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 2016 and 2015 Financial Statements

Report No. 17-F-0047 **November 15, 2016**

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U.S. Environmental Protection Agency
Office of Inspector General

17-F-0047
November 15, 2016

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 year 2016 financial statements. CSB's fiscal year 2015 statements had previously been audited by Walker and Company, LLP.

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.

Listing of OIG reports.

Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2016 and 2015 Financial Statements

What Allmond & Company Found

The CSB received an unmodified opinion on its fiscal year 2016 financial statements.

Allmond & Company rendered an unmodified opinion on the CSB's financial statements for fiscal year 2016, meaning that the statements were fairly presented and free of material misstatements. Walker and Company had previously rendered an unmodified opinion on the CSB's financial statements for fiscal year 2015.

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. However, Allmond & Company identified certain deficiencies in internal control that it considered to be a significant deficiency, which is a control deficiency or combination of control deficiencies that adversely affect CSB's ability to reliably initiate, authorize, record, process or report financial data. Allmond & Company found that CSB's internal controls over financial reporting were not sufficiently designed to detect and correct material errors in its financial statements. Specifically, Allmond & Company noted that CSB did not disclose in a note a $1 million material difference in Net Outlays, did not prepare explanations for other material differences, did not properly record calculated imputed costs, and did not record an accrual for all liabilities owed by the agency. Allmond & Company reported that CSB subsequently corrected all errors noted.

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 year 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 Recommendations and CSB Comments

Allmond & Company made various recommendations for CSB to implement and enhance policies and procedures. CSB concurred with the recommendations.

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

OFFICE OF
INSPECTOR GENERAL

November 15, 2016

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

RE: Report No. 17-F-0047, Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2016 and 2015 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 year 2016 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002. The fiscal year 2015 financial statements had previously been audited.

The independent public accounting firm of Allmond & Company, LLC, performed the audit of the CSB financial statements as of and for the fiscal year ended September 30, 2016. Allmond & Company is reporting one significant deficiency. The audit was required to be done in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*; and the Financial Audit Manual of the Government Accountability Office/President's Council on Integrity and Efficiency. The fiscal year 2015 financial statements as of and for the fiscal year ended September 30, 2015, had previously been audited by the independent public accounting firm of Walker and Company, LLP.

Allmond & Company is responsible for the enclosed auditor's report dated November 14, 2016, 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

Please provide us a written response to this report within 60 calendar days of the final report date. For corrective actions planned but not completed by the response date, reference to specific milestone dates will assist us in deciding whether to close this report in our audit tracking system. 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,

Paul C. Curtis
Director, Financial Statement Audits

Enclosure

A/C
ALLMOND & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
8181 PROFESSIONAL PLACE, SUITE 250
LANDOVER, MARYLAND 20785
(301) 918-8200
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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 U.S. Chemical Safety and Hazard Investigation Board (CSB), which comprise the balance sheet as of September 30, 2016 and the related statement of net cost, 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). The financial statements of CSB as of September 30, 2015 were audited by other auditors whose report, dated November 16, 2015, expressed an unmodified opinion on those 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 2016 financial statements of CSB based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity' s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity' s internal control. Accordingly, we express no such opinion.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Chemical Safety and Hazard Investigation Board as of September 30, 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, 2016, 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 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. 15-02. 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 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 2016 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above.

However, as described in Exhibit I, we identified certain deficiencies in internal control that we consider to be a significant deficiency. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects CSBs' 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.

Also, we noted certain additional matters that we will report to CSB management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CSBs' fiscal year 2016 financial statements are free of material misstatements, we performed test of CSBs' compliance with certain provisions of laws and regulations, 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. 15-02. 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. 15-02.

CSB's Response to Findings

CSB's responses to the findings identified in our engagement are described immediately following Exhibit I. CSB's responses were not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the responses.

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

Allmond & Company, LLC

November 14, 2016

CONDITION

CSB's internal controls over financial reporting are not sufficiently designed to detect and correct material errors in its financial statements. Based on our review of the financial statements and note disclosures, improvements are needed over reviewing the financial statements and note disclosures for completeness, accuracy, and consistency. Specifically, we noted the following:

- CSB did not disclose in their draft financial statement Note 9 a material difference of $1 million between Net Outlays reported on the SBR and the Budget of the U.S. Government in accordance with OMB Circular A-136.

- CSB did not prepare the explanation of material differences between the SBR and the Budget of the U.S. Government using comparable information. For example: (1) CSB used the actual amounts reported on the SBR instead of rounding to the nearest millions; and (2) CSB used the incorrect amount of $11 million for Budget of the U.S. Government budgetary resources instead of the $12 million indicated on line 1930 reported in the Appendix of the President's Budget.

- CSB did not properly record the calculated Office of Personnel Management (OPM) imputed costs of $291,535.39 into the general ledger. Instead, CSB's service provider recorded an OPM imputed costs of $144,488.68.

- CSB did not record an accrual for all liabilities owed by the agency as of September 30, 2016. We identified one disbursement totaling $115,594.56 that was paid between 10/1/16 and 10/10/16, but was not included in CSB Accounts Payable as of September 30, 2016.

CSB subsequently corrected all errors noted above.

CRITERIA

OMB Circular A-136, *Federal Financial Reporting Requirements*, *(issued October 2016)*, section II.4.9.35, *Note 35 Explanation of Differences between the SBR and the Budget of the US Government*, states the following:

"Agencies should provide a schedule to display the material differences between the SBR and Budget. At a minimum, agencies should display the material differences for comparable line items related to budgetary resources, obligations, distributed offsetting receipts and outlays….Agencies can find comparable information reported in the SBR to the President's Budget in…(b) the "Detailed Budget Estimates by Agency" found in the Appendix for budgetary resources, net outlays and obligations incurred included in the Budget of the United States Government."

Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (issued September 2014), *Principle 10 – Design Control Activities*, 10.03, *Accurate and timely recording of transactions*, states, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions….In addition, management designs control activities so that all transactions are completely and accurately recorded."

Statement of Federal Financial Accounting Standards (SFFAS) Number (No.) 5, Accounting for Liabilities of the Federal Government, provides the definition and general principle for the recognition of a liability: A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measureable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date."

Federal accounting standards require financial statements and footnote disclosures of all agencies of the federal government to be presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP), However, with regards to materiality, SFFAS No., Accounting for Selected Assets and Liabilities, paragraph 12 and 13, respectively state: "Except as otherwise noted, the accounting and reporting provisions of the accounting standards recommended in this Statement need not be applied to items that are qualitatively and quantitatively immaterial. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement."

CAUSE

The issues noted above were caused by the following:

CSB does not have policy or procedure designed to review the note disclosures prepared by service organization to validate the completeness and accuracy of the information presented and that material differences between the SBR and the Budget of the U.S. Government is explained.

CSB service provider prepared the imputed cost journal voucher for the incorrect accounting period instead of the current accounting period. Furthermore, CSB does not have policy or procedure designed to review financial information prepared by its service provider for completeness and accuracy.

The purchase order was not established in the general ledger until after CSB had completed its review of open obligation to identify those obligations eligible for accrual. As a result the obligation was not considered during the year-end accrual process. Also, CSB does not have a control procedure in place to review the reasonableness of the accounts payable recorded by the service provider.

EFFECT

The issues noted above effect the following:

Continuing not to disclose the explanation for material differences between the SBR and President's Budget increases the risk of including misleading or inaccurate explanations in the financial statement note disclosures.

Imputed Financing Sources in the Statement of Net Position was understated by a known amount of $147,047.

Intragovernmental Gross Cost in the Statement of Net Costs was understated by a known amount of $147,047.

Imputed Financing Sources reported in Reconciliation of Net Cost of Operation to Budget Note in the financial statements is understated by a known amount of $147,047.

Property Plant and Equipment (PP&E) Net and Accounts Payable was understated by approximately $115,595.

Continuing not to properly review unpaid liabilities recorded by the service provider increases the risk of potential misstatements reported on the Balance Sheet, Statement of Net Costs, and Statement of Budgetary Resources.

RECOMMENDATION

We recommend that CSB management:

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.

U.S. Chemical Safety and Hazard Investigation Board

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Phone: (202) 261-7600 | Fax: (202) 261-7650
www.csb.gov

Honorable Vanessa Allen Sutherland
Chairperson and Member

Honorable Manny Ehrlich, Jr.
Board Member

Honorable Rick Engler
Board Member

Honorable Kristen M. Kulinowski
Board Member

November 14, 2016

Mr. Paul C. Curtis
Director, Financial Audits
Office of Inspector General
U.S. Environmental Protection Agency
1300 Pennsylvania Avenue, N.W., (2410T)
Washington, DC 20400

Dear Mr. Curtis:

Thank you for the opportunity to review your draft report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2016 and 2015 financial statements. We are pleased the independent public accounting firm, Allmond & Company, LLC, will issue an Unmodified Opinion, the highest level of assurance on our financial statements.

We also appreciate the recommendations to improve controls over internal reviews over the financial statements and note disclosures for completeness, accuracy, and consistency. The following are the specific audit recommendations and CSB corrective actions.

Recommendation 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 [Statement of Budgetary Resources] and President's Budget.

Note 9 to the financial statements was updated in accordance with the recommendation.

Recommendation 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.

For future reporting, the service organization (Bureau of the Fiscal Service or BFS) will include a reconciliation table and narrative in the footnotes that will allow CSB to complete a proper review of the reconciliation prior to the presentation of the statements.

Recommendation 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.

BFS will add an additional validation when calculating imputed costs to project the ending balance in the impacted accounts to ensure the calculated entry will update the balance. BFS will also generate a trial balance report after the entry is posted to ensure the accuracy of the posted entry. Finally, BFS will add a quarterly validation to review the reasonableness of imputed cost amounts.

Recommendation 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.

CSB will review all open orders and identified goods/services received/accepted and request additional accruals above the unpaid invoices recorded in accounts payable. CSB financial and procurement staff will coordinate to ensure all open orders are reviewed and the unpaid obligations are accrued properly every quarter. After accruals are submitted to BFS, CSB financial staff will follow up with BFS to ensure accruals are entered to the financial system and will request corrections/updates if accruals are not posted as expected.

Again, we appreciate the audit team's work and recommendations for improvement. If you or your staff has any questions about this response, please feel free to contact me or Anna Brown, Audit Liaison, at 202-261-7639.

Sincerely,

Vanessa Allen Sutherland
Chairperson and Board Member

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2016 AND 2015

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2016 AND 2015
(In Dollars)

		2016		2015
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 2)	$	3,932,331	$	3,254,350
Total Intragovernmental		3,932,331		3,254,350
Accounts Receivable, Net (Note 2)		-		59,000
Property, Equipment, and Software, Net (Note 4)		513,638		437,879
Total Assets	$	4,445,969	$	3,751,229
Liabilities:				
Intragovernmental				
Accounts Payable	$	37,469	$	15,459
Other (note 6)		57,789		103,703
Total Intragovernmental		95,258		119,162
Accounts Payable		281,578		389,128
Federal Employee and Veterans' Benefits (Note 5)		3,908		3,908
Other (Note 6)		660,796		690,389
Total Liabilities (Note 5)	$	1,041,540	$	1,202,587
Net Position:				
Unexpended Appropriations - Other Funds	$	3,281,832	$	2,571,752
Cumulative Results of Operations - Other Funds		122,597		(23,110)
Total Net Position	$	3,404,429	$	2,548,642
Total Liabilities and Net Position	$	4,445,969	$	3,751,229

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

		2016		2015
Program Costs:				
Gross Costs (Note 8)	$	10,234,456	$	11,130,123
Net Cost of Operations	$	10,234,456	$	11,130,123

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	$ (23,110)	$ (418,912)
Budgetary Financing Sources:		
Appropriations Used	10,088,628	11,167,085
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	291,535	358,840
Total Financing Sources	10,380,163	11,525,925
Net Cost of Operations (Note 8)	(10,234,456)	(11,130,123)
Net Change	145,707	395,802
Cumulative Results of Operations	$ 122,597	$ (23,110)
Unexpended Appropriations:		
Beginning Balances	$ 2,571,752	$ 3,365,173
Budgetary Financing Sources:		
Appropriations Received	11,000,000	11,000,000
Other Adjustments	(201,292)	(626,336)
Appropriations Used	(10,088,628)	(11,167,085)
Total Budgetary Financing Sources	710,080	(793,421)
Total Unexpended Appropriations	$ 3,281,832	$ 2,571,752
Net Position	$ 3,404,429	$ 2,548,642

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

		2016		2015
Budgetary Resources:				
Unobligated Balance Brought Forward, October 1	$	1,491,716	$	1,891,083
Recoveries of Prior Year Unpaid Obligations		300,095		186,967
Other changes in unobligated balance		(196,568)		(618,952)
Unobligated balance from prior year budget authority, net		1,595,243		1,459,098
Appropriations		11,000,000		11,000,000
Total Budgetary Resources	$	12,595,243	$	12,459,098
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 10)	$	10,904,144	$	10,967,382
Unobligated balance, end of year:				
Apportioned, unexpired account (Note 2)		940,987		986,126
Expired unobligated balance, end of year (Note 2)		750,112		505,590
Unobligated balance, end of year (total)		1,691,099		1,491,716
Total Budgetary Resources	$	12,595,243	$	12,459,098
Change in Obligated Balance				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$	1,762,634	$	2,128,521
New obligations and upward adjustments (Note 10)		10,904,144		10,967,382
Outlays (gross)		(10,125,451)		(11,146,302)
Recoveries of Prior Year Unpaid Obligations		(300,095)		(186,967)
Unpaid Obligations, End of Year (Gross)		2,241,232		1,762,634
Memorandum entries:				
Obligated Balance, Start of Year	$	1,762,634	$	2,128,521
Obligated Balance, End of Year	$	2,241,232	$	1,762,634
Budget Authority and Outlays, Net:				
Budget authority, gross	$	11,000,000	$	11,000,000
Actual offsetting collections		(4,725)		(7,384)
Recoveries of prior year paid obligations		4,725		7,384
Budget Authority, net, (total)	$	11,000,000	$	11,000,000
Outlays, gross	$	10,125,451	$	11,146,302
Actual offsetting collections		(4,725)		(7,384)
Outlays, net, (total)		10,120,726		11,138,918
Distributed Offsetting Receipts		61,560		-
Agency outlays, net	$	10,182,286	$	11,138,918

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

CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

C. Basis of Accounting

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

D. Fund Balance with Treasury

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

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

E. Accounts Receivable

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

F. Property, Equipment, and Software

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

Description	Useful Life (years)
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, unfunded FECA, actuarial FECA and the amounts due to Treasury for collection and accounts receivable of civil penalties and Freedom of Information Act (FOIA) request fees.

H. Annual, Sick, and Other Leave

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

J. Retirement Plans

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

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

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

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

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

K. Other Post-Employment Benefits

The CSB employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) 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 2016 and 2015 to the extent directed by accounting standards.

N. Reclassification

Certain fiscal year 2015 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2016 and 2015 were as follows:

	2016	2015
Fund Balances:		
Appropriated Funds	$ 3,932,331	$ 3,254,350
Total	$ 3,932,331	$ 3,254,350
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 940,987	$ 986,126
Unavailable	750,112	505,590
Obligated Balance Not Yet Disbursed	2,241,232	1,762,634
Total	$ 3,932,331	$ 3,254,350

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

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

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

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

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2016 and 2015 were as follows:

	2016	2015
With the Public		
Accounts Receivable	$ -	$ 59,000
Total Accounts Receivable	$ -	$ 59,000

The accounts receivable was made up of a security deposit of $59,000 made prior to 2003, which was reclassified to a receivable. This receivable was collected during 2016.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2016 and 2015.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

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

Schedule of Property, Equipment, and Software as of September 30, 2015:

Major Class		Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value
Leasehold Improvements	$	983,356	$	756,814	$	226,542
Furniture & Equipment		1,669,364		1,458,027		211,337
Software		131,270		131,270		-
Total	$	2,783,990	$	2,346,111	$	437,879

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the CSB as of September 30, 2016 and 2015 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.

		2016		2015
Intragovernmental – FECA	$	1,020	$	1,020
Unfunded Leave		386,113		456,061
Actuarial FECA		3,908		3,908
Total Liabilities Not Covered by Budgetary Resources	$	391,041	$	460,989
Total Liabilities Covered by Budgetary Resources		650,499		741,598
Total Liabilities	$	1,041,540	$	1,202,587

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, 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

Other liabilities account balances as of September 30, 2015 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	1,020	$	-	$	1,020
Payroll Taxes Payable		43,683		-		43,683
Custodial Liability		59,000		-		59,000
Total Intragovernmental Other Liabilities	$	103,703	$	-	$	103,703
With the Public						
Payroll Taxes Payable	$	30,854	$	-	$	30,854
Accrued Funded Payroll and Leave		203,474		-		203,474
Unfunded Leave		456,061		-		456,061
Total Public Other Liabilities	$	690,389	$	-	$	690,389

NOTE 7. LEASES

Operating Leases

The CSB occupies offices in Washington, DC and Denver, CO under lease agreements. The total operating lease expenses for the years ended September 30, 2016 and 2015 were $674,401 and $1,199,842, respectively. Lease expenses dropped significantly in FY 2016 because CSB moved to lower cost office space in Washington, DC in September 2015.

The lease agreement for office space in Washington, DC is accounted for as an operating lease. The lease agreement has a ten-year term commencing on October 1, 2015 and ending on September 30, 2025. 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, excluding annual adjustments to real estate taxes and operating expenses.

Washington, DC

Fiscal Year		Building
2017	$	657,461
2018		674,961
2019		545,997
2020		545,997
2021		545,997
Thereafter		2,183,990
Net Future Payments	$	5,154,403

The lease agreement for office space in Denver, CO is accounted for as an operating lease. The lease agreement is for a period of 60 months commencing on or about December 1, 2014.

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
2017	$	96,737
2018		97,729
2019		98,742
2020 (2 months)		16,511
Total Future Payments	$	309,719

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:

		2016		2015
Program A				
Intragovernmental Costs	$	2,347,903	$	2,122,713
Public Costs		7,886,553		9,007,410
Net Program Costs	$	10,234,456	$	11,130,123

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

The President's Budget that will include fiscal year 2016 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2017 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 2017 Budget of the United States Government, with the "Actual" column completed for 2015, has been reconciled to the fiscal year 2015 Statement of Budgetary Resources as shown below.

For the Fiscal Year Ended September 30, 2015 (In millions)

FY2015	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resource	$12,000,000	$11,000,000	$ -	$11,000,000
Difference - Due to Rounding				1,000,000
Budget of the U.S. Government	$12,000,000	$11,000,000	$ -	$12,000,000

NOTE 10. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources for 2016 and 2015 consisted of the following:

	2016	2015
Direct Obligations, Category B	$ 10,904,144	$ 10,967,382
Total New Obligations and Upward Adjustments	$ 10,904,144	$ 10,967,382

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, 2016 and 2015, budgetary resources obligated for undelivered orders amounted to $1,590,733 and $1,080,036, 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 $61,560 and $1,237 for the years ended September 30, 2016, and 2015, 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.

	2016	2015
Resources Used to Finance Activities		
Budgetary Resources Obligated		
New Obligations and Upward Adjustements	$ 10,904,144	$ 10,967,382
Spending Authority from Offsetting Collections and Recoveries	(304,820)	(194,351)
Obligations Net of Offsetting Collections and Recoveries	10,599,324	10,773,031
Other Resources		
Imputed Financing from Costs Absorbed by Others	291,535	358,840
Total Resources Used to Finance Activities	10,890,859	11,131,871
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(753,062)	(84,354)
Total Resources Used to Finance the Net Cost of Operations	10,137,797	11,047,517
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	96,659	82,606
Net Cost of Operations	$ 10,234,456	$ 11,130,123