



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

**Performance and  
Accountability Report  
Fiscal Year 2011**

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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 U.S. 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 investigative reports and videos bolster efforts by government, industry, labor, and local communities to prevent chemical process accidents.

During fiscal year (FY) 2011, the CSB completed seven safety products, including two full investigation reports, two case studies, one safety study, and three safety videos. CSB investigations included a total of 36 recommendations to improve chemical safety and hazard reduction across a range of industries. The CSB continued its investigation of the root causes of the blowout on the Deepwater Horizon oil rig that occurred on April 20, 2010, killing 11 workers and leading to massive pollution of the Gulf of Mexico. This is the most challenging investigation in the agency's history from both a technical and organizational standpoint. The CSB is investigating mechanical failures of key equipment, the safety culture of the primary companies involved in the accident, and both the domestic and international regulatory framework and oversight systems for the offshore drilling industry. The CSB contracted with technical experts throughout the offshore drilling industry to help analyze these important issues.

In FY 2011 the CSB closed 48 safety recommendations from prior years, demonstrating that past CSB recommendations have been implemented to make real impacts in the American workplaces and communities. For example, as a result of the continued advocacy of the fuel gas safety recommendations from the CSB's 2010 Kleen Energy power plant explosion investigation, the Governor of Connecticut signed a bill in August 2011 to permanently ban the dangerous practice of using high-pressure flammable gases to blow out debris from gas piping. At the national level, the National Fire Protection Association (NFPA) released a completely new *Standard for Fire and Explosion Prevention during Cleaning and Purging of Flammable Gas Piping Systems (NFPA 56)* to prohibit the use of flammable gas for internal cleaning of piping systems. Finally, the International Code Council's Board and membership approved an emergency amendment to the fuel gas purging requirements of the International Fuel Gas Code and the International Residential Code in October 2010, thus preventing future tragedies resulting from unsafe fuel gas purging practices at industrial, commercial, and public facilities.

CSB Safety Videos continue to be a way to convey the findings, lessons, and recommendations from CSB investigations and studies in a manner that is popular and effective. In FY 2011, CSB safety videos were again recognized for excellence, receiving two CINE Golden Eagle Awards in a national competition. "No Place to Hang Out," the CSB's video on oil site dangers, received the prize in adult education. A second CSB safety video, the 14-minute "Dangers of Hot Work," received the award for safety, training, and employee development. The video, which includes compelling

interviews with accident victims, describes the often fatal danger from explosions of flammable vapor ignited by welding and cutting torches. “Deadly Practices,” a 15-minute video on fuel gas safety, also received a CINE Golden Eagle award. Finally, the CSB received gold and silver Peer Awards for two safety videos, “Inferno: Dust Explosion at Imperial Sugar” and “Combustible Dust: An Insidious Hazard,” from the Television, Internet and Video Association of DC regional competition.

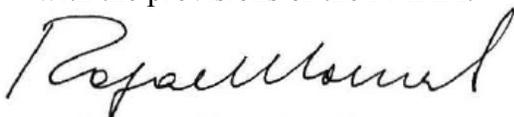
This Performance and Accountability Report was prepared under the guidance from the Office of Management and Budget (OMB), and contains a selection of performance information; the CSB’s financial statements, as required by the Accountability of Tax Dollars Act of 2002; and a report on the Board’s material 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 2011. The results also summarize our success in achieving the performance goals the CSB established for FY 2011. 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 2011 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 the CSB bases our critical decisions.

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

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



Rafael Moure-Eraso  
Chairperson

November 15, 2011



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Overview

The U.S. Chemical Safety and Hazard Investigation Board (CSB) is an independent federal agency charged with investigating industrial chemical accidents and hazards. CSB investigations look into all aspects of chemical accidents, including the possible absence or inadequacy of regulations, especially those of the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA), proximate causes such as equipment failures, and root causes such as inadequacies in safety management systems and safety culture. The Board makes safety recommendations to regulatory agencies, plants, industry organizations, and labor groups. This discussion and analysis provides a concise overview of the CSB. For detailed information visit our website at [www.csb.gov](http://www.csb.gov).

### Mission and Organizational Structure

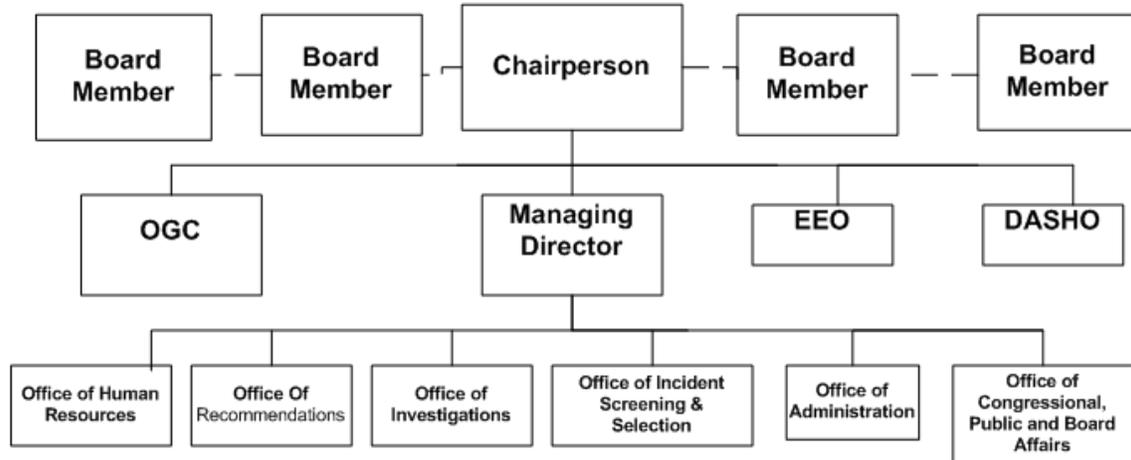
The mission of the CSB is to investigate chemical accidents and hazards, as well as to recommend actions to protect workers, the public and the environment. Our independent investigation reports and videos bolster efforts by government, industry, labor, and local communities to prevent chemical process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

The CSB began operations in fiscal year (FY) 1998. The CSB is headquartered in Washington, DC, and has a field office in Denver, Colorado. The CSB is governed by its Board, which consists of one presidentially appointed chairperson (who also serves as a board member) and four presidentially appointed board members. All nominations to the Board are subject to Senate confirmation; each member serves a five-year fixed term. As of September 30, 2011, there were three appointed Board members, including the chairperson, and a professional staff of 38.

The following is the organizational chart, which was in effect September 30, 2011.

## Chemical Safety & Hazard Investigation Board

September 2011



### 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 2011. 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 2011, the CSB continued to emphasize investigations and safety by issuing final reports or a case study on the incident investigations listed below.

- **Bayer CropScience:** In January 2011, the CSB released its final report into the fatal accident at the Bayer CropScience facility near Charleston, West Virginia, where an explosion in a pesticide waste tank fatally injured two workers. The report found that had the trajectory of the exploding vessel been different, pieces of the vessel could have impinged upon and possibly caused a release from a nearby storage tank of highly toxic methyl isocyanate (MIC), the chemical involved in the 1984 release at the Union Carbide facility in Bhopal, India.

The CSB final report contained a recommendation to Kanawha County, West Virginia, to establish a Hazardous Chemical Release Prevention Program with the authority to inspect and regulate chemical facilities in the county and release its findings to the public. The CSB recommended that this initiative be based on an existing program in Contra Costa County, California, which has dramatically reduced the number of chemical and petrochemical accidents over the past decade.

- **DuPont:** In September 2011, the CSB released its final report on a series of three serious accidents that occurred over a 33-hour period on January 22 and 23, 2010, at the DuPont Corporation's Belle, West Virginia, chemical manufacturing plant. One of those accidents resulted in the death of a veteran operator who was exposed to lethal phosgene gas. The three accidents particularly concerned the Board given DuPont's longstanding reputation for a commitment to safety and the company's role as a safety innovator and leader.

The CSB also recommended OSHA and other standards-setting organizations require improved safety for phosgene and other highly toxic gases throughout industry. The CSB recommended that the DuPont Corporation require all its phosgene production and storage areas to have secondary enclosures, mechanical ventilation systems, emergency phosgene scrubbers, and automated audible alarms, which are at a minimum consistent with the standards of the National Fire Protection Association (NFPA) for highly toxic gases. Conformity to these industry safety standards would demonstrate a renewed dedication by DuPont to providing a safe work environment in all of its facilities. The CSB investigation uncovered key documents from the past decades showing that DuPont had considered but rejected installing improved safeguards for phosgene, a lethal gas used as a chemical weapon in World War I.

- **Texas Tech:** The CSB issued a case study on an explosion at Texas Tech University in Lubbock, Texas, which severely injured a graduate student handling a high-energy metal compound. The frequency of academic laboratory incidents in the U.S. is an area of significant concern for the CSB. Since 2001, the CSB has

gathered preliminary information on 120 different university laboratory incidents that resulted in 87 evacuations, 96 injuries, and three deaths.

The CSB recommended that American Chemical Society develop new hazard evaluation guidelines for laboratories and called on OSHA to issue a Safety Bulletin on the importance of controlling the physical hazards of chemicals in academic laboratories. With over 110,000 graduate students and postdoctoral researchers estimated to be working in academic laboratories,<sup>1</sup> safety gaps must be addressed.

- **Goodyear.** The CSB completed a case study on a heat exchanger rupture and ammonia release at the Goodyear Tire and Rubber Company in Houston, Texas. The study identified gaps in facility emergency response training and called for increased adherence to existing industry codes.

In FY 2011, the CSB continued work on many investigations that were initiated in prior fiscal years, including the Deepwater Horizon investigation initiated in FY 2010. This investigation, requested by the U.S. House Committee on Energy and Commerce, is the most challenging investigation in agency history, from both a technical and organizational standpoint. As of September 2011, the CSB had invested \$2.1 million in the investigation of the mechanical failures of the blowout preventer, the safety culture of the primary companies involved in the accident, and both the domestic and international regulatory framework and oversight systems for the offshore drilling industry. The CSB contracted with technical experts throughout the offshore drilling industry to help analyze these important issues.

To gather information on the current state of offshore drilling safety, the CSB held a full-day public hearing on international regulatory regimes in December 2010 and heard testimony from regulators from the United Kingdom, Norway, and Australia on the strengths and weaknesses of the various international regulatory systems. Additionally, the CSB heard testimony from both labor and industry representatives about the key challenges facing the sector. Throughout FY 2011, the investigation team reviewed thousands of documents and interviewed witnesses to develop a comprehensive report on the accident's root causes.

In FY 2011 the CSB also opened 5 new investigations, including a series of serious flash fires at the Hoeganaes Corporation's powdered metal production facility in Gallatin, Tennessee. The flash fires occurred as a result of the company's failure to recognize the hazards associated with the accumulation of highly combustible iron dust throughout the facility. The CSB investigation of Hoeganaes is bringing renewed attention to the urgent need for OSHA to develop a comprehensive regulatory standard for combustible dust in general industry. The absence of a comprehensive OSHA dust standard was a key finding in the CSB's 2006 Combustible Dust Study and resulted in a CSB

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<sup>1</sup> National Science Foundation (NSF). (2007). *Survey of Federal Science and Engineering Support to Universities, Colleges, and Nonprofit Institutions*. Accessed at <http://www.nsf.gov/statistics/srvyfedsupport> on 7/1/2011.

recommendation to OSHA to initiate rulemaking. Although OSHA has now committed to developing a standard, the CSB recommendation remains open and workers throughout various industries continue to be at risk until a comprehensive standard has been developed and enforced.

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

In FY 2011 the CSB designed and oversaw a Congressionally-mandated study by the National Academy of Sciences (NAS) entitled *Inherently Safer Chemical Processes: The Use of Methyl Isocyanate (MIC) at Bayer CropScience*. The study arose from concerns about the potential for an airborne release of the highly toxic chemical that could adversely impact the health of the workers and community. As a result of these efforts, Bayer CropScience released a plan to remove all stores of lethal MIC from the facility in March 2011, thus eliminating the risk to the community. The NAS study, due for completion in the fall of 2011, is expected to contain important recommendations and lessons learned for industry on the application of inherently safer technologies for worker and community protection.

In FY 2011 the CSB also completed a study of hazards to children and young adults at oil and gas exploration and production (E&P) facilities. Over a seven-month period from October 2009 to April 2010, a total of four young adults were killed and two others suffered injuries in explosions on oil and gas E&P sites. All three incidents involved rural unmanned oil and gas storage sites that lacked fencing and warning signs which might have otherwise deterred public access. Upon further investigation, the CSB found that 24 similar accidents from 1983 to 2011 resulted in a total of 42 fatalities and 25 injuries in ten states. All of the victims were less than 25 years of age. The CSB produced a safety video in FY 2010, and has worked with legislatures and regulators in oil- and gas-producing states to address the lack of security measures and regulatory standards protecting children from oil site hazards. As a result of these efforts, the State of Mississippi has implemented regulations requiring facilities to post warning signs at thousands of oil production sites across the state and to install locked gates to restrict public access to oil storage tanks. The CSB investigation urged Mississippi as well as the major oil-producing states of Texas and Oklahoma to adopt security measures for tank sites, require warning signs, and promote the use of safer tank designs to minimize the chance of explosions affecting members of the public.

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

Safety recommendations are one the CSB's primary tools for bringing about permanent improvements in chemical safety. Most investigations and studies issue multiple recommendations to different recipients, who are the parties best able to carry out the recommended action to improve safety. Once the CSB issues a recommendation, our Board members and staff advocate implementation, ensure the recommendations are effectively communicated to the recipient(s), together with any needed justification or explanation, and track the recommendations to completion. In FY 2011, the CSB issued

a total of 36 recommendations, advanced 25, and closed 48 previously issued recommendations. In almost all cases, the recommended actions were successfully implemented by recipients.

The CSB issued nine public statements in FY 2011 to further advocate for specific recommendations related to fuel gas, public worker, and propane safety. As a result of the continued advocacy of the fuel gas safety recommendations from the CSB's 2010 Kleen Energy power plant explosion investigation, the Governor of Connecticut signed a bill in August 2011 to permanently ban the dangerous practice of using high-pressure flammable gases to blow out debris from gas piping in the State of Connecticut. At the national level, the NFPA released a completely new *Standard for Fire and Explosion Prevention during Cleaning and Purging of Flammable Gas Piping Systems (NFPA 56)* to prohibit the use of flammable gas for internal cleaning of piping systems. Finally, the International Code Council's Board and membership approved an emergency amendment to the fuel gas purging requirements of the International Fuel Gas Code and the International Residential Code in October 2010, thus preventing future tragedies resulting from unsafe fuel gas purging practices at industrial, commercial, and public facilities.

In addition to the advocacy efforts conducted for specific recommendations, in FY 2011 the CSB began developing a Most Wanted List, patterned on a similar highly successful program at the National Transportation Safety Board (NTSB). The Most Wanted List will identify the most pressing safety concerns facing the chemical, petrochemical, and manufacturing industries, and will be used to streamline the CSB's advocacy and outreach efforts to achieve lasting safety changes.

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

The CSB's Strategic Plan established a 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.

In FY 2011, the CSB continued producing and distributing safety videos. The CSB distributed nearly 9,500 DVD safety video compilations to stakeholders in more than 30 countries. Each compilation contains 26 different safety videos developed by the CSB, describing the causes of major accidents the agency investigated in recent years. These safety videos provide invaluable training resources for workers throughout industry, university students, and State and Federal occupational safety and health trainers. The CSB also developed three new safety videos in FY 2011.

CSB safety videos were again recognized for excellence, receiving two CINE Golden Eagle Awards in a national competition. "No Place to Hang Out," the CSB's video on oil site dangers, received the prize in adult education. A second CSB safety video, the 14-minute "Dangers of Hot Work," received the award for safety, training, and employee development. The video, which includes compelling interviews with accident victims,

describes the often fatal danger from explosions of flammable vapor ignited by welding and cutting torches. “Deadly Practices,” a 15-minute video on fuel gas safety, also received a CINE Golden Eagle award. Finally, the CSB received gold and silver Peer Awards for two safety videos, “Inferno: Dust Explosion at Imperial Sugar” and “Combustible Dust: An Insidious Hazard,” from the TIVA-DC regional competition.

In addition to the video program, the CSB held public meetings on the Deepwater Horizon and Bayer CropScience investigations, four press conferences on investigations, and family outreach meetings for the Hoeganaes, Tesoro, and Donaldson Enterprises investigations. Individual board members also gave 41 presentations on findings, lessons learned, and recommendations at business, labor, and public interest group meetings during FY 2011.

**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.)

In FY 2011, the CSB began a major redevelopment of its strategic plan, with emphasis on outcome related goals and objectives for measuring the CSB’s effectiveness. The individual who successfully revised the NTSB’s Strategic Plan was detailed to the CSB in FY 2011 to assist revising the CSB’s Strategic Plan. We anticipate that the revised plan, scheduled for completion in FY 2012, will have a more solid framework for measuring performance and will integrate a formal internal controls over program operations further improve accountability.

### **Analysis of Financial Statements**

Our financial statements have been prepared to report the financial position and our operational results pursuant to the requirements of the Accountability of Tax Dollars Act of 2002. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The following chart summarizes our budget and outlays since FY 2008.

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

<b>Fiscal Year</b>	<b>Budget*</b>	<b>Outlays</b>
2011	\$10,799	\$11,170
2010	11,147	9,783
2009	10,199	9,313
2008	9,263	8,621

\* Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2011 the Emergency Fund had not been used and had a balance of \$844,145.

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

### ***Limitations of the Financial Statements***

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

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

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

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

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

### **Management Assurances**

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

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

In FY 2011, the OIG proposed two management challenges and one internal control weakness for the CSB based upon their prior audit and evaluation work. The issues

proposed by the OIG pertain to CSB program operations rather than financial controls. The specific issues raised by the OIG related to clarifying the CSB's statutory mandate, promulgating a chemical incident reporting rule, and establishing internal controls related to program operations. As the CSB responded to the OIG, the issues raised by the OIG do not impair the CSB's ability to carry out its mission; rather they may help improve operations. As discussed under the Goal 5 accomplishments, the CSB is revising its strategic plan to have a more solid framework for measuring performance and the CSB will integrate a formal internal controls over program operations further improve accountability. It is important to note that the issues proposed by the OIG pertain to the efficiency and effectiveness of CSB program operations rather than internal financial controls.

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

### ***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.

The CSB has not identified any significant risk with improper payments. However, we recognize the importance of maintaining adequate internal controls to ensure proper payments, and our commitment to the continuous improvement in the overall disbursement management process remains strong. In FY 2011, the CSB continued our agreement with the Bureau of the Public Debt (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

In FY 2007 the CSB updated its five-year strategic plan. This plan covers FY 2007 through FY 2012, and serves as a guide in setting priorities, allocating resources, and making decisions. The following is the status of specific initiatives identified in the FY 2011 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 a total of 4 incidents and select 3 incidents for investigation in the first half of the fiscal year.	Completed	Deployed to DuPont Yerkes, DuPont Belle, AL Solutions, and 2 incidents at the Hoeganaes Corporation.
2. Deploy to a total of 4 incidents and select 3 incidents for investigation in the second half of the fiscal year.	Completed	Deployed to a third incident at the Hoeganaes Corporation and an incident at Donaldson Enterprises. Considered completed due to investigative backlog and loss of investigation staff.
3. Complete 5 current investigations: <ul style="list-style-type: none"> <li>• Goodyear</li> <li>• Horsehead</li> <li>• Caribbean Petroleum</li> <li>• CITGO</li> <li>• Tesoro</li> </ul>	On-Going	Completed Goodyear investigation. Due to the investigation backlog and loss of investigative staff, CSB began a review to prioritize and scope all open FY 2011 investigations. The CSB expects to have a plan for the open investigations in early FY 2012.
4. Complete 5 current investigations: <ul style="list-style-type: none"> <li>• Bayer CropScience</li> <li>• NDK</li> <li>• DuPont Belle</li> <li>• DuPont Yerkes</li> <li>• Millard</li> </ul>	On-Going	Completed Bayer and DuPont Belle investigations. See explanation for initiative #3 for further information on open investigations.

Initiative	Status	Explanation
<p>5. Complete 5 current investigations:</p> <ul style="list-style-type: none"> <li>• Texas Tech</li> <li>• PCA</li> <li>• Silver Eagle I</li> <li>• Silver Eagle II</li> <li>• Deepwater Horizon Interim Report</li> </ul>	On-Going	<p>Completed Texas Tech Investigation. See explanation for initiative #3 for further information on open investigations.</p>
<p>6. Complete 4 priority sections of investigation protocol (e.g. root cause analysis, report review process, recommendations development)</p>	On-Going	<p>Drafted protocol chapters on causal analysis, recommendations development, and worker/union participation in CSB investigations. The CSB expects to present these to the Board Members for consideration and vote in early FY 2012.</p>

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

<b>Initiative</b>	<b>Status</b>	<b>Explanation</b>
7. Complete short safety study on teenager/young adult fatalities at oil and gas sites	Completed	Completed Tank Safety Study

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

Initiative	Status	Explanation
8. Successfully secure the adoption of 40 safety recommendations and advance 25 others	Completed	CSB closed 48 safety recommendations and advanced 25 others in FY 2011.
9. Develop for Board approval and advocate on behalf of a Most-Wanted Safety Accomplishments List	On-Going	Draft Board Order and Candidate List for Most Wanted Safety Improvements out for review

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

Initiative	Status	Explanation
<p>10. Produce and distribute 7 safety videos, e.g.:</p> <ul style="list-style-type: none"> <li>• Fuel Gas Safety</li> <li>• Bayer CropScience</li> <li>• Lab Safety</li> <li>• Silver Eagle I &amp; II</li> <li>• Caribbean Petroleum</li> <li>• DuPont Belle</li> <li>• Deepwater Horizon</li> </ul>	Completed	<p>Completed the Fuel Gas Safety, Bayer CropScience, and DuPont Belle Investigations, and substantively completed the Lab Safety Video, which was publically released in October 2011. Work was initiated on other videos, including a video for the Hoeganaes investigation initiated in FY 2011. However, these videos were not completed in FY 2011 because the investigations are still open.</p> <p>In addition to safety videos, the CSB completed 2 safety messages that are available on our website.</p>
<p>11. Conduct 6 public meetings on CSB investigations and studies, e.g.:</p> <ul style="list-style-type: none"> <li>• Deepwater Horizon I</li> <li>• Bayer CropScience</li> <li>• DuPont Belle</li> <li>• Tesoro</li> <li>• Deepwater Horizon II</li> <li>• Business Meeting</li> </ul>	Completed	<p>Conducted public meetings for the Deepwater Horizon and Bayer CropScience investigations. Also held a press conference for the DuPont Belle investigation, which was completed in FY 2011.</p> <p>In addition to these activities, the CSB held 4 family meetings for open investigations.</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.

Initiative	Status	Explanation
12. Through a collaborative effort with the Board and staff, develop a proposed CSB five-year strategic plan for Board review and approval	On-Going	In FY 2011 the employee who developed NTSB's strategic plan was detailed to CSB to assist with revising the CSB's strategic plan. Interviewed stakeholders and surveyed CSB staff. Developed draft mission and vision statement, strategic goals, and proposed performance metrics. Began revising the strategic plan, which is expected to be ready for Board Member consideration and vote in the first quarter of FY 2012.
13. Develop Open Government board order for Board review and approval, consistent with the president's Open Government directive	Deferred	Deferred to FY 2012 due to higher priority investigative work.
14. Propose legislative improvements package to Congress concerning investigative mandate, site access, evidence preservation, etc.	Deferred	Deferred to FY 2012 due to higher priority investigative work.
15. Develop improved procurement program	Completed	CSB reviewed its procurement program and decided to train current staff members so that they can perform warranted contracting officer responsibilities in FY 2012.
16. Develop proposed rule on evidence preservation for Board approval and publication	Deferred	Deferred to FY 2012 due to higher priority work in FY 2011 on the Deepwater investigation.
17. Develop proposed rule on accident reporting for Board approval and publication	Deferred	Initiated work on a proposed rule, but this was deferred to FY 2012 due to higher priority investigative work.
18. Develop revised board order on Incident Screening for Board approval	Deferred	Initiated work on a proposed rule, but this was deferred to FY 2012 due to higher priority investigative work.

<b>Initiative</b>	<b>Status</b>	<b>Explanation</b>
19. Develop Board Order Membership and Private Association	Deferred	Initiated work on a proposed Board Order, but this was deferred to FY 2012 due to higher priority investigative work
20. Update and approve Human Capital Plan	Partially Complete	The Human Capital Plan was updated, approved by the Chairman, and submitted to the Office of Personnel Management. The Human Capital Plan will be considered and voted on by the Board Members in early FY 2012.
21. Develop Management Control Plan	Deferred	Will be completed in conjunction with the FY 2012 Strategic Plan
22. Develop Workers, Unions, and Victims Bill of Rights for Investigations	Deferred	Began drafting the Bill of Rights, but this was deferred due to higher priority investigative work. A team was formed to work on this project in FY 2012.
23. Issue Declaration of Authority on HIPAA	Complete	<a href="#">HIPPA information</a> was posted on the CSB's website in the third quarter of FY 2011.
24. Develop parenting and wellness programs	On-Going	A child care subsidy program was considered but put on hold due to budget constraints. However, wellness activities were initiated in FY 2011
25. Quarterly internal communications meeting	Complete	"All hands" meetings were held in FY 2011.
26. Complete Board Order on board roles and responsibilities	On-Going	A Board Order was drafted and will be considered and voted on by the Board Members in early FY 2012.
27. Implement HSPD-12 (common federal identification), contingent upon the availability of an appropriate governmental vendor	On-Going	Signed an interagency agreement with GSA in FY 2011 for these services, and worked with NBC to have identification cards issued in early FY 2012.

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

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

### **Completeness and Reliability of Performance Data**

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

## FINANCIAL REPORT

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### 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 2010 and 2011. This year the 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, 2011



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

NOV 15 2011

THE INSPECTOR GENERAL

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

Dear Dr. Moure-Eraso:

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2011 and 2010 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002.

The independent public accounting firm of Brown and Company, CPAs, PLLC, performed the audit of the CSB financial statements as of and for the fiscal years ended September 30, 2011 and 2010. 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 and Company, CPAs, PLLC, is responsible for the attached auditor's report dated November 15, 2011, including the opinions and the conclusions expressed in the report. We do not express any opinion or conclusions on CSB's financial statements, internal controls, or compliance with laws and regulations.

Should you have any questions, please contact Melissa Heist at (202) 566-0899 or [heist.melissa@epa.gov](mailto:heist.melissa@epa.gov); or Bill Spinazzola, Project Officer, at (202) 566-2568 or [spinazzola.bill@epa.gov](mailto:spinazzola.bill@epa.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Elkins, Jr.", written over a white background.

Arthur A. Elkins, Jr.

Enclosures

cc: Daniel Horowitz, Ph. D., Managing Director, U.S. Chemical Safety and Hazard Investigation Board  
Elizabeth A. Robinson, Chief Financial Officer, U.S. Chemical Safety and Hazard Investigation Board  
Kimberly Penn, Audit Manager, Brown and Company, CPAs, PLLC  
Gail Jenifer, Managing Partner, Brown and Company, CPAs, PLLC



The Honorable Rafael Moron-Estrin, Ph.D.  
Chairman and Chief Executive Officer  
U.S. Chemical Safety and Hazard Investigation Board  
2125 K Street, NW, Suite 400  
Washington, D.C. 20037-1809

Dear Dr. Moron-Estrin:

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2011 and 2010 financial statements. The audit is required by Public Law 107-189, the Accountability of Tax Dollars Act of 2002.

The independent public accounting firm of Brown and Company, CPAs, PLLC, performed the audit of the CSB financial statements as of and for the fiscal years ended September 30, 2011 and 2010. 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, *Guide for Reporting on Internal Control Statements*; and the Standards for the Financial Statements of the Government Accountability Office's Council on Integrity and Efficiency.

Brown and Company, CPAs, PLLC, is responsible for the attached auditor's report dated November 12, 2011, including the opinion and the conclusions expressed in the report. We do not express any opinion or conclusions on CSB's financial statements, internal controls, or compliance with laws and regulations.

Should you have any questions, please contact Melissa Heist at (202) 566-0899 or [melissa.heist@csb.gov](mailto:melissa.heist@csb.gov) or Bill Spina at (202) 566-1568 or [bill.spina@csb.gov](mailto:bill.spina@csb.gov).

Sincerely,  
  
Arthur A. Elkins, Jr.

Enclosures



## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Office of Inspector General  
Chairman and CEO  
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, 2011 and 2010 and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of CSB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 *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*, as amended. Those standards and OMB Bulletin No. 07-04, as amended, 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 audit provides 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, 2011 and 2010 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, as amended, we have also issued our reports dated November 15, 2011 on our consideration of the CSB internal control over financial reporting and its compliance with certain 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.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, as revised, that considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.





**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Office of Inspector General  
Chairman and CEO  
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, 2011 and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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*, as amended.

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, as amended. 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 a material weakness or significant deficiency. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, as amended, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 a material weaknesses as defined above.

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

Largo, Maryland  
November 15, 2011



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

Office of Inspector General  
Chairman and CEO  
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, 2011, and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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*, as amended.

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, as amended. 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 with laws and regulations disclosed no reportable instances of noncompliance with 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, as amended.

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

Largo, Maryland  
November 15, 2011

# CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD

## FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
SEPTEMBER 30, 2011 AND 2010

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**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2011 AND 2010**  
**(In Dollars)**

	2011	2010
<b>Assets:</b>		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 5,093,798	\$ 5,961,889
Other (Note 5)	100,353	100,353
<b>Total Intragovernmental</b>	<b>5,194,151</b>	<b>6,062,242</b>
Accounts Receivable, Net (Note 3)	-	33
Property, Equipment, and Software, Net (Note 4)	101,809	197,833
Other (Note 5)	59,000	59,000
<b>Total Assets</b>	<b>\$ 5,354,960</b>	<b>\$ 6,319,108</b>
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable	\$ 47,268	\$ 41,451
Other (Note 7)	40,482	89,744
<b>Total Intragovernmental</b>	<b>87,750</b>	<b>131,195</b>
Accounts Payable	262,856	152,213
Other (Note 7)	699,217	799,880
<b>Total Liabilities</b>	<b>\$ 1,049,823</b>	<b>\$ 1,083,288</b>
<b>Net Position:</b>		
Unexpended Appropriations - Other Funds	4,634,620	5,379,678
Cumulative Results of Operations - Other Funds	(329,483)	(143,858)
<b>Total Net Position</b>	<b>\$ 4,305,137</b>	<b>\$ 5,235,820</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,354,960</b>	<b>\$ 6,319,108</b>

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**STATEMENT OF NET COST**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010**  
(In Dollars)

	2011	2010
<b>Program Costs:</b>		
Salaries and Expenses:		
Gross Costs (Note 9)	\$ 11,636,315	\$ 10,368,551
<b>Net Cost of Operations</b>	<b>\$ 11,636,315</b>	<b>\$ 10,368,551</b>

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010**  
(In Dollars)

	2011	2010
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ (143,858)	\$ (150,732)
<b>Budgetary Financing Sources:</b>		
Appropriations Used	11,047,226	10,005,769
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing Sources (Note 10)	403,464	369,656
Total Financing Sources	11,450,690	10,375,425
Net Cost of Operations	(11,636,315)	(10,368,551)
Net Change	(185,625)	6,874
Cumulative Results of Operations	\$ (329,483)	\$ (143,858)
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 5,379,678	\$ 4,454,636
<b>Budgetary Financing Sources:</b>		
Appropriations Received	10,799,000	11,147,000
Other Adjustments	(496,832)	(216,189)
Appropriations Used	(11,047,226)	(10,005,769)
Total Budgetary Financing Sources	(745,058)	925,042
Total Unexpended Appropriations	\$ 4,634,620	\$ 5,379,678
Net Position	\$ 4,305,137	\$ 5,235,820

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010**  
(In Dollars)

	2011	2010
<b>Budgetary Resources:</b>		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 3,326,612	\$ 2,999,781
Recoveries of Prior Year Unpaid Obligations	109,085	155,615
Budget Authority		
Appropriation	10,799,000	11,147,000
Permanently Not Available	(496,832)	(216,189)
<b>Total Budgetary Resources</b>	<b>\$ 13,737,865</b>	<b>\$ 14,086,207</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred		
Direct (Note 12)	\$ 10,774,750	\$ 10,759,595
Unobligated Balance		
Apportioned	887,533	1,261,318
Unobligated Balance Not Available	2,075,582	2,065,294
<b>Total Status of Budgetary Resources</b>	<b>\$ 13,737,865</b>	<b>\$ 14,086,207</b>
<b>Change in Obligated Balance:</b>		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 2,635,277	\$ 1,813,945
Obligations Incurred Net	10,774,750	10,759,595
Gross Outlays	(11,170,259)	(9,782,648)
Recoveries of Prior Year Unpaid Obligations, Actual	(109,085)	(155,615)
<b>Total, Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 2,130,683</b>	<b>\$ 2,635,277</b>
<b>Net Outlays:</b>		
Gross Outlays	\$ 11,170,259	\$ 9,782,648
<b>Net Outlays</b>	<b>\$ 11,170,259</b>	<b>\$ 9,782,648</b>

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



## CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The United States Chemical Safety and Hazard Investigation Board (CSB) is an independent Federal agency with the mission of ensuring the safety of workers and the public by promoting chemical safety and accident prevention. 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. 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. CSB manages Operations and Facilities, Engineering and Development General Fund accounts.

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

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

#### B. 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 CSB. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of CSB in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by 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 financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

#### C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit CSB to incur obligations for specified purposes. In fiscal years 2011 and 2010, CSB was accountable for General Fund appropriations. CSB recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants.

#### D. 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.

**E. Revenues & Other Financing Sources**

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from service fees and reimbursements from other government entities and the public.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

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).

**F. Taxes**

CSB, as a Federal entity, is not subject to Federal, State, or local income taxes, and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

**G. 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 or foreign currency balances. Foreign currency payments are made either by Treasury or the Department of State and are reported by CSB in the U.S. dollar equivalents.

**H. 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.

**I. 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. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	9
Office Furniture	7
Office Equipment	5
Computer Equipment	3
Software	3

**J. 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.

## **K. Liabilities**

Liabilities represent the amount of monies or other resources likely to be paid by the CSB as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted.

Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

## **L. Accounts Payable**

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

## **M. Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to OPM upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY2010 and 100% in 2014.

## **N. Accrued and Actuarial Workers' Compensation**

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the CSB employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the CSB terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

## **O. Retirement Plans**

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. 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.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after

retirement. In these instances, CSB remits the employer's share of the required contribution.

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 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.

#### **P. Other Post-Employment Benefits**

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.

#### **Q. 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.

#### **R. 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 2011 and 2010 to the extent directed by OMB.

#### **S. 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.

## NOTE 2.FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
<b>Fund Balances:</b>		
Appropriated Funds	\$ 5,093,798	\$ 5,961,889
<b>Total</b>	<b>\$ 5,093,798</b>	<b>\$ 5,961,889</b>
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 887,533	\$ 1,261,318
Unavailable	2,075,582	2,065,294
Obligated Balance Not Yet Disbursed	2,130,683	2,635,277
<b>Total</b>	<b>\$ 5,093,798</b>	<b>\$ 5,961,889</b>

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

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

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash balance on hand (see also UNDELIVERED ORDERS AT THE END OF THE PERIOD Note).

## NOTE 3.ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
With the Public		
Accounts Receivable	\$ -	\$ 33
<b>Total Accounts Receivable</b>	<b>\$ -</b>	<b>\$ 33</b>

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2011 and 2010.

#### NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2011

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 711,505	\$ 711,505	\$ -
Furniture & Equipment	1,649,613	1,547,804	101,809
Software	41,800	41,800	-
<b>Total</b>	<b>\$ 2,402,918</b>	<b>\$ 2,301,109</b>	<b>\$ 101,809</b>

Schedule of Property, Equipment, and Software as of September 30, 2010

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 711,505	\$ 711,505	\$ -
Furniture & Equipment	1,609,283	1,412,033	197,250
Software	41,800	41,217	583
<b>Total</b>	<b>\$ 2,362,588</b>	<b>\$ 2,164,755</b>	<b>\$ 197,833</b>

#### NOTE 5. OTHER ASSETS

Other assets account balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
<b>Intragovernmental</b>		
EPA Advance	\$ 100,353	\$ 100,353
<b>Total Intragovernmental Other Assets</b>	<b>\$ 100,353</b>	<b>\$ 100,353</b>
<b>With the Public</b>		
Lease Deposit	\$ 59,000	\$ 59,000
<b>Total Public Other Assets</b>	<b>\$ 59,000</b>	<b>\$ 59,000</b>

## NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for CSB as of September 30, 2011 and 2010, 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.

	2011	2010
Intragovernmental – Unemployment Insurance	\$ -	\$ 1,015
Unfunded Leave	431,290	340,708
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 431,290</b>	<b>341,723</b>
Total Liabilities Covered by Budgetary Resources	618,533	741,565
<b>Total Liabilities</b>	<b>\$ 1,049,823</b>	<b>1,083,288</b>

Unemployment Insurance liability represents the unfunded liability for actual unemployment benefits paid on CSB's behalf and payable to the DOL.

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 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2011 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	\$ 40,482	\$ -	\$ 40,482
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 40,482</b>	<b>\$ -</b>	<b>\$ 40,482</b>
With the Public			
Payroll Taxes Payable	\$ 71,079	\$ -	\$ 71,079
Accrued Funded Payroll and Leave	196,848	-	196,848
Unfunded Leave	431,290	-	431,290
<b>Total Public Other Liabilities</b>	<b>\$ 699,217</b>	<b>\$ -</b>	<b>\$ 699,217</b>

Other liabilities account balances as of September 30, 2010 were as follows:

	Current	Non Current	Total
Intragovernmental			
Unemployment Insurance Liability	\$ 1,015	\$ -	\$ 1,015
Payroll Taxes Payable	88,729	-	88,729
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 89,744</b>	<b>\$ -</b>	<b>\$ 89,744</b>
With the Public			
Payroll Taxes Payable	\$ 30,003	\$ -	\$ 30,003
Accrued Funded Payroll and Leave	\$ 429,169	\$ -	\$ 429,169
Unfunded Leave	340,708	-	340,708
<b>Total Public Other Liabilities</b>	<b>\$ 799,880</b>	<b>\$ -</b>	<b>\$ 799,880</b>

## NOTE 8.LEASES

### Operating Leases

The CSB occupies office space in Washington, D.C. under a lease agreement that is accounted for as an operating lease. The lease term began on October 1, 2000 and expired on September 30, 2010. In FY 2010, the CSB executed a supplemental lease agreement that amended the lease to renew it for a five-year term commencing on October 1, 2010 and ending on September 30, 2015. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

#### Washington, D.C.

<b>Fiscal Year</b>	<b>Totals</b>
2012	\$ 967,500
2013	\$ 992,000
2014	\$ 1,016,900
2015	\$ 1,042,200
<b>Total Future Payments</b>	<b>\$ 4,018,600</b>

The CSB occupies office space in Denver, CO, under a lease agreement that is accounted for as an operating lease. The lease terms began on September 29, 2008 and expire on September 28, 2013. Lease payments are increased annually based on the adjustments for operating cost. The CSB may relinquish space upon four (4) months notice. Thus, at any future time, the CSB's financial obligation can be reduced to four (4) months of rent, plus the unamortized balance of any tenant improvements financed through PBS (Public Buildings Service), plus any rent concessions not yet earned. Below is a schedule of future payments for the term of the lease.

#### Denver, CO

<b>Fiscal Year</b>	<b>Totals</b>
2012	45,000
2013	46,400
<b>Total Future Payments</b>	<b>\$ 91,400</b>

The operating lease amounts do not include estimated payments for leases with annual renewal options.

## NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intragovernmental exchange revenue represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2011	2010
Intragovernmental Costs	\$ 2,542,351	\$ 2,543,630
Public Costs	9,093,964	7,824,921
<b>Total Net Cost</b>	<b>\$ 11,636,315</b>	<b>\$ 10,368,551</b>

## NOTE 10. IMPUTED FINANCING SOURCES

CSB recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2011 and 2010, respectively, imputed financing was as follows:

	2011	2010
Office of Personnel Management	\$ 403,464	\$ 369,656
<b>Total Imputed Financing Sources</b>	<b>\$ 403,464</b>	<b>\$ 369,656</b>

## NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY11 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2012 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2012 Budget of the United States Government, with the "Actual" column completed for 2010, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

## NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2011 and 2010 consisted of the following:

	2011	2010
Direct Obligations, Category B	\$ 10,774,750	\$ 10,759,595
<b>Total Obligations Incurred</b>	<b>\$ 10,774,750</b>	<b>\$ 10,759,595</b>

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

### NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

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, 2011 and 2010, undelivered orders amounted to \$1,671,505 and \$2,053,065, respectively.

### NOTE 14. 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.

	2011	2010
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 10,774,750	\$ 10,759,595
Spending Authority From Offsetting Collections and Recoveries	(109,085)	(155,615)
Net Obligations	10,665,665	10,603,980
Other Resources		
Imputed Financing From Costs Absorbed By Others	403,464	369,656
Net Other Resources Used to Finance Activities	403,464	369,656
Total Resources Used to Finance Activities	11,069,129	10,973,636
Resources Used to Finance Items Not Part of the Net Cost of Operations	340,216	(789,779)
Total Resources Used to Finance the Net Cost of Operations	11,409,345	10,183,857
Components of the Net Cost of Operations That Will Not Require or		
Generate Resources in the Current Period:	226,970	184,694
Net Cost of Operations	\$ 11,636,315	\$ 10,368,551

## ABBREVIATIONS AND ACRONYMS

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BPD	Bureau of the Public Debt (within the U.S. Department of the Treasury)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSB	Chemical Safety and Hazard Investigation Board
E&P	Exploration and Production
EPA	Environmental Protection Agency
FMFIA	Federal Manager's Financial Integrity Act
FY	Fiscal Year (October 1 to September 30)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPO	Government Printing Office
HIPAA	Health Insurance Portability and Accountability Act of 1996
HSPD	Homeland Security Presidential Directive
MIC	Methyl Isocyanate
NAS	National Academies of Science
NFPA	National Fire Protection Association
NTSB	National Transportation Safety Board
OIG	Office of Inspector General
OMB	Office Management and Budget
OSH	Occupational Safety and Health
OSHA	Occupational Health and Safety Administration (within the U.S. Department of Labor)
PAR	Performance and Accountability Report

## **THE CSB WELCOMES YOUR COMMENTS!**

Thank you for your interest in the CSB's FY 2011 Performance and Accountability Report. The CSB welcome your comments on how we can make this report a more informative document for our readers. The CSB is particularly interested in your comments on the usefulness of this information and the manner in which it is presented. Please send your comments to [cfo@csb.gov](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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