurately measure and strengthen safety performance at its refineries. The company now reports that it is tracking a variety of process safety indicators at its refineries, and that these measures are being utilized by senior leadership to improve performance in the company's refining segment.

In June 2012, the Board approved the *Most Wanted Chemical Safety Improvements Program*, which identified the agency's most important chemical safety improvement goals. Since the approval of the new program, the CSB has been considering several issues to be named as most wanted chemical safety improvements.

At a public meeting in July 2013, members of the CSB voted to make the adoption of a combustible dust standard for general industry the first priority in the program. The CSB has four longstanding recommendations to OSHA calling for the issuance and expedited action on a comprehensive general industry combustible dust standard. These recommendations originated from the agency's 2006 study on the hazards of combustible dust and were reiterated in subsequent investigation reports including the 2009 report on the Imperial Sugar facility in Port Wentworth, Georgia, and the 2011 report on the three accidents at the Hoeganaes Corporation in Gallatin, Tennessee. With the designation of a combustible dust standard for general industry as a most wanted chemical safety improvement, the issue will be subject to more intense agency advocacy efforts.

Although the specific issues to be included in the program are still under consideration, they will undoubtedly include some of the most important safety issues identified throughout the agency's investigative history as significant gaps in regulation and industry guidance. These issues may include topics such as comprehensive OSHA standards on combustible dust and fuel gas safety, as well as a modernized OSHA process safety management (PSM) standard including coverage for reactive chemicals. Additional issues under consideration include: workforce safety protections for public employees; and fatigue prevention guidance for plant operators.

In addition to the designation of most wanted chemical safety improvements, the CSB has brought attention to three other longstanding recommendations to OSHA that have not been implemented. In 2002 the CSB recommended that the PSM standard be updated to include coverage of atmospheric storage tanks that could be involved in a potential catastrophic release as a result of being interconnected to a covered process with 10,000 pounds of a flammable substance. The CSB also recommended that OSHA revise the PSM standard to require management of change (MOC) reviews for organizational changes in a 2007 recommendation from the BP Texas City investigation. Finally, in 2010, the CSB recommended that OSHA issue a fuel gas safety standard for construction and general industry.

Increased advocacy for these issues fulfills the CSB's mission to effectively advocate for the implementation of recommendations to protect workers, the public, and the

environment resulting from independent investigations of significant chemical incidents and hazards.

The CSB continues to distribute computer-animated safety DVDs free of charge based on investigative findings. In FY 2013, the CSB Deadly Contract, which detailed the findings and safety recommendations resulting from the Board's final Donaldson Enterprises, Inc. (DEI) report. The DEI video discussed how root causes of the explosion went far beyond DEI's flawed procedures as no federal, state or local codes, regulations or standards exist to establish safety requirements or provide guidance on proper ways to dispose of fireworks. The accident killed five federal subcontract workers in Hawaii in 2011.

An animation depicting the sequence of events leading to the vapor release and subsequent fire at Chevron Richmond Refinery fire was released in April 2013.

In FY 2013, the CSB unveiled a redesigned website, www.csb.gov that includes an updated homepage with featured event slide show, photo gallery and updated video room. The redesigned home page features easier access to investigation information, including the ability to download high-resolution photos from CSB investigations, and an improved search capability. CSB safety videos and safety messages are embedded throughout the site and are easily accessible to download.

Finally, during FY 2013, the CSB issued 11 public statements related to its investigations and recommendations, including statements on the decision by the Mississippi Supreme Court to uphold a county law to require fencing, gates and warning signs at oil and gas sites and one which applauded actions by the City of Richmond to begin the process of adopting recommendations resulting from the CSB's interim report into the August 6, 2012, explosion and fire at the Chevron Refinery in Richmond, California. In addition, the CSB held 4 public meetings and individual board members also gave 31 presentations on findings, lessons learned, and recommendations at business, labor, and public interest group meetings during FY 2013.

Goal #3 Accomplishments (Preserve the public trust by maintaining and improving organizational excellence.)

Goal 3, on serves to bind all agency processes using best practice project management. This includes the agency's high-performing information technology and administrative functions. In FY 2013 the CSB conducted an investigator training session on investigation protocols and emerging safety issues. The CSB also enhanced its information technology infrastructure to improve communications between offices and remote locations. Specifically CSB improved its internet connections and implemented a new web based video conferencing system to easily hold interactive meetings with remote locations. We believe the new video conferencing system will allow the CSB to be more efficient and reduce some travel expenses. The CSB also completed its conversion to new timekeeping and accounting systems in FY 2013, and began generating detailed cost reports based on payroll data that was not available in prior years. Finally, FY 2013 was the first full year the CSB had its procurement function in-

house, and the CSB's two warranted contracting officers were able to efficiently award contracts, especially for time-sensitive, investigation-related procurements.

Analysis of Financial Statements

Our 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 2008.

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

Fiscal Year	Budget*	Outlays
2013	\$10,547	\$10,303
2012	11,129	11,044
2011	10,799	11,170
2010	11,147	9,783
2009	10,199	9,313

We note the CSB's first full financial audit was conducted for FY 2001. Our financial statements for this and subsequent fiscal years have all received unqualified 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

* Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2012 the Emergency Fund had not been used and had a balance of \$844,000.

mentioned, 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.

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. 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 2013, 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. The issues proposed by the OIG pertain to CSB program operations rather than financial controls. The specific issues raised by the OIG related to meeting goal related to timely investigations, clarifying the CSB's statutory mandate, promulgating a chemical incident reporting rule, and establishing internal controls related to program operations. As the CSB responded to the OIG, the CSB believes it is inappropriate for the OIG to categorize the issue of timely investigations as a management challenge when the primary causes relate to workload and budgetary issues. The other issues raised by the OIG do not impair the CSB's ability to carry out its mission; rather they may help improve operations. It is important to note that the issues proposed by the OIG pertain to the efficiency and effectiveness of CSB program operations rather than internal financial controls.

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), 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 with 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 2013, 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 2013 the Office of Inspector General conducted a review and found the CSB is fully compliant with the reporting requirements of IPERA.

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.

An annual action plan was developed based on the strategic plan, and the following are the status of specific initiatives identified in the FY 2013 action plan.

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

Measure	FY 2013 Target	Status	Explanation
1. Completed investigations	Complete 8 products: <ul style="list-style-type: none"> • Donaldson Enterprises Report • Carbide Case Study • Chevron Interim Report • NDK Report • Chevron Regulatory Report • Macondo Report • Tesoro Report • Caribbean Petroleum Report 	Complete Complete Complete On-Going On-Going On-Going On-Going On-Going	Adopted on 1/17/2013 Adopted on 2/7/2013 Adopted on 4/19/2013 Work continued on these investigations in FY 2013, but they were not completed due to deployment to new incidents, including the major deployment to the West Fertilizer disaster in April 2013. In addition, CSB committed resources to the case backlog.
2. Complete priority sections of investigation protocol	Complete the following: <ul style="list-style-type: none"> • CSB Victim and Family Communication Program • Investigation Product Scoping • Recommendation Development 	Complete On-Going On-Going	Adopted on 7/2/2013 A draft was circulated to the Board, but will not be voted upon until early FY 2014. A draft was circulated to investigation managers in FY 2013, but was delayed due to other investigation priorities.

Measure	FY 2013 Target	Status	Explanation
3. Complete Evidence Rule	<ul style="list-style-type: none"> Complete process to develop the evidence rule 	On-Going	Work continued on this in FY 2013, but it was not completed due to other work priorities. We expect to prepare a notice of proposed rulemaking in FY 2014.

Measure	FY 2013 Target	Status	Explanation
	<ul style="list-style-type: none"> • Chevron 	On-Going	The <i>Chevron Richmond Refinery Fire</i> animation was released in conjunction with the interim report. A full length safety video will be released in conjunction with the final report.
	<ul style="list-style-type: none"> • NDK • Caribbean Petroleum 	On-Going On-Going	Videos for NDK and Caribbean Petroleum are deferred until written products are approved by the Board.

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

Measure	FY 2013 Target	Status	Explanation
7. Maintain effective human capital management by promoting development in leadership, technical, and analytical competencies	No specific target established	Complete	CSB conducted an investigator training session on investigation protocols and emerging safety issues.
8. Ensure optimization of the CSB's budget and resource management by aligning action plans to strategic goals	No specific target established	Complete	Although a target was not established, CSB completed its conversion to new timekeeping and accounting systems in FY 2013, and began generating detailed cost reports based on payroll data that was not available in prior years.
9. Support the CSB mission by maintaining state of the art information technology and effective administrative processes	No specific target established	Complete	CSB improved its internet connections and implemented a new web based video conferencing system to easily hold interactive meetings with remote locations. In addition, FY 2013 was the first full year the CSB had its procurement function in-house, and the CSB's two warranted contracting officers were able to efficiently award contracts, especially for time-sensitive, investigation-related procurements.

Agency Plans and Schedules for Improving Performance

The CSB constantly works to improve the efficiency and effectiveness of our programs and initiatives. Annual action plans are designed to include “stretch goals”, to include challenges to managers and staff in order to achieve maximum results. Our strategic planning committee, consisting of senior managers, meets throughout the year to monitor accomplishments and assess priorities.

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.

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 2013 and 2012. This year the independent public accounting firm, Brown & Company CPAs, PLLC, 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

December 16, 2013



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2013 and 2012 Financial Statements

Report No. 14-1-0038

December 16, 2013



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Washington, DC 20460



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 Brown and Company, CPAs, PLLC, to perform the audit of the CSB's fiscal years 2013 and 2012 financial statements.

This report addresses the following CSB goal:

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

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2014/20131216-14-1-0038.pdf

Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2013 and 2012 Financial Statements

What Brown and Company Found

Brown and Company rendered an unmodified opinion on the CSB's financial statements for fiscal years 2013 and 2012, meaning that the statements were fairly presented and free of material misstatements.

The CSB received an unmodified opinion for its fiscal years 2013 and 2012 financial statements.

In planning and performing its audit, Brown and Company considered the CSB's internal control over financial reporting. Brown and Company noted no matters involving the internal control and the CSB operation that it considered to be a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency in internal control, or a combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

As part of obtaining reasonable assurance about whether the CSB's financial statements are free of material misstatement, Brown and 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. Brown and Company's fiscal year 2013 audit disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or Office of Management and Budget Bulletin No. 14-02.

Brown and Company is responsible for the attached 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.

CSB's Comments

The CSB agreed with Brown and Company's report.



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

THE INSPECTOR GENERAL

December 16, 2013

The Honorable Rafael Moure-Eraso, Ph.D.
Chairperson and Chief Executive Officer
U.S. Chemical Safety and Hazard Investigation Board
2175 K Street, NW, Suite 400
Washington, DC 20037-1809

Subject: Report No. 14-1-0038, Audit of the U.S. Chemical Safety and Hazard Investigation Board's
Fiscal Years 2013 and 2012 Financial Statements

Dear Dr. Moure-Eraso:

This letter transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2013 and 2012 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002.

The independent public accounting firm of Brown and Company, CPAs, PLLC, performed the audit of the CSB financial statements as of and for the fiscal years ended September 30, 2013 and 2012. 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. 14-02, *Audit Requirements for Federal Financial Statements*; and the Financial Audit Manual of the Government Accountability Office/President's Council on Integrity and Efficiency.

Brown and Company, CPAs, PLLC, is responsible for the enclosed auditor's report dated December 9, 2013, 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.

Should you have any questions, please contact Richard Eyermann at (202) 566-0565 or eyermann.richard@epa.gov, or Bill Spinazzola at (202) 566-2568 or spinazzola.bill@epa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", written in a cursive style.

Arthur A. Elkins Jr.

Enclosures

cc: Daniel Horowitz, Ph.D., Managing Director, CSB
Elizabeth A. Robinson, Finance Director, CSB
Anna Brown, Director of Administration and Audit Coordinator, CSB
Richard Loeb, General Counsel, CSB
Kimberly Penn, Audit Manager, Brown and Company, CPAs, PLLC
Gail Jenifer, Managing Partner, Brown and Company, CPAs, PLLC



INDEPENDENT AUDITOR'S REPORT

Office of Inspector General
Chairman and CEO
U.S. Chemical Safety and Hazard Investigation Board
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSB as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CSB's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CSB's internal control. Accordingly, we do not express an opinion on the effectiveness of CSB's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In our fiscal year 2013 audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CSB’s financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management’s Responsibility for Internal Control and Compliance

CSB’s management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring CSB’s financial management systems are in substantial compliance with FFMA requirements, and (4) ensuring compliance with other applicable laws and regulations.

Auditor’s Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to CSB. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 14-02 that we deemed applicable to CSB’s financial statements for the fiscal year ended September 30, 2013. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CSB’s internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSB’s internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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

Brown & Company

Largo, Maryland
December 9, 2013

=====**BROWN & COMPANY CPAS, PLLC**=====

CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2013 AND 2012**

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U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2013 AND 2012
(In Dollars)

	2013	2012
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 4,563,364	\$ 4,852,202
Total Intragovernmental	4,563,364	4,852,202
Accounts Receivable, Net (Note 3)	59,007	59,387
Property, Equipment, and Software, Net (Note 4)	43,094	71,698
Total Assets	\$ 4,665,465	\$ 4,983,287
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 41,959	\$ 41,291
Other (Note 6)	28,429	28,335
Total Intragovernmental	70,388	69,626
Accounts Payable	272,775	158,743
Other (Note 6)	747,869	775,584
Total Liabilities (Note 5)	\$ 1,091,032	\$ 1,003,953
Net Position:		
Unexpended Appropriations - Other Funds	\$ 4,050,887	\$ 4,406,532
Cumulative Results of Operations - Other Funds	(476,454)	(427,198)
Total Net Position	\$ 3,574,433	\$ 3,979,334
Total Liabilities and Net Position	\$ 4,665,465	\$ 4,983,287

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

	2013	2012
Program Costs:		
Gross Costs (Note 8)	\$ 10,776,185	\$ 11,482,491
Net Program Costs	\$ 10,776,185	\$ 11,482,491

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 FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

	2013	2012
Cumulative Results of Operations:		
Beginning Balances	\$ (427,198)	\$ (329,483)
Budgetary Financing Sources:		
Appropriations Used	10,367,936	11,030,383
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 9)	358,993	354,393
Total Financing Sources	10,726,929	11,384,776
Net Cost of Operations (Note 8)	(10,776,185)	(11,482,491)
Net Change	(49,256)	(97,715)
Cumulative Results of Operations	\$ (476,454)	\$ (427,198)
Unexpended Appropriations:		
Beginning Balances	\$ 4,406,532	\$ 4,634,620
Budgetary Financing Sources:		
Appropriations Received	11,129,165	11,147,000
Other Adjustments	(1,116,874)	(344,705)
Appropriations Used	(10,367,936)	(11,030,383)
Total Budgetary Financing Sources	(355,645)	(228,088)
Total Unexpended Appropriations	\$ 4,050,887	\$ 4,406,532
Net Position	\$ 3,574,433	\$ 3,979,334

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

	2013	2012
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 3,005,148	\$ 2,963,115
Recoveries of Prior Year Unpaid Obligations	243,948	517,729
Other changes in unobligated balance	(534,755)	(326,870)
Unobligated balance from prior year budget authority, net	2,714,341	3,153,974
Appropriations	10,547,043	11,129,165
Total Budgetary Resources	\$ 13,261,384	\$ 14,283,139
Status of Budgetary Resources:		
Obligations Incurred (Note 11)	\$ 10,528,667	\$ 11,277,991
Unobligated balance, end of year:		
Apportioned	884,996	892,063
Unapportioned	1,847,721	2,113,085
Total unobligated balance, end of year	2,732,717	3,005,148
Total Budgetary Resources	\$ 13,261,384	\$ 14,283,139
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 1,847,053	\$ 2,130,683
Obligations Incurred (Note 11)	10,528,667	11,277,991
Outlays (gross)	(10,303,237)	(11,043,891)
Recoveries of Prior Year Unpaid Obligations	(243,948)	(517,730)
Unpaid Obligations, End of Year (Gross)	1,828,535	1,847,053
Obligated Balance, End of Year	\$ 1,828,535	\$ 1,847,053
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 10,547,043	\$ 11,129,165
Budget Authority, net	\$ 10,547,043	\$ 11,129,165
Agency outlays, net	\$ 10,303,238	\$ 11,043,891

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

The 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 consists 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. 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	9
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 and the amounts due to Treasury for collection and accounts receivable of civil penalties and 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 50% beginning FY 2010 and 100% in 2014.

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 (FEGlIP) 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 2013 and 2012 to the extent directed by accounting standards.

N. Reclassification

Certain fiscal year 2012 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, 2013 and 2012 were as follows:

	2013	2012
Fund Balances:		
Appropriated Funds	\$ 4,561,252	\$ 4,852,202
Other Fund Types	2,112	-
Total	\$ 4,563,364	\$ 4,852,202

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 884,996	\$ 892,063
Unavailable	1,847,721	2,113,085
Obligated Balance Not Yet Disbursed	1,828,535	1,847,054
Non-Budgetary FBWT	2,112	-
Total	\$ 4,563,364	\$ 4,852,202

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 also UNDELIVERED ORDERS AT THE END OF THE PERIOD – NOTE 12).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2013 and 2012 were as follows:

	2013	2012
With the Public		
Accounts Receivable	\$ 59,007	\$ 59,387
Total Accounts Receivable	\$ 59,007	\$ 59,387

The accounts receivable is primarily made up of a security deposit prior to 2003 which was reclassified to a receivable in June 2012.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2013 and 2012.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2013:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 711,505	\$ 711,505	\$ -
Furniture & Equipment	1,649,613	1,645,073	4,540
Software	131,271	92,717	38,554
Total	\$ 2,492,389	\$ 2,449,295	\$ 43,094

Schedule of Property, Equipment, and Software as of September 30, 2012:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 711,505	\$ 711,505	\$ -
Furniture & Equipment	1,649,613	1,623,543	26,070
Software	106,454	60,826	45,628
Total	\$ 2,467,572	\$ 2,395,874	\$ 71,698

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the CSB as of September 30, 2013 and 2012 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.

	2013	2012
Unfunded Leave	\$ 519,551	\$ 499,281
Total Liabilities Not Covered by Budgetary Resources	\$ 519,551	\$ 499,281
Total Liabilities Covered by Budgetary Resources	571,481	504,672
Total Liabilities	\$ 1,091,032	\$ 1,003,953

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, 2013 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	\$ 28,429	\$ -	\$ 28,429
Total Intragovernmental Other Liabilities	\$ 28,429	\$ -	\$ 28,429
With the Public			
Payroll Taxes Payable	\$ 52,530	\$ -	\$ 52,530
Accrued Funded Payroll and Leave	114,676	-	114,676
Unfunded Leave	519,551	-	519,551
Custodial Liability	2,112	59,000	61,112
Total Public Other Liabilities	\$ 688,869	\$ 59,000	\$ 747,869

Other liabilities account balances as of September 30, 2012 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	\$ 28,335	\$ -	\$ 28,335
Total Intragovernmental Other Liabilities	\$ 28,335	\$ -	\$ 28,335
With the Public			
Payroll Taxes Payable	\$ 66,792	\$ -	\$ 66,792
Accrued Funded Payroll and Leave	150,511	-	150,511
Unfunded Leave	499,281	-	499,281
Custodial Liability	-	59,000	59,000
Total Public Other Liabilities	\$ 716,584	\$ 59,000	\$ 775,584

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 fiscal years ending September 30, 2013 and 2012 were \$988,875 and \$1,050,440, respectively. The CSB began sub-leasing a portion of the DC office space in October 2012 for \$8,333.33 per month. Therefore, these collections have reduced their rent expense by \$100,000 as of September 30, 2013.

The lease agreement for office space in Washington, DC is accounted for as an operating lease. In FY 2010, the CSB executed a supplemental lease agreement that amended the lease to renew it for a five-year term commencing on October 1, 2010 and ending on September 30, 2015. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

Washington, DC (Lease expires 9/30/2015)

Fiscal Year		Building
2014	\$	1,063,073
2015		1,092,747
Total Future Payments	\$	2,155,820

The two lease agreements for office space in Denver, CO are accounted for as operating leases. The first lease term began on February 1, 2013 and the last will expire on January 31, 2018. In FY 2013 CSB identified the need for a larger space to house all of the CSB's Denver employees contiguously, so a move to a different building is planned for January 2014. At that time a new lease will be in effect that will extend five years. 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 PBS, plus any rent concessions not yet earned. Below is a schedule of future payments for the existing lease through December 31, 2013, and the term of the new lease estimated to begin January 1, 2014.

Denver, CO (Lease expires 12/31/2018)

Fiscal Year		Building
2014	\$	78,559
2015		86,862
2016		96,675
2017		97,666
2018		98,677
2019		24,767
Total Future Payments	\$	483,206

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:

	2013	2012
Intragovernmental Costs	\$ 2,074,944	\$ 2,374,871
Public Costs	8,701,241	9,107,620
Net Program Costs	\$ 10,776,185	\$ 11,482,491

NOTE 9. IMPUTED FINANCING SOURCES

The CSB recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the twelve months ended September 30, 2013 and 2012, respectively, imputed financing was as follows:

	2013	2012
Office of Personnel Management	\$ 358,993	\$ 354,393
Total Imputed Financing Sources	\$ 358,993	\$ 354,393

NOTE 10. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2013 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2014 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2014 Budget of the United States Government, with the "Actual" column completed for 2012, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2013 and 2012 consisted of the following:

	2013	2012
Direct Obligations, Category B	\$ 10,528,667	\$ 11,277,991
Total Obligations Incurred	\$ 10,528,667	\$ 11,277,991

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

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2013 and 2012, budgetary resources obligated for undelivered orders amounted to \$1,318,167 and \$1,354,936, 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.

	2013	2012
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 10,528,667	\$ 11,277,991
Spending Authority From Offsetting Collections and Recoveries	(243,948)	(517,729)
Net Obligations	10,284,719	10,760,262
Other Resources		
Imputed Financing From Costs Absorbed By Others	358,993	354,393
Net Other Resources Used to Finance Activities	358,993	354,393
Total Resources Used to Finance Activities	10,643,712	11,114,655
Resources Used to Finance Items Not Part of the Net Cost of Operations	58,781	205,467
Total Resources Used to Finance the Net Cost of Operations	10,702,493	11,320,122
Components of the Net Cost of Operations That Will Not Require or		
Generate Resources in the Current Period:	73,692	162,369
Net Cost of Operations	\$ 10,776,185	\$ 11,482,491

ABBREVIATIONS AND ACRONYMS

BFS	Bureau of the Fiscal Service (within the U.S. Department of the Treasury)
CSB	Chemical Safety and Hazard Investigation Board
EPA	Environmental Protection Agency
FMFIA	Federal Manager's Financial Integrity Act
FY	Fiscal Year (October 1 to September 30)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
IPERA	2010 Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
NFPA	National Fire Protection Association
OIG	Office of Inspector General
OMB	Office Management and Budget
OSHA	Occupational Health and Safety Administration (within the U.S. Department of Labor)
PAR	Performance and Accountability Report
PSM	Process Safety Management

THE CSB WELCOMES YOUR COMMENTS!

Thank you for your interest in the CSB's FY 2013 Performance and Accountability Report. The CSB welcome 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
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Washington, DC 20038

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