



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

**Performance and  
Accountability Report**

**Fiscal Year 2007**

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*Additional copies of this document may be downloaded from the CSB’s website [www.csb.gov](http://www.csb.gov)*

## MESSAGE FROM THE CHAIRPERSON

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The mission of the Chemical Safety and Hazard Investigation Board (CSB) is to investigate chemical accidents and hazards, as well as recommend actions to protect workers, the public and the environment. Our independent, scientific investigations bolster efforts by government, industry, labor, and local communities to prevent chemical accidents.

The CSB had a busy and productive fiscal year (FY) 2007. The CSB completed twelve safety products, including four full investigation reports, one safety study, four case studies, and three safety bulletins. These products included a total of 83 recommendations for promoting chemical safety and hazard reduction. In addition, the CSB closed 55 safety recommendations, including an urgent recommendation that resulted in the successful completion of an independent panel's review of BP's corporate oversight of safety management systems at its North American refineries and its corporate safety culture.

In addition, in FY 2007 the CSB produced four new safety videos, which use advanced computer animation to explain in just a few minutes precisely how a major chemical accident occurred. The videos present the specific findings and recommendations from CSB reports and feature interviews with CSB Board Members and investigators discussing appropriate good safety practices to follow.

The response to the video program has been remarkable. For each person who accesses one of the CSB's written reports, roughly a hundred people watch the videos and use them for improved training, engineering, and process design. Since the program was launched in December 2005, the safety videos have been viewed almost a million times over the Internet, and the CSB has distributed more than 40,000 DVD copies to large and small companies, labor unions, and trade organizations.

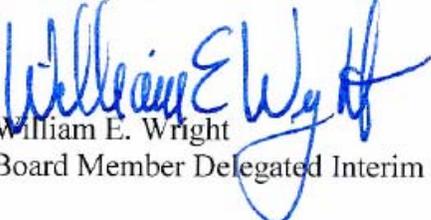
This Performance and Accountability Report was prepared under the guidance from the Office of Management and Budget (OMB), and contains a selection of performance information; the CSB's financial statements, as required by the Accountability of Tax Dollars Act of 2002; and a report on the Board's material 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 2007. The results summarize our success in achieving the performance goals we established for FY 2007. 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 2007 consolidated financial statements included in this report and has issued an unqualified (clean) opinion indicating that our statements present fairly the CSB's financial position. This achievement demonstrates both our continued dedication to sound financial management and the reliability of the financial data upon which we base 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 we work to serve the American people, we must administer our programs as efficiently, economically, and responsibly as possible. We rely on our system of management controls to provide reasonable assurance 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.

  
William E. Wright  
Board Member Delegated Interim Executive and Administrative Authority

November 15, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Overview**

The Chemical Safety and Hazard Investigation Board (CSB) is an independent federal agency charged with investigating industrial chemical accidents. The agency's board members are appointed by the President and confirmed by the Senate. CSB investigations look into all aspects of chemical accidents, including physical causes such as equipment failures and inappropriate personnel actions, as well as inadequacies in safety management systems that define safety culture.

The Board does not issue citations or fines but does make safety recommendations to plants, industry organizations, labor groups, and regulatory agencies such as OSHA and EPA.

This discussion and analysis provides a concise overview of CSB. For detailed information visit our website at [www.csb.gov](http://www.csb.gov).

### **Mission and Organizational Structure**

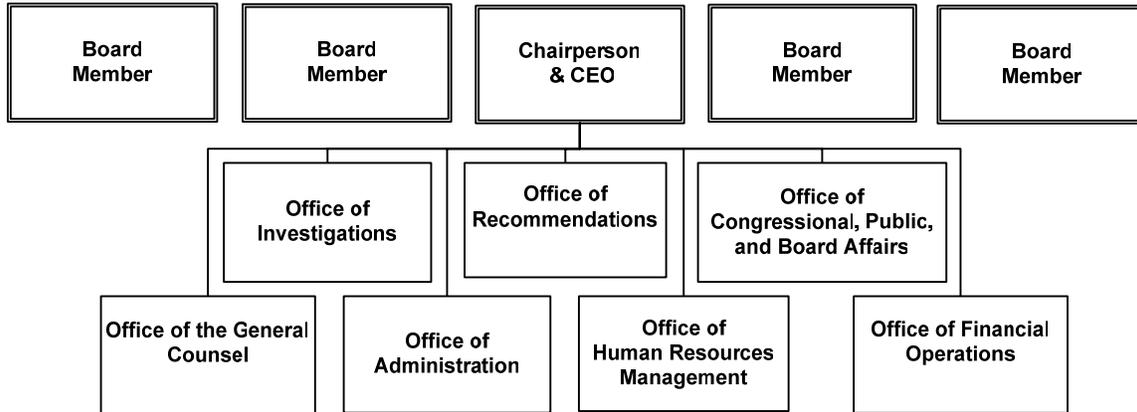
The mission of the CSB is to investigate chemical accidents and hazards, as well as recommend actions to protect workers, the public and the environment. Our independent, scientific investigations bolster efforts by government, industry, labor, and local communities to prevent chemical accidents.

The CSB began operations in fiscal year (FY) 1998, is headquartered in Washington, DC, and has no regional offices. The CSB is governed by its Board, which consists of five Presidentially appointed members who are confirmed by the Senate. One of the Board members serves as the Chairperson and Chief Executive Officer (CEO) of the agency. As of September 30, 2007, there were three appointed Board members and a professional staff of 35.

On August 3, 2007, William E. Wright, one of the CSB Board members, was named Interim Executive and Administrative Authority of the agency following the departure of Chairman Carolyn W. Merritt, whose five-year term expired August 2, 2007. Mr. Wright serves in this capacity pending Senate action on the presidential nomination of John S. Bresland as CSB Chairperson.

The following is the CSB's organizational chart, which was effective for FY 2007.

Chemical Safety and Hazard Investigation Board  
Organizational Chart



### **Performance Goals, Objectives, and Results**

In continuing work towards our mission to promote the prevention of chemical accidents, the CSB developed an action plan for FY 2007. The specific goals of the action plan were to:

- **Goal #1:** Select and complete accident investigations and recommend actions with a high potential for protecting workers, the public and the environment.
- **Goal #2:** Select and complete safety studies and recommend actions with a high potential for protecting workers, the public and the environment.
- **Goal #3:** Reduce the likelihood of similar accidents in the future by securing implementation of CSB safety recommendations.
- **Goal #4:** Promote improved safety practices by broadly disseminating the findings, lessons, and recommendations from CSB investigations and studies.
- **Goal #5:** Establish the CSB as a recognized world leader in accident investigation and prevention by continuing to improve our human capital and infrastructure.

***Goal #1 Accomplishments*** (Select and complete accident investigations and recommend actions with a high potential for protecting workers, the public and the environment.)

In FY 2007, we continued to emphasize investigations and safety, by issuing a final report on the March 23, 2005, accident at the BP Texas City refinery. This was the worst

U.S. chemical accident since 1990, killing 15 workers and injuring 180 others. The accident occurred as operators were restarting an octane-boosting isomerization unit and inadvertently overfilled a distillation tower, causing a geyser-like release of highly flammable hydrocarbons from a nearby stack. The resulting explosion killed and injured personnel in nearby trailers, which were flattened by the blasts. The personnel who died were not involved in the unit startup and did not need to be present in the vulnerable trailers.

The accident cost billions in victims' compensation, property damage, and lost production. More than two years after the explosion, gasoline production remains depressed at the refinery - the nation's third largest - contributing to gasoline price increases for America's driving public.

We completed our comprehensive final report on the root causes of the explosion at BP, which was approved and released at a CSB public meeting in Texas City on March 20, 2007, before an audience of approximately 200 people. The Board identified numerous causes of the disaster, including the unsafe placement of trailers in harm's way and the use of antiquated and unsafe disposal equipment for hydrocarbons. The Board also uncovered extensive evidence of a broken safety culture that tolerated near-miss accidents for many years, failed to invest adequately in safety, and allowed budget cuts that compromised training, staffing, and maintenance.

The Board's BP investigation and safety recommendations are having a global impact. Our BP report and the independent Baker panel report, which was the direct result of our urgent recommendation, are being read and studied by companies and corporate boards around the world. Together, the two reports provide perhaps the most detailed anatomy of a petrochemical disaster ever assembled, and companies seeking to avoid BP's corporate misfortune are paying close attention.

The Board's BP investigation also resulted in safety recommendations to the American Petroleum Institute (API) and United Steelworkers. Specifically, our investigators determined that operators involved in the startup likely were fatigued, having worked 29 straight days of 12-hour shifts. Sleep deprivation and fatigue have been cited as important causes of accidents in many sectors including the airline and trucking industries, but the petrochemical industry lacks established guidance addressing worker fatigue. Our final BP report called on the API and the United Steelworkers to collaborate in developing a new fatigue prevention standard for the petrochemical sector.

The March 2005 accident was one of a long series of tragedies at the Texas City facility, where a total of 40 workers have died over the past 32 years. Multiple internal audits revealed the deteriorating conditions at the refinery over several years prior to 2005, but the responses focused primarily on improving personal safety and overlooked growing process safety risks. Like many other companies, BP relied excessively upon a single measurement - occupational injuries and illnesses - to assess safety performance. In a complex facility like an oil refinery, the occupational injury rate is a measure of personal safety but does not predict the likelihood of a catastrophic process-related event.

Accordingly, we recommended that API and the United Steelworkers develop a consensus standard for new process safety leading indicators to help businesses and governments better assess these risks before serious accidents occur. Such leading indicators have been used for years in the nuclear power industry, for example, and provide a common currency for different facilities to measure and compare system safety performance. We also hope to convene a panel of outside experts, representing a broad spectrum of stakeholders, to facilitate the development of leading safety indicators in the petrochemical sector.

Although the BP investigation was a major undertaking for us throughout FY 2007, it was but one of many significant accomplishments of the agency. We also completed the following incident investigations:

- **BP RHU:** A new safety bulletin based on the major hydrogen fire at the BP Texas City refinery in July 2005, which caused \$30 million property damage and forced a community shelter-in-place alert four months after the catastrophic explosion at the same facility. The bulletin urged industry to improve procedures for positive material identification to avoid installing parts of the wrong materials of construction in hazardous service.
- **Valero:** Our final report was released at a news conference near Wilmington, Delaware, one year after an incident claimed the lives of two workers from oxygen deprivation at the Valero Delaware City refinery. We emphasized the dangers of low-oxygen environments that can be created inside or near confined spaces, such as large pipes or process vessels that are purged with nitrogen gas. The Board recommended improved training procedures be developed by Valero and by the American Petroleum Institute. To increase awareness of this often deadly hazard, the Board produced a safety video to coincide with the release of the report. In less than three months the video generated over 55,000 web hits.
- **Formosa:** The final report on an explosion at a PVC manufacturing facility in Illiopolis, Illinois, was issued. Five workers died, and the facility was heavily damaged and never reopened. We concluded that a worker had mistakenly bypassed a safety interlock on a vessel filled with flammable vinyl chloride, resulting in a release. The investigation also found that the company had experienced other similar incidents and the facility lacked important safeguards to prevent such mistakes. Coinciding with the final report, we issued a new computer animated safety video to educate others in industry about the importance of designing facilities to minimize the effects of human errors.
- **Bethune:** The final report on the Daytona Beach wastewater plant explosion was issued at a news conference in Tallahassee, and called on the Florida governor and legislature to enact OSHA protections for state and local public employees. The Board also called on the National Fire Protection Association to revise the national fire code to further restrict the use of plastic piping for flammable liquid systems, as fracturing of plastic pipe contributed to the severity of the fire in

Daytona Beach. We also released a new safety video focusing on the accident that was distributed to the public and to all the members of the Florida state legislature.

- **Universal Form Clamp:** A final report was issued at a news conference in Chicago, and found that inadequate building code reviews and evacuation plans were among the causes of a fatal explosion at an Illinois concrete products firm. In June 2006, a delivery worker who entered the facility just before the explosion was killed and two employees were injured when solvent vapors escaped from an open-top heated mixing tank that lacked appropriate ventilation equipment. The report called on OSHA to require employers to conduct practice evacuation drills at least annually.
- **Partridge Raleigh:** The final case study report was issued on an oilfield explosion that killed three contract workers in Mississippi in June 2006. The report found unsafe work practices, including a failure to seal off a tank containing flammable vapors before initiating high-temperature welding. The Board called on the Mississippi State Oil & Gas Board to establish a program to identify and refer unsafe operations to OSHA and called on the regional OSHA office to establish an enforcement emphasis program for oil and gas production facilities.
- **Synthron:** The final report on a fatal chemical explosion at a North Carolina chemical plant in January 2006 was issued. The report traced the runaway chemical reaction caused by an increase in product batch size that was undertaken without adequate testing, review, or oversight. The Board accompanied the report with a new, 20-minute safety video on reactive chemical hazards, including computer animations of four reactive accidents investigated by the CSB. The video immediately found a large worldwide audience in the chemical and process industries.

We also issued the following safety products based on investigations in FY 2007:

- A safety bulletin warning that a number of chlorine railcar transfer systems around the country lack effective detection and emergency shutdown devices, leaving the public vulnerable to potential large-scale toxic releases. The Board recommended the U.S. Department of Transportation require facilities that unload chlorine railcars to install remotely operated emergency isolation devices to quickly shut down the flow of chlorine in the event of a hose rupture or other failure in the unloading equipment. The safety bulletin cited two previous incidents of accidental chlorine releases that occurred as a result of ruptured transfer hoses.
- A safety advisory and an urgent safety recommendation concerning the dangers of transporting and handling unspent aircraft chemical oxygen generators – similar to those that caused the 1996 ValuJet airline crash in the Everglades. We found unspent oxygen generators most likely contributed to the rapid spread of the

hazardous waste facility fire that forced the evacuation of thousands of residents from Apex, North Carolina, in October 2006. The CSB's investigation of the root causes of this accident is ongoing, and we hope to develop national recommendations to improve the safety of hazardous waste handling facilities.

In addition to completing investigations and issuing safety products, we launched the following six new incident investigations in FY 2007:

- **Environmental Quality:** A fire destroyed an Apex, North Carolina hazardous waste handling facility in a residential neighborhood and caused police to ask for the evacuation of 17,000 community residents.
- **CAI/Arnel:** A massive explosion pulverized a Danvers, Massachusetts, ink and paint factory, damaging dozens of nearby homes and businesses while nearby residents slept. Although no serious injuries occurred, the explosion had a real potential to cause multiple fatalities under slightly different circumstances. Approximately 100 homes and businesses were damaged, many beyond repair. Our investigation is focusing on preventing flammable solvent explosions through improved practices, codes, and enforcement mechanisms.
- **Little General:** Four people died and five people were seriously injured when gas from a leaking propane storage tank exploded at a convenience store in Ghent, West Virginia. Among the dead were two volunteer firefighters who responded to initial reports of the leak, only to fall victim when the gas cloud exploded. Our investigation is examining evacuation and emergency response procedures, propane tank and valve safety, and training requirements for propane gas fitters.
- **Valero – Sunray:** Three workers were seriously burned when a propane release and fire occurred in a processing unit at the Valero refinery in Sunray, Texas. This important facility supplied gasoline to the U.S. Midwest and was forced to shut down completely for several months, causing regional gasoline prices to increase sharply. In addition, toxic chlorine gas was released when the fire engulfed several chlorine storage tanks used for water treatment. Our investigation is examining what equipment failures caused the propane to be released and ignited, why the failures occurred, and what can be done to mitigate the effects of such fires in refineries.
- **Barton Solvents:** An explosion at a solvent distribution facility in a Wichita, Kansas, suburb forced officials to ask for the evacuation of approximately 6,000 people. Tank fragments rocketed from the facility, causing damage off site. Our investigative team was deployed and is examining practices to ensure safer loading and unloading of flammable liquids and to mitigate the consequences of tank farm fires.

**Goal #2 Accomplishments** (Select and complete safety studies and recommend actions with a high potential for protecting workers, the public and the environment.)

In early FY 2007 we held a public meeting and issued the final report from a two-year study of combustible dust hazards in industry, and called for a new federal OSHA standard to protect workers from deadly dust explosions. The study identified 281 combustible dust fires and explosions between 1980 and 2005 that killed 119 workers and injured 718, and extensively damaged industrial facilities. The dust study was commissioned after the agency investigated three major dust explosions in 2003 that killed 14 workers and crippled two major manufacturing facilities in Kentucky and North Carolina. We concluded that straightforward measures such as improved training, risk communication, housekeeping, and building design could prevent these devastating accidents and should be required by the federal government.

**Goal #3 Accomplishments** (Reduce the likelihood of similar accidents in the future by securing implementation of CSB safety recommendations.)

Safety recommendations are an important tool for promoting chemical safety. Each recommendation has one or more specific recipients, who are the parties best able to carry out the recommended action to improve safety. Once we issue a recommendation, our staff encourages implementation, ensures they are effectively communicated to the recipient(s), together with any needed justification or explanation, and tracks them to completion. In FY 2007, we issued a total of 83 recommendations. We also closed 58 recommendations in FY 2007, including an urgent recommendation from the BP Texas City investigation.

We recommended that the BP Global Executive Board of Directors commission an independent panel to assess and report on the effectiveness of BP North America's corporate oversight of safety management systems at its refineries and its corporate safety culture. BP did commission the independent review panel – chaired by former Secretary of State James A. Baker III – and in January 16, 2007, the Baker panel issued a 374-page final report that found safety problems at all five of BP's North American refineries. The safety problems included inadequate maintenance, near-miss investigation, training, staffing, and investment. Pointing to a lack of process safety leadership at the highest levels of BP, the panel issued 10 major recommendations to the company, including recommendations to the global board of directors for greater safety accountability.

In FY 2007 there was also significant advancement of two recommendations from the BP Texas City investigation. The Board issued a recommendation calling on the API to establish new policies for the siting of trailers and other temporary structures away from hazardous process areas of oil and chemical plants. At BP's Texas City refinery, all of the deaths and most of the injuries resulted from positioning trailers too close to the operating isomerization unit. Responding to the urgent recommendation, the American Petroleum Institute immediately convened an industry panel to develop new trailer siting guidance. In June 2007, the API issued the new guidance document, which for the first time establishes industry-wide minimum set-back distances for trailers away from process hazards.

Eliminating the use of trailers in hazardous process areas will help save workers' lives that might otherwise be lost in fires, explosions, or toxic releases at refineries and chemical plants. The Texas City accident was not the first where workers died in occupied trailers; workers had died in trailers at a Pennzoil refinery in Pennsylvania in 1995, before the CSB was established.

Our investigation also found that numerous requirements of existing OSHA and EPA safety standards were not followed at BP's Texas City refinery. We also found that OSHA performed few planned, comprehensive inspections of chemical plants and oil refineries to assure compliance with its own rules between 1995 and 2005. We recommended OSHA increase its inspections of oil and chemical plants nationwide to improve the level of compliance with the Process Safety Management standard. In June 2007, two months after our final report, OSHA announced a new national emphasis program to enforce process safety requirements at oil refineries.

***Goal #4 Accomplishments*** (Promote improved safety practices by broadly disseminating the findings, lessons, and recommendations from CSB investigations and studies.)

The Strategic Plan for FY 2007-2012 established a new strategic goal for the broad dissemination of its findings, recommendations, and lessons learned among a multitude of stakeholders. The Board recognizes that a potent tool for achieving the agency's mission is more widespread awareness of the causes of chemical accidents and the measures that can prevent them. The agency's vision for outreach is that one day, our findings and recommendations will reach the majority of all the companies, agencies, and other organizations so that they all can benefit.

At costs that are a fraction of those expended on the investigations themselves, we can effectively disseminate its safety information to thousands of facilities and millions of individuals in locations all over the world through our highly successful safety video program. This program reached not only the traditional audiences in the oil and chemical industries but also hospitals, national parks, nuclear power plants, schools and universities, fire departments, and many other organizations. Perhaps most importantly, outreach efforts provide communities around the country with essential information they need to promote improved safety at chemical facilities in their midst.

People can view or download these videos over the Internet or receive a free DVD copy by filling out a web-based request form. We received DVD requests from 40 companies on the 2007 Fortune 100 list – including food, automotive, insurance, and electronics giants as well as all the nation's largest oil and chemical companies. We have received video requests from 47 of the top 50 U.S. chemical companies as ranked by Chemical and Engineering News, including all but one of the 17 chemical companies listed on the Fortune 500.

Many hundreds of people have written to the agency explaining how much they value this service by the agency. For example, a representative from a south Texas site of one of the world's largest oil companies wrote:

*To demonstrate the importance of the videos produced by the CSB, [we have] made it mandatory for all 1000 of the people at our facility to watch and discuss the videos in a plant wide “time-out for safety” meeting. We are bringing in the shifts early just to watch this film ... I cannot begin to thank your organization enough for the work that you do. Your videos are a huge success with our employees in driving safety forward.*

A safety manager at a major polymer company in Ohio stated:

*The CSB animations are exceptional learning, re-learning, and awareness tools for chemical plant safety topics ... we have forwarded the CSB [videos] to our 500+ employees & contractors including operators, maintenance personnel and many staff people .... Taxpayer money was never better spent! Thanks and keep them coming!*

A small specialty chemical company in Connecticut wrote:

*I believe your animations & videos are phenomenal. As a small company it is cost prohibitive to purchase multiple videos for training which identifies consequences like the animations you provide. I believe personally and as a safety professional in the chemical industry that the videos you provide are invaluable.*

Finally, a California power company noted:

*We just recently viewed the Sterigenics video and watched the reaction of the employees. Your presentation was so clear and well presented that everyone was in complete awe after seeing it. The safety message appeared to sink in much better than any other type of presentation that we have seen.*

In addition to the video program and the previously discussed public meetings conducted when the BP Texas City investigation and dust study were issued, the CSB held a public hearing on the Bethune investigation, a community meeting on the CAI/Arnel investigation, 16 press conferences, and provided testimony to Congress. Of particular note during FY 2007:

- **Bethune:** We convened a public hearing in Daytona Beach, Florida, to release the conclusions of its year-long investigation of the January 2006 fatal methanol explosion at the city’s wastewater treatment facility. Investigators pointed to inadequate safety planning prior to “hot work,” inadequate maintenance of a critical flame arrestor, and a lack of statewide OSHA regulatory coverage for Florida’s public employees. At the hearing, outside witnesses advocated extending to the state’s public workers the same safety protections afforded in the private sector.

We also submitted written testimony submitted to a House committee that called on governments at all levels to take steps to protect public employees from preventable chemical accidents, including the establishment of programs incorporating mandatory OSHA standards. The hearing was prompted by new

proposed House legislation to better protect public employees from workplace hazards and included extensive testimony on the Daytona Beach wastewater plant explosion.

- **CAI/Arnel:** We held a community meeting in Danvers, Massachusetts, at which investigators gave interim findings that the November 2006 explosion at an area ink and paint company was most likely caused by the inadvertent overheating of solvents left stirring overnight in an unsealed mixing tank, releasing a flammable vapor cloud. Investigators found that the facility lacked adequate ventilation systems and did not comply with federal and state codes. Approximately 200 people attended the hearing, including many who had lost the use of homes and businesses due to the blast.
- **BP Texas City:** We provided testimony before three Congressional committees that convened hearings related to BP and process safety. On March 22, 2007, the House Committee on Education and Labor convened a hearing on “The BP-Texas City Disaster and Worker Safety.” On May 16, 2007, the oversight subcommittee of the House Committee on Energy and Commerce conducted hearing entitled “2006 Prudhoe Bay Shutdown: Will Recent Regulatory Changes and BP Management Reforms Prevent Future Failures?” Finally, on July 10, 2007, the CSB’s authorizing subcommittee in the Senate Committee on Environment and Public Works convened a hearing on “Lessons Learned from Chemical Safety Board (CSB) Investigations, Including Texas City, Texas.” Carolyn W. Merritt, then-chairman of the CSB,<sup>1</sup> was the opening witness at all three hearings.

In addition, individual Board members and staff gave over 100 presentations on findings, lessons learned, and recommendations at 95 business, labor, and public interest group meetings.

***Goal #5 Accomplishments*** (Establish the CSB as a recognized world leader in accident investigation and prevention by continuing to improve our human capital and infrastructure.)

Our revised strategic plan for FY’s 2007 through 2012 continues to recognize that high performing employees are essential to the accomplishment of our critical mission. We worked throughout FY 2007 implementing the long-term human capital plan. The principle accomplishment being the hiring of six federal interns: three in the Office of Investigations, two in the Office of Recommendations, and one as a board specialist position. The SES certification process was completed.

In FY 2007 the Board approved a continuity of operations plan (COOP). The COOP established guidelines for our employees and contractors to use in case of an emergency

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<sup>1</sup> Chairman Merritt’s five-year term expired on August 2, 2007; the position is currently vacant pending Senate action on the president’s nomination of a new chair. The Board has followed its standing procedures by delegating the chairperson’s responsibilities on an interim basis to one of the sitting members.

or a disruption of operations at our headquarters by outlining four different scenarios that cover a wide spectrum of events that might affect our operations. In addition, the plan includes a COOP-Pandemic, in the case of a pandemic flu.

### ***Challenges***

Investigations are very labor intensive endeavors. Thus for the next few fiscal years our challenge will be to hire and develop our investigative and technical staff. By increasing capacity we will be able to conduct more investigations and issue reports faster. In addition, we will seek to expand our capacity to conduct safety studies, believing that broader studies form an important part of our work by leading to safety recommendations that have greater national impact. We will also need to establish effective relationships with key stakeholders who can disseminate accident prevention information and effect improvements in the chemical process of safety.

### **President's Management Agenda**

The President's Management Agenda (PMA) is a strategy to improve the management and performance of the Federal Government. The PMA seeks a Government that is citizen-centered, not bureaucracy-centered; results-oriented; and market based, actively promoting competition as a means to reaching the most effective delivery of services at the lowest cost to the taxpayer. The PMA includes five Government-wide initiatives. We have made the following progress in meeting these requirements.

#### ***Strategic Management of Human Capital***

This initiative links human capital strategies to organizational mission, vision core values, goals, and objectives. Efforts center on ensuring that the right person is in the right job, at the right time and is performing well. Agencies are expected to use strategic workforce planning and flexible tools to recruit, retain, and reward employees and develop a high-performing workforce.

Our strategic plan for FY's 2007 through 2012 continues to recognize high performing employees as essential to accomplishing our mission. As discussed in our Performance Report under Goal 5, we have worked throughout FY 2007 to recruit the right people for positions throughout the agency.

#### ***Competitive Sourcing***

This initiative directs agencies to regularly examine commercial activities performed by the government to determine if it is more efficient to obtain such services from federal employees or from sources in the private sector.

As a micro-agency with very small staff and resources, we continuously evaluate services of employees and contractors to determine whether recurring commercial activities should be operated under contract with commercial sources, in-house using CSB facilities and personnel, or through interagency agreements with other federal agencies.

### ***Improved Financial Performance***

This initiative calls for agencies to accurately account for the taxpayers' money. This requires systems that continually produce timely, useful and reliable financial information and improved accountability to the American people through audited financial reports.

Since FY 2000, we have outsourced a major portion of our accounting function to the Bureau of the Public Debt (BPD). BPD accounting systems meet all federal accounting system requirements and standards, and are fully compliant with the requirements for accuracy and timeliness. Additionally, key financial data is accessible on a real time basis.

Our first full financial audit was conducted for FY 2001. Our financial statements for this and subsequent fiscal years have received unqualified opinions, meaning our statements were fairly presented and free from material misstatements.

### ***Expanded Electronic Government***

The expected results of this initiative are to use information technology and the Internet to improve public access to government services and data and increase worker productivity, while improving cyber security. This has been initiated by advancing projects offering performance gains across agency boundaries, such as eProcurement and eTravel.

Our website continuously provides citizens with online research tools, including access to our publications, recommendations database, and safety videos that present the specific findings and recommendations from our investigations. Videos were first offered as streaming content in FY 2006, and have generated almost a million website hits (or visits) since December 2005.

Procurement, travel, and timekeeping activities are processed through web-based systems. The CSB uses GovTrip, an E-Government initiative that supports the entire government travel process, which includes authorizing travel, calculating and approving reimbursements, and archiving data. We also use web-based training for annual procurement and ethics training for our employees.

### ***Budget and Performance Integration***

The objective of this initiative is to ensure performance is routinely considered in funding and management decisions, and programs achieve expected results and work toward continual improvement.

The investigation of chemical incidents and promoting their prevention through recommendations and public information are our primary activities. Our financial and timekeeping systems are designed to provide managers with information on the costs of investigations, both in terms of dollar and staff time investments. In FY 2007 we

furthered our efforts to accurately report on investigation costs, both through routine monthly reports and ad-hoc reports to address specific issues.

## **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 2005.

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

<b>Fiscal Year</b>	<b>Budget<sup>*</sup></b>	<b>Outlays</b>
2007	\$9,113	\$8,804
2006	9,065	8,850
2005	9,027	8,680

We note our 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***

While the statements have been prepared from our books and records in conformity with accounting principles generally accepted in the United States of America and formats prescribed by OMB, the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

These statements should be read with the understanding that we are a component of the United States Government, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the Federal Government can abrogate the payment of all liabilities other than contracts. Finally, we outsourced a major portion of our accounting function to the Bureau of the Public Debt, which prepared the financial statements.

## **Systems, Controls, and Legal Compliance**

CSB is cognizant of the importance of establishing and maintaining adequate controls for the programs and administrative functions for which it is responsible. Our management

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\* Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2007 the Emergency Fund had not been used and had a balance of \$844,000.

team is developing, implementing, evaluating, and modifying our controls to provide reasonable assurance that we have adequate accountability of our resources. In addition, given the small size of our agency, we determined it to be more cost effective to obtain accounting, personnel, and procurement services from outside sources, which also provides an additional level of controls.

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 enhance them as necessary.

## **Management Assurances**

### ***Federal Managers' Financial Integrity Act***

In accordance with the Federal Managers' Financial Integrity Act (FMFIA), we have 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 recorded and accounted for. 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 laws and regulations are followed. The FMFIA encompasses program, operational and administrative areas, as well as accounting and financial management. The FMFIA requires the agency head to provide an assurance statement on the adequacy of management controls and conformance of financial systems with Governmentwide standards. This assurance statement is contained in the Message from the Chairperson.

### ***Improper Payments Information Act***

The Improper Payments Information Act of 2002 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.

We have 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 very strong. In FY 2007, we continued our agreement with the BPD to process financial transactions, make administrative payments, and prepare various financial reports. This agreement promotes the accuracy of our financial records and payments.

## PERFORMANCE REPORT

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Early in FY 2007 we updated our five-year strategic plan. This plan covers FY's 2007 to 2012, and serves as a guide in setting priorities, allocating resources, and making decisions. The plan sets the direction and foundation from which annual action plans are developed to assist with day-to-day operations and decision making. In continuing our work towards our mission to promote the prevention of chemical accidents, the goals of these plans are:

- **Goal #1:** Select and complete accident investigations and recommend actions with a high potential for protecting workers, the public and the environment.
- **Goal #2:** Select and complete safety studies and recommend actions with a high potential for protecting workers, the public and the environment.
- **Goal #3:** Reduce the likelihood of similar accidents in the future by securing implementation of CSB safety recommendations.
- **Goal #4:** Promote improved safety practices by broadly disseminating the findings, lessons, and recommendations from CSB investigations and studies.
- **Goal #5:** Establish the CSB as a recognized world leader in accident investigation and prevention by continuing to improve our human capital and infrastructure.

The following is our progress in completing specific initiatives identified in the FY 2007 action plan.

**Goal #1:** Select and complete accident investigations and recommend actions with a high potential for protecting workers, the public and the environment.

Initiative	Status	Explanation
1. Deploy to 7 incidents and select 4 incidents for investigation	Completed	Deployed to 8 incidents and selected 5 for investigation (Environmental Quality, CAI/Arnel, Little General, Valero – Sunray, and Barton)
2. Complete 10 investigations: <ul style="list-style-type: none"> <li>• Valero, BP Texas City, Formosa, DPC 2, Bethune, Partridge-Raleigh, BP RHU, Honeywell, Synthron, and Universal Clamp</li> </ul>	Completed	Completed products on 10 different investigations (Valero, BP Texas City, Formosa, DPC 2, Bethune, Partridge-Raleigh, BP RHU, Honeywell, Synthron, and Universal Clamp)

Initiative	Status	Explanation
3. Complete investigation protocol, including guidelines on the continuation and termination of investigations as well as how to evaluate safety culture	On-Going	Worked on the investigation protocol in FY 2007, but did not complete it due to the higher priority investigative workload. Completing the protocol is an initiative in the FY 2008 Action Plan, and we will continue to try and achieve the stretch goal of creating of a safety culture evaluation tool.
4. Conduct investigative training including protocol, core competencies, and presentations by safety experts	On-Going	Training on the first part of the investigation protocol was completed. In addition, several presentations by safety experts, including professors from University of California and an official from the Health Safety Executive of the United Kingdom  Conducting investigative training and presentations by safety experts is also an initiative in the FY 2008 Action Plan.
5. Hire three investigators and one recommendations specialist	On-Going	Hired federal interns: three in the Office of Investigations, and two in the Office of Recommendations. However, our recruiting for mid and senior level investigator positions continues to be a challenge. An initiative to hire the investigators needed to complete our mission within the limits of our budget is included in the FY 2008 action plan.
6. Implement electronic records management for investigations	Completed	We successfully implemented an electronic records management program. Case files for open investigations are scanned into the electronic database during the course of the investigation. With contract support, the case files for closed cases were also scanned into the electronic database.

**Goal #2:** Select and complete safety studies and recommend actions with a high potential for protecting workers, the public and the environment.

Initiative	Status	Explanation
7. Complete Dust Study	Completed	Issued the final report from a two-year study of combustible dust hazards in industry, and called for a new federal OSHA standard to protect workers from deadly dust explosions.
8. Benchmark with other federal agencies and draft protocol for selecting and conducting safety studies, research surveys, etc.	On-Going	Began obtaining materials from other federal agencies and universities. Also met with officials from the NTSB's Office of Research and Engineering on their study activities. However, a protocol was not drafted due to other priorities. Drafting the protocol is an initiative in the FY 2008 Action Plan.
9. Plan and conduct a workshop on process safety indicators (metrics) with participation of relevant stakeholders	Postponed	Developed into a proposal for a full National Academy of Science (NAS) study on performance indicators. However, this study was postponed due to lack of sufficient funding, desire to review the Center for Chemical Process Safety (CCPS) results from a similar effort to identify process safety indicators. We may pursue the NAS study in FY 2008 based upon the outcome of CCPS's work and availability of sufficient funding.

**Goal #3:** Reduce the likelihood of similar accidents in the future by securing implementation of CSB safety recommendations.

Initiative	Status	Explanation
10. Successfully close 45 and advance 40 recommendations	On-Going	Closed 55 recommendations and advanced 6 recommendations.
11. Conduct advocacy for 3 major recommendations that remain open	On-Going	<p>Provided detailed comments to API which substantially enhanced API guidance regarding temporary structure siting, an urgent recommendation from the BP Texas City investigation.</p> <p>Sent informational materials and contacted key legislative offices in State of Florida regarding OSHA coverage of public employees, a recommendation from the Bethune investigation.</p>

**Goal #4:** Promote improved safety practices by broadly disseminating the findings, lessons, and recommendations from CSB investigations and studies.

Initiative	Status	Explanation
12. Develop and implement outreach plans, including video production, for each CSB investigation/study	Completed	We conducted outreach efforts for seven investigations, including three public meetings. Outreach plans for other FY 2007 investigations are currently underway. Ten stakeholder organizations placed a link to our investigation webpage or safety video, and seven organizations included the investigation information via membership safety bulletins and newsletters. One research article and one magazine article were published, and several other submissions are pending. We also distributed DVDs of safety videos to the relevant membership of approximately 25 stakeholder organizations, and plan to make additional safety videos as an initiative in the FY 2008 Action Plan.
13. Produce and distribute 8 safety videos based on CSB investigations and studies consistent with outreach plans	Completed	Produced and distributed 4 safety videos (Bethune, Synthron, Formosa, Reactive Chemical Hazards).  The number of videos completed was less than the number planned due to the greater than estimated level of effort required to produce the reactive chemical hazards video, which depicted four separate accidents investigated by the CSB.
14. Conduct 3 public meetings on CSB investigations and studies	Completed	Conducted public meetings on the BP Texas City Investigation and the Dust Study. In addition, we held a public hearing on the Bethune investigation, and a community meeting on the CAI/Arnel investigation.

Initiative	Status	Explanation
15. Develop a national outreach effort focused on the BP Texas City investigation	Completed	<p>We conducted a news conference and public meeting to announce the release of our final BP investigation report; both events received national and international media coverage.</p> <p>From March to April 2007, print media coverage of our BP final report reached over 40 million people.</p> <p>Our staff presented information on the BP investigation at approximately 24 speaking engagements around the country. Audience members included industry personnel, professional organization members, corporate management, and union representatives.</p>

**Goal #5:** Establish the CSB as a recognized world leader in accident investigation and prevention by continuing to improve our human capital and infrastructure.

<b>Initiative</b>	<b>Status</b>	<b>Explanation</b>
16. Track and report quarterly on Strategic and Action Plan accomplishments	On-Going	Reports on the status of all of Strategic and Action Plan initiatives, including accomplishments, were prepared quarterly and provided to the Board Members and managers. The next quarterly report will be prepared in January 2008.
17. Implement Human Capital Plan, including developing succession plans	On-Going	Recruited six federal interns: three in the Office of Investigations, two in the Office of Recommendations, and one for a board specialist position. The SES certification process was completed.
18. Implement Space Plan	Postponed	Activities related to space planning were deferred to FY 2008 due to higher priority work.
19. Finalize and implement Continuity of Operations (COOP) Plan	On-Going	COOP Plan was finalized and approved by the Board in FY 2007. The COOP plan will be rolled out to our staff and contractors in FY 2008.
20. Implement Homeland Security Presidential Directive (HSPD) 12, Policy for a Common Identification Standard for Federal Employees and Contractors	On-Going	The deadline to complete this initiative slipped due to a change in service providers. Two test badges were issued in FY 2007; the remaining badges will be issued in FY 2008.
21. Implement CSB Safety and Health Plan	On-Going	Completion of major investigation reports, significant outreach efforts, and new investigation deployments impeded completion of some scheduled training modules and training for investigators. This initiative is included in the FY 2008 action plan.
22. Complete Board Order on roles and responsibilities for Board members	On-Going	Work began but could not be completed during FY 2007. This initiative is included in the FY 2008 action plan.

### **Agency Plans and Schedules for Improving Performance**

We are constantly working to improve the efficiency and effectiveness of our programs and initiatives. Annual action plans are designed to include “stretch goals”, to include challenges to the Board Members, managers, and staff alike 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 is free from any material inadequacies in the completeness and reliability of the data. As a small agency, we can readily monitor and report on its actual performance in achieving its goals.

### **Fiscal Year Coverage**

Our annual action plans have evolved significantly over the past few years. As a result, comparison of performance from prior years may not be meaningful to most users. We made significant changes to the Strategic Plan for FY’s 2007 to 2012, and intend to establish FY 2007 results as a baseline against which to measure performance in future years covered by the Strategic Plan for FY’s 2007 to 2012.

## FINANCIAL REPORT

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### A Message from the Chief Financial Officer

We recognize 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 FY's 2007 and 2006. This year an independent public accounting firm (Brown & Company CPAs, PLLC) issued an unqualified ("clean") opinion on our financial statements. A clean opinion is the best possible audit outcome, and 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 generally accepted accounting principles (GAAP) in the United States of America and formats prescribed by the OMB.



Elizabeth A. Robinson  
Chief Financial Officer

November 15, 2007

## Independent Auditor Reports



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

Office of Inspector General  
Washington, D.C. 20460

November 15, 2007

#### MEMORANDUM

SUBJECT: Audit of U.S. Chemical Safety and Hazard Investigation Board's  
Fiscal 2007 and 2006 Financial Statements

FROM: Melissa Heist /s/  
Assistant Inspector General for Audit

TO: William E. Wright  
Interim Executive Administrative Authority

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) Fiscal 2007 and 2006 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 & Company CPAs, PLLC, performed the audit of the CSB financial statements as of and for the year ended September 30, 2007. 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 07-04, *Audit Requirements for Federal Financial Statements*; and the *Financial Audit Manual* of the Government Accountability Office/President's Council on Integrity and Efficiency.

Brown & Company, CPAs, PLLC, is responsible for the attached auditor's report dated November 9, 2007, and the conclusions expressed in the report. We do not express opinions on CSB's financial statements or internal controls, or on whether CSB's financial management systems substantially complied with the Federal Financial Management Improvement Act; or conclusions on compliance with laws and regulations.

Should you have any questions, please contact me at (202) 566-0899 or Heist.Melissa@epa.gov or Patricia Brooks Taylor, Project Officer, at (202) 566-2938 or Taylor.Patricia@epa.gov.

Attachment

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Office of the Inspector General  
Board Member with Interim Executive and Administrative Authority  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

We have audited the accompanying balance sheet of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of September 30, 2007 and the related statements of net cost, changes in net position, and budgetary resources for the year then ended. The balance sheet as of September 30, 2006 and the related statements of net cost, changes in net position and financing, and the combined statement of budgetary resources for the year then ended were audited by other auditors, whose report dated October 27, 2006 expressed an unqualified opinion on those statements. These financial statements are the responsibility of the CSB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirement for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CSB as of September 30, 2007 and 2006, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with U.S. Government Auditing Standards and OMB Bulletin No. 07-04, we have also issued a report dated November 9, 2007 on our consideration of the CSB's internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in "Management's Discussion & Analysis" is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

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



Largo, Maryland  
November 9, 2007

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Office of Inspector General  
Board Member with Interim Executive and Administrative Authority  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2007 and have issued our report thereon dated November 9, 2007. 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 U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the CSB's internal control over financial reporting by obtaining an understanding of the CSB's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's 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 entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses as defined above.

In addition, with respect to internal control objective related to the performance measures included in the "Management's Discussion & Analysis," we obtained an understanding of the design of internal controls relating to the existence and completeness assertions, and determined whether they have been placed in operation as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide opinion on internal control over reported performance measures, and, accordingly, we do not express an opinion on such controls.

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Office of Inspector General  
Board Member with Interim Executive and Administrative Authority  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2007 and have issued our report thereon dated November 9, 2007. 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 U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the CSB's internal control over financial reporting by obtaining an understanding of the CSB's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's 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 entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses as defined above.

In addition, with respect to internal control objective related to the performance measures included in the "Management's Discussion & Analysis," we obtained an understanding of the design of internal controls relating to the existence and completeness assertions, and determined whether they have been placed in operation as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide opinion on internal control over reported performance measures, and, accordingly, we do not express an opinion on such controls.

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

A handwritten signature in black ink that reads "Beam & Company". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

Largo, Maryland  
November 9, 2007

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS**

Office of the Inspector General  
Board Member with Interim Executive and Administrative Authority  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

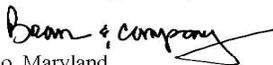
We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2007, and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

The management of the CSB is responsible for complying with laws and regulations applicable to the CSB. As part of obtaining reasonable assurance about whether the CSB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the CSB.

The results of our tests of compliance disclosed no reportable instances of noncompliance with other laws and regulations discussed in the preceding paragraph that are required to be reported under U.S. Government Auditing Standards or OMB Bulletin No. 07-04.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

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

  
Largo, Maryland  
November 9, 2007

# **CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**

## **FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2007 AND 2006**

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**CHEMICAL SAFETY AND  
HAZARD INVESTIGATION BOARD  
BALANCE SHEETS  
As of September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 3,642,323	\$ 4,001,571
Total Intragovernmental	<u>3,642,323</u>	<u>4,001,571</u>
Accounts Receivable, Net (Note 3)	1,419	-
General Property, Plant and Equipment, Net (Note 4)	371,705	628,676
Other (Note 5)	<u>59,000</u>	<u>59,000</u>
Total Assets	<u>\$ 4,074,447</u>	<u>\$ 4,689,247</u>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable	\$ 16,456	\$ 6,274
Unfunded FECA Liability (Note 6)	3,016	3,016
Payroll Taxes Payable	<u>51,354</u>	<u>35,508</u>
Total Intragovernmental	<u>70,826</u>	<u>44,798</u>
Accounts Payable	215,973	192,408
Payroll and Benefits Accrual	300,692	294,280
Unfunded Leave (Note 6)	<u>312,034</u>	<u>293,736</u>
Total Liabilities	<u>\$ 899,525</u>	<u>\$ 825,222</u>
<b>NET POSITION</b>		
Unexpended Appropriations	\$ 3,116,848	\$ 3,532,101
Cumulative Results of Operations	<u>58,074</u>	<u>331,924</u>
Total Net Position	<u>\$ 3,174,922</u>	<u>\$ 3,864,025</u>
Total Liabilities and Net Position	<u>\$ 4,074,447</u>	<u>\$ 4,689,247</u>

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

**CHEMICAL SAFETY AND  
HAZARD INVESTIGATION BOARD  
STATEMENTS OF NET COST  
For the Fiscal Years Ended September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>PROGRAM COSTS</b>		
Salaries and Expenses		
Gross Costs	<u>\$ 9,400,124</u>	<u>\$ 9,166,667</u>
Net Program Costs	<u>9,400,124</u>	<u>9,166,667</u>
 Net Cost Of Operations (Note 8&9)	 <u>\$ 9,400,124</u>	 <u>\$ 9,166,667</u>

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

**CHEMICAL SAFETY AND  
HAZARD INVESTIGATION BOARD  
STATEMENTS OF CHANGES IN NET POSITION  
For the Fiscal Years Ended September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ 331,924	\$ 454,737
<b>Budgetary Financing Sources:</b>		
Appropriations Used	8,859,787	8,788,373
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing	<u>266,487</u>	<u>255,481</u>
Total Financing Sources	9,126,274	9,043,854
Net Cost of Operations	<u>9,400,124</u>	<u>9,166,667</u>
Net Changes	<u>(273,850)</u>	<u>(122,813)</u>
<b>Cumulative Results of Operations</b>	<u>\$ 58,074</u>	<u>\$ 331,924</u>
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 3,532,101	\$ 3,396,962
<b>Budgetary Financing Sources:</b>		
Appropriations Received	9,113,053	9,200,000
Other Adjustments (Recissions, etc)	(668,519)	(276,488)
Appropriations Used	<u>(8,859,787)</u>	<u>(8,788,373)</u>
Total Budgetary Financing Sources	<u>(415,253)</u>	<u>135,139</u>
<b>Total Unexpended Appropriations</b>	<u>3,116,848</u>	<u>3,532,101</u>
<b>Net Position</b>	<u>\$ 3,174,922</u>	<u>\$ 3,864,025</u>

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

**CHEMICAL SAFETY AND  
HAZARD INVESTIGATION BOARD  
STATEMENTS OF BUDGETARY RESOURCES  
For the Fiscal Years Ended September 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>BUDGETARY RESOURCES:</b>		
Unobligated Balance Brought Forward, October 1	\$ 1,886,986	\$ 1,953,311
Recoveries of Prior Year Unpaid Obligations	440,815	152,200
Budget Authority:		
Appropriations	9,113,053	9,200,000
Permanently Not Available	668,519	276,488
Total Budgetary Resources	<u>\$ 10,772,335</u>	<u>\$ 11,029,023</u>

**STATUS OF BUDGETARY RESOURCES:**

Obligations Incurred:		
Direct	\$ 8,982,596	\$ 9,142,037
Unobligated Balance:		
Apportioned	1,015,410	850,327
Unobligated Balance Not Available		
Other	774,329	1,036,659
Total Status of Budgetary Resources	<u>\$ 10,772,335</u>	<u>\$ 11,029,023</u>

**CHANGE IN OBLIGATED BALANCE:**

Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 2,114,585	\$ 1,974,319
Total Unpaid Obligated Balance, Net	2,114,585	1,974,319
Obligations Incurred	8,982,596	9,142,037
Gross Outlays	8,803,782	8,849,571
Recoveries of Prior-Year Unpaid Obligations, Actual	440,815	152,200
Obligated Balance, Net, End of Period		
Unpaid Obligations	1,852,584	2,114,585
Total Unpaid Obligated Balance, Net, End of Period	\$ 1,852,584	\$ 2,114,585

**NET OUTLAYS:**

Net Outlays:		
Gross Outlays	\$ 8,803,782	\$ 8,849,571
Net Outlays	<u>\$ 8,803,782</u>	<u>\$ 8,849,571</u>

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the Chemical Safety and Hazard Investigation Board (CSB). The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Accountability of Tax Dollars Act of 2002, and the Office of Management and Budget (OMB) Bulletin Number 07-04, *Audit Requirements for Federal Financial Statements*. They have been prepared from, and are fully supported by, the books and records of CSB in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and 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 CSB's use of budgetary resources.

The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

**B. 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. 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.

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

**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 measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal requirements on the use of federal funds.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Revenues & Other Financing Sources**

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating and capital expenditures. Appropriations are recognized as a financing source when expended.

The CSB recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

**E. Fund Balance with Treasury**

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. CSB does not maintain cash in commercial bank accounts. See Note 2 for additional information.

**F. Accounts Receivable**

Accounts receivable owed to CSB include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when either (1) 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, or (2) an account for which no allowance has been established is submitted to the Department of the Treasury for collection, which takes place when it becomes 180 days delinquent.

**G. Property, Plant and Equipment (PP&E), Net**

CSB's property, plant and equipment are recorded at original acquisition cost and are depreciated using the straight-line method over the estimated useful life of the asset. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. CSB's capitalization threshold is \$10,000 for individual purchases and \$50,000 for bulk purchases. 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
Internal Use Software	3

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Advances and Prepaid Charges**

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

**I. Liabilities**

Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available Congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. Intragovernmental liabilities are claims against CSB by other Federal agencies. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as Components requiring or generating resources in the Reconciliation of Net Cost of Operations to Budget (Note 13). Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

**J. Accounts Payable**

Accounts payable consists of amounts owed to other Federal agencies and the public.

**K. 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. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employee's Retirement System (FERS)-covered employees.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Retirement Plans**

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

FERS and Social Security cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1987 elected to join FERS and Social Security, or remain in CSRS. Employees hired as of January 1, 1987 are automatically covered by FERS. FERS offers a savings plan to which CSB automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, CSB also contributes the employer's matching share of Social Security.

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

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.

**M. Use of Estimates**

Management has made certain estimates when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**N. 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. CSB recognized imputed costs and financing sources in fiscal years 2007 and 2006 to the extent directed by OMB.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Expired Accounts and Cancelled Authority**

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

**P. Contingencies**

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. CSB recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. CSB discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to CSB for agency operations. Payments from the Judgment Fund are recorded as an "Other Financing Source" when made. There are no contingencies that require disclosure.

**Q. Reclassification**

Certain fiscal year 2006 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation. Under SFFAS 7, OMB has reclassified the Statement of Financing to be presented in a note as Reconciliation of Net Cost of Operations to Budget.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 2. FUND BALANCE WITH TREASURY**

	2007	2006
<b>Fund Balances</b>		
Appropriated Funds	\$ 3,642,323	\$ 4,001,571
Total Fund Balance with Treasury	\$ 3,642,323	\$ 4,001,571
 <b>Status of Fund Balance with Treasury</b>		
Unobligated Balance		
Available	\$ 1,015,410	\$ 850,327
Unavailable	774,329	1,036,659
Obligated Balance not yet Disbursed	1,852,584	2,114,585
Total	\$ 3,642,323	\$ 4,001,571

Funds on deposit with Treasury were \$4,312,046 as of September 30, 2007. The discrepancy between the funds on deposit with Treasury and the funds reported by CSB is due to \$668,519 in unused funds remaining in the cancelled funds and \$1,204 in the custodial fund that are to be returned to Treasury.

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable balances as of September 30, 2007 and 2006 were as follows:

	2007	2006
Receivable Due from Employee	\$ 1,419	\$ -
Total Accounts Receivable	\$ 1,419	\$ -

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the fiscal years ended September 30, 2007 and 2006

**NOTE 4. GENERAL PROPERTY, PLANT, AND EQUIPMENT**

Schedule of Property, Plant, and Equipment as of September 30, 2007

<u>Description</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 711,505	\$ (513,865)	\$ 197,640
Internal Use Software	20,800	(12,711)	8,089
Office Furniture	520,021	(482,877)	37,144
Computer Equipment	716,098	(606,484)	109,614
Office Equipment	76,892	(57,674)	19,218
<b>TOTALS</b>	<u>\$ 2,045,316</u>	<u>\$ (1,673,611)</u>	<u>\$ 371,705</u>

Schedule of Property, Plant, and Equipment as of September 30, 2006

<u>Description</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 711,505	\$ (434,809)	\$ 276,696
Internal Use Software	20,800	(5,778)	15,022
Office Furniture	520,021	(408,588)	111,433
Computer Equipment	768,850	(570,138)	198,712
Office Equipment	76,892	(50,079)	26,813
<b>TOTALS</b>	<u>\$ 2,098,068</u>	<u>\$ (1,469,392)</u>	<u>\$ 628,676</u>

**NOTE 5. OTHER ASSETS**

Advances and prepayment account balances as of September 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Deposit on Leased Space	\$59,000	\$59,000
<b>Total Other Assets</b>	<u>\$59,000</u>	<u>\$59,000</u>

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The liabilities on CSB's Balance Sheet as of September 30, 2007 and 2006, include liabilities not covered by budgetary resources, which are liabilities for which 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. Unfunded FECA liability is an intragovernmental liability not covered by budgetary resources. Unfunded FECA liabilities are \$3,016 and \$3,016 as of September 30, 2007 and 2006, respectively. Other liabilities not covered by budgetary resources consist of unfunded leave. Unfunded leave balances are \$312,034 and \$293,736 as of September 30, 2007 and 2006, respectively.

**NOTE 7. OPERATING LEASE**

CSB occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on October 1, 2000 and expires on September 30, 2010, with the renewal rights for an additional five years. Lease payments are increased annually based on the adjustments for operating cost and real estate taxes not to be increased by an amount greater than 2 percent of the Base Rental rate in effect for the prior lease year. In the sixth year of the lease the Base Rental Rate shall increase \$2.00 per square foot.

Schedule of Future Minimum Lease Payments

2008	\$ 758,000
2009	773,000
2010	<u>789,000</u>
Total Future Minimum Lease Payments	<u>\$2,320,000</u>

**NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE**

Intragovernmental costs represent exchange transactions made between two reporting entities within the Federal government. Intragovernmental expenses relate to the source of goods and services purchased by CSB and are defined on a transaction by transaction basis.

	<u>2007</u>	<u>2006</u>
Intragovernmental costs	\$ 2,026,448	\$ 1,997,614
Public costs	7,373,676	7,169,053
Total net cost	<u>\$ 9,400,124</u>	<u>\$ 9,166,667</u>

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 9. OPERATING/PROGRAM COSTS**

Costs by major budgetary object classification as of September 30, 2007 and 2006 are as follows:

<u>Budgetary Object Classifications</u>	<u>2007</u>	<u>2006</u>
Personnel and Benefits	\$ 5,613,482	\$ 5,542,112
Travel and Transportation	320,339	255,516
Rents, Communication & Utilities	860,510	816,111
Printing and Contractual Services	2,214,262	2,170,843
Supplies and Materials	119,795	128,281
Equipment	192,680	174,748
Miscellaneous	79,056	79,056
Total	<u>\$ 9,400,124</u>	<u>\$ 9,166,667</u>

**NOTE 10. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include FY07 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2008 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb>.

The 2008 Budget of the United States Government, with the Actual Column completed for 2006, has been reconciled with the Statement of Budgetary Resources, and there are no material differences.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

Beginning with FY 2006, the format of the Statement of Budgetary Resources has changed and the amount of undelivered orders at the end of the period is no longer required to be reported on the face of the statement. Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2007 and 2006, undelivered orders amounted to \$1,327,110 and \$1,645,114 respectively.

**NOTE 12. CUSTODIAL ACTIVITY**

CSB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of CSB nor material to the overall financial statements. CSB's total custodial collections are \$1,204 and \$0 for the fiscal years ended September 30, 2007, and 2006, respectively.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the fiscal years ended September 30, 2007 and 2006**

**NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

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

	<u>2007</u>	<u>2006</u>
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 8,982,596	\$ 9,142,037
Less: Spending Authority from Offsetting Collections and Recoveries	440,815	152,200
Obligations Net of Offsetting Collections and Recoveries	<u>8,541,771</u>	<u>8,989,837</u>
Other Resources		
Imputed Financing from Costs Absorbed by Others	266,487	255,481
Net Other Resources Used to Finance Activities	<u>266,487</u>	<u>255,481</u>
Total Resources Used to Finance Activities	<u>\$ 8,808,258</u>	<u>\$ 9,245,318</u>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>		
Change in Budgetary Resources Obligated for Goods, Services and		
Benefits Ordered But Not Yet Provided	\$ (318,004)	\$ 201,463
Resources That Fund Expenses Recognized in Prior Periods	-	(816)
Resources That Finance the Acquisition of Assets	<u>14,765</u>	<u>193,607</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(303,239)</u>	<u>394,254</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$ 9,111,507</u>	<u>\$ 8,851,064</u>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	\$ 18,298	\$ 58,810
Other	<u>-</u>	<u>3,016</u>
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	18,298	61,826
Components Not Requiring or Generating Resources		
Depreciation and Amortization	271,736	253,777
Other	<u>(1,417)</u>	<u>-</u>
Total Components of Net Cost of Operations That will not Require or Generate Resources	<u>270,319</u>	<u>253,777</u>
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	<u>288,617</u>	<u>315,603</u>
<b>NET COST OF OPERATIONS</b>	<u><u>\$ 9,400,124</u></u>	<u><u>\$ 9,166,667</u></u>

## ABBREVIATIONS AND ACRONYMS

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API	American Petroleum Institute
BPD	Bureau of the Public Debt (within the U.S. Department of the Treasury)
CCPS	Center for Chemical Process Safety
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COOP	Continuity of Operations Plan
CSB	Chemical Safety and Hazard Investigation Board
EPA	Environmental Protection Agency
FISMA	Federal Information Security Management Act
FMFIA	Federal Manager's Financial Integrity Act
FY	Fiscal Year (October 1 to September 30)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
HSPD	Homeland Security Presidential Directive
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
PMA	President's Management Agenda
NAS	National Academy of Sciences

## **WE WELCOME YOUR COMMENTS!**

Thank you for your interest in the CSB's FY 2007 Performance and Accountability Report. We welcome your comments on how we can make this report a more informative document for our readers. We are 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](mailto:cfo@csb.gov) or write to:

### **Chemical Safety and Hazard Investigation Board**

Chief Financial Officer  
2175 K. St, NW Suite C-100  
Washington, DC 20038

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Additional copies of this document may be downloaded from the CSB's website [www.csb.gov](http://www.csb.gov),\* or send a written request to the e-mail or postal address above.

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\* [http://www.csb.gov/legal\\_affairs/docs/CSB%20FY%202007%20Performance%20Report.pdf](http://www.csb.gov/legal_affairs/docs/CSB%20FY%202007%20Performance%20Report.pdf)