



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

U.S. Chemical Safety Board

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

Report No. 18-F-0040

November 15, 2017

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At a Glance

Why We Did This Review

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

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

This report addresses the following CSB goal:

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

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

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

What Allmond & Company Found

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

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

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

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

Allmond & Company made no recommendations to CSB.

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



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

OFFICE OF
INSPECTOR GENERAL

November 15, 2017

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

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

Dear Ms. Sutherland:

This letter transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2017 and 2016 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002.

The independent public accounting firm of Allmond & Company, LLC, performed the audit of the CSB financial statements as of and for the fiscal years ended September 30, 2017 and 2016. The audit was required to be done in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*.

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

Action Required

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Paul C. Curtis". The signature is fluid and cursive, with the first name "Paul" being the most prominent.

Paul C. Curtis
Director, Financial Statement Audits

Enclosure

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

Final Independent Auditors' Report

Submitted for review and acceptance to:

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

Submitted by:

Jason L. Allmond CPA, CGFM, CISA, CISM
Member
Allmond & Company, LLC
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Final Independent Auditors' Report

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

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



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



Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

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

Other Information

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

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

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

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

A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatement on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects CSB's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CSB's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

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

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

Compliance and Other Matters

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

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

Allmond & Company, LLC

November 12, 2017
Landover, MD

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

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

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

C. Basis of Accounting

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

D. Fund Balance with Treasury

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

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

E. Accounts Receivable

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

F. Property, Equipment, and Software

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

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

G. Liabilities

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

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

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

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

H. Annual, Sick, and Other Leave

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

I. Accrued and Actuarial Workers' Compensation

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

J. Retirement Plans

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

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

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

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

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

K. Other Post-Employment Benefits

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

L. Use of Estimates

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

M. Imputed Costs/Financing Sources

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

NOTE 2. FUND BALANCE WITH TREASURY

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

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

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

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

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

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

NOTE 3. ACCOUNTS RECEIVABLE

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

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

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

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

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

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

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

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

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

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

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

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

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

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

NOTE 6. OTHER LIABILITIES

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

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

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

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

NOTE 7. LEASES

Operating Leases

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

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

Washington, DC

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

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

Denver, CO

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

NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

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

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

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

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

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

NOTE 10. APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS

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

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

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

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

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

NOTE 12. CUSTODIAL ACTIVITY

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

NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

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