



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

**Performance and  
Accountability Report**

**Fiscal Year 2014**

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## MESSAGE FROM THE CHAIRPERSON

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

During fiscal year (FY) 2014, the CSB completed ten safety products, including five reports and five safety videos and messages. CSB investigations included a total of 32 recommendations to improve chemical safety and reduce hazards. The CSB also reiterated a recommendation that the Occupational Safety and Health Administration (OSHA) promulgate a general industry combustible dust standard, something the CSB has been calling for since its definitive 2006 study on these preventable incidents.

There was major progress in several areas this year. In California, the state made significant strides in implementing safety recommendations from the CSB's first report on the Chevron refinery fire, which was issued in April 2013. Specifically the state legislature enacted a new law requiring the state's 14 refineries to report to regulators on any maintenance work deferred during refinery "turnarounds," where refinery units are shut down for repairs. This action followed the CSB's finding that Chevron had repeatedly delayed repairing a corroding pipe in the crude unit of its Richmond, California, refinery eventually leading to a major fire in August 2012. California state regulators also unveiled a broad set of changes to the state's process safety management rules for refineries, adopting numerous reforms advocated by the CSB in its April 2013 report.

In December 2013 the CSB issued a video message warning of the dangers of methanol fires in school labs and other educational settings. Unfortunately these fires, injuring both children and adults, have continued to occur in 2014, and the CSB has thus increased its outreach on this issue, working in cooperation with the methanol manufacturing industry and educational organizations.

In FY 2014 the CSB deployed to five incident sites in California, West Virginia, Mississippi, Nevada, and Colorado. This included a deployment to Freedom Industries

where a 46,000-gallon steel tank experienced a leak of up to 10,000 gallons of 4-methylcyclohexane methanol (MCHM) with an estimated 5.6% PPH, upstream from a water intake system in Charleston, West Virginia. A significant amount of the chemical was released into the Elk River, a tributary of the Kanawha River. Traces of MCHM were also detected in water treatment systems in Cincinnati, Ohio and Louisville, Kentucky in the days following the release. The CSB testified twice before Congress and once before the West Virginia legislature on the safety issues raised by this spill, and the ongoing concern about unsafe or uninspected storage tanks near public drinking water supplies. The West Virginia legislature immediately adopted a new law mandating tank inspections, and similar legislation is now being considered in the U.S. Senate.

The agency continues to advance several ongoing major investigations that will have a broad impact on safety throughout the chemical and petrochemical industries. Of particular note, the CSB released the first two volumes of the investigation report into the Macondo/Deepwater Horizon offshore drilling rig explosion and fire that occurred in the Gulf of Mexico in April 2010. Macondo Investigation Report Volume 1 describes the Macondo-specific incident events including the relevant background on deepwater drilling and temporary abandonment of the well to provide the public with an understanding of the offshore drilling process. Volume 2 analyzes the failure of the blowout preventer (BOP) that was intended to shut off the flow of high-pressure oil and gas from the Macondo well in the Gulf of Mexico. Unlike other investigations, the CSB's investigation provided a detailed, evidence-based description of why the BOP failed and how the spill into the Gulf was initiated. With the publication of these key findings and related recommendations the CSB believes the United States can take a leading role in the improvement of well-control procedures and practices that go beyond current industry best practices. In a related positive development, the CSB's role in investigating the Deepwater Horizon explosion was affirmed on September 18, 2014 by a panel of judges for the U.S. Court of Appeals for the Fifth Circuit; the court upheld a federal district judge's ruling denying driller Transocean's challenge to CSB subpoenas in the Deepwater case.

The CSB closed 12 safety recommendations from prior years during FY 2014, bringing the cumulative total of successfully implemented recommendations to 76% of those issued. This demonstrates that CSB recommendations continue to be successfully implemented to make a real impact in American workplaces and communities. For example, the CSB closed a recommendation to the National Fire Protection Association (NFPA) following CSB's investigation of the January 30, 2007, propane explosion at

Little General Store in Ghent, West Virginia, which claimed the lives of four people and injured six. The CSB found that the Liquefied Petroleum Gas Code (NFPA 58) required training for individuals handling liquid petroleum gas but did not indicate specific training requirements. The CSB recommended that NFPA address this gap, and the NFPA 58 Technical Committee revised this standard to elaborate basic training requirements consistent with those found in both the OSHA Process Safety Management (PSM) and EPA Risk Management Program (RMP) regulations.

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 2014 the CSB released five safety videos and messages to the public focusing on investigation findings and activities. These videos provide stakeholders with incident descriptions through the use of computer-generated animations and staff and witness interviews. The videos released in 2014 include the animation of incidents at AL Solutions, NDK Crystal and the Deepwater Horizon drilling rig. In addition to the safety videos and messages the CSB released four animations and video clips with incident footage and on-site investigation activities conducted by the CSB.

CSB won top honors in nationally-recognized awards for three videos released in FY 2014. Specifically, CSB videos garnered a total of six gold, silver and bronze awards from the Television, Internet, and Video Association of DC. The awards recognized the exceptional quality of CSB videos, and the impact they are having on chemical safety in industry and educational settings throughout the country.

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

The information provided serves as a mechanism for fiscal and programmatic accountability and serves as an accounting to the American people on our stewardship of the funds that have been entrusted to us for fulfillment of our mission in FY 2014. The results also summarize our success in achieving the performance goals the CSB established for FY 2014. 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 2014 consolidated financial statements included in this report and has issued an Unmodified Opinion, the highest level of assurance, which states the financial statements present fairly, in all material respects, the financial position of the CSB as of September 30, 2014 and 2013, and its net costs, changes in net positions, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States. This achievement demonstrates both our continued dedication to sound financial management and the reliability of the financial data upon which the CSB bases our critical decisions.

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

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



Rafael Moure-Eraso  
Chairperson

November 17, 2014



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Overview

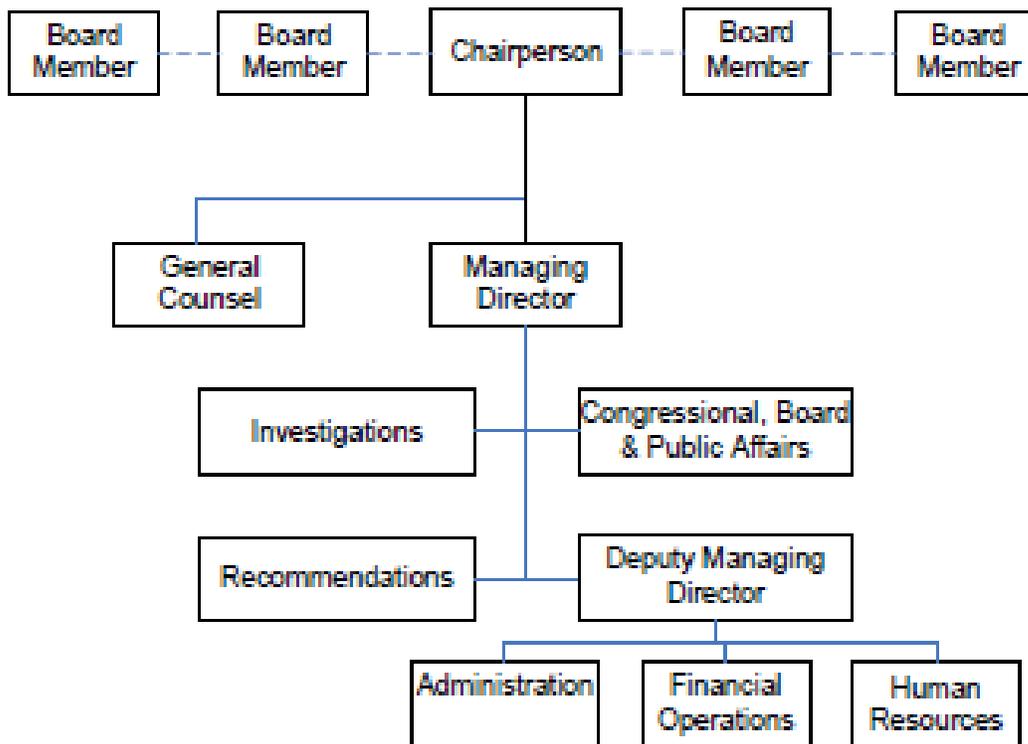
The U.S. Chemical Safety and Hazard Investigation Board (CSB) is an independent federal agency charged with investigating industrial chemical incidents and hazards. CSB investigations look into all aspects of chemical incidents, including the possible absence or inadequacy of regulations, such as those 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 independently investigate significant chemical incidents and hazards and effectively advocate for the implementation of resulting recommendations to protect workers, the public, and the environment. Our vision is to be a recognized leader in protecting people and the environment from hazardous chemicals by issuing quality reports, high-impact recommendations, videos, and other educational tools that promote safety.

The CSB began operations in fiscal year (FY) 1998. The CSB is headquartered in Washington, DC, and has a field office in Denver, Colorado. The CSB is governed by its Board, which consists of one presidentially appointed chairperson (who also serves as a board member) and four presidentially appointed board members. All nominations to the Board are subject to Senate confirmation; each member serves a five-year fixed term. As of September 30, 2014, there were two appointed board members, including the chairperson, and a professional staff of 35.

The following is the organizational chart, which was in effect September 30, 2014.



## Performance Goals, Objectives, and Results

In continuing work towards our mission to independently investigate significant chemical incidents and hazards and effectively advocate for the implementation of the resulting recommendations, the CSB developed an action plan for FY 2014. The specific goals of the action plan were to:

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

***Goal #1 Accomplishments*** (Conduct incident investigations and safety studies concerning releases of hazardous chemical substances.)

Goal 1 drives the core mission of the agency by ensuring that we select and complete incident investigations that have the potential to generate thorough recommendations

with high preventive impact. It also focuses the agency on developing and completing safety studies with an emphasis on emerging safety issues. In FY 2014, the CSB continued to emphasize investigations and safety by issuing reports or case studies on the incident investigations listed below.

- **Macondo/Deepwater Horizon.** In June 2014, the CSB released the first two volumes of the investigation report into the Macondo/Deepwater Horizon offshore drilling rig explosion and fire that occurred in the Gulf of Mexico in April 2010. Macondo Investigation Report Volume 1 describes the Macondo-specific incident events including the relevant background on deepwater drilling and temporary abandonment of the well to provide the public with an understanding of the offshore drilling process. Volume 2 analyzes the failure of the blowout preventer (BOP) that was intended to shut off the flow of high-pressure oil and gas from the Macondo well in the Gulf of Mexico. The report identified the existence of effective compression, a buckling mechanism for the drill pipe, which could compromise the proper functioning of other blowout preventers still deployed around the world at offshore wells under certain circumstances.

The CSB made recommendations to the U.S. Department of the Interior's Bureau of Safety and Environmental Enforcement (BSEE) to require drilling operators to effectively manage technical, operational, and organizational safety-critical elements in order to reduce major incident risk to an acceptably low level. The report also made recommendations to the American Petroleum Institute (API) to revise existing standards to include critical testing of the redundant control systems within blowout preventers and for new guidance for the effective management of safety-critical elements. With the publication of these key findings and recommendations the CSB believes the United States can take a leading role in the improvement of well-control procedures and practices that go beyond current industry best practices.

- **Tesoro Refinery.** In May 2014, the Board approved a detailed and comprehensive investigation report with critical safety recommendations concerning the tragic heat exchanger explosion and fire that took seven lives at the Tesoro refinery in Anacortes, Washington, in April 2010. The CSB's investigation report contained recommendations for significant changes to the current regulatory system including revisions to the EPA Chemical Accident Prevention Provisions to require the use of inherently safer systems analysis and the hierarchy of controls to the greatest extent feasible when facilities are establishing safeguards for identified process hazards.

In addition to the two investigations described above, the CSB released its final investigation reports into two fatal incidents at AL Solutions in New Cumberland, West Virginia, and NDK Crystal in Belvidere, Illinois. In July 2014, the CSB released its final report into the fatal combustible dust explosion at the AL Solutions metal recycling facility reiterating a recommendation that OSHA promulgate a general industry combustible dust standard, something the CSB has been calling for since its definitive 2006 study on these preventable incidents.

In November 2013, the CSB held a public meeting to release its final report into the NDK Crystal manufacturing company that fatally injured a truck driver at a nearby gas station on the Illinois Tollway. The CSB determined that the incident resulted from corrosion in the walls of a pressure vessel, which went uninspected for years and made recommendations to pressure vessel code and regulatory authorities, including a recommendation for regular inspections.

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

- **Freedom Industries.** On January 9, 2014, a 46,000-gallon steel tank experienced a leak of up to 10,000 gallons of 4-methylcyclohexane methanol (MCHM) with an estimated 5.6% PPH, upstream from a water intake system in Charleston, West Virginia. A significant amount of the chemical was released into the Elk River, a tributary to the Kanawha River. Traces of MCHM were also detected in water treatment systems in Cincinnati, Ohio, and Louisville, Kentucky, in the days following the release.

During FY 2014, the CSB held an interim public meeting in Charleston to release preliminary findings on the lack of formal, industry-approved inspections on the tanks prior to the MCHM release and the existence of an additional hole in a second tank. The agency has initiated a metallurgical examination of the tanks involved in the chemical release to determine an approximate timeframe for the initial chemical leak. Additionally, high definition 3D scanning has been completed on the Freedom Industries site to determine the route the chemical took to get to the river. Finally the CSB completed an analysis of the soil located under the failed tank to determine its characteristics and effects on the movement of MCHM through the soil to the river.

- **Chevron Richmond Refinery.** CSB investigators deployed to a massive fire at the Chevron Richmond Refinery near San Francisco, California, on August 6, 2012, which resulted from a pipe rupture in the refinery's crude oil unit. This incident released high-temperature hydrocarbons that formed a huge vapor cloud hundreds of feet high, engulfing 20 workers who escaped before the fire broke out. This incident also had a significant impact on the surrounding community as area hospitals experienced more than 15,000 emergency room visits by community members for reported effects of the release and fire. Several thousand community members were forced to shelter-in-place immediately following the initial release and fire. The CSB published a draft regulatory report in FY 2014, which was revised and approved by the Board in November 2014. CSB anticipates issuing an additional report in FY 2015 that examines emergency response and refinery safety culture.
- **West Fertilizer.** On April 17, 2013, an explosion and fire at the West Fertilizer facility in West, Texas, resulted in the deaths of twelve emergency responders and at least two members of the public. The facility stored multiple fertilizer components on-site, including anhydrous ammonia and ammonium nitrate. On the day of the incident, a fire of undetermined origin broke out at the facility, and local volunteer firefighting departments responded. Although the firefighters were aware of the

hazard from anhydrous ammonia, they were not informed of the explosion hazard from fertilizer grade ammonium nitrate inside the warehouse.

The community was severely affected by this event. The West Rest Haven nursing home was completely destroyed, as was an apartment complex across the street. Two large schools – the high school and the intermediate school – were structurally damaged beyond repair, and a third school was also badly damaged. Nearly 200 homes were severely damaged or destroyed. Some reports estimate that the total damages resulting from this explosion and fire may exceed \$100 million.

The CSB held an interim public meeting in April 2014 to release the investigation team's preliminary findings and hear testimony from subject matter experts on facility siting and emergency response. The investigation identified a patchwork of federal and state regulations with gaps which may have been contributing factors that allowed this incident to happen. In the final investigation, the CSB expects to address issues of locating a highly hazardous chemical storage facility in close proximity to residences, schools and public facilities. The CSB identified 1,351 facilities across the country that store ammonium nitrate. Farm communities are just starting to collect data on the proximity of homes or schools to ammonium nitrate storage facilities to determine the hazards existing near communities. The final investigation report will also address the need for industry guidance for emergency responders at ammonium nitrate storage facilities. A final report on the West Fertilizer investigation is anticipated in FY 2015.

***Goal #2 Accomplishments*** (Improve safety and environmental protection by ensuring that CSB recommendations are implemented and by broadly disseminating CSB findings through advocacy and outreach.)

Goal 2 focuses on implementing our recommendations and their associated advocacy and outreach. Safety recommendations are one of the CSB's primary tools for bringing about permanent improvements in chemical safety. Most investigations and studies issue multiple recommendations to 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 2014, the CSB issued a total of 32 recommendations, and closed 12 previously issued recommendations. In almost all cases, the recommended actions were successfully implemented by recipients. For example, CSB closed recommendations that the Department of the Treasury develop a new safety and environmental responsibility requirement for contractors. These recommendations were issued after CSB determined that insufficient safety requirements for government contractor selection and oversight led to an explosion and fire that killed five workers during a fireworks disposal operation. Also in FY 2014, President Obama signed Executive Order 13673 - Fair Pay and Safe Workplaces. For the first time government contracting officers will be specifically required to consider a firm's record of labor law violations—including those involving

worker safety and health—as a factor in awarding federal contracts. The result is that hundreds of thousands—and possibly more than a million—workers performing potentially hazardous work will be safer when this executive order is fully implemented.

In FY 2013, President Obama signed Executive Order 13650 - Improving Chemical Facility Safety and Security to establish a chemical facility safety and security working group that will evaluate the handling and storage of chemicals to improve chemical facility safety and security in coordination with owners and operators. The Executive Order requires members of the working group to develop plans to address several key issues evaluated by the CSB that had been identified in previous investigations. This prompted FY 2014 rulemaking activities by both OSHA and EPA that CSB participated in. Specifically, in March 2014, the CSB provided comments to OSHA's Request for Information (RFI) on potential revisions to several agency standards, including the Process Safety Management Standard to better safeguard the health and safety of workers. The CSB began compiling similar comments on EPA's RFI on potential revisions to the Risk Management Program (RMP) regulations and related programs to improve chemical facility safety and security which will be submitted in FY 2015.

Also in FY 2014, the CSB released five safety videos and messages to the public focusing on investigation findings and activities. These videos provide stakeholders with incident descriptions through the use of computer-generated animations and staff and witness interviews. The videos released in 2014 include the animation of incidents at AL Solutions, NDK Crystal and the Deepwater Horizon drilling rig. In addition to the safety videos and messages the CSB released four animations and video clips with incident footage and on-site investigation activities conducted by the CSB.

CSB won top honors in nationally-recognized awards for three videos released in FY 2014. Specifically, CSB videos garnered a total of six gold, silver and bronze awards from the Television, Internet, and Video Association of DC. The awards recognized the exceptional quality of CSB videos, and the impact they are having on chemical safety in industry and educational settings throughout the country.

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

Goal 3 serves to bind all agency processes using best practice project management. This includes the agency's high-performing information technology and administrative functions. In FY 2014 the CSB developed career ladders for GS-7/9 and GS-13/14 chemical incident investigators. The career ladders allow the supervisors to create a development and training plan for each of their investigators. In addition, the career ladders serve as recruitment and retention tools to help the CSB attract/retain a highly qualified investigations staff. The other benefit of the career ladders is that it helps with succession planning by enabling the agency to plan for and develop the skills, knowledge and abilities needed for the future. Another retention tool that the CSB implemented this year is an onboarding program for newly hired investigators. The program provides the newly hired investigator at the CSB with early career support; they gain an understanding of the CSB's culture and performance values and enable the new hires to build beneficial

relationships throughout the agency. In an effort to promote continuous learning for our technical staff, the agency conducted a two-day investigator training session on organization and human performance in Denver, CO, and Washington, DC.

In FY 2014 the CSB also took initiatives to improve employee morale by establishing a workplace improvement committee to provide an opportunity for all staff members at the CSB to have an interactive role in defining, creating, and maintaining a productive and harmonious work environment, while collaboratively supporting the CSB’s mission and strategic goals. In addition, the CSB contracted with a management consulting group to conduct an impartial assessment of the agency’s organizational health and propose recommendations for improvement. The CSB received a report with several recommendations and contracted with another contractor to implement recommendations in FY 2015. The goal of these initiatives is for CSB to operate more effectively and to be viewed as one of the best places to work by employees and the public.

### **Analysis of Financial Statements**

The CSB’s financial statements have been prepared to report the financial position and our operational results pursuant to the requirements of the Accountability of Tax Dollars Act of 2002. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The following chart summarizes our budget and outlays since FY 2010.

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

<b>Fiscal Year</b>	<b>Budget<sup>*</sup></b>	<b>Outlays</b>
2014	\$11,000	\$10,478
2013	10,547	10,303
2012	11,129	11,044
2011	10,799	11,170
2010	11,147	9,783

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 or unmodified opinions, meaning our statements were fairly presented and free from material misstatements.

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

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b).

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<sup>\*</sup> Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2014 the Emergency Fund had not been used and had a balance of \$844,000.

While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

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

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

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

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

## **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 2014, the Office of Inspector General (OIG) proposed three management challenges and one internal control weakness for the CSB based upon their prior audit and evaluation work. The specific issues raised by the OIG related to meeting goal related to timely investigations, clarifying the CSB's statutory mandate, promulgating a chemical incident reporting rule, and establishing internal controls related to program operations. As the CSB responded to the OIG, the CSB believes it is inappropriate for

the OIG to categorize the issue of timely investigations as a management challenge when the primary causes relate to workload and budgetary issues. The other issues raised by the OIG do not impair the CSB's ability to carry out its mission; rather they may help improve operations so the CSB has taken them under advisement. It is important to note that the issues proposed by the OIG pertain to the efficiency and effectiveness of CSB program operations rather than internal financial controls.

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

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

The Improper Payments Information Act of 2002 (IPIA), as amended by the 2010 Improper Payments Elimination and Recovery Act (IPERA) 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. 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 2014, the CSB continued our agreement with the Bureau of the Fiscal Service (BFS) to process financial transactions, make administrative payments, and prepare various financial reports. This agreement promotes the accuracy of our financial records and payments.

Finally, in FY 2014 the Office of Inspector General conducted a review of CSB's IPERIA compliance. The OIG found CSB compliant with most IPERIA requirements, but the OIG had findings and recommendations regarding the Do Not Pay system with which the CSB disagrees. In addition, the OIG made two other recommendations which the CSB believed had limited benefit in reducing or eliminating improper payments. The OIG's report (containing the CSB's response) is available on CSB's website ([http://www.csb.gov/assets/1/7/20140410-14-P-0172\\_cert\\_\(2\).pdf](http://www.csb.gov/assets/1/7/20140410-14-P-0172_cert_(2).pdf)).

## PERFORMANCE REPORT

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

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

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

An annual action plan was developed based on the strategic plan, and the following are the status of specific initiatives identified in the FY 2014 action plan.

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

Measure	FY 2014 Target	Status	Explanation
1. Completed investigations	Complete 6 products: <ul style="list-style-type: none"> <li>• Macondo Volumes I &amp; II</li> <li>• Tesoro Anacortes</li> <li>• AL Solutions</li> <li>• NDK</li> <li>• Chevron Regulatory</li> </ul>	Complete  Complete Complete Complete On-Going	Adopted on 6/5/2014. The CSB volumes included two lengthy technical reports on the BOP control system and failure.  Adopted 5/1/2014 Adopted on 7/16/2014 Adopted on 11/14/2013  Work continued on this investigation in FY 2014, and a draft regulatory report was made public and discussed at a hearing. However, the Board postponed voting on the report requesting additional information from the staff. The report was revised and ultimately approved in November 2014.  In addition, in FY 2014 the CSB released technical reports on Mechanical Integrity (Silver Eagle), an analysis of pyrotechnic components (Donaldson Enterprises), and an analysis on tubing samples (Tesoro Martinez).

Measure	FY 2014 Target	Status	Explanation
2. Complete priority sections of investigation protocol	Complete the following: <ul style="list-style-type: none"> <li>• Investigation Product Scoping</li> <li>• Review and update existing protocols</li> <li>• Organizational &amp; Human Factors</li> </ul>	On- Going	Scoping procedures were submitted to the Board for approval, but this was postponed to clarify some administrative issues. We anticipate a second vote in the first quarter of FY 2015. In addition, late in FY 2014 the CSB established a new protocol team to develop priority sections in FY 2015.

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

Measure	FY 2014 Target	Status	Explanation
3. Conduct public meetings	Conduct public meetings for completed investigations	Complete	Conducted public meetings for completion of Tesoro, NDK, AL Solutions, and Macondo Volumes I & II. The CSB also conducted two public meetings related to its ongoing investigations of West Fertilizer and Chevron, and a public meeting on Tesoro prior to completion.
4. Adopt and engage in advocacy of issues from Most Wanted Safety Improvement List (MWL)	Develop an outreach plan for combustible dust standard	On-Going	This initiative was delayed in FY 2014 primarily due to staffing shortages. However, there were advocacy activities around the issue of a combustible dust standard, including the “Solutions Delayed” safety video, and articles such as an August 2014 op-ed on combustible dust in the New York Times. With a new hire in the office of recommendations the CSB plans to complete and implement the outreach plan for the combustible dust standard in FY 2015.
5. Complete Safety Videos	Develop safety videos as appropriate for completed investigations	Complete	CSB released five new safety videos and messages. In addition, the CSB released four shorter video clips and animations in FY 2014.

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

Measure	FY 2014 Target	Status	Explanation
6. Development of technical competencies	Conduct Organization and Human Performance Training	Complete	One of the leading experts on these issues conducted training at CSB's offices.
7. Development and retention of investigation staff	Develop career ladders for investigators.	Complete	CSB developed career ladders for GS-7/9 and GS-13/14 chemical incident investigators. The career ladders allow the supervisors to create a development and training plan for each of their investigators. In addition, career ladders help the CSB attract and retain a highly qualified investigations staff.
8. Development and retention of investigation staff	Establish an onboarding program for newly hired investigators	Complete	CSB established an onboarding program that provides newly hired investigators at the CSB with early career support; they gain an understanding of the CSB's culture and performance values and enable the new hires to build beneficial relationships throughout the agency.

Measure	FY 2014 Target	Status	Explanation
9. Foster effective internal communications	Conduct an organizational assessment and implement recommendations.	On-Going	An independent consultant evaluated CSB and made recommendations to improve management of CSB internal operations. Recommendations will be implemented in FY 2015.

### **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 challenge 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 2014 and 2013. This year the independent public accounting firm, Brown & Company CPAs, PLLC, issued an Unmodified Opinion, the highest level of assurance, which is consistent with opinions issued since our first full financial audit was conducted in FY 2001.

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



Chief Financial Officer

November 17, 2014



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 2014 and 2013 Financial Statements

Report No. 15-1-0022

November 17, 2014



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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 Brown and Company CPAs, PLLC, to perform the audit of the CSB's fiscal years 2014 and 2013 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](http://www.epa.gov/oig).

The full report is at: [www.epa.gov/oig/reports/2014/20141117-15-1-0022.pdf](http://www.epa.gov/oig/reports/2014/20141117-15-1-0022.pdf)

## ***Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2014 and 2013 Financial Statements***

### What Brown and Company Found

Brown and Company rendered an unmodified opinion on the CSB's financial statements for fiscal years 2014 and 2013, meaning that the statements were fairly presented and free of material misstatements.

**The CSB received an unmodified opinion for its fiscal years 2014 and 2013 financial statements.**

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

As part of obtaining reasonable assurance about whether the CSB's financial statements are free of material misstatement, Brown and Company performed tests of the CSB's compliance with certain provisions of laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Brown and Company's fiscal year 2014 audit disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or Office of Management and Budget Bulletin No. 14-02.

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

### CSB's Comments

The CSB agreed with Brown and Company's report.



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

OFFICE OF  
INSPECTOR GENERAL

November 17, 2014

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

Subject: Report No. 15-1-0022, Audit of the U.S. Chemical Safety and Hazard Investigation Board's  
Fiscal Years 2014 and 2013 Financial Statements

Dear Dr. Moure-Eraso:

This letter transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2014 and 2013 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, 2014 and 2013. The audit was required to be done in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*; and the Financial Audit Manual of the Government Accountability Office/President's Council on Integrity and Efficiency.

Brown and Company CPAs, PLLC, is responsible for the enclosed auditor's report dated November 14, 2014, 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.

This report will be available at <http://www.epa.gov/oig>.

Sincerely,

A handwritten signature in black ink that reads "Paul C. Curtis".

Paul C. Curtis  
Director, Financial Statement Audits

Enclosure

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



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

### **Management’s Responsibility for Internal Control and Compliance**

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

### **Auditor’s Responsibilities**

We are responsible for: (1) obtaining a sufficient understanding of internal controls to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

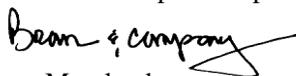
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because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

We did not test compliance with all laws and regulations applicable to CSB. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 14-02 that we deemed applicable to CSB’s financial statements for the fiscal year ended September 30, 2014. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

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

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

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



Largo, Maryland  
November 14, 2014

**U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2014 AND 2013**  
**(In Dollars)**

	2014	2013
<b>Assets:</b>		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 4,019,604	\$ 4,563,364
Total Intragovernmental	4,019,604	4,563,364
Accounts Receivable, Net (Note 3)	59,133	59,007
Property, Equipment, and Software, Net (Note 4)	21,095	43,094
<b>Total Assets</b>	<b>\$ 4,099,832</b>	<b>\$ 4,665,465</b>
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable	\$ 78,721	\$ 41,959
Other (Note 6)	52,970	28,429
Total Intragovernmental	131,691	70,388
Accounts Payable	350,201	272,775
Other (Note 6)	671,679	747,869
Total Liabilities (Note 5)	\$ 1,153,571	\$ 1,091,032
<b>Net Position:</b>		
Unexpended Appropriations - Other Funds	\$ 3,365,173	\$ 4,050,887
Cumulative Results of Operations - Other Funds	(418,912)	(476,454)
Total Net Position	\$ 2,946,261	\$ 3,574,433
<b>Total Liabilities and Net Position</b>	<b>\$ 4,099,832</b>	<b>\$ 4,665,465</b>

**U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD**  
**STATEMENT OF NET COST**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2014 AND 2013**  
**(In Dollars)**

	2014	2013
<b>Program Costs:</b>		
Salaries and Expenses:		
Gross Costs (Note 8)	\$ 10,936,110	\$ 10,776,185
<b>Net Cost of Operations</b>	<b>\$ 10,936,110</b>	<b>\$ 10,776,185</b>

**U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2014 AND 2013**  
**(In Dollars)**

	2014	2013
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ (476,454)	\$ (427,198)
<b>Budgetary Financing Sources:</b>		
Appropriations Used	10,617,782	10,367,936
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing Sources (Note 9)	375,870	358,993
Total Financing Sources	10,993,652	10,726,929
Net Cost of Operations (Note 8)	(10,936,110)	(10,776,185)
Net Change	57,542	(49,256)
Cumulative Results of Operations	\$ (418,912)	\$ (476,454)
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 4,050,887	\$ 4,406,532
<b>Budgetary Financing Sources:</b>		
Appropriations Received	11,000,000	11,129,165
Other Adjustments	(1,067,932)	(1,116,874)
Appropriations Used	(10,617,782)	(10,367,936)
Total Budgetary Financing Sources	(685,714)	(355,645)
Total Unexpended Appropriations	\$ 3,365,173	\$ 4,050,887
Net Position	\$ 2,946,261	\$ 3,574,433

**U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2014 AND 2013**  
**(In Dollars)**

	2014	2013
<b>Budgetary Resources:</b>		
Unobligated Balance Brought Forward, October 1	\$ 2,732,717	\$ 3,005,148
Recoveries of Prior Year Unpaid Obligations	185,059	243,948
Other changes in unobligated balance	(1,067,931)	(534,755)
Unobligated balance from prior year budget authority, net	1,849,845	2,714,341
Appropriations	11,000,000	10,547,043
Spending authority from offsetting collections	4,247	-
<b>Total Budgetary Resources</b>	<b>\$ 12,854,092</b>	<b>\$ 13,261,384</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 11)	\$ 10,963,009	\$ 10,528,667
Unobligated balance, end of year:		
Apportioned	905,161	884,996
Unapportioned	985,922	1,847,721
Total unobligated balance, end of year	1,891,083	2,732,717
<b>Total Budgetary Resources</b>	<b>\$ 12,854,092</b>	<b>\$ 13,261,384</b>
<b>Change in Obligated Balance</b>		
<b>Unpaid Obligations:</b>		
Unpaid Obligations, Brought Forward, October 1	\$ 1,828,535	\$ 1,847,053
Obligations Incurred (Note 11)	10,963,009	10,528,667
Outlays (gross)	(10,477,964)	(10,303,237)
Recoveries of Prior Year Unpaid Obligations	(185,059)	(243,948)
Unpaid Obligations, End of Year (Gross)	2,128,521	1,828,535
<b>Obligated Balance, End of Year</b>	<b>\$ 2,128,521</b>	<b>\$ 1,828,535</b>
<b>Budget Authority and Outlays, Net:</b>		
Budget authority, gross	\$ 11,004,247	\$ 10,547,043
Actual offsetting collections	(4,247)	-
<b>Budget Authority, net, (total)</b>	<b>\$ 11,000,000</b>	<b>\$ 10,547,043</b>
Outlays, gross	\$ 10,477,964	\$ 10,303,238
Actual offsetting collections	(4,247)	-
<b>Agency outlays, net</b>	<b>\$ 10,473,717</b>	<b>\$ 10,303,238</b>



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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

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

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

#### B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the CSB. The Balance Sheet presents the financial position of the agency.

The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the CSB in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the CSB accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the CSB's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

#### C. Basis of Accounting

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

#### **D. Fund Balance with Treasury**

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

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

#### **E. Accounts Receivable**

Accounts receivable can consist of amounts owed to the CSB by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees and a security deposit prior to 2003 which was reclassified to a receivable. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

#### **F. Property, Equipment, and Software**

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The CSB's capitalization threshold is \$10,000 for individual purchases and \$50,000 for bulk purchases. Property, equipment, and software

acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

#### **G. Liabilities**

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

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

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

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source.

These liabilities consist of accrued annual leave and the amounts due to Treasury for collection and accounts receivable of civil penalties and Freedom of Information Act (FOIA) request fees.

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

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Non-vested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY 2010 and 100% in 2014.

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

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

reimbursement to DOL. The liability consists of the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

#### **J. Retirement Plans**

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

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

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

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

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

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

The CSB employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (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 2014 and 2013 to the extent directed by accounting standards.

#### **N. Reclassification**

Certain fiscal year 2013 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

## NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2014 and 2013 were as follows:

	2014	2013
<b>Fund Balances:</b>		
Appropriated Funds	\$ 4,019,604	\$ 4,561,252
Other Fund Types	-	2,112
<b>Total</b>	<b>\$ 4,019,604</b>	<b>\$ 4,563,364</b>

### Status of Fund Balance with Treasury:

<b>Unobligated Balance</b>		
Available	\$ 905,161	\$ 884,996
Unavailable	985,922	1,847,721
Obligated Balance Not Yet Disbursed	2,128,521	1,828,535
Non-Budgetary FBWT	-	2,112
<b>Total</b>	<b>\$ 4,019,604</b>	<b>\$ 4,563,364</b>

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

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

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

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see Note 12).

## NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2014 and 2013 were as follows:

	2014	2013
<b>With the Public</b>		
Accounts Receivable	\$ 59,133	\$ 59,007
<b>Total Accounts Receivable</b>	<b>\$ 59,133</b>	<b>\$ 59,007</b>

The accounts receivable is primarily made up of a security deposit of \$59,000 made prior to 2003, which was reclassified to a receivable. The remaining accounts receivable balance is 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, 2014 and 2013.

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

Schedule of Property, Equipment, and Software as of September 30, 2014:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 711,505	\$ 711,505	\$ -
Furniture & Equipment	1,649,613	1,649,613	-
Software	131,270	117,499	13,771
Construction-in-Progress	7,324	N/A	7,324
<b>Total</b>	<b>\$ 2,499,712</b>	<b>\$ 2,478,617</b>	<b>\$ 21,095</b>

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

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

**NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The liabilities for the CSB as of September 30, 2014 and 2013 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.

	2014	2013
Unfunded Leave	\$ 440,141	\$ 519,551
Total Liabilities Not Covered by Budgetary Resources	\$ 440,141	\$ 519,551
Total Liabilities Covered by Budgetary Resources	713,430	571,481
<b>Total Liabilities</b>	<b>\$ 1,153,571</b>	<b>\$ 1,091,032</b>

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, 2014 were as follows:

	Current	Non Current	Total
<b>Intragovernmental</b>			
Payroll Taxes Payable	\$ 52,970	\$ -	\$ 52,970
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 52,970</b>	<b>\$ -</b>	<b>\$ 52,970</b>
<b>With the Public</b>			
Payroll Taxes Payable	\$ 5,105	\$ -	\$ 5,105
Accrued Funded Payroll and Leave	167,433	-	167,433
Unfunded Leave	440,141	-	440,141
Custodial Liability	59,000	-	59,000
<b>Total Public Other Liabilities</b>	<b>\$ 671,679</b>	<b>\$ -</b>	<b>\$ 671,679</b>

Other liabilities account balances as of September 30, 2013 were as follows:

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

**NOTE 7. LEASES**

**Operating Leases**

The CSB occupies offices in Washington, DC and Denver, CO under lease agreements. The total operating lease expenses for the twelve months ended September 30, 2014 and 2013 were \$1,064,570 and \$988,875, respectively. The CSB began sub-leasing a portion of the DC office space in October 2012 for \$8,333 per month, ending in August 2014. Therefore, these collections have reduced their rent expense by \$91,667 and \$100,000 as of September 30, 2014 and 2013, respectively.

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

The CSB has plans to relocate its DC offices to a new location when the current lease expires. The commencement date of this lease, along with any applicable termination and renewal rights, shall be more specifically set forth in a lease amendment upon substantial completion and acceptance of the space by the government.

Washington, DC

Fiscal Year	Building
2015	\$ 1,118,027
<b>Total Future Payments</b>	<b>\$ 1,118,027</b>

The two lease agreements for office space in Denver, CO are accounted for as operating leases. The first lease term began on February 1, 2013 and the last will expire on September 30, 2019. In FY 2013 CSB identified the need for a larger space to house all of the CSB’s Denver employees contiguously, so a move to a different building was planned for January 2014 but has been postponed to mid-November at this point. At that time a new lease will be in effect that will extend five years.

Lease payments are increased annually based on the adjustments for operating cost. The CSB may relinquish space upon four (4) months’ notice. Thus, at any future time, the CSB's financial obligation can be reduced to four (4) months of rent, plus the unamortized balance of any tenant improvements financed through 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
2015	\$ 86,878
2016	88,845
2017	96,693
2018	97,684
2019	98,696
<b>Total Future Payments</b>	<b>\$ 468,796</b>

**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:

	2014	2013
Intragovernmental Costs	\$ 2,139,620	\$ 2,074,944
Public Costs	8,796,490	8,701,241
<b>Net Program Costs</b>	<b>\$ 10,936,110</b>	<b>\$ 10,776,185</b>

**NOTE 9. IMPUTED FINANCING SOURCES**

The CSB recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2014 and 2013, respectively, imputed financing was as follows:

	2014	2013
Office of Personnel Management	\$ 375,870	\$ 358,993
<b>Total Imputed Financing Sources</b>	<b>\$ 375,870</b>	<b>\$ 358,993</b>

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

The President's Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2015 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2015 Budget of the United States Government, with the "Actual" column completed for 2013, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

**NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

Obligations incurred and reported in the Statement of Budgetary Resources for 2014 and 2013 consisted of the following:

	2014	2013
Direct Obligations, Category B	\$ 10,963,009	\$ 10,528,667
<b>Total Obligations Incurred</b>	<b>\$ 10,963,009</b>	<b>\$ 10,528,667</b>

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

**NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

For the fiscal years ended September 30, 2014 and 2013, budgetary resources obligated for undelivered orders amounted to \$1,474,089 and \$1,318,167, respectively.

**NOTE 13. CUSTODIAL ACTIVITY**

The CSB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of the CSB nor material to the overall financial statements. The CSB's total custodial collections are \$1,556 and \$2,112 for the fiscal years ended September 30, 2014, and 2013, respectively.

**NOTE 14. 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.

	2014	2013
<b>Resources Used to Finance Activities:</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 10,963,009	\$ 10,528,667
Spending Authority From Offsetting Collections and Recoveries	(189,306)	(243,948)
Net Obligations	10,773,703	10,284,719
<b>Other Resources</b>		
Imputed Financing From Costs Absorbed By Others	375,870	358,993
Net Other Resources Used to Finance Activities	375,870	358,993
Total Resources Used to Finance Activities	11,149,573	10,643,712
Resources Used to Finance Items Not Part of the Net Cost of Operations	(242,659)	58,781
Total Resources Used to Finance the Net Cost of Operations	10,906,914	10,702,493
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	29,196	73,692
<b>Net Cost of Operations</b>	<b>\$ 10,936,110</b>	<b>\$ 10,776,185</b>

## ABBREVIATIONS AND ACRONYMS

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API	American Petroleum Institute
BSEE	Bureau of Safety and Environmental Enforcement (within the U.S. Department of the Interior)
BFS	Bureau of the Fiscal Service (within the U.S. Department of the Treasury)
BOP	Blowout Preventer
CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	Environmental Protection Agency
FMFIA	Federal Manager's Financial Integrity Act
FY	Fiscal Year (October 1 to September 30)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
IPERA	2010 Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
MCHM	4-Methylcyclohexane Methanol
NFPA	National Fire Protection Association
OIG	Office of Inspector General
OMB	Office Management and Budget
OSHA	Occupational Health and Safety Administration (within the U.S. Department of Labor)
PAR	Performance and Accountability Report
PSM	Process Safety Management
RFI	Request for Information
RMP	Risk Management Program

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

Thank you for your interest in the CSB's FY 2014 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](mailto:cfo@csb.gov) or write to:

**Chemical Safety and Hazard Investigation Board**  
Chief Financial Officer  
2175 K. St, NW Suite 650  
Washington, DC 20037

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