



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

December 15, 2009

OFFICE OF  
INSPECTOR GENERAL

**MEMORANDUM**

**SUBJECT:** Audit of U.S. Chemical Safety and Hazard Investigation Board's  
Fiscal 2009 and 2008 Financial Statements

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

**TO:** John S. Bresland  
Chairman and CEO

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB) Fiscal 2009 and 2008 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 years ended September 30, 2009 and 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 (OMB) Bulletin 07-04, Audit Requirements for Federal Financial Statements; and the Financial Audit Manual of the Government Accountability Office/President's Council on Integrity and Efficiency.

Brown and Company, CPAs, PLLC is responsible for the attached auditor's report dated December 15, 2009, 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.

The audit report was scheduled to be issued on November 12, 2009. However, the CSB was unable to provide necessary documents to Brown and Company on a timely basis. The CSB requested an extension from the Office of Management and Budget (OMB). According to CSB personnel, the OMB verbally agreed to an extension but did not issue a formal response to the request.

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

Attachment

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

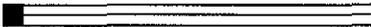
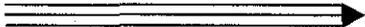
**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

**BY**

**BROWN & COMPANY CPAs, PLLC**

**DECEMBER 15, 2009**

 **BROWN & COMPANY CPAS, PLLC** 

**TABLE OF CONTENTS**

---

---

**INDEPENDENT AUDITOR REPORTS ..... 1**

**BALANCE SHEET ..... 4**

**STATEMENT OF NET COST ..... 5**

**STATEMENT OF CHANGES IN NET POSITION ..... 6**

**STATEMENT OF BUDGETARY RESOURCES ..... 7**

**NOTES TO THE FINANCIAL STATEMENTS ..... 8**

**MANAGEMENT’S DISCUSSION AND ANALYSIS..... 18**



**BROWN & COMPANY CPAs, PLLC**

**CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS**

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

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

We have audited the accompanying balance sheet of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of CSB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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*, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CSB as of September 30, 2009 and 2008 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued a report dated December 15, 2009 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 CSB's Management's Discussion & Analysis 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 EPA 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  
December 15, 2009

LARGO  
1101 MERCANTILE LANE, SUITE 122  
LARGO, MD 20774  
(240) 492-1400 • FAX: (301) 773-2090  
mail@brownco-cpas.com

RICHMOND  
1504 SANTA ROSA ROAD, SUITE 107  
RICHMOND, VA 23229  
(804) 288-2006 • FAX: (804) 288-2233  
tdavis@brownco-caps.com



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

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

We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2009 and have issued our report thereon dated December 15, 2009. 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*, as amended.

In planning and performing our audit, we considered the CSB's internal control over financial reporting by obtaining an understanding of the CSB's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04, as amended. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, as amended, 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 EPA 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  
December 15, 2009



**BROWN & COMPANY CPAs, PLLC**

**CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS**

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

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

We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2009, and have issued our report thereon dated December 15, 2009. 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*, as amended.

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

The results of our tests of compliance 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, as amended.

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

This report is intended solely for the information and use of the EPA 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  
December 15, 2009

LARGO  
1101 MERCANTILE LANE, SUITE 122  
LARGO, MD 20774  
(240) 492-1400 • FAX: (301) 773-2090  
mail@brownco-cpas.com

RICHMOND  
1504 SANTA ROSA ROAD, SUITE 107  
RICHMOND, VA 23229  
(804) 288-2006 • FAX: (804) 288-2233  
tdavis@brownco-caps.com

**CHEMICAL SAFETY BOARD  
BALANCE SHEET  
AS OF SEPTEMBER 30, 2009 AND 2008  
(In Dollars)**

	2009	2008
<b>Assets:</b>		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 4,813,726	\$ 4,100,310
Other (Note 5)	185,366	-
<b>Total Intragovernmental</b>	<b>4,999,092</b>	<b>4,100,310</b>
Accounts Receivable (Note 3)	33	33
General Property, Plant and Equipment, Net (Note 4)	194,061	213,625
Other (Note 5)	59,000	59,028
<b>Total Assets</b>	<b>\$ 5,252,186</b>	<b>\$ 4,372,996</b>
<b>Liabilities:</b>		
Intragovernmental:		
Accounts Payable	\$ 12,280	\$ 31,156
Other (Note 6 & 7)	74,696	67,241
<b>Total Intragovernmental</b>	<b>86,976</b>	<b>98,397</b>
Accounts Payable	118,459	255,889
Other (Note 6 & 7)	742,847	717,818
<b>Total Liabilities</b>	<b>\$ 948,282</b>	<b>\$ 1,072,104</b>
<b>Net Position:</b>		
Unexpended Appropriations - Other Funds	\$ 4,454,636	\$ 3,421,793
Cumulative Results of Operations - Other Funds	(150,732)	(120,901)
<b>Total Net Position</b>	<b>\$ 4,303,904</b>	<b>\$ 3,300,892</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,252,186</b>	<b>\$ 4,372,996</b>

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

**CHEMICAL SAFETY BOARD  
STATEMENT OF NET COST  
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008  
(In Dollars)**

	2009	2008
<b>Program Costs:</b>		
<i>Salaries &amp; Expenses:</i>		
Gross Costs (Note 9)	\$ 9,313,637	\$ 9,208,363
<b>Net Cost of Operations</b>	<b>\$ 9,313,637</b>	<b>\$ 9,208,363</b>

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

**CHEMICAL SAFETY BOARD**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**  
(In Dollars)

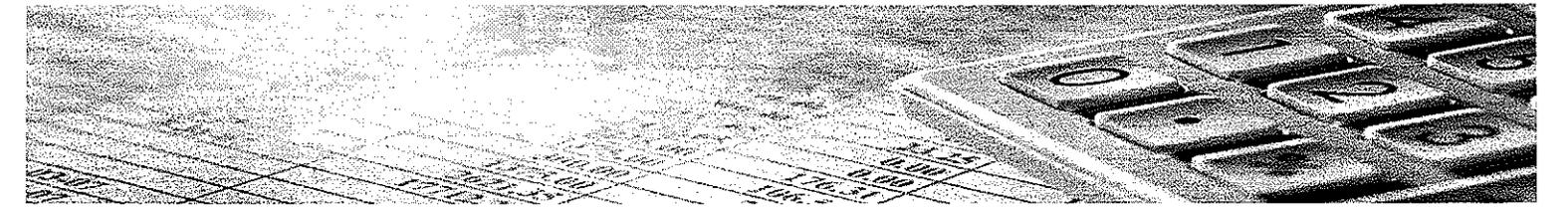
	2009 All Other Funds	2008 All Other Funds
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ (120,901)	\$ 58,074
<b>Budgetary Financing Sources:</b>		
Appropriations Used	8,993,278	8,774,051
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing Sources	290,528	255,337
Total Financing Sources	9,283,806	9,029,388
Net Cost of Operations	9,313,637	9,208,363
Net Change	(29,831)	(178,975)
<b>Cumulative Results of Operations</b>	<b>\$ (150,732)</b>	<b>\$ (120,901)</b>
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 3,421,793	\$ 3,116,848
<b>Budgetary Financing Sources:</b>		
Appropriations Received	10,199,000	9,410,000
Other Adjustments	(172,879)	(331,004)
Appropriations Used	(8,993,278)	(8,774,051)
Total Budgetary Financing Sources	1,032,843	304,945
Total Unexpended Appropriations	\$ 4,454,636	\$ 3,421,793
<b>Net Position</b>	<b>\$ 4,303,904</b>	<b>\$ 3,300,892</b>

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

**CHEMICAL SAFETY BOARD**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008**  
(In Dollars)

	2009	2008
<b>Budgetary Resources:</b>		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 2,298,511	\$ 1,789,739
Recoveries of Prior Year Unpaid Obligations	259,896	265,712
Budget Authority		
Appropriation	10,199,000	9,410,000
Permanently Not Available	172,879	331,004
<b>Total Budgetary Resources</b>	<b>\$ 12,584,528</b>	<b>\$ 11,134,447</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred		
Direct	\$ 9,584,747	\$ 8,835,936
Unobligated Balance		
Apportioned	1,514,231	1,292,943
Unobligated Balance Not Available	1,485,550	1,005,568
<b>Total Status of Budgetary Resources</b>	<b>\$ 12,584,528</b>	<b>\$ 11,134,447</b>
<b>Change in Obligated Balance:</b>		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 1,801,799	\$ 1,852,584
Obligations Incurred Net	9,584,747	8,835,936
Less: Gross Outlays	9,312,705	8,621,009
Less: Recoveries of Prior Year Unpaid Obligations, Actual	259,896	265,712
<b>Total, Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 1,813,945</b>	<b>\$ 1,801,799</b>
<b>Net Outlays:</b>		
Net Outlays:		
Gross Outlays	\$ 9,312,705	\$ 8,621,009
Less: Offsetting Collections	-	-
<b>Net Outlays</b>	<b>\$ 9,312,705</b>	<b>\$ 8,621,009</b>

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



## CHEMICAL SAFETY 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. We manage a Salaries and Expense Fund, and an Emergency General Fund account.

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

#### B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the 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 the 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 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.

#### C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit the CSB to incur obligations for specified purposes. In fiscal years 2009 and 2008, we were accountable for a general fund appropriation. We recognize budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants.

#### D. Basis of Accounting

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

#### E. Revenues & Other Financing Sources

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from service

fees and reimbursements from other government entities and the public.

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

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

#### **F. Taxes**

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

#### **G. Fund Balance with Treasury**

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. The CSB does not maintain cash in commercial bank accounts or foreign currency balances. Foreign currency payments are made either by Treasury or the Department of State and are reported by the CSB in the U.S. dollar equivalents.

#### **H. Accounts Receivable**

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

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

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives.

Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. The CSB capitalization threshold is \$10,000 for individual purchases and \$50,000 for bulk purchases. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

#### **J. Advances and Prepaid Charges**

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

#### **K. Liabilities**

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

the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

#### **L. Accounts Payable**

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

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

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

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

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the CSB employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is

deferred for two years to allow for funding through the budget process. Similarly, employees that the CSB terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

#### **O. Retirement Plans**

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.

FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 elected to join either FERS and Social Security, or remain in CSRS. FERS offers a savings plan to which the CSB automatically contributes one percent of pay and 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.

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.

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.

#### **P. 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.

#### **Q. 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 2009 and 2008 to the extent directed by OMB.

#### **R. 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

**NOTE 2. FUND BALANCE WITH TREASURY**

Fund balance with Treasury account balances as of September 30, 2009 and 2008 were as follows:

**Fund Balances:**

	2009	2008
Appropriated Funds	\$ 4,813,726	\$ 4,100,310
Total	\$ 4,813,726	\$ 4,100,310

**Status of Fund Balance with Treasury:**

	2009	2008
Unobligated Balance		
Available	\$ 1,514,231	\$ 1,292,943
Unavailable	1,485,550	1,005,568
Obligated Balance Not Yet Disbursed	1,813,945	1,801,799
Total	\$ 4,813,726	\$ 4,100,310

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable balances as of September 30, 2009 and 2008 were as follows:

	2009	2008
<b>With the Public</b>		
Accounts Receivable	\$ 33	\$ 33
Total Accounts Receivable	\$ 33	\$ 33

The accounts receivable balance is entirely made up of employee receivables.

Historical experience has indicated that most of the receivables are collectible and there are no material uncollectible accounts.

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

Property, equipment, and software account balances as of September 30, 2009 and 2008 were as follows:

##### Schedule of Property, Equipment, and Software as of September 30, 2009

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 711,505	\$ 671,978	\$ 39,527
Office Furniture	520,021	520,021	-
Office Equipment	70,197	57,587	12,610
Computer Equipment	920,102	785,760	134,342
Internal Use Software	41,800	34,218	7,582
<b>Total</b>	<b>\$ 2,263,625</b>	<b>\$ 2,069,564</b>	<b>\$ 194,061</b>

##### Schedule of Property, Equipment, and Software as of September 30, 2008

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

#### NOTE 5. OTHER ASSETS

Other assets account balances as of September 30, 2009 and 2008 were as follows:

	2009	2008
Advance	\$ 185,366	\$ -
Deposit on Leased Space	59,000	59,028
<b>Total Other Assets</b>	<b>\$ 244,366</b>	<b>\$ 59,028</b>

## NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on the CSB's Balance Sheet as of September 30, 2009 and 2008, 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.

	2009	2008
Intragovernmental – FECA	\$ -	\$ 3,016
Annual Leave	344,826	331,544
<b>Total Liabilities</b>	<b>\$ 344,826</b>	<b>\$ 334,560</b>

## NOTE 7. OTHER LIABILITIES

All Other Liabilities are considered current liabilities.

	2009	2008
Intragovernmental Liabilities		
FECA Liability	\$ -	\$ 3,016
Payroll Taxes Payable	74,696	64,225
<b>Total Intragovernmental Liabilities</b>	<b>\$ 74,696</b>	<b>\$ 67,241</b>

	2009	2008
With the Public		
Payroll Taxes Payable	\$ 40,195	\$ 36,000
Accrued Funded Payroll and Leave	357,826	350,274
Unfunded Annual Leave	344,826	331,544
<b>Total Public Liabilities</b>	<b>\$ 742,847</b>	<b>\$ 717,818</b>

## NOTE 8. LEASES

### Operating Leases

The CSB occupies office space in Washington, D.C. under a lease agreement that is accounted for as an operating lease. The lease terms 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. Additionally, real estate taxes and operating expenses are subject to annual adjustments. Below is a schedule of future payments for the term of the lease.

Washington, D.C.

Fiscal Year	Totals
2010	\$ 872,000
<b>Total Future Payments</b>	<b>\$ 872,000</b>

The operating lease amount does not include estimated payments for leases with annual renewal options.

The CSB occupies office space in Denver, CO, under a lease agreement that is accounted for as an operating lease. The lease terms began on September 29, 2008 and 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. Below is a schedule of future payments for the term of the lease.

Denver, CO

Fiscal Year	Totals
2010	\$ 35,504
2011	36,000
2012	36,500
2013	37,000
<b>Total Future Payments</b>	<b>\$ 145,004</b>

**NOTE 9. INTRAGOVERNMENTAL COSTS**

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

	2009	2008
Program Salaries and Expenses		
Intragovernmental Costs	\$ 2,083,933	\$ 1,824,576
Public Costs	7,229,704	7,383,787
<b>Total Net Cost</b>	<b>\$ 9,313,637</b>	<b>\$ 9,208,363</b>

**NOTE 10. 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, the Office of Personnel Management (OPM). Amounts paid from the U.S. Treasury's Judgment Fund in settlement of claims or court assessments against the CSB are also recognized as imputed financing. For the fiscal years ended September 30, 2009 and 2008, respectively, imputed financing was as follows.

	2009	2008
Office of Personnel Management	\$ 290,528	\$ 255,337
<b>Total Imputed Financing Sources</b>	<b>\$ 290,528</b>	<b>\$ 255,337</b>

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

The President's Budget that will include FY09 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2010 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2010 Budget of the United States Government, with the Actual column completed for 2008, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

**NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

Obligations incurred and reported in the Statement of Budgetary Resources in 2009 and 2008 consisted of the following:

	2009	2008
Direct Obligations, Category A	\$ 17,421	\$ 21,530
Direct Obligations, Category B	9,567,325	8,814,405
<b>Total Obligations Incurred</b>	<b>\$ 9,584,747</b>	<b>\$ 8,835,936</b>

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

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2009 and 2008, undelivered orders amounted to \$1,454,855 and \$1,123,283 respectively.

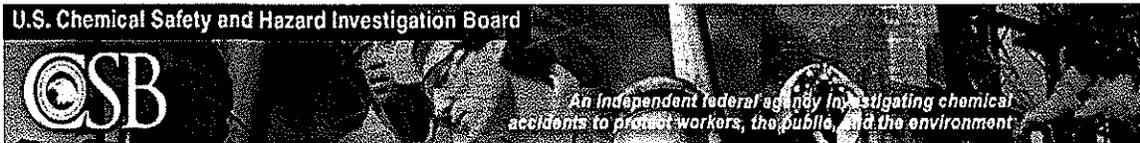
**NOTE 14. CUSTODIAL ACTIVITY**

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 \$2,608 and \$1,177 for the years ended September 30, 2009, and 2008, respectively.

**NOTE 15. 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.

	2009	2008
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,584,747	\$ 8,835,936
Less: Spending Authority from Offsetting Collections and Recoveries	259,896	265,712
Obligations Net of Offsetting Collections and Recoveries	9,324,851	8,570,224
Other Resources		
Imputed Financing from Costs Absorbed by Others	290,528	255,337
Net Other Resources Used to Finance Activities	290,528	255,337
<b>Total Resources Used to Finance Activities</b>	<b>9,615,379</b>	<b>8,825,561</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	331,572	(203,826)
Resources That Fund Expenses Recognized in Prior Periods	3,016	(1,386)
Resources That Finance the Acquisition of Assets	170,429	65,301
<b>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</b>	<b>505,017</b>	<b>(139,911)</b>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>9,110,362</b>	<b>8,965,472</b>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	13,282	19,510
Other	-	-
<b>Total Components of Net Cost of Operations That will Require or Generate Resources in Future Periods</b>	<b>13,282</b>	<b>19,510</b>
Components Not Requiring or Generating Resources		
Depreciation and Amortization	189,993	223,381
Other	-	-
<b>Total Components of Net Cost of Operations That will not Require or Generate Resources</b>	<b>189,993</b>	<b>223,381</b>
<b>Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period</b>	<b>203,275</b>	<b>242,891</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 9,313,637</b>	<b>\$ 9,208,363</b>



## 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. 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 makes 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](http://www.csb.gov).

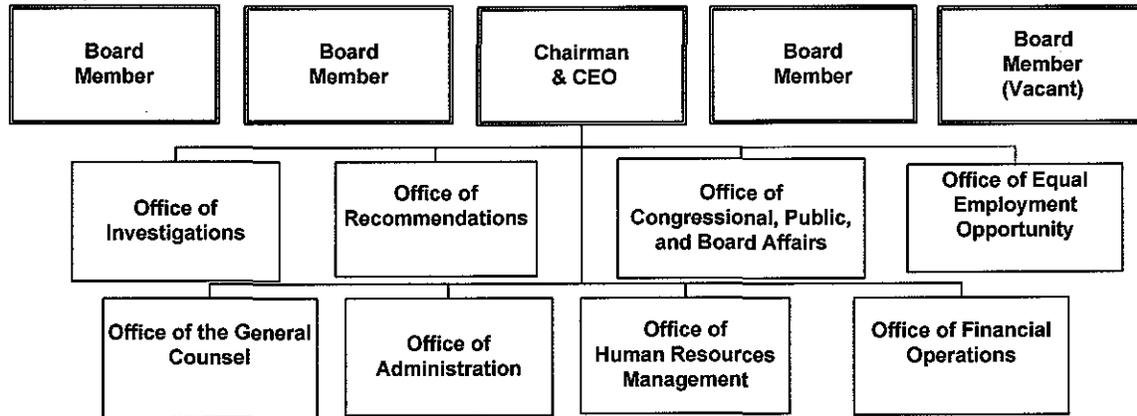
### **Mission and Organizational Structure**

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

The CSB began operations in fiscal year (FY) 1998. The CSB is headquartered in Washington, DC, and has a field office in Denver, Colorado. The CSB is governed by its Board, which consists of 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, 2009, there were four appointed Board members, including the Chairman, and a professional staff of 36.

The following is the CSB's organizational chart, which was in effect for FY 2009.

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 2009. 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 2009, we continued to emphasize investigations and safety, by issuing final reports or a case study on the incident investigations listed below. The investigations we completed in FY2009 led to significant new safety recommendations.

- **Imperial Sugar:** At a public meeting, the CSB voted to approve its final report on a huge explosion and fire occurred at the Imperial Sugar refinery northwest of Savannah, Georgia. The accident resulted in 14 deaths and injury to 38 others, including 14 with serious and life-threatening burns. CSB concluded that the explosion resulted from ongoing releases of sugar from inadequately designed and maintained dust collection equipment, conveyors, and sugar handling equipment. Inadequate housekeeping practices allowed highly combustible sugar dust and granulated sugar to build up throughout the refinery's packing buildings. The CSB recommended that OSHA proceed expeditiously, consistent with the CSB's November 2006 recommendation and OSHA's announced intention to conduct rulemaking, to promulgate a comprehensive standard to reduce or eliminate hazards from fire and explosion from combustible powders and dust. The final report also included a series of safety recommendations to the company, industry groups, and an insurance industry trade association.
- **T2 Laboratories:** At a public meeting, the CSB voted to approve its final report on an explosion that occurred at T2 Laboratories Inc., in Jacksonville, Florida, during a chemical process to make a gasoline additive known as methylcyclopentadienyl manganese tricarbonyl. Four people were killed and 13 others were transported to the hospital after the explosion that was likely caused by a runaway chemical reaction that likely resulted from an inadequate reactor cooling system. The CSB recommended that the American Institute of Chemical Engineers and the Accreditation Board for Engineering and Technology work together to include reactive chemical education in baccalaureate chemical engineering curricula across the country.
- **Allied Terminals:** The CSB released its final report on a fertilizer tank collapse at Allied Terminals in Chesapeake, VA. The aboveground storage tank catastrophically failed releasing two million gallons of liquid urea ammonium nitrate (UAN) fertilizer and seriously injuring two workers. The release overtopped a containment dike and flooded sections of a nearby residential neighborhood, requiring remediation of the soil. At least 200,000 gallons of spilled fertilizer could not be accounted for, and some reached the nearby Elizabeth River, which flows into the Chesapeake Bay. The CSB issued an urgent recommendation to Allied Chemicals Inc., to ensure the safety of its three remaining fertilizer storage tanks, after the one had failed catastrophically. In its final report, the CSB called for state action to regulate storage tanks, and recommended that EPA revise and reissue a safety bulletin on liquid fertilizer tank hazards. The CSB also asked The Fertilizer Institute, a trade association, to urge member companies to

require appropriate inspections of tanks used to store liquid fertilizer at terminal facilities.

- **INDSPEC:** The CSB released a case study on an uncontrolled oleum release from INDSPEC Chemical Corporation in Petrolia, Pennsylvania, which forced the evacuation of three surrounding towns in October 2008. The CSB encouraged companies that handle hazardous chemicals to follow proper management-of-change procedures, monitor deviations from written operating procedures, and implement appropriate safeguards to mitigate human errors.

In addition to completing 4 investigations, the CSB continued work on 5 investigations that were initiated during FY 2008. CSB investigators also deployed to 15 new incidents, which resulted in initiating the following 6 investigations:<sup>1</sup>

- **Delek Refinery:** On the afternoon of November 20, 2008, an explosion and fire occurred at the Delek Refinery in Tyler, Texas. Two workers died and two others sustained injuries as a result of the accident.
- **Silver Eagle Refinery:** On the evening of January 12, 2009, 2 refinery operators and 2 contractors suffered serious burns resulting from a flash fire at the Silver Eagle Refinery in Woods Cross, Utah. The accident occurred when a large flammable vapor cloud was released from an atmospheric storage tank, known as tank 105, which contained an estimated 440,000 gallons of light naphtha. The vapor cloud found an ignition source and the ensuing flash fire spread up to 230 feet west of the tank farm.
- **Veolia Environmental Sciences:** On May 4, 2009, flammable vapors were suddenly released into the atmosphere. The vapors found an ignition source, leading to an explosion and fire that seriously injured two workers and damaged twenty residences.
- **ConAgra:** On the afternoon of June 9, 2009, 4 workers were fatally injured and dozens of others were injured when an explosion occurred at the ConAgra Foods facility in Garner, North Carolina.
- **Citgo:** On the morning of July 19, 2009, a fire began in the hydrogen fluoride (HF) alkylation unit at the CITGO refinery in Corpus Christi, Texas. One worker was airlifted to a burn center in San Antonio as a result of the accident at the 163,000 barrels per day refinery.
- **ExxonMobil Refinery:** On August 6, 2009, there was a release of propane and small amounts of hydrogen fluoride at the ExxonMobil Refinery in Joliet, Illinois that led to an evacuation of the facility.

---

<sup>1</sup> The CSB initiated a total of 8 investigations in FY 2009. The Allied Terminal and INDSPEC investigations were initiated and completed in FY 2009, so the descriptions of these investigations is included with completed investigations

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

The CSB planned to draft protocol for selecting and conducting safety studies, research surveys, etc., and do develop a list of potential studies for the Board Members review and consideration. However, these initiatives were not completed due to higher priority work.

**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 2009, we issued a total of 21 recommendations, and advanced 22 and closed 41 previously issued recommendations. Many of the closed recommendations will make significant contributions to improved chemical safety. For example:

- New York City took the last steps in the revision, adoption and implementation of a new Fire Code, parts of which had not been updated since the early part of the last century. The revision was prompted by a CSB recommendation arising from a fire in a mixed-occupancy building mishandling hazardous materials.
- OSHA initiated a National Emphasis Program of inspections in response to a CSB recommendation from a study of combustible dust explosions, and early in FY10, announced its intention to issue a general industry standard for the prevention of dust explosions, also as a result of a CSB recommendation.
- The American Petroleum Institute formed a committee of experts and began to develop recommended practices for freeze protection in oil refineries, following a CSB recommendation after several incidents involving frozen sections of pipe containing hazardous chemicals.
- The National Fire Protection Association started developing a consensus standard for fire protection in hazardous waste treatment, storage and disposal facilities, following CSB recommendations from the investigation of a serious incident in such a facility in North Carolina.

**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. In FY 2009, the CSB redesigned its website to provide easier access to investigation information, including the ability to download high-resolution photos from CSB investigations, and an improved search capability. The CSB's widely viewed safety videos and safety messages are embedded throughout the website.

In addition, in FY 2009 the CSB produced four 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 safety video program has been remarkable. Safety videos have been viewed hundreds of thousands of times over the Internet, and the CSB distributed thousands of DVD copies to large and small companies, labor unions, trade organizations, and other requestors.

CSB also introduced Safety Messages, a new communication tool for the agency, consisting of short videos from the Chairman or the other board members. During FY 2009 several short messages were released on a variety of current issues in chemical process safety. These messages were released on the CSB's redesigned website ([csb.gov](http://csb.gov)), [YouTube.com](http://YouTube.com), and [Blogger.com](http://Blogger.com).

In addition to the video program, the CSB held public meetings on the T2 and Imperial investigations, a public hearing on the Bayer CropScience investigation, and a press conference on the Allied investigation. Individual Board members also gave 68 presentations on findings, lessons learned, and recommendations at business, labor, and public interest group meetings during FY 2009.

***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. In FY 2009 the CSB opened its first a field office in Denver, Colorado. Establishing a presence in the western states allowed the CSB to recruit more effectively, to deploy investigators more quickly to some accident sites, and to maintain important contacts with stakeholders throughout the country. In FY 2009 we hired three new investigators for the Denver office, and four new investigators for the Washington DC office. Along with its success in recruitment, the CSB retained 91% of its high performers during the fiscal year. The CSB will need to continue its effort to maintain success in recruitment and retention as general economic conditions improve.

An important metric for the CSB are results from the annual employee survey. The most recent employee survey results indicate that employees have a positive view of the agency. Specifically:

<b>Survey Issue / Question</b>	<b>CSB</b>	<b>Governmentwide</b>
Employees feel they have the knowledge, skills and ability to accomplish the agency's goals.	74.1%	73.8%
My work unit is able to recruit people with the right skills	70.4%	44.9%
How does satisfaction with the CSB compare to governmentwide averages?	74.1%	60.4%

### **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 2006.

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

<b>Fiscal Year</b>	<b>Budget*</b>	<b>Outlays</b>
2009	\$10,199	\$9,313
2008	9,263	8,621
2007	9,113	8,804
2006	9,065	8,850

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***

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

\* Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2009 the Emergency Fund had not been used and had a balance of \$844,000.

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 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 2009, we continued our

agreement with the Bureau of the Public Debt (BPD) to process financial transactions, make administrative payments, and prepare various financial reports. This agreement promotes the accuracy of our financial records and payments.