

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

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John S. Bresland
Chairman & CEO

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Board Member

William E. Wright
Board Member



Office of Inspector General

November 14, 2008

MEMORANDUM

SUBJECT: Audit of U.S. Chemical Safety and Hazard Investigation Board's
Fiscal 2008 and 2007 Financial Statements

FROM: Melissa Heist *Melissa Heist*
Assistant Inspector General for Audit

TO: John S. Bresland
Chairman & CEO

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) Fiscal 2008 and 2007 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002.

The independent public accounting firm of Brown & Company, CPAs, PLLC performed the audit of the CSB financial statements as of and for the year ended September 30, 2008. The audit was required to be done in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*; and the *Financial Audit Manual* of the Government Accountability Office/President's Council on Integrity and Efficiency.

Brown & Company, CPAs, PLLC is responsible for the attached auditor's report dated November 7, 2008 and the conclusions expressed in the report. We do not express opinions on CSB's financial statements or internal control or conclusions on compliance with laws and regulations.

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

Attachments

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2008 AND 2007**

BY

BROWN & COMPANY CPAs, PLLC

NOVEMBER 7, 2008

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2008 AND 2007**

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS.....	1
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL	2
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	4
BALANCE SHEET	5
STATEMENT OF NET COST	6
STATEMENT OF CHANGES IN NET POSITION.....	7
STATEMENT OF BUDGETARY RESOURCES.. ..	8
NOTES TO THE FINANCIAL STATEMENTS	9
MANAGEMENT DISCUSSION AND ANALYSIS	20



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Office of Inspector General
Chairman and CEO
United States Chemical Safety and Hazard Investigation Board
Washington, DC

We have audited the accompanying balance sheet of the United States Chemical Safety and Hazard Investigation Board (CSB) as of September 30, 2008 and 2007, 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.

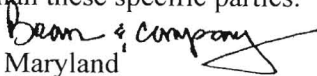
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2008 and 2007 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with U.S. Government Auditing Standards and OMB Bulletin No. 07-04, we have also issued a report dated November 7, 2008 on our consideration of the CSB internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in "Management's Discussion & Analysis" (MD&A) is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised *Financial Reporting Requirements*. The CSB's MD&A contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with CSB officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

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 specific parties.


Largo, Maryland
November 7, 2008

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Office of Inspector General
Chairman and CEO
United States Chemical Safety and Hazard Investigation Board
Washington, DC

We have audited the financial statements of the United States Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2008 and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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

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

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.

Brown & Company

Largo, Maryland
November 7, 2008



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

Office of Inspector General
Chairman and CEO
United States Chemical Safety and Hazard Investigation Board
Washington, DC

We have audited the financial statements of the United States Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2008, and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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

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

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

This report is intended solely for the information and use of the 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 7, 2008

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
BALANCE SHEET
As of September 30, 2008 and 2007
(In Dollars)**

	<u>2008</u>	<u>2007</u>
Assets :		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 4,100,310	\$ 3,642,323
Total Intragovernmental	4,100,310	3,642,323
Accounts Receivable, Net (Note 3)	33	1,419
General Property, Plant and Equipment, Net (Note 4)	213,625	371,705
Other (Note 5)	59,028	59,000
Total Assets	<u>\$ 4,372,996</u>	<u>\$ 4,074,447</u>
Liabilities:		
Intragovernmental:		
Accounts Payable	\$ 31,156	\$ 16,456
Other (Note 6 & 7)	67,241	54,370
Total Intragovernmental	98,397	70,826
Accounts Payable	255,889	215,973
Other (Note 6 & 7)	717,818	612,726
Total Liabilities	<u>\$ 1,072,104</u>	<u>\$ 899,525</u>
Net Position:		
Unexpended Appropriations	\$ 3,421,793	\$ 3,116,848
Cumulative Results of Operations - Earmarked Funds	(120,901)	58,074
Total Net Position	<u>\$ 3,300,892</u>	<u>\$ 3,174,922</u>
Total Liabilities and Net Position	<u>\$ 4,372,996</u>	<u>\$ 4,074,447</u>

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

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
STATEMENT OF NET COST
For the years ended September 30, 2008 and 2007
(In Dollars)**

	<u>2008</u>	<u>2007</u>
Program Costs:		
<i>Salaries and Expenses</i>		
Gross Costs	\$ 9,208,363	\$ 9,400,124
Net Program Costs	<u>9,208,363</u>	<u>9,400,124</u>
 Net Cost of Operations (Notes 9 & 10)	 <u>\$ 9,208,363</u>	 <u>\$ 9,400,124</u>

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

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
STATEMENT OF CHANGES IN NET POSITION
For the years ended September 30, 2008 and 2007
(In Dollars)**

	<u>2008</u>	<u>2007</u>
Cumulative Results of Operations:		
Beginning Balances	\$ 58,074	\$ 331,924
Budgetary Financing Sources:		
Appropriations Used	8,774,051	8,859,787
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	255,337	266,487
Total Financing Sources	9,029,388	9,126,274
Net Cost of Operations	(9,208,363)	(9,400,124)
Net Changes	(178,975)	(273,850)
 Cumulative Results of Operations	 \$ (120,901)	 \$ 58,074
Unexpended Appropriations		
Beginning Balance	\$ 3,116,848	\$ 3,532,101
Budgetary Financing Sources		
Appropriations Received	9,410,000	9,113,053
Other Adjustments (rescissions, etc.)	(331,004)	(668,519)
Appropriations Used	(8,774,051)	(8,859,787)
Total Budgetary Financing Sources	304,945	(415,253)
Total Unexpended Appropriations	3,421,793	3,116,848
Net Position	\$ 3,300,892	\$ 3,174,922

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

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2008 and 2007
(In Dollars)**

	<u>2008</u>	<u>2007</u>
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 1,789,739	\$ 1,886,986
Recoveries of Prior Year Unpaid Obligations	265,712	440,815
Budget Authority		
Appropriation	9,410,000	9,113,053
Permanently not Available	331,004	668,519
Total Budgetary Resources	<u>\$ 11,134,447</u>	<u>\$ 10,772,335</u>
Status of Budgetary Resources:		
Obligations Incurred		
Direct	\$ 8,835,936	\$ 8,982,596
Unobligated Balance		
Apportioned	1,292,943	1,015,410
Unobligated Balance Not Available		
Other	1,005,568	774,329
Total Status of Budgetary Resources	<u>\$ 11,134,447</u>	<u>\$ 10,772,335</u>
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 1,852,584	\$ 2,114,585
Total Unpaid Obligated Balance, Net	\$ 1,852,584	\$ 2,114,585
Obligations Incurred Net	8,835,936	8,982,596
Less: Gross Outlays	8,621,009	8,803,782
Less: Recoveries of Prior Year Unpaid Obligations, Actual	265,712	440,815
Total, Unpaid Obligated Balance, Net, End of Period	<u>\$ 1,801,799</u>	<u>\$ 1,852,584</u>
Change in Outlays:		
Net Outlays:		
Gross Outlays	\$ 8,621,009	\$ 8,803,782
Net Outlays	<u>\$ 8,621,009</u>	<u>\$ 8,803,782</u>

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

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the Chemical Safety and Hazard Investigation Board (CSB). The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, 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 principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and CSB accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control CSB's use of budgetary resources.

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

B. Reporting Entity

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

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

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

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

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Revenues & Other Financing Sources

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

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

E. Fund Balance with Treasury

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

F. Accounts Receivable

Accounts receivable owed to CSB include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when either (1) based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay, or (2) an account for which no allowance has been established is submitted to the Department of the Treasury for collection, which takes place when it becomes 180 days delinquent.

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

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

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

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Advances and Prepaid Charges

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

I. Liabilities

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

J. Accounts Payable

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

K. Annual, Sick, and Other Leave

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

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Retirement Plans

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

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

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

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

M. Use of Estimates

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

N. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. CSB recognized imputed costs and financing sources in fiscal years 2008 and 2007 to the extent directed by OMB.

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Expired Accounts and Cancelled Authority

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

P. Contingencies

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

Q. Reclassification

Certain fiscal year 2007 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 2. FUND BALANCE WITH TREASURY

	<u>2008</u>	<u>2007</u>
Fund Balances		
Appropriated Funds	<u>\$ 4,100,310</u>	<u>\$ 3,642,323</u>
Total Fund Balance with Treasury	<u>\$ 4,100,310</u>	<u>\$ 3,642,323</u>
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ 1,292,943	\$ 1,015,410
Unavailable	1,005,568	774,329
Obligated Balance not yet Disbursed	<u>1,801,799</u>	<u>1,852,584</u>
Total	<u>\$ 4,100,310</u>	<u>\$ 3,642,323</u>

Restricted 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.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Receivable Due from Employee	<u>\$ 33</u>	<u>\$ 1,419</u>
Total Accounts Receivable	<u>\$ 33</u>	<u>\$ 1,419</u>

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 4. GENERAL PROPERTY, PLANT, AND EQUIPMENT

Schedule of Property, Plant, and Equipment as of September 30, 2008

<u>Description</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 711,505	\$ (592,921)	\$ 118,584
Internal Use Software	55,551	(26,061)	29,490
Office Furniture	520,021	(520,021)	-
Computer Equipment	746,647	(692,719)	53,928
Office Equipment	76,892	(65,269)	11,623
TOTALS	<u>\$ 2,110,616</u>	<u>\$ (1,896,991)</u>	<u>\$ 213,625</u>

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

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

NOTE 5. OTHER ASSETS

Advances and prepayment account balances as of September 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Deposit on Leased Space	\$ 59,000	\$ 59,000
Other	28	
Total Other Assets	<u>\$ 59,028</u>	<u>\$ 59,000</u>

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on CSB's Balance Sheet as of September 30, 2008 and 2007, include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. Unfunded FECA liability is an intragovernmental liability not covered by budgetary resources. Unfunded FECA liabilities are \$3,016 and \$3,016 as of September 30, 2008 and 2007, respectively. Other liabilities not covered by budgetary resources consist of unfunded leave. Unfunded leave balances are \$331,544 and \$312,034 as of September 30, 2008 and 2007, respectively.

NOTE 7. OTHER LIABILITIES

The accrued liabilities for the CSB are comprised of program expense accruals, payroll accruals, and unfunded annual leave and retirement earned by employees. Program expense accruals represent expenses that were incurred prior to year-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end but were not paid.

Intragovernmental	2008	2007
Unfunded FECA Liability	3,016	3,016
Accrued Payroll	64,225	51,354
Total Intragovernmental	67,241	54,370
Payroll and Benefits Accrual	386,274	300,692
Unfunded Leave	331,544	312,034
Total Non-governmental Liabilities	\$ 717,818	\$ 612,726

All liabilities are current liabilities.

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 8. OPERATING LEASE

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 expires on September 30, 2010, with the renewal rights for an additional five years. The base rental rate shall be increased by an amount equal to 2% of the base rental rate in effect for the prior lease year. In the sixth year of the lease the Base Rental Rate shall increase \$2.00 per square foot. Additionally, real estate taxes and operating expenses are subject to annual adjustments.

Schedule of Future Minimum Lease Payments in Washington, D.C.

2009	\$	842,000
2010		882,000
Total Future Minimum Lease Payments		<u>\$ 1,724,000</u>

CSB occupies office space in Denver, CO, under a lease agreement that is accounted for as an operating lease. The lease term began on September 29, 2008 and expires 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, plus any rent concessions not yet earned

Schedule of Future Minimum Lease Payments for Denver, CO

2009	\$	35,062
2010		35,476
2011		35,899
2012		36,330
2013		36,771
Total Future Minimum Lease Payments		<u>\$ 179,538</u>

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	<u>2008</u>	<u>2007</u>
Intragovernmental costs	\$ 1,824,576	\$ 2,026,448
Public costs	7,383,787	7,373,676
Total net cost	<u>\$ 9,208,363</u>	<u>\$ 9,400,124</u>

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

NOTE 10. OPERATING/PROGRAM COSTS

Costs by major budgetary object classification as of September 30, 2008 and 2007 are as follows:

<u>Budgetary Object Classifications</u>	<u>2008</u>	<u>2007</u>
Personnel and Benefits	\$ 5,641,940	\$ 5,613,482
Travel and Transportation	358,993	320,339
Rents, Communication & Utilities	884,845	860,510
Printing and Contractual Services	1,929,267	2,214,262
Supplies and Materials	114,196	119,795
Equipment	200,066	192,680
Miscellaneous	79,056	79,056
Total	<u>\$ 9,208,363</u>	<u>\$ 9,400,124</u>

NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include FY08 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2009 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb>.

The 2009 Budget of the United States Government, with the Actual Column completed for 2007, has been reconciled with the Statement of Budgetary Resources, and there are no material differences.

NOTE 12. 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, 2008 and 2007, undelivered orders amounted to \$1,123,283 and \$1,327,110 respectively.

NOTE 13. CUSTODIAL ACTIVITY

CSB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of CSB nor material to the overall financial statements. CSB's total custodial collections are \$1,177 and \$1,204 for the fiscal years ended September 30, 2008, and 2007, respectively.

**UNITED STATES CHEMICAL SAFETY
AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007**

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.

	<u>2008</u>	<u>2007</u>
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$ 8,835,936	\$ 8,982,596
Less: Spending Authority from Offsetting Collections and Recoveries	<u>265,712</u>	<u>440,815</u>
Obligations Net of Offsetting Collections and Recoveries	8,570,224	8,541,781
Other Resources		
Imputed Financing from Costs Absorbed by Others	<u>255,337</u>	<u>266,487</u>
Net Other Resources Used to Finance Activities	<u>255,337</u>	<u>266,487</u>
 Total Resources Used to Finance Activities	 <u>\$ 8,825,561</u>	 <u>\$ 8,808,268</u>
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	\$ (203,826)	\$ (318,004)
Resources That Fund Expenses Recognized in Prior Periods	(1,386)	-
Resources That Finance the Acquisition of Assets	<u>65,301</u>	<u>14,765</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(139,911)</u>	<u>(303,239)</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$ 8,965,472</u>	<u>\$ 9,111,507</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	<u>\$ 19,510</u>	<u>\$ 18,298</u>
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	19,510	18,298
Components Not Requiring or Generating Resources		
Depreciation and Amortization	223,381	271,736
Other	<u>-</u>	<u>(1,417)</u>
Total Components of Net Cost of Operations That will not Require or Generate Resources	<u>223,381</u>	<u>270,319</u>
 Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	 <u>242,891</u>	 <u>288,617</u>
NET COST OF OPERATIONS	<u><u>\$ 9,208,363</u></u>	<u><u>\$ 9,400,124</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

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

The Board does not issue citations or fines but does make safety recommendations to plants, industry organizations, labor groups, and regulatory agencies such as the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA).

This discussion and analysis provides a concise overview of the CSB. For detailed information visit our website at www.csb.gov.

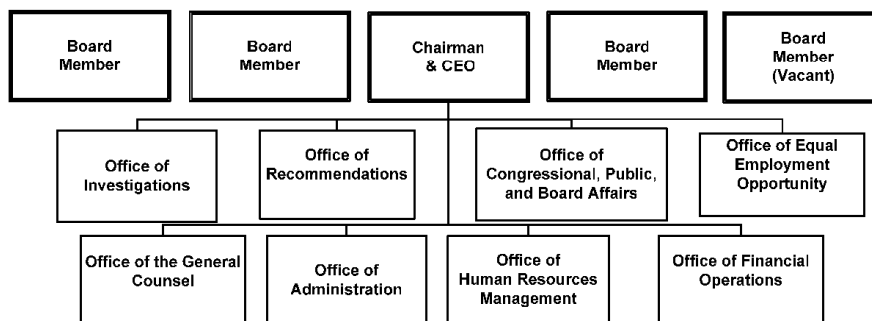
Mission and Organizational Structure

The mission of the CSB is to investigate chemical accidents and hazards, as well as recommend actions to protect workers, the public and the environment. Our independent, scientifically based 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, is headquartered in Washington, DC, and initiated actions to open a field office in Denver, Colorado. The CSB is governed by its Board, which consists of five presidentially appointed members who are confirmed by the Senate. One of the Board members serves as the Chairman and Chief Executive Officer (CEO) of the agency. As of September 30, 2008, there were four appointed Board member, including the Chairman and a professional staff of 35.

The following is the CSB's organizational chart, which was in effect for FY 2008.

Chemical Safety and Hazard Investigation Board
Organizational Chart



Performance Goals, Objectives, and Results

In continuing work towards our mission to promote the prevention of chemical accidents, the CSB developed an action plan for FY 2008. 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 2008, we continued to emphasize investigations and safety, by issuing final reports or case studies on the incident investigations listed below. The investigations we

completed in FY2008 led to significant new safety recommendations to the EPA, OSHA, the National Fire Protection Association, the states of Massachusetts and West Virginia, the American Petroleum Institute, and the National Propane Gas Association, among others.

- **Environmental Quality Company:** The CSB released a case study on the hazardous waste fire at the Environmental Quality Company in Apex, North Carolina. The fire destroyed the facility located in close proximity to a residential neighborhood and caused police to evacuate thousands of community residents. The CSB called for a new national fire code for hazardous waste facilities and for improving the information provided to community emergency planners about the chemicals those facilities store and handle.
- **CAI/Arnel:** The CSB issued a final report on the massive explosion that pulverized a Danvers, Massachusetts, ink and paint factory, and damaged dozens of nearby homes and businesses while residents slept, at a public meeting in Danvers in May 2008. Although no serious injuries occurred, the explosion had a real potential to cause multiple fatalities under slightly different circumstances. Approximately 100 homes and businesses were damaged, many beyond repair. The CSB determined the explosion occurred because CAI lacked safeguards such as alarms and automatic shutoffs that would have prevented a 10,000-pound mixture of flammable solvents from overheating in the unattended building. The CSB proposed changes to national fire codes and to state licensing and inspection procedures to improve the safety and oversight of facilities handling hazardous materials.
- **Little General Store:** The final CSB report on a propane explosion that killed two emergency responders and two propane technicians and injured six others was released at a public meeting in Beckley, West Virginia, in September 2008. All of the victims had remained in the immediate vicinity of a propane release from a storage tank located behind the store and did not evacuate the area. The CSB concluded that inadequate propane technician and emergency responder training, and unsafe propane tank placement were the primary causes of the fatal accident, and recommended enhanced training of emergency responders and propane technicians, and better guidance for 911 operators.
- **Valero McKee Refinery:** The CSB released its final report on a massive fire that injured four workers and caused the total shutdown and evacuation of the Valero McKee Refinery in Sunray, Texas. This important facility supplied gasoline to the U.S. Midwest and was forced to shut down completely for several months, causing regional gasoline prices to increase sharply. In addition, toxic chlorine gas was released when the fire engulfed several chlorine storage tanks used for water treatment. The CSB concluded the root causes of the accident were that the refinery did not have an effective program to identify and freeze-protect piping and equipment that was out of service or infrequently used; that the refinery did not apply the company's policies on emergency isolation valves to control fires; and that current industry and company standards do not recommend sufficient

fireproofing of structural steel against jet fires. The CSB called on the American Petroleum Institute to develop improved practices for refinery freeze protection, fireproofing, isolation valves, and fire protection systems.

- **Barton Solvents, Kansas:** The CSB released a case study on an explosion at a solvent distribution facility in a Wichita, Kansas suburb that forced officials to evacuate approximately 6,000 people. Tank fragments rocketed from the facility, causing damage off site. The CSB found the most likely cause of the explosion -- involving what is known as a nonconductive flammable liquid -- was a static spark resulting from a loosely-linked level-measuring float within the tank. The spark ignited the air-vapor mixture inside the tank as it was being filled. The CSB issued recommendations to OSHA and others to improve required information contained in Material Safety Data Sheets (MSDSs) to include addressing nonconductive flammable liquids which are routinely shipped to distributors such as Barton. The CSB also recommended that six major oil and chemical industry associations ask their member companies to improve the warnings on the MSDSs of flammable liquids because these materials can accumulate static electricity.
- **Barton Solvents, Iowa:** The CSB released a case study on a fire and series of explosions that occurred at a Barton Solvents chemical distribution facility in Des Moines, Iowa, that occurred in early FY 2008. One employee received minor injuries and one firefighter was treated for a heat-related illness in the accident. A large plume of smoke and rocketing barrels and debris triggered an evacuation of the businesses surrounding the facility. The CSB determined the cause was a static electrical spark resulting from inadequate electrical bonding and grounding during the filling of a portable steel tank.

In addition to completing investigations we deployed to 11 incidents in FY 2008, which resulted in initiating the following 7 investigations:¹

- **T2 Laboratories:** On December 19, 2007, four people were killed and 32 others were injured when an explosion occurred at T2 Laboratories Inc., in Jacksonville, Florida, during a chemical process to make a gasoline additive known as MMT. Preliminary findings indicate that the accident occurred as a result of a runaway chemical reaction. In 2002, the CSB completed a national study of the problem of runaway reactions and other reactive chemical hazards, recommending new EPA and OSHA standards. The CSB continues to pursue improvements to how companies manage these hazards so that future accidents are less likely.
- **Imperial Sugar:** On February 7, 2008, a huge explosion and fire occurred at the Imperial Sugar refinery northwest of Savannah, Georgia, resulting in 14 deaths and injury to 38 others, including 14 with serious and life-threatening burns. The explosion was fueled by accumulations of combustible sugar dust in the sugar

¹ The CSB initiated a total of 8 investigations in FY 2008. The Barton Solvents, Iowa investigation was initiated and completed in FY 2008, so the description of this investigation is included with completed investigations.

packaging building. The investigation is examining the combustible dust hazard, building on three previous CSB investigations of combustible dust incidents and a comprehensive study of combustible dust hazards in industry .

- **Bayer CropScience:** Two workers were fatally injured when a waste tank containing the pesticide methomyl violently exploded, damaging a process unit at the Bayer CropScience chemical plant in Institute, West Virginia. The CSB investigation is examining how reactive hazards were managed at the facility and the effectiveness of emergency communications between the facility and the surrounding community.
- **Xcel Energy:** Five people were killed and three others injured when a fire erupted 1,000 feet underground in a tunnel at Xcel Energy Company's hydroelectric power plant in Georgetown, Colorado, located approximately 45 miles west of Denver. The fatally injured workers were trapped deep underground during an operation to coat the inside of the tunnel with epoxy in the presence of highly flammable solvents. The CSB investigation is examining the adequacy of standards and practices designed to control flammable hazards inside confined spaces.
- **Goodyear Rubber:** On June 11, 2008, one worker was killed and seven others were injured, during a maintenance operation on a heat exchanger. Ammonia inside the exchanger over pressured, causing it to rupture. The CSB investigation is focused on the company's practices for managing, inspecting, and maintaining relief systems; training operators; and accounting for workers during emergencies.
- **BP Texas City 2008:** A worker was fatally injured when the top of a large steel filter housing suddenly blew off in the refinery's ultracracker unit on January 14, 2008. The CSB investigation is examining a various possible scenarios to explain the sudden build up of pressure inside the filter housing. The investigation also includes reviewing the adequacy of existing industry practices in the refining industry for managing these kinds of hazards.
- **Packaging Corporation of America:** On July 29, 2008, three workers died and a fourth was injured when an explosion occurred inside an 80-foot-tall storage tank at the Packaging Corporation of America corrugated cardboard mill in Tomahawk, Wisconsin. The workers were on a catwalk above the tank and performing hot work (welding) at the time of the explosion. The storage tank held a mixture of recycled paper pulp and water. The CSB is performing microbiological and chemical testing to determine what caused flammable gas to be present inside the tank.

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

In November 2006, the CSB completed a comprehensive national study on the hazards of combustible dust explosions in industry. The CSB identified 281 combustible dust fire

and explosions that killed more than a hundred workers and injured hundreds more, many with serious burn injuries. The CSB recommended the development of a new OSHA regulatory standard to control dust explosion hazards.

Following the tragic dust explosion at Imperial Sugar in February 2008, House and Senate hearings were held to review the CSB's recommendations and conclusions and examine possible legislation mandating a new standard. CSB board members testified at both hearings, in March and July 2008. In April 2008, legislation designed to reduce the occurrence of dust explosions passed the U.S. House of Representatives.

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

Safety recommendations are an important tool for promoting chemical safety. Each recommendation has one or more specific recipients, who are the parties best able to carry out the recommended action to improve safety. Once we issue a recommendation, our staff encourages implementation, ensures they are effectively communicated to the recipient(s), together with any needed justification or explanation, and tracks them to completion. In FY 2008, we issued a total of 43 recommendations, and closed 48 previously issued recommendations.

Of particular note, the American Petroleum Institute, acting on a CSB safety recommendation, developed a new recommended industry practice designed to remove occupied trailers from hazardous areas in refineries and chemical plants – a key safety issue from the BP investigation. In addition, the City of New York, following a CSB safety recommendation from 2003, completed a four-year process to modernize the city's 1918-era fire code.

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

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

In addition, in FY 2008 the CSB produced six new safety videos, which use advanced computer animation to explain precisely how a major chemical accident occurred. The videos present the specific findings and recommendations from CSB reports and feature interviews with CSB Board Members and investigators discussing appropriate good safety practices to follow.

The response to the video program has been remarkable. For each person who accesses one of the CSB's written reports, roughly a hundred people watch the videos and use them for improved training, engineering, and process design. In FY 2008, the safety

videos have been viewed hundreds of thousands of times over the Internet, and the CSB distributed 40,900 DVD copies to large and small companies, labor unions, trade organizations, and other requestors.

In addition to the video program, and the Congressional testimony discussed under goal 2, the CSB held public meetings on the CAI/Arnel and Little General investigations and held 7 press conferences. Of particular note during FY 2008:

- **CAI/Arnel:** In May 2008, the CSB convened a large public meeting in Danvers, Massachusetts, to release and approve the final report on the chemical plant explosion that damaged or destroyed dozens of homes and businesses in 2006. The Board took testimony from senior representatives of the state's fire service, a state legislator, and a community organization.
- **Little General:** In September 2008, the Board held a public meeting in Ghent, West Virginia, to present its final report on a tragic propane explosion that killed two responders and two propane technicians and seriously injured others. Investigators presented a dramatic 3-D computer animation explaining the sequence of events to the affected community. Following the investigators' presentation the Board and a public comment period, the Board approved the final report.

In addition, individual Board members and staff gave 95 presentations on findings, lessons learned, and recommendations at business, labor, and public interest group meetings during FY 2008.

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

Our five-year strategic plan for FY 2007 through FY 2012 recognizes that high performing employees are essential to the accomplishment of our critical mission. We successfully hired one senior and one mid-level investigator, increasing our capacity to investigate incidents. In addition, the CSB hired an Information Technology Specialist to ensure the confidentiality, security, integrity, availability, quality, and utility of valuable and sensitive information collected or created by the CSB. The CSB also received full certification of the Senior Executive Service appraisal system from the Office of Personnel Management (OPM).

In FY 2008 the CSB announced the opening of a field office in Denver, Colorado. Establishing a presence in the western states potentially will allow the CSB to recruit more effectively, to deploy investigators more quickly to accident sites, and to maintain important contacts with stakeholders throughout the country. In addition, this new office location will help the CSB increase its capacity to investigate more of the serious chemical accidents that occur each year across the U.S.

Challenges

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

President's Management Agenda

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

Strategic Management of Human Capital

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

Our five-year strategic plan for FY 2007 through FY 2012 continues to recognize high performing employees as essential to accomplishing our mission. As discussed in our Performance Report under Goal 5, we have worked throughout FY 2008 to recruit the right people for positions throughout the agency.

Competitive Sourcing

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

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

Improved Financial Performance

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

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

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

Expanded Electronic Government

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

Our website continuously provides citizens with online research tools, including access to our publications, recommendations database, and safety videos that present the specific findings and recommendations from our investigations. Videos were first offered as streaming content in FY 2006. During FY 2008, the videos were viewed over 875,000 times on the Internet.

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

Budget and Performance Integration

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

The investigation of chemical incidents and promoting their prevention through recommendations and public information are our primary activities. Our financial and timekeeping systems are designed to provide managers with information on the costs of investigations, both in terms of dollar and staff time investments. In FY 2008 we

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

Analysis of Financial Statements

Our financial statements have been prepared to report the financial position and our operational results pursuant to the requirements of the Accountability of Tax Dollars Act of 2002. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The following chart summarizes our budget and outlays since FY 2005.

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

Fiscal Year	Budget*	Outlays
2008	\$9,263	\$8,621
2007	9,113	8,804
2006	9,065	8,850
2005	9,027	8,680

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

Limitations of the Financial Statements

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

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

CSB is cognizant of the importance of establishing and maintaining adequate controls for the programs and administrative functions for which it is responsible. Our management team is developing, implementing, evaluating, and modifying our controls to provide reasonable assurance that we have adequate accountability of our resources. In addition, given the small size of our agency, we determined it to be more cost effective to obtain

* Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2008 the Emergency Fund had not been used and had a balance of \$844,000.

accounting, personnel, and procurement services from outside sources, 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 enhance them as necessary.

Management Assurances

Federal Managers' Financial Integrity Act

In accordance with the Federal Managers' Financial Integrity Act (FMFIA), we have an internal management control system, which helps provide assurance that obligations and costs comply with applicable law, assets are safeguarded against waste, loss, unauthorized use or misappropriation, and revenues and expenditures are properly 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. 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.

We have not identified any significant risk with improper payments. However, we recognize the importance of maintaining adequate internal controls to ensure proper payments, and our commitment to the continuous improvement in the overall disbursement management process remains strong. In FY 2008, we continued our agreement with the BPD to process financial transactions, make administrative payments, and prepare various financial reports. This agreement promotes the accuracy of our financial records and payments.