



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

**Performance and
Accountability Report
Fiscal Year 2017**

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Additional copies of this document may be downloaded from the CSB’s website www.csb.gov

MESSAGE FROM THE CHAIRPERSON

As an independent, nonregulatory agency, the U.S. Chemical Safety and Hazard Investigation Board's (CSB) mission is to drive chemical safety change through independent investigations to protect people and the environment. To that end, CSB conducts comprehensive, root cause investigations of serious chemical incidents, which are often preventable with robust safety management systems. The agency makes recommendations aimed at preventing similar incidents from recurring. CSB investigations have collectively identified gaps in regulatory requirements, industry standards and guidance, workforce training and operations, emergency response, and community planning that exacerbated the consequences of incidents and contributed to loss of life and property.

The information provided in this Performance and Accountability Report (PAR) serves as a mechanism for fiscal and programmatic accountability and as an accounting to the American people regarding our stewardship of the funds that have been entrusted to us for fulfillment of our mission in Fiscal Year (FY) 2017. The results also summarize our success in achieving the performance goals the CSB established for FY 2017. The PAR is organized in three sections:

1. **Management Discussion and Analysis.** Provides an overview of the agency's performance and financial results. It summarizes the CSB's mission, organization, goals, accomplishments, financial condition, and legal compliance.
2. **Performance Report.** Presents the CSB's strategic goals and objectives. In addition, it provides the FY 2017 performance targets and results.
3. **Financial Report.** Presents the CSB's financial statements and notes for the years ended September 30, 2017, and 2016. It includes independent auditor's report with an Unmodified Opinion, the highest level of assurance that the CSB's financial statements are presented, in all material respects, in accordance with applicable financial reporting requirements.

The Federal Manager's Financial Integrity Act (FMFIA) requires the CSB to annually evaluate its management controls and identify any material weaknesses. This requirement covers all of the CSB's programs and administrative functions. As the CSB works to serve the American people, we must administer our programs as efficiently, economically, and responsibly as possible. The CSB relies on a system of management

controls to provide reasonable assurance that our financial activities comply with all applicable laws, and safeguards resources as well as properly accounts for operational expenditures.

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



Vanessa Allen Sutherland
Chairperson and CEO
November 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

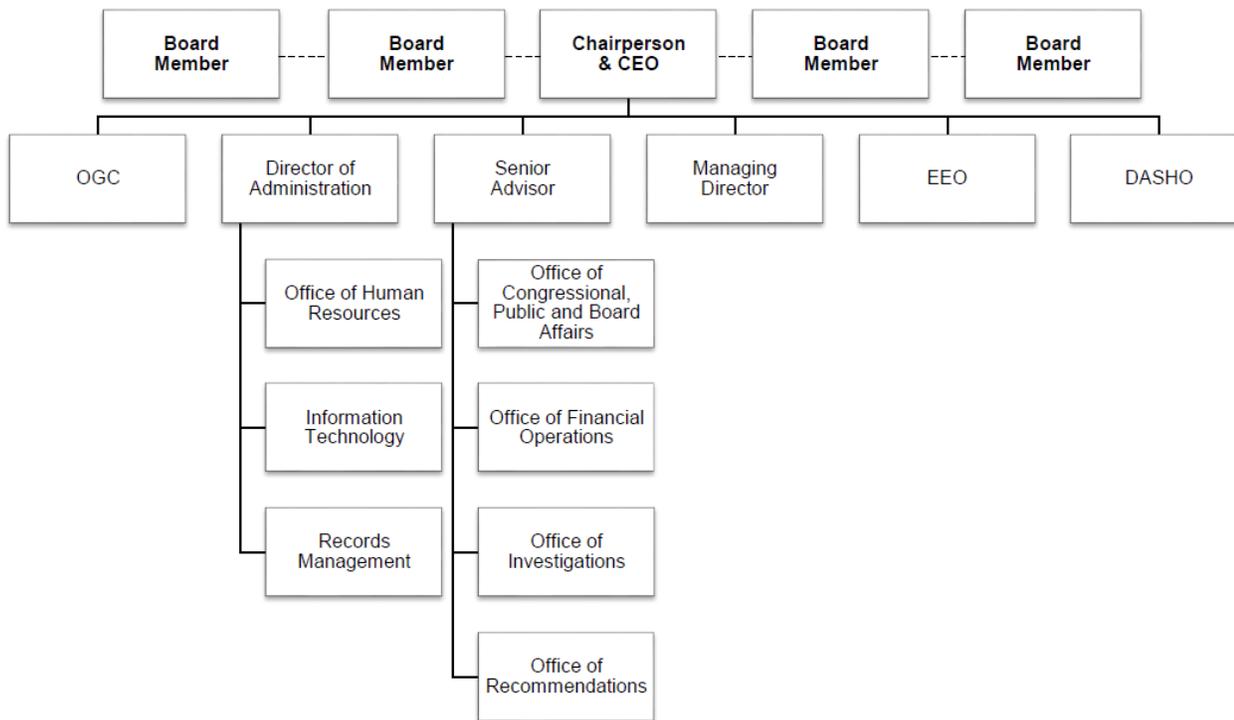
The U.S. Chemical Safety and Hazard Investigation Board (CSB) is an independent Federal agency charged with investigating industrial chemical incidents and hazards. CSB investigations look into all aspects of chemical incidents, including proximate causes such as equipment failures, and root causes such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

Mission and Organizational Structure

This report addresses accomplishments in the first year of *CSB's 2017-2021 Strategic Plan*. The mission of the CSB is to drive chemical safety change through independent investigations to protect people and the environment. Our vision is to have a nation safe from chemical disasters.

The CSB began operations in fiscal year (FY) 1998. The CSB is headquartered in Washington, DC, has a field office in Denver, Colorado, and employees working remotely in Houston, Texas, and other locations. The CSB is governed by its Board, which consists of one presidentially-appointed Chairperson (who also serves as a Board Member) and four presidentially-appointed Board Members. All nominations to the Board are subject to Senate confirmation; each member serves a five-year fixed term. As of September 30, 2017, there were four appointed Board Members, including the Chairperson, and a professional staff of 38.

The following is the organizational chart, which was in effect September 30, 2017.



Performance Goals, Objectives, and Results

The strategic goals outlined in the agency’s strategic plan are as follows:

- **Goal 1:** Prevent recurrence of significant chemical incidents through independent investigations.
- **Goal 2:** Advocate safety and achieve change through recommendations, outreach, and education
- **Goal 3:** Create and maintain an engaged, high-performing workforce.

Overview of CSB Accomplishments

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

Goal 1 focuses on the core mission of the agency by ensuring that we deploy and complete incident investigations, and that we issue recommendations with broad preventive impact. In FY 2017, the CSB completed ten safety products, including six reports, two safety videos, and two video animations. The CSB issued a total of 16 new recommendations to improve chemical safety and reduce hazards. In addition, the CSB

released three factual updates on ongoing investigations and two video clips related to CSB investigations. Incident investigation reports issued in FY 2017 include:

- **Refinery Fire (Delaware City, DE):** On November 29, 2015, an operator at the Delaware City Refining Company's (DCRC) Kellogg Alkylation Unit suffered second-degree burns to his face and neck while performing de-inventorying activities on a vessel in preparation for the removal of a pipe spool from a connected process. This incident followed two previous incidents at the same facility that occurred in August 2015.

The CSB determined that the work activity performed on the day of the incident was non-routine and that DCRC did not have general procedures for preparing equipment for maintenance, nor for taking specific pieces of equipment out of service. The CSB identified five safety lessons which can be applied to many high hazard facilities, including having standard operating procedures for non-routine tasks such as emptying, decontaminating, washing, steaming, purging, and draining equipment and vessels.

- **Chemical Release and Disruption of Drinking Water Supply (Charleston, WV):** On January 9, 2014, an estimated 10,000 gallons of crude methylcyclohexanemethanol (MCHM) mixed with propylene glycol phenyl ethers (PPH Stripped) were released into the Elk River when a 46,000-gallon storage tank located at the Freedom Industries site in Charleston, West Virginia, failed, disrupting the drinking water supply for approximately 300,000 residents in nine counties. The CSB's report called on aboveground storage tank facilities, government officials, drinking water utilities and public health agencies across the country to follow recommended best practices to prevent similar incidents.
- **Refinery Explosion and Catalyst Release (Torrance, CA):** On February 18, 2015, the ExxonMobil refinery in Torrance, California, released spent catalyst material into the surrounding community, and the explosion resulted in four minor injuries and extensive property damage. The CSB found multiple gaps in the refinery's process safety management system, allowing for the operation of the fluid catalytic cracking unit without pre-established safe operating limits and criteria for a shut down. The refinery also relied on safeguards that could not be verified, and re-used a previous procedure deviation without a sufficient hazard analysis of the current process conditions. The CSB issued recommendations to the companies involved as well as to the American Fuel and Petrochemical Manufacturers to ensure lessons from this incident are learned broadly throughout the refining industry.
- **Nitrous Oxide Explosion (Cantonment, FL):** On August 28, 2016, a nitrous oxide trailer truck exploded at the Airgas (Air Liquide) manufacturing facility near Pensacola, Florida. The explosion killed the only Airgas employee present and heavily damaged the facility, halting nitrous oxide manufacturing at the plant

and leading to shortages for the medical, university, and food manufacturing industries.

The CSB issued safety recommendations to Airgas (Air Liquide), the Compressed Gas Association, and two nitrous oxide pump manufacturers. The recommendations include the development and implementation of a safety management system standard for nitrous oxide manufacturing as well as the distribution of increased warnings about nitrous oxide decomposition hazards.

- **Refinery Chemical Release and Fire (Baton Rouge, LA):** On November 22, 2016, an isobutane release and fire seriously injured four workers in the sulfuric acid alkylation unit at the ExxonMobil Refinery in Baton Rouge, Louisiana. During removal of an inoperable gearbox on a plug valve, the operator removed critical bolts securing the pressure-retaining component of the valve known as the top-cap. When the operator then attempted to open the plug valve with a pipe wrench, the valve came apart and released isobutane into the unit, forming a flammable vapor cloud. The isobutane reached an ignition source within 30 seconds of the release, causing a fire and severely burning four workers who were unable to exit the vapor cloud before it ignited.

The CSB identified key safety lessons, including that companies evaluate human factors and apply the hierarchy of controls when evaluating and implementing safeguards to provide effective risk reduction.

In addition to completing investigations, the CSB deployed to eight new incidents and continued work on three ongoing investigations, including:

- **Chemical Plant Fire (Crosby, TX):** Rainfall from Hurricane Harvey flooded the Arkema, Inc. organic peroxide manufacturing facility in Crosby, Texas on August 27, 2017. As flood waters continued to rise, the facility lost electrical power and the ability to maintain refrigeration for organic peroxide product containers that required cold storage. Arkema's hurricane ride-out crew relocated these organic peroxide containers from storage buildings to nine refrigerated trailers, but several of these trailers also lost refrigeration due to rising flood water. Emergency responders evacuated the hurricane ride-out crew on August 29, 2017 and established a 1.5-mile evacuation zone. Lacking the ability to maintain refrigeration, the organic peroxide products warmed and some reached their self-accelerating decomposition temperatures and burned. One trailer burned on August 31, 2017 and two others burned on September 1, 2017. Emergency officials initiated controlled burning of the remaining six trailers on September 3, 2017. The evacuation zone was lifted on September 4, 2017, allowing residents to return to their homes.
- **Combustible Dust Explosion (Cambria, WI):** On May 31, 2017, an explosion occurred at the Didion Milling, Inc. facility in Cambria, Wisconsin, where sixteen employees were working the night shift. Thirteen people were injured, five fatally. If this incident had occurred twelve hours earlier during

the day shift, up to fifty people would have been working in the various damaged buildings and the number of injured and killed could have been considerably higher. The packing facility where some employees had been working completely collapsed as a result of the explosion.

- **Tank Explosions (Barbour County, WV):** Midland Resource Recovery operates a facility in Philippi, West Virginia that, among other things, decommissions equipment previously used to odorize fuel gas. Two explosions occurred at this facility in a four-week period killing three workers and seriously injuring another worker. The first explosion took place on May 24, 2017, killing two employees and seriously injuring another. On June 20, 2017, a second explosion occurred at the facility killing another worker. Both explosions happened during activities to decommission equipment previously used to odorize fuel gas.
- **Chlorine Release and Community Shelter-in-Place (Atchison, Kansas):** On April 12, 2017, the CSB released preliminary findings from its ongoing investigation of the toxic chlorine release from the MGPI Processing, Inc. plant in Atchison, Kansas. On October 21, 2016, sulfuric acid was inadvertently unloaded from a tanker truck into a fixed sodium hypochlorite tank at the plant. The two materials combined to produce a vapor cloud that sent over 140 individuals, both workers and members of the public, to area hospitals and resulted in shelter-in-place and evacuation orders for thousands of local residents.
- **Catastrophic Pressure Vessel Rupture (St. Louis, MO):** On April 3, 2017, a massive steam explosion at the Loy-Lange Box Company in St. Louis, Missouri killed one worker and critically injured another. The explosion caused a steel vessel weighing approximately 2,000 pounds to fly several hundred feet and land in a neighboring dry cleaning facility, fatally injuring three members of the public. The CSB released a factual investigative update a month following the incident, which identified an immediate cause of this incident as a sudden mechanical integrity failure of the entire ring of the original bottom of the pressure vessel. The CSB will conduct further mechanical analysis, document reviews, and other analysis before issuing its final report in FY 2018.
- **Hot Work Explosion (DeRidder, LA):** On February 8, 2017, three contractors were killed and seven contractors sustained injuries in an explosion at the Packaging Corporation of America facility in DeRidder, Louisiana. The fatally-injured contractors were conducting hot work activities near an atmospheric storage tank that contained a flammable atmosphere and ultimately exploded, launching the 100,000-gallon tank about 375 feet and over a six-story building before landing on process equipment.
- **Hot Work Explosion and Fire (Nederland, TX):** On August 12, 2016, seven workers were injured – including four critically – at Sunoco Logistics

Partners, a terminal facility in Nederland, Texas. The incident involved a flash fire during welding – also referred to as hot work.

- **Gas Plant Explosion and Fire (Moss Point, MS):** A flammable gas release with subsequent fire and explosions occurred at the Enterprise Products Pascagoula Gas Plant, in Moss Point, Mississippi, on June 27, 2016. The incident resulted in the evacuation of the local community.
- **Toxic Chemical Release (La Porte, TX):** On November 15, 2014, nearly 24,000 pounds of methyl mercaptan were released at the DuPont Chemical manufacturing facility in La Porte, Texas. The release resulted in the deaths of three operators and a shift supervisor inside an enclosed manufacturing building. Additionally, three other workers were injured from their exposure to methyl mercaptan and at least three more workers experienced methyl mercaptan exposure symptoms. The CSB issued an interim recommendations in FY 2015 that laid out what DuPont should do to protect workers and the public at the La Porte facility. CSB expects to issue its final report in FY 2018, which will include a focus on the company's emergency response activities following the incident

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

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

In FY 2017, the CSB closed 47 previously issued recommendations. Of the recommendations closed in FY 2017, three responses exceeded the actions recommended by the CSB to reduce future safety risks and hazards. Two of these recommendations were to the Federal Emergency Management Agency (FEMA) resulting from the CSB investigation into the 2013 fertilizer explosion in West, Texas, that resulted in the deaths of twelve emergency responders and three members of the public. The CSB issued recommendations that FEMA create and implement a competitive funding mechanism to provide training to regional, state, and local career and volunteer fire departments that respond to fire and explosion incidents involving fertilizer grade ammonium nitrate (FGAN). In less than ten months, FEMA awarded two grants of one million dollars each to the Georgia Tech Research Institute and the International Association of Fire Fighters to develop and deliver Hazardous Material (HAZMAT) training focused on issues related to FGAN.

The third recommendation was to the American Society of Safety Engineers (ASSE) who approved a new edition of a standard, entitled Safety Requirements for Entering Confined Spaces as a result of recommendations from the CSB investigation into an incident in which two contractors were overcome and killed by nitrogen gas that displaced the oxygen in a confined space in which they were working. In addition to meeting the requirements of the CSB recommendations, the ASSE also included text in the Foreword to the revised standard that in 2009 oxygen deficiency was the leading atmospheric hazard that resulted in fatalities inside confined spaces. Additionally, the revised standard addressed critical safety gaps, including the existence of oxygen-depleted atmospheres near the openings of confined spaces; the rapid overwhelming nature and lack of warning signs when exposed to acute oxygen deprivation; the need to use personal protective equipment when entering oxygen-depleted atmospheres, regardless of the duration of exposure; and incorporated lessons learned from other CSB investigations involving confined spaces. The revised standard also added explanatory material and wording changes to incorporate important lessons learned from subsequent CSB investigations involving confined spaces; namely the 2007 Xcel Energy Hydroelectric Plan Penstock Fire and the 2008 Packaging Corporation of America Storage Tank Explosion, which were not part of the original recommendation.

The actions of FEMA and ASSE exemplify the success of the CSB's recommendation process to advance chemical safety change for a broad range of stakeholders working in hazardous industries. Volunteer firefighters exist in every state and must be prepared to respond to countless situations in which hazardous environments may be present. The efforts undertaken by FEMA will provide additional resources for these men and women responding to chemical emergencies. Voluntary safety standards, such as the ASSE Safety Requirements for Confined Spaces, provide critical guidance to all workers, contractors, and emergency personnel who face continual risks from chemical hazards without requiring the development of new regulations.

Throughout FY 2017, the CSB engaged in outreach activities with recommendations recipients and other stakeholders to encourage the implementation of key safety changes throughout industry and to distribute findings from CSB investigation reports to stakeholders. Key efforts included:

- **Drivers of Critical Chemical Safety Change.** This program identifies the most important drivers of chemical safety improvements that will have a significant positive impact on the workforce and environment if highlighted and implemented. CSB staff use this program to direct outreach initiatives and ensure that the agency's limited resources are optimized to address the most critical chemical hazards. In FY 2017, the Critical Driver List (CDL) included: Modernization of Process Safety Management, Preventive Maintenance, Emergency Planning and Response, and, new to the list, Safe Hot Work Practices.

Hot work incidents occur throughout many industries in the United States, including food processing, pulp and paper manufacturing, oil production, fuel storage, and waste treatment. Most hot work incidents result in the ignition of combustible materials or the ignition of structures or debris near the hot work.

The CSB found that hot work is one of the most common causes of worker deaths among incidents it investigates. Many of these incidents involve a tank or container at high hazard facilities, like refineries and chemical plants. These incidents often result in injuries and fatalities and have the potential to be catastrophic.

- **Collaborations.** In an effort to further optimize the use of its limited resources to advance chemical safety, the CSB has collaborated with other agencies and safety organizations to advance shared safety goals. In June 2017, the CSB participated in the nationwide Safe + Sound Week, partnering with other safety organizations including the Occupational Safety and Health Administration (OSHA) the National Institute for Occupational Safety and Health (NIOSH), the National Safety Council, the American Society of Safety Engineers and the American Industrial Hygiene Association to raise awareness and understanding of the value of safety and health programs. The CSB will continue to identify opportunities to collaborate with other Federal agencies and safety organizations in FY 2018.
- **Safety Videos.** In 2017, the CSB released four video products to view and download, free of charge, on its website and on YouTube. The video products released in FY 2017 include a full video detailing the findings from an olefins plant explosion in Baton Rouge, Louisiana; a safety message reminding teachers, staff, and school administrators about the hazards of using flammable materials, such as methanol, during classroom science demonstrations; and two computer-generated animations of incidents at refineries in Torrance, California, and Baton Rouge, Louisiana. The CSB also released two video clips that captured a nitrous oxide explosion near Pensacola, Florida, and a chlorine release in Atchison, Kansas. CSB videos have been viewed more than 7.7 million times on YouTube, and the agency has more than 24,000 followers.
- **Advocacy and Outreach.** During FY 2017, the CSB continued to promote the implementation of its safety recommendations by engaging with recipients and stakeholders and presenting on safety topics at conferences, and professional society and stakeholder meetings. CSB Board Members and professional staff presented at over 100 conferences and stakeholder events, many related to the CSB's CDL.

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

Goal 3 emphasizes optimizing our human capital resources and continually improving organizational efficiency. This includes the agency's high-performing information technology and administrative functions.

In FY 2017, the CSB continued its special emphasis on organizational efficiency and health, building trust internally and externally, and increasing productivity within the organization. Results from the 2017 Federal Employee Viewpoint Survey (FEVS) show that the CSB led the government in improvement with a 22-point increase in employee engagement.

- **Employee Engagement.** The Employee Engagement Index (EEI) on the FEVS is a measure of an agency’s work environment — the conditions that lead to engagement. The index is made up of three subfactors:

Subfactor	Description
Leaders Lead	Reflects the employees’ perceptions of the integrity of leadership, as well as leadership behaviors such as communication and workforce motivation
Supervisors	Reflects the interpersonal relationship between worker and supervisor, including trust, respect, and support.
Intrinsic Work Experience	Reflects the employees’ feelings of motivation and competency relating to their roles in the workplace.

- **New Inclusion Quotient (IQ).** The New IQ is built on the concept that individual behaviors, repeated over time, form habits that create an inclusive work environment. The New IQ consists of 20 questions grouped into 5 Habits of Inclusion:

Habit	Description
Fair	Are all employees treated equitably?
Open	Does management support diversity in all ways?
Cooperative	Does management encourage communication and collaboration?
Supportive	Do supervisors value employees?
Empowering	Do employees have the resources and support needed to excel?

Increases in these areas reflect CSB leadership’s dedication to the creation and retention of an engaged, high-performing workforce and reflect all employees’ pursuit of operational excellence.

Analysis of Financial Statements

The CSB’s financial statements have been prepared to report the financial position and 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 the CSB’s budget and outlays since FY 2012.

CSB’s Budget and Outlays (Dollars in Thousands)

Fiscal Year	Budget¹	Outlays²
2017	\$11,000	\$10,699
2016	11,000	10,125
2015	11,000	11,146
2014	11,000	10,478
2013	10,547	10,303
2012	11,129	11,044

Allmond & Company, LLC, an Independent Public Accounting firm, audited the CSB’s FY 2017 consolidated financial statements included in this report and issued an Unmodified Opinion, the highest level of assurance, which states the financial statements present fairly, in all material respects, the financial position of the CSB as of September 30, 2017, and 2016, and its net costs, changes in net positions, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States. This achievement demonstrates both CSB’s continued dedication to sound financial management and the reliability of the financial data upon which the CSB bases our critical decisions.

Limitations of the Financial Statements

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

¹ Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2017, the Emergency Fund had not been used and had a balance of \$844,000.

² Outlays are the total disbursements made during the year. These may be for payment of obligations incurred the same year or in prior years. As a result, the outlay amounts may exceed the budget authority for a fiscal year.

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

Systems, Controls, and Legal Compliance

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

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

Management Assurances

Federal Managers' Financial Integrity Act

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

In FY 2017, the Office of Inspector General (OIG) removed prior year management challenges and internal control weakness for the CSB based upon their prior audit and evaluation work.³ However, the OIG added one new management challenge in FY 2017, that CSB continue to address human resources management. The CSB is addressing the issue by implementing a set of recommendations from OPM. We note that the CSB had the highest increases of any agency in the FY 2017 Federal Employee Viewpoint Survey for Employee Engagement (a measure of an agency's work environment) and Inclusion Quotient (measures 5 habits of inclusion: fair, open, cooperative, supportive, and empowering).

³ The OIG's report is available on EPA's website (<https://www.epa.gov/office-inspector-general/report-fy-2017-us-chemical-safety-and-hazard-investigation-board-management>).

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

Improper Payments Information Act

The Improper Payments Information Act of 2002 (IPIA), as amended by the 2010 Improper Payments Elimination and Recovery Act (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), requires agencies to review annually all programs and activities to identify those susceptible to significant improper payments, estimate the annual improper payments in the susceptible programs and activities, and report the results of their improper payment reduction plans and activities.

The CSB has not identified any significant risk of improper payments. In order to maintain adequate internal controls to ensure proper payments, the CSB renewed its agreement with the Bureau of the Fiscal Service (BFS) to process financial transactions, make administrative payments, and prepare various financial reports. This agreement promotes the accuracy of our financial records and payments.

Finally, in FY 2017, the OIG conducted a review of CSB's IPERIA compliance and found CSB was fully compliant with the reporting requirements of improper payments legislation.⁴ The OIG also reported that the CSB Purchase Card Program is at low risk for unauthorized purchases.⁵

⁴ The OIG's report is available on EPA's website: <https://www.epa.gov/office-inspector-general/report-csb-complied-improper-payment-legislation-requirements-fiscal-year-0>

⁵ The OIG's report is available on EPA's website: <https://www.epa.gov/office-inspector-general/report-csb-purchase-card-program-low-risk-unauthorized-purchases>.

PERFORMANCE REPORT

In FY 2016, the CSB updated its multi-year strategic plan, which covers FY 2017 through FY 2021, and serves as a guide in setting priorities, allocating resources, and making decisions. CSB's mission is to drive chemical safety change through independent investigations to protect people and the environment and our plan has the following three strategic goals:

- **Goal 1:** *Prevent recurrence of significant chemical incidents through independent investigations.* Focuses on the core mission of the agency by ensuring that we select and complete incident investigations, and that we issue recommendations with broad preventive impact. CSB investigations inform all stakeholders of lessons learned to prevent and mitigate future accidents.
- **Goal 2:** *Advocate safety and achieve change through recommendations, outreach, and education.* Concentrates on implementing our recommendations and their associated advocacy and outreach. The highly successful CSB safety videos are an important component of the agency information dissemination efforts.
- **Goal 3:** *Create and maintain an engaged, high-performing workforce.* Emphasizes optimizing our human capital resources and continually improving organizational efficiency. This includes the agency's high-performing information technology and administrative functions.

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

OBJECTIVES	FY 2017 TARGET	RESULTS
1.1. Select for investigations those incidents and hazards that are most likely to generate recommendations or findings with broad preventive impact.	No specific deployment target set.	Deployed to eight incidents: <ul style="list-style-type: none"> • MGP Ingredients, Inc. • ExxonMobil Corp. - Baton Rouge • Packaging Corp. of America • Loy-Lange Box Co. • Firestone, Colorado • Midland Resource Recovery • Didion Milling, Inc. • Arkema, Inc.
1.2. Complete timely, high-quality investigations that determine the causes of incidents.	No specific target set.	Completed 5 investigations: <ul style="list-style-type: none"> • Freedom Industries • Airgas (Air Liquide) • ExxonMobil Corp. – Torrance • Delaware City Refining Co. • ExxonMobil Corp. – Baton Rouge
	Revise investigation protocol and appendices	Revised Board Order 40, Investigations Program, and made significant progress updating key protocols.
1.3. Develop and issue recommendations with broad preventive impact.	No specific target set.	Issued 16 recommendations.

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

OBJECTIVES	FY 2017 TARGET	RESULTS
2.1. Pursue the implementation of recommendations, with focused effort on those designated as high-impact.	No specific target set.	<ul style="list-style-type: none"> • 47 closed; 15 advanced • 79.5% cumulative total of successfully closed recommendations to those issued.
2.2. Identify and strategically promote key chemical safety issues.	Critical Driver List (CDL)	61% of Board outreach focused on CDL topics
2.3. Disseminate chemical safety information using a variety of high-visibility tools and products.	Website Redesign	Redesign complete in preparation for launch in the first quarter of FY 2018
	Safety Videos	Released 4 safety video products
	Published Articles	Published 8 articles in scholarly journals, magazines and newspapers.
	Special Publications	Hurricane Harvey-Related Safety Alert

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

OBJECTIVES	FY 2017 TARGET	RESULTS
3.1. Implement effective recruiting, targeted retention, and skills-based training and mentorship.	Enhance collaboration between Investigation teams	All investigator training on media communication, protocol development and blast analysis.
3.2. Encourage management development and leadership at all levels.	Board & Staff Training	Completed annual training on 1) Telework Policy, 2) Bullying in the Workplace, 3) Harassment in the Workplace and 4) Records Management
	Board Member Roles, Responsibilities and Guidelines	Ongoing with completion expected in the second quarter of FY 2018.
3.3. Strategically allocate resources across the organization.	Organizational Realignment	Organizational realignment as depicted in organizational chart as of 9-30-2017
	Develop Hiring Plan	FY 2017 Hiring Plan completed
	Develop Human Capital Plan	Final plan expected in the first quarter of FY 2018
3.4. Strengthen operational performance and project management efforts.	Develop Investigation Metrics	Adopted new metrics for timely completion of investigations with goal to complete within 16 months of initiating. Enhanced timekeeping system to ensure investigator teams are consistent in how they charge time, and developed a dashboard to easily access the data.

OBJECTIVES	FY 2017 TARGET	RESULTS
3.4. Strengthen operational performance and project management efforts. (Continued)	Investigation Report Style Guide	Deferred to FY 2018 due to higher priority work in FY 2017
	Audit & Recommendation Closures	<ul style="list-style-type: none"> • OIG. Closed 12 of 13 recommendations that were open or issued in FY 2017. The remaining open recommendation relates to CSB leases, which will be open until CSB enters into a new lease in FY 2022. • OPM. Closed 16 of 18 open recommendations in FY 2017. CSB anticipates closing the final two in early FY 2018.
	Board Order Revisions	Revised six (or 13%) of CSB Board Orders.

Completeness and Reliability of Performance Data

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

Agency Plans and Schedules for Improving Performance

The *2017–2021 Strategic Plan* is a blueprint for CSB priorities. This plan allows us to judiciously allocate our resources to achieve our strategic goals and to promote accountability for our safety mission. It is a living document that provides flexibility in executing the mission as circumstances change. The strategic plan guides the CSB to complete timely investigations of chemical incidents and influence chemical safety for the better.

FINANCIAL REPORT

A Message from the Chief Financial Officer

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

I am pleased to present our financial statements for fiscal years 2017 and 2016. This year the independent public accounting firm, Allmond & Company, LLC, issued an Unmodified Opinion, the highest level of assurance, which is consistent with opinions issued since our first full financial audit was conducted in FY 2001.

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



Elizabeth A. Robinson
Chief Financial Officer

November 15, 2017



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

U.S. Chemical Safety Board

Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2017 and 2016 Financial Statements

Report No. 18-F-0040

November 15, 2017

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

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At a Glance

Why We Did This Review

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

The U.S. Environmental Protection Agency's OIG, which also serves as the Inspector General for CSB, contracted with Allmond & Company, LLC, to perform the audit of the CSB's fiscal years 2017 and 2016 financial statements.

This report addresses the following CSB goal:

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

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

Listing of [OIG reports](#).

Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2017 and 2016 Financial Statements

What Allmond & Company Found

Allmond & Company rendered an unmodified opinion on the CSB's financial statements for fiscal years 2017 and 2016, meaning that the statements were fairly presented and free of material misstatements.

In planning and performing its audit, Allmond & Company considered the CSB's internal control over financial reporting. Allmond & Company noted no matters involving the internal control and the CSB operation that it considered to be a material weakness or a significant deficiency.

As part of obtaining reasonable assurance about whether the CSB's financial statements are free of material misstatement, Allmond & Company performed tests of the CSB's compliance with certain provisions of laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Allmond & Company's fiscal years 2017 and 2016 audit disclosed no instances of noncompliance or other matters that are required to be reported.

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

Allmond & Company made no recommendations to CSB.

The CSB received an unmodified opinion on its fiscal years 2017 and 2016 financial statements.



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

OFFICE OF
INSPECTOR GENERAL

November 15, 2017

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

RE: Report No. 18-F-0040, Audit of the U.S. Chemical Safety and Hazard Investigation Board's
Fiscal Years 2017 and 2016 Financial Statements

Dear Ms. Sutherland:

This letter transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2017 and 2016 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 Allmond & Company, LLC, performed the audit of the CSB financial statements as of and for the fiscal years ended September 30, 2017 and 2016. The audit was required to be done in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*.

Allmond & Company is responsible for the enclosed auditor's report dated November 14, 2017, and the opinions and conclusions expressed in the report. We do not express any opinion or conclusions on the CSB's financial statements, internal control, or compliance with laws and regulations.

Action Required

Because this report contains no recommendations, you are not required to respond to this report. However, if you submit a response, it will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response will be posted on the Office of Inspector General's public website, along with our letter commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Paul C. Curtis". The signature is written in a cursive style with a large initial "P" and "C".

Paul C. Curtis
Director, Financial Statement Audits

Enclosure

**Chemical Safety and Hazard Investigation Board (CSB)
Fiscal Year 2017 Financial Statement Audit**

Final Independent Auditors' Report

Submitted for review and acceptance to:

Robert L. Smith
Contracting Officer's Representative (COR)
Chemical Safety and Hazard Investigation Board
William Jefferson Clinton West Building
Washington, DC 20004

Submitted by:

Jason L. Allmond CPA, CGFM, CISA, CISM
Member
Allmond & Company, LLC
8181 Professional Place, Suite 250
Landover, MD 20785
301-918-8200
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Final Independent Auditors' Report

Prepared under contract to the Environmental Protection Agency (EPA) Office of Inspectors General (OIG) to provide financial auditing services

**U.S. CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
AUDIT REPORT
SEPTEMBER 30, 2017**



**ALLMOND & COMPANY, LLC
Certified Public Accountants
8181 Professional Place, Suite 250
Landover, Maryland 20785
(301) 918-8200**

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Chemical Safety and Hazard Investigation Board (CSB), which comprise the balance sheet as of September 30, 2017 and 2016, the related statement of net cost, statement of changes in net position, and combined statement of budgetary resources for the year ended, and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal year 2017 and 2016 financial statements of CSB based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chemical Safety and Hazard Investigation Board as of September 30, 2017 and 2016, and its net costs, changes in net position, and budgetary resources for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Other Information

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

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered CSB's internal control over financial reporting by obtaining an understanding of CSB's internal control, determining whether internal control had been placed in operation, assessing control risk, and performing tests of control to determine auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide an opinion on the effectiveness of CSB's internal control over financial reporting. Accordingly, we do not express an opinion on CSB's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 17-03. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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

A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatement on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects CSB'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 CSB's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

In our fiscal year 2017 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness or significant deficiency, as defined above.

However, we noted two additional matters that we will report to CSB management in a separate letter. Exhibit I presents the status of prior year findings and recommendations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CSB's fiscal year 2017 financial statements are free of material misstatements, we performed tests of CSB's compliance with certain provisions of laws and regulations, contracts and grant agreements which noncompliance with could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws specified in OMB Bulletin No. 17-03. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph, disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 17-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CSB's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal controls and compliance with laws and regulations which could have a material effect on CSB's financial statements. Accordingly, this communication is not suitable for any other purpose.

Allmond & Company, LLC

November 12, 2017
Landover, MD

The following table provides the fiscal year (FY) 2017 status of all recommendations included in the Independent Auditors' Report on the Chemical Safety and Hazard Investigation Board's FY 2016 Financial Statements (November 14, 2016).

FY 2016 Finding	FY 2016 Recommendation	FY 2017 Status
Internal Controls over Financial Reporting	<p>Recommendation:</p> <p>Improve its internal controls over financial reporting and compliance. Specifically, we recommend that management:</p> <ol style="list-style-type: none"> 1. Update Note 9 Budgetary Resource Comparisons to the Budget of the United States Government to include a schedule and explanation of the material difference of \$1 million for Net Outlays between the SBR and President's Budget. 2. Design and implement policy or procedure to review the note disclosures prepared by the service organization to validate the completeness and accuracy of information presented in the financial statements. 3. Design and implement a policy or procedure to review the computed imputed costs to validate the completeness and accuracy of the amount recorded in the general ledger. 4. Enhance current policies and procedures over the review of the accruals recorded, by including in their review a comparison between disbursements made in the subsequent fiscal year and the accruals recorded by the service organization. If a significant difference exists, notify the service provider to conduct research to determine the appropriate corrective action. 	<p>Closed</p> <p>Closed</p> <p>Closed</p> <p>Closed</p>

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 4,021,980	\$ 3,932,331
Total Intragovernmental	4,021,980	3,932,331
Accounts Receivable, Net (Note 3)	4,098	-
Property, Equipment, and Software, Net (Note 4)	423,370	513,638
Total Assets	\$ 4,449,448	\$ 4,445,969
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 36,045	\$ 37,469
Other (Note 6)	56,699	57,789
Total Intragovernmental	92,744	95,258
Accounts Payable	426,122	281,578
Federal Employee and Veterans' Benefits (Note 5)	4,146	3,908
Other (Note 6)	750,032	660,796
Total Liabilities	\$ 1,273,044	\$ 1,041,540
Net Position:		
Unexpended Appropriations - Other Funds	\$ 3,250,368	\$ 3,281,832
Cumulative Results of Operations - Other Funds	(73,964)	122,597
Total Net Position	\$ 3,176,404	\$ 3,404,429
Total Liabilities and Net Position	\$ 4,449,448	\$ 4,445,969

The accompanying notes are an integral part of these statements.

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Program Costs:		
Gross Costs (Note 8)	\$ 11,232,345	\$ 10,234,456
Net Cost of Operations	\$ 11,232,345	\$ 10,234,456

The accompanying notes are an integral part of these statements.

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Cumulative Results of Operations:		
Beginning Balances	\$ 122,597	\$ (23,110)
Budgetary Financing Sources:		
Appropriations Used	10,803,864	10,088,628
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	231,920	291,535
Total Financing Sources	11,035,784	10,380,163
Net Cost of Operations (Note 8)	(11,232,345)	(10,234,456)
Net Change	(196,561)	145,707
Cumulative Results of Operations	\$ (73,964)	\$ 122,597
Unexpended Appropriations:		
Beginning Balances	\$ 3,281,832	\$ 2,571,752
Budgetary Financing Sources:		
Appropriations Received	11,000,000	11,000,000
Other Adjustments	(227,600)	(201,292)
Appropriations Used	(10,803,864)	(10,088,628)
Total Budgetary Financing Sources	(31,464)	710,080
Total Unexpended Appropriations	\$ 3,250,368	\$ 3,281,832
Net Position	\$ 3,176,404	\$ 3,404,429

The accompanying notes are an integral part of these statements.

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 1,691,099	\$ 1,491,716
Recoveries of Prior Year Unpaid Obligations	227,355	300,095
Other changes in unobligated balance	(211,512)	(196,568)
Unobligated balance from prior year budget authority, net	1,706,942	1,595,243
Appropriations	11,000,000	11,000,000
Total Budgetary Resources	\$ 12,706,942	\$ 12,595,243
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	\$ 10,976,069	\$ 10,904,144
Unobligated balance, end of year:		
Apportioned, unexpired account	876,985	940,987
Expired unobligated balance, end of year (Note 2)	853,888	750,112
Unobligated balance, end of year (total)	1,730,873	1,691,099
Total Budgetary Resources	\$ 12,706,942	\$ 12,595,243
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 2,241,232	\$ 1,762,634
New obligations and upward adjustments (Note 10)	10,976,069	10,904,144
Outlays (gross)	(10,698,839)	(10,125,451)
Recoveries of Prior Year Unpaid Obligations	(227,355)	(300,095)
Unpaid Obligations, End of Year (Gross)	2,291,107	2,241,232
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 11,000,000	\$ 11,000,000
Actual offsetting collections	(16,088)	(4,725)
Recoveries of prior year paid obligations	16,088	4,725
Budget Authority, net, (total)	\$ 11,000,000	\$ 11,000,000
Outlays, gross	\$ 10,698,839	\$ 10,125,451
Actual offsetting collections	(16,088)	(4,725)
Distributed Offsetting Receipts	480	61,560
Agency outlays, net	\$ 10,683,231	\$ 10,182,286

The accompanying notes are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. The CSB manages Operations and Facilities, Engineering and Development General Fund accounts.

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

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

B. Basis of Presentation

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

The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. 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 issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, 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 financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

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

D. Fund Balance with Treasury

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

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

E. Accounts Receivable

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

F. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. CSB's capitalization threshold is \$10,000 for individual purchases and \$50,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	Lease Term
Office Furniture	7
Office Equipment	5
Computer Equipment	3
Software	3

G. Liabilities

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

The CSB reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, deferred rent actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

H. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Non-vested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 100%.

I. Accrued and Actuarial Workers' Compensation

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

J. Retirement Plans

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

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the CSB matches any employee contribution up to an additional four percent of pay. For FERS participants, the CSB also contributes the employer's matching share of Social Security.

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

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

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

K. Other Post-Employment Benefits

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

L. Use of Estimates

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

M. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The CSB recognized imputed costs and financing sources in fiscal years 2017 and 2016 to the extent directed by accounting standards.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2017 and 2016, were as follows:

	2017	2016
Fund Balances:		
Appropriated Funds	4,021,980	3,932,331
Total	\$ 4,021,980	\$ 3,932,331
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 876,985	\$ 940,987
Expired Unavailable	853,888	750,112
Obligated Balance Not Yet Disbursed	2,291,107	2,241,232
Total	\$ 4,021,980	\$ 3,932,331

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

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

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

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 11).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2017 and 2016, were as follows:

	2017	2016
With the Public		
Accounts Receivable	\$ 4,098	\$ -
Total Accounts Receivable	\$ 4,098	\$ -

The accounts receivable was made up of reimbursements due from employees.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2017 and 2016.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2017:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 983,356	\$ 865,554	\$ 117,802
Furniture & Equipment	1,083,819	896,657	187,162
Software	313,694	195,288	118,406
Total	\$ 2,380,869	\$ 1,957,499	\$ 423,370

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

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

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the CSB as of September 30, 2017 and 2016, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2017	2016
Intragovernmental – FECA	\$ 1,020	\$ 1,020
Unfunded Leave	496,266	386,113
Actuarial FECA	4,146	3,908
Total Liabilities Not Covered by Budgetary Resources	\$ 501,432	\$ 391,041
Total Liabilities Covered by Budgetary Resources	771,612	650,499
Total Liabilities	\$ 1,273,044	\$ 1,041,540

The CSB records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

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

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,020	\$ -	\$ 1,020
Payroll Taxes Payable	55,679	-	55,679
Total Intragovernmental Other Liabilities	\$ 56,699	\$ -	\$ 56,699
With the Public			
Payroll Taxes Payable	\$ 23,075	\$ -	\$ 23,075
Accrued Funded Payroll and Leave	230,691	-	230,691
Unfunded Leave	496,266	-	496,266
Total Public Other Liabilities	\$ 750,032	\$ -	\$ 750,032

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

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

NOTE 7. LEASES

Operating Leases

The CSB occupies offices in Washington, DC and Denver, CO under lease agreements, which are both accounted for as operating leases.

The Washington DC lease agreement has a ten-year term commencing on October 1, 2015 and ending on September 30, 2025. The total operating lease expense for the years ended September 30, 2017 and 2016 were \$656,868 and \$587,742, respectively. According to Section 1.03 of this agreement, beginning in the 4th year of the lease and continuing through the 10th year of the lease, the first two (2) months of rent in each year (totaling 14 months of free rent) shall be entirely abated. Below is a schedule of future payments for the term of the lease, which except for FY 2018 excludes annual adjustments to real estate taxes and operating expenses.

Washington, DC

Fiscal Year	Building
2018	\$ 677,615
2019	545,997
2020	545,997
2021	545,997
2022	545,997
Thereafter	1,637,993
Net Future Payments	\$ 4,499,596

The Denver, CO lease agreement is for a period of 60 months commencing on or about December 1, 2014. The total operating lease expense for the years ended September 30, 2017 and 2016 were \$95,433 and \$86,659, respectively. Lease payments are increased annually based on the adjustments for operating cost. The CSB may relinquish space upon four (4) months' notice. Thus, at any future time, the CSB's financial obligation can be reduced to four (4) months of rent, plus the unamortized balance of any tenant improvements financed through Public Buildings Service (PBS) plus any rent concessions not yet earned. Below is a schedule of future payments for the Denver lease.

Denver, CO

Fiscal Year	Building
2018	\$ 97,729
2019	98,742
2020 (2 months)	16,511
Total Future Payments	\$ 212,982

NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	2017	2016
Intragovernmental Costs	\$ 2,312,500	\$ 2,347,903
Public Costs	8,919,845	7,886,553
Total Net Cost	\$ 11,232,345	\$ 10,234,456

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

The President’s Budget that will include fiscal year 2017 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2018 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The Chemical Safety and Hazard Investigation Board Budget Appendix can be found on the OMB website: <http://www.whitehouse.gov/omb/budget>. The 2018 Budget of the United States Government, with the "Actual" column completed for 2016, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

For the Fiscal Year Ended September 30, 2016 (In millions)

FY2016	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$13,000,000	\$ 11,000,000	\$ -	\$10,000,000
Unobligated Balance Not Available	(1,000,000)			
Budget of the U.S. Government	\$12,000,000	\$11,000,000	\$ -	\$10,000,000

NOTE 10. APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS

New obligations and upward adjustments are reported in the Statement of Budgetary Resources in 2017 and 2016 consisted of the following:

	2017	2016
Direct Obligations, Category B	\$ 10,976,069	\$ 10,904,144
Total Obligations Incurred	\$ 10,976,069	\$ 10,904,144

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

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2017 and 2016, budgetary resources obligated for undelivered orders amounted to \$1,519,494 and \$1,590,733, respectively.

NOTE 12. CUSTODIAL ACTIVITY

The CSB’s custodial collection primarily consists of Freedom of Information Act requests typically. For 2016, they collected a \$59,000 rent deposit from a lease agreement prior to 2003. While these collections are considered custodial, they are neither primary to the mission of the CSB nor material to the overall financial statements. The CSB’s total custodial collections are \$3,188 and \$61,560 for the years ended September 30, 2017, and 2016, respectively.

NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2017	2016
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	\$ 10,976,069	\$ 10,904,144
Spending Authority From Offsetting Collections and Recoveries	(243,443)	(304,820)
Obligations Net of Offsetting Collections and Recoveries	10,732,626	10,599,324
Other Resources		
Imputed Financing From Costs Absorbed By Others	231,920	291,535
Total Resources Used to Finance Activities	10,964,546	10,890,859
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	4,409	(753,062)
Total Resources Used to Finance the Net Cost of Operations	10,968,955	10,137,797
Total Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	263,390	96,659
Net Cost of Operations	\$ 11,232,345	\$ 10,234,456

ABBREVIATIONS AND ACRONYMS

ASSE	American Society of Safety Engineers
BFS	Bureau of the Fiscal Service (within the U.S. Department of the Treasury)
CDL	Critical Driver List
CSB	U.S. Chemical Safety and Hazard Investigation Board
DCRC	Delaware City Refining Company
EEI	Employee Engagement Index
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
FEVS	Federal Employee Viewpoint Survey
FGAN	Fertilizer Grade Ammonium Nitrate
FMFIA	Federal Manager's Financial Integrity Act
FY	Fiscal Year (October 1 to September 30)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
HAZMAT	Hazardous Materials
IPERA	2010 Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination & Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
IQ	Inclusion Quotient
MCHM	4-Methylcyclohexane Methanol
NIOSH	National Institute for Occupational Safety and Health
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSHA	Occupational Health and Safety Administration (within the U.S. Department of Labor)

THE CSB WELCOMES YOUR COMMENTS!

Thank you for your interest in the CSB's FY 2017 Performance and Accountability Report. The CSB welcomes your comments on how we can make this report a more informative document for our readers. The CSB is particularly interested in your comments on the usefulness of this information and the manner in which it is presented. Please send your comments to cfo@csb.gov or write to:

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

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