



UNITED STATES OF AMERICA
OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
ONE LAFAYETTE CENTRE
1120 20TH STREET, N.W. – NINTH FLOOR
WASHINGTON, DC 20036-3457

OFFICE OF THE CHAIRMAN

November 15, 2007

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to transmit the Occupational Safety and Health Review Commission's (OSHRC) Fiscal Year 2007 Performance and Accountability Report (PAR). The PAR includes performance information, as required by the Government Performance and Results Act, and audited financial statements and related documentation, as required by the Accountability of Tax Dollars Act of 2002.

The mission of the Occupational Safety and Health Review Commission is to provide fair and timely adjudication of workplace safety and health disputes between the Department of Labor, employers and employees and/or their representatives under the Occupational Safety and Health Act of 1970. OSHRC sets high standards of performance for itself and, during this past year, we were generally successful in meeting our stated goals. The Administrative Law Judge function disposed of 2,058 cases, an increase above last year's dispositions, and met or virtually met both of their performance goals. At the Commission level, 27 cases were issued, and one of two performance goals was met.

I remain committed to resolving older cases on a priority basis, and to maintaining or improving our performance during the current fiscal year. We continue to work hard to provide the best possible service to the American people, through the efficient adjudication of safety and health issues that come before the Review Commission.

If you have any questions regarding this report, please contact me or Richard C. Loeb, Special Assistant and Counsel to the Chairman.

Sincerely,

A handwritten signature in black ink, appearing to read "Horace A. Thompson III", is written over a circular stamp or seal.

Horace A. Thompson III
Chairman

Enclosure

**FY 2007
Performance and
Accountability
Report**

**Occupational Safety and Health
Review Commission**

**OCCUPATIONAL SAFETY AND
HEALTH REVIEW COMMISSION**
Washington, D. C.

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS**
September 30, 2007 and 2006

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

**INDEPENDENT AUDITOR'S REPORTS AND
FINANCIAL STATEMENTS
September 30, 2007 and 2006**

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Independent Auditor's Report

To the Occupational Safety and
Health Review Commission
Washington, DC

We have audited the accompanying balance sheets of the Occupational Safety and Health Review Commission (The Review Commission) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position and budgetary resources for the years then ended. These financial statements are the responsibility of The Review Commission's management. Our responsibility is to express an opinion on these financial statements 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of The Review Commission as of September 30, 2007 and 2006, and its net cost; changes in net position and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 13, 2007 on our consideration of The Review Commission's internal control over financial reporting and on our tests of The Review Commission's compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to such information, which consisted principally of inquiries of The Review Commission management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gundersen LLP

Calverton, Maryland
November 13, 2007



Independent Auditor's Report on Compliance and Other Matters

To the Occupational Safety and
Health Review Commission
Washington, DC

We have audited the financial statements of the Occupational Safety and Health Review Commission (The Review Commission), as of and for the year ended September 30, 2007 and have issued our report thereon dated November 13, 2007. 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 Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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

The results of our tests of compliance with laws and regulations described in the preceding paragraph, disclosed no instances of noncompliance with laws and regulations or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of The Review Commission, the Bureau of Public Debt, the Government Accountability Office, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
November 13, 2007

Independent Auditor's Report on Internal Control

To the Occupational Safety and
Health Review Commission
Washington, DC

We have audited the financial statements of the Occupational Safety and Health Review Commission (The Review Commission), as of and for the year ended September 30, 2007, and have issued our report thereon dated November 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered The Review Commission's internal control over financial reporting as a basis for designing our auditing procedures, and to comply with the OMB audit guidance, for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Review Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Review Commission's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by The Review Commission's internal control.

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 by The Review Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph of this report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Finally, with respect to internal controls related to performance measures reported in The Review Commission's Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

This report is intended solely for the information and use of the management of The Review Commission, the Bureau of Public Debt, the Government Accountability Office, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
November 13, 2007

FINANCIAL STATEMENTS

**OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
BALANCE SHEETS
September 30, 2007 and 2006**

	2007	2006
ASSETS		
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$ 4,053,230	\$ 4,891,536
Other	-	-
Total Intragovernmental	4,053,230	4,891,536
Accounts receivable, net	200	1,900
General property, plant and equipment, net (Note 3)	220,448	188,463
Other	219	-
TOTAL ASSETS	\$ 4,274,097	\$ 5,081,899
LIABILITIES		
Intragovernmental: (Note 4)		
Accounts payable	\$ 7,175	\$ 6,518
Other	53,427	42,506
Total intragovernmental	60,602	49,024
Other Liabilities: (Note 4)		
Accounts payable	182,918	111,262
Accrued liabilities and payroll taxes payable	366,937	342,105
Accrued annual leave	635,051	592,134
Total other liabilities	1,184,906	1,045,501
Total liabilities	1,245,508	1,094,525
Contingencies (Note 12)		
NET POSITION		
Unexpended appropriations	3,443,383	4,389,145
Cumulative results of operations	(414,794)	(401,771)
Total net position	3,028,589	3,987,374
TOTAL LIABILITIES AND NET POSITION	\$ 4,274,097	\$ 5,081,899

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

**OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
STATEMENTS OF NET COST
Years Ended September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
PROGRAM COSTS (Note 7)		
Administrative Law Judge:		
Gross costs	\$ 4,968,629	\$ 5,096,031
Less: earned revenue	<u> -</u>	<u> -</u>
Net program costs	<u>4,968,629</u>	<u>5,096,031</u>
Commission:		
Gross costs	6,171,795	5,886,794
Less: earned revenue	<u> -</u>	<u> -</u>
Net program costs	<u>6,171,795</u>	<u>5,886,794</u>
NET COST OF OPERATIONS	<u>\$ 11,140,424</u>	<u>\$ 10,982,825</u>

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

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
STATEMENTS OF CHANGES IN NET POSITION
Years Ended September 30, 2007 and 2006

	2007	2006
CUMULATIVE RESULTS OF OPERATIONS		
Beginning balances	\$ (401,771)	\$ (461,997)
BUDGETARY FINANCING SOURCES:		
Appropriations used	10,533,158	10,413,532
OTHER FINANCING SOURCES (NON-EXCHANGE)		
Imputed financing sources (Note 10)	<u>594,243</u>	<u>629,519</u>
Total financing sources	11,127,401	11,043,051
Net cost of operations	<u>11,140,424</u>	<u>10,982,825</u>
Net changes	<u>(13,023)</u>	<u>60,226</u>
CUMULATIVE RESULTS OF OPERATIONS	<u>(414,794)</u>	<u>(401,771)</u>
UNEXPENDED APPROPRIATIONS		
Beginning balances	<u>4,389,145</u>	<u>5,089,949</u>
BUDGETARY FINANCING SOURCES		
Appropriations received	10,470,779	10,510,000
Other adjustments	(883,383)	(797,272)
Appropriations used	<u>(10,533,158)</u>	<u>(10,413,532)</u>
Total budgetary financing sources	<u>(945,762)</u>	<u>(700,804)</u>
Total unexpended appropriations	<u>3,443,383</u>	<u>4,389,145</u>
NET POSITION	<u>\$ 3,028,589</u>	<u>\$ 3,987,374</u>

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

**OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
STATEMENTS OF BUDGETARY RESOURCES
Years Ended September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1:	\$ 2,363,573	\$ 2,742,364
Recoveries of prior year unpaid obligations	638,016	463,017
Budget authority - appropriation	10,470,779	10,510,000
Permanently not available	<u>(883,383)</u>	<u>(797,272)</u>
TOTAL BUDGETARY RESOURCES	<u>\$ 12,588,985</u>	<u>\$ 12,918,109</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred - direct	\$ 10,637,007	\$ 10,554,536
Unobligated balance apportioned balance, currently available	78,050	186,118
Unobligated balance not available	<u>1,873,928</u>	<u>2,177,455</u>
TOTAL STATUS OF BUDGETARY RESOURCES	<u>\$ 12,588,985</u>	<u>\$ 12,918,109</u>
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net unpaid obligations, brought forward, October 1	\$ 2,527,963	\$ 2,693,111
Obligations incurred, net	10,637,007	10,554,536
Less: gross outlays	10,425,702	10,256,667
Less: recoveries of prior year unpaid obligations, actual	<u>638,016</u>	<u>463,017</u>
Subtotal	<u>2,101,252</u>	<u>2,527,963</u>
OBLIGATED BALANCE, NET, END OF PERIOD - UNPAID OBLIGATIONS	<u>\$ 2,101,252</u>	<u>\$ 2,527,963</u>
NET OUTLAYS		
Gross outlays	\$ 10,425,702	\$ 10,256,667
Less: offsetting collections	<u>-</u>	<u>-</u>
NET OUTLAYS	<u>\$ 10,425,702</u>	<u>\$ 10,256,667</u>

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

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Occupational Safety and Health Review Commission (The Review Commission) is an independent, adjudicatory agency created by the Occupational Safety and Health Act (OSHA) of 1970. Its sole statutory mandate is to serve as an administrative court providing just and expeditious resolution of disputes involving OSHA, employers charged with violations of Federal safety and health standards, and employees and/or their representatives. The Review Commission was created by Congress as an agency completely independent of the Department of Labor to ensure that OSHA's enforcement actions are carried out in accordance with the law and that all parties are treated consistent with due process should a dispute arise.

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of The Review Commission. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Accountability of Tax Dollars Act of 2002 and the Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. They have been prepared from, and are fully supported by, the books and records of the Review Commission in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and the Review Commission's 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 Review Commission's use of budgetary resources.

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

C. Basis of Accounting

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

These financial statements were prepared following accrual accounting. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds. Balances on these statements may therefore differ from those on financial reports prepared pursuant to other OMB directives that are primarily used to monitor and control The Review Commission's use of budgetary resources.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Revenues and Other Financing Sources

The Review Commission receives all funding through Congressional appropriation from the budget of the United States. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and operating and capital expenditures for essential personal property. Appropriations are recognized as revenues at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations.

E. Taxes

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

F. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. The Review Commission does not maintain cash in commercial bank accounts or foreign currency balances.

G. Receivables

Accounts receivable represents an employee related receivable.

H. General Property, Plant and Equipment

The Review Commission's property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful life of the asset. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. The Review Commission's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Service lives are shown below. See Note 3 for additional information.

<u>Description</u>	<u>Life</u>
Office Equipment	5
Office Furniture	7

I. Advances and Prepayments

The Review Commission records payments for goods and services not yet received as advances and reduces the advances by charges to expense as the goods and services are received.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Liabilities

Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due.

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. Intragovernmental liabilities are claims against the Review Commission by other Federal agencies. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

K. Accounts Payable

Accounts payable consists of amounts owed to other federal agencies and trade accounts payable.

L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, such as restored leave, are accrued at year-end, based on latest pay rates and unused hours of leave. To the extent current or prior year appropriations are not available to fund annual leave and other types of vested leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed when used.

M. Accrued Workers' Compensation

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The actual costs incurred are reflected as a liability because The Review Commission will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

N. Retirement Plans

The Review Commission's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected to join either FERS and Social Security or remain in CSRS.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Retirement Plans (continued)

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established and The Review Commission makes a mandatory one percent contribution to this account. In addition, The Review Commission makes matching contributions, ranging from one to four percent, for FERS eligible employees who contribute to their TSP accounts.

Matching contributions are not made to the TSP accounts established by CSRS employees.

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

The Review Commission 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 Review Commission for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The Review Commission recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The Review Commission 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 Office of Personnel Management.

O. Use of Estimates

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

P. Net Position

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations is the net result of The Review Commission's operations since inception.

**OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Imputed Costs / Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The Review Commission recognized imputed costs and financing sources in fiscal years 2007 and 2006 to the extent directed by the OMB.

R. Contingencies

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible payment by OSHRC. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. For pending, threatened or unasserted litigation, a liability/cost is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is probable, and the related future outflow or sacrifice of resources can be reasonably estimated.

S. Reclassification

Certain fiscal year 2006 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation. Pursuant to OMB Bulletin A-136, *Financial Reporting Requirements*, the Statement of Financing, previously included as a basic financial statement, is now presented in Note 13 as Reconciliation of Net Cost of Operations to Budget.

T. Expired Accounts and Cancelled Authority

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

**OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006**

NOTE 2 – FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2007 and 2006 were:

	2007	2006
<u>Fund balances</u>		
Appropriated funds	<u>\$ 4,053,230</u>	<u>\$ 4,891,536</u>
Total fund balance	<u>\$ 4,053,230</u>	<u>\$ 4,891,536</u>
<u>Status of fund balance with Treasury</u>		
Unobligated balance:		
Available	\$ 78,050	\$ 186,118
Unavailable	1,873,928	2,177,455
Obligated balance not yet disbursed	<u>2,101,252</u>	<u>2,527,963</u>
Total	<u>\$ 4,053,230</u>	<u>\$ 4,891,536</u>

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

NOTE 3 – GENERAL PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment account balances as of September 30, 2007 and 2006 were as follows:

	2007		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
ADP/office equipment	<u>\$ 423,313</u>	<u>\$ 202,865</u>	<u>\$ 220,448</u>
	2006		
	Acquisition Cost	Accumulated Depreciation	Net Book Value
ADP/office equipment	<u>\$ 443,562</u>	<u>\$ 255,099</u>	<u>\$ 188,463</u>

NOTE 4 – LIABILITIES

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

**OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006**

NOTE 4 – LIABILITIES (CONTINUED)

	<u>Schedule of Liabilities</u>	
	<u>2007</u>	<u>2006</u>
Intragovernmental:		
Accounts payable	\$ 7,175	\$ 6,518
Payroll taxes payable	53,036	42,506
FECA liability	391	-
Total Intragovernmental	<u>60,602</u>	<u>49,024</u>
Other Liabilities:		
Accounts payable	182,918	111,262
Payroll taxes payable	16,913	11,975
Accrued liabilities	350,024	330,130
Unfunded annual leave	<u>635,051</u>	<u>592,134</u>
Total other liabilities	<u>1,184,906</u>	<u>1,045,501</u>
Total Liabilities	<u>\$ 1,245,508</u>	<u>\$ 1,094,525</u>

All liabilities are current liabilities.

NOTE 5 – OPERATING LEASE

The Review Commission occupies office space under a lease agreement that is accounted for as an operating lease. The leased office space is in Washington, DC, Atlanta, Georgia, and Denver, Colorado. Annual rent for each location is charged by the General Services Administration (GSA), which acts as the leasing agent for The Review Commission. The lease terms commence on April 2003 for Washington, DC, February 2004 for Atlanta, GA, for a period of 60 months each, and the final lease commences on February 2004 for Denver, CO, and will run for a period of 53 months. Lease payments are increased annually based on the adjustments for operating cost and real estate taxes.

<u>Fiscal Year</u>	<u>Totals</u>
2008	\$ 808,614
2009	<u>32,592</u>
Total Future Payments	<u>\$ 841,206</u>

**OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006**

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on The Review Commission's Balance Sheet as of September 30, 2007 and 2006, include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

The following is a summary of unfunded liabilities at September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
FECA liability	\$ 391	\$ -
Accrued annual leave	<u>635,051</u>	<u>592,134</u>
Total Liabilities Not Covered by Budgetary Resources	<u>\$ 635,442</u>	<u>\$ 592,134</u>

NOTE 7 – INTRAGOVERNMENTAL COSTS

	<u>2007</u>	<u>2006</u>
Administrative Law Judge		
Intragovernmental costs	\$ 1,729,018	\$ 1,711,531
Public costs	<u>3,239,611</u>	<u>3,384,500</u>
Total Administrative Law Judge Costs	<u>\$ 4,968,629</u>	<u>\$ 5,096,031</u>
Commission		
Intragovernmental costs	\$ 2,147,703	\$ 1,977,113
Public costs	<u>4,024,092</u>	<u>3,909,681</u>
Total Commission Costs	<u>\$ 6,171,795</u>	<u>\$ 5,886,794</u>

The Review Commission had no earned revenues.

NOTE 8 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Beginning with FY06, the format of the Statement of Budgetary Resources has changed and the amount of undelivered orders at the end of the period is no longer required to be reported on the face of the statement. Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the years ended September 30, 2007 and 2006, Undelivered Orders amounted to \$1,491,405 and \$2,025,572 respectively.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

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

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include FY07 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2008 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb>. The 2008 Budget of the United States Government, with the Actual column completed for 2006, has been reconciled to the Statement of Budgetary Resources and there are no material differences.

NOTE 10 – IMPUTED FINANCING SOURCES

The Review Commission recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, the Office of Personnel Management (OPM). For the fiscal years ended September 30, 2007 and 2006, respectively, imputed financing from OPM were \$594,243 and \$629,519.

NOTE 11 – CUSTODIAL ACTIVITY

The Review Commission is an administrative agency collecting for the General Fund. As a collecting entity, The Review Commission measures and reports cash collections and refunds. The type of cash collected is for Freedom of Information Act fees. Amounts collected from and distributed to others for fiscal year 2007 and 2006 were \$1,206 and \$1,940, respectively.

NOTE 12 – CONTINGENCIES

There are legal actions pending against the Review Commission in which claims have been asserted that may be based on action taken by the Review Commission. Management intends to vigorously contest all such claims. Management believes, based on information provided by legal counsel, that losses, if any, for these cases would not have a material impact on the Financial Statements. No loss accrual has been made for these cases outstanding at September 30, 2007.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 13 – RECONCILIATION OF NET COST TO BUDGET

	<u>2007</u>	<u>2006</u>
Resources Used to Finance Activities:		
Budgetary resources obligated		
Obligations incurred	\$ 10,637,007	\$ 10,554,536
Less: spending authority from offsetting collections and recoveries	<u>638,016</u>	<u>463,017</u>
Obligations net of offsetting collections and recoveries	9,998,991	10,091,519
Less offsetting receipts	<u>-</u>	<u>-</u>
Net obligations	9,998,991	10,091,519
Other Resources		
Imputed financing from costs absorbed by others	<u>594,243</u>	<u>629,519</u>
Net other resources used to finance activities	<u>594,243</u>	<u>629,519</u>
Total resources used to finance activities	<u>10,593,234</u>	<u>10,721,038</u>
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	(534,167)	(322,013)
Resources that fund expenses recognized in prior periods	(1,700)	
Resources that finance the acquisition of assets	<u>92,617</u>	<u>93,095</u>
Total resources used to finance items not part of the net cost of operations	<u>(443,250)</u>	<u>(228,918)</u>
Total resources used to finance the net cost of operations	<u>11,036,484</u>	<u>10,949,956</u>
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
Components requiring or generating resources in future periods		
Increase in annual leave liability	42,917	4,533
Other	<u>391</u>	<u>-</u>
Total components of net cost of operations that will require or generate resources in future periods	<u>43,308</u>	<u>4,533</u>
Components not requiring or generating resources:		
Depreciation and amortization	60,632	29,984
Other	<u>-</u>	<u>(1,648)</u>
Total components of net cost of operations that will not require or generate resources	<u>60,632</u>	<u>28,336</u>
Total components of net cost of operations that will not require or generate resources in the current period	<u>103,940</u>	<u>32,869</u>
NET COST OF OPERATIONS	<u>\$ 11,140,424</u>	<u>\$ 10,982,825</u>

This information is an integral part of the accompanying financial statements.

**Occupational Safety and Health Review Commission
Management Discussion and Analysis
September 30, 2007**

Occupational Safety and Health Review Commission FY 2007 Performance Accountability Report

Management Discussion and Analysis

Overview

The Review Commission is an independent, adjudicatory agency created by the Occupational Safety and Health Act of 1970. Its sole statutory mandate is to serve as an administrative court providing just and expeditious resolution of disputes involving the Department of Labor's Occupational Safety and Health Administration (OSHA), employers charged with violations of Federal safety and health standards, and employees and/or their representatives. The Review Commission was created by Congress as an agency completely independent of the Department of Labor to ensure that OSHA's enforcement actions are carried out in accordance with the law, and that all parties are treated consistent with due process when disputes arise.

The Occupational Safety and Health Act and the Review Commission's Rules of Procedure (which by law mirror the federal rules) provide two levels of adjudication when an employer timely contests an OSHA citation for alleged violations of the Act or failure to abate such alleged violations. The first level affords an opportunity for a hearing before a Review Commission Administrative Law Judge (ALJ) for employers and affected employees who have filed a timely notice of contest. The judge's decision becomes final unless the Commission chooses to review the decision. The second level is a discretionary appellate review of the judge's decision by the Commission members. Both before its judges and the Commissioners, the Review Commission provides fair and impartial adjudication of cases concerning the safety and health of employees' working conditions in the United States.

Mission and Organizational Structure

The mission of the Occupational Safety and Health Review Commission is to provide an impartial forum for the just and prompt adjudication of workplace safety and health disputes involving the Department of Labor, employers, and employees and/or their representatives under the Occupational Safety and Health Act of 1970.

The Occupational Safety and Health Review Commission has three members, each of whom is appointed by the President and confirmed by the Senate, and serves a six-year term. One of the members also serves as Chairman of the agency. The Review Commission has three major functions: the Commission function, the Administrative Law Judge function, and the Office of Administration function.

The principal (national) office of the Review Commission is located in Washington, D.C. There are two regional offices, one in Atlanta, GA, and the other in Denver, CO.

OSHC's continuing vision is to strive to be:

- a quasi judicial body that is -- and is recognized for being -- objective, fair, prompt, and professional;
- an agency that creates a body of law through decisions that define and explain the rights and responsibilities of employers and employees under the Occupational Safety and Health Act of 1970;
- a model Federal agency with highly effective processes, a highly motivated, qualified and diverse workforce, and modern information management, communications, and administrative systems; and
- an agency that values team work, develops its employees, and strives to improve its performance, service, and value to the American people.

Challenges and Opportunities

The Review Commission's ability to meet its case disposition goals depends on a variety of factors. These include: (1) continued presence of a quorum at the Commission level; (2) the magnitude and nature of the cases received; (3) the success of the parties' settlement negotiations and the Agency's Simplified Proceedings and Mandatory Settlement programs in reducing the number of hearings needed; and (4) the number, location, length and complexity of trials held. Although these factors are largely outside the Review Commission's control, the Review Commission is committed to working within such constraints to improve its service to the public.

The Commission consists of three members appointed by the President. The Occupational Safety and Health Act requires a quorum of two Commissioners. By statute, decisions can only be decided on the affirmative vote of two Commissioners. During periods when the Commission lacks a quorum, no cases can be decided. In addition, with only two Commissioners, it may be more difficult to reach agreement sufficient to dispose of some cases. In cases where such agreement cannot be reached, deadlocks result. As a result, action on important issues may be postponed and issuance of some pending cases will be delayed.

The Review Commission began FY 2007 with the full complement of three Members, but ended the year with one vacancy (one Commissioner's term ended on April 27, 2007 and no replacement has been confirmed to date).

The number of safety and health inspections carried out by OSHA each year, the nature of those inspections, and the rate at which employers choose to contest the citations issued and penalties proposed by OSHA all have an impact on the number of cases contested before the Review Commission. In addition, OSHA's targeting during recent years of workplaces experiencing more serious workplace hazards, and the consequent increase in proposed penalties, has resulted

in more a greater number of complex cases, and more extensive pretrial and trial processes. Consequently, the complexity and size of the cases at both the Administrative Law Judge and Commission levels has increased steadily in recent years.

OSHA conducted close to 40,000 inspections in FY 2007. The number of OSHA inspections and their likely focus on the highest hazard workplaces affects the Review Commission's ALJ caseload. These inspections have tended to result in more complex and contentious cases, which consume extensive judicial time. For such cases, the discovery process is lengthy and time consuming, motion practice is expanded, legal research and decision-writing time is protracted and, of necessity, the trial process is elongated and complicated.

The Review Commission eased entry requirements to its Mandatory Settlement and Simplified Proceedings programs. These programs grant full due process rights to all parties in adjudicating cases without the necessity for many legal formalities.

Under Commission Rule 2200.120, where the parties consent thereto, the Chief Administrative Judge may assign a Settlement Judge to a pending proceeding to aid the parties in disposing of cases. Where the aggregate amount of the penalty sought by the Secretary of Labor is \$100,000 or greater, the Mandatory Settlement procedure goes into effect. The Settlement Judge appointed by the Chief Administrative Judge has full control of the proceeding and may require that the parties' representatives be accompanied by officials having full settlement authority. This procedure has aided the Commission in disposing of some extremely complex cases, with the approval of all parties.

The Simplified Proceedings process (formerly E-Z Trial) has been expanded to include cases where proposed penalties are not more than \$20,000, and up to \$30,000, when found eligible by the Chief Judge. The Simplified Proceedings process allows parties with relatively simple cases to have their "day in court" unencumbered by the formal Rules of Procedure and evidence, while assuring that due process requirements will be maintained. Under this process, a business, with or without counsel, can present its case before a Review Commission judge and receive a prompt decision. Most paperwork, including legal filings, has been eliminated so that justice can be rendered swiftly and inexpensively. The process is intended to reduce the time and legal expenses to employers contesting relatively small penalty cases.

Performance Goals and Results

The Review Commission's strategic goal is to provide fair, just, and expeditious adjudication of disputes brought before the Commission and its judges. The Review Commission's Strategic Plan and associated Outcome Goals for the period FY 2006 through FY 2011 reflect objectives for the Commission and Administrative law functions that support this goal. The public service goal for the Review Commission is: To ensure fair, just and expeditious adjudication of disputes brought before the Review Commission and its Judges.

Commission Function

The function of the Commissioners is to review and decide cases contested under the Act, following an initial decision by an Administrative Law Judge. This higher level of review must be prompt, fair, and protective of the parties’ rights, consistent with our public service goal.

In FY 2007, the Commission had 27 cases pending at the beginning of the year. It received 25 new cases and issued 27 cases by year-end. Thus, the Commission entered FY 2008 with 25 cases pending on review.

The Commission began FY 2007 with a full complement of Commissioners, but ended the year with one vacancy (one Commissioner’s term ended on April 27, 2007). Nevertheless, the two remaining Commissioners issued 13 cases during the remainder of the fiscal year.

The following table provides the performance goals and results for this function for FYs 2004-2007.

Performance Goals	Performance Indicators	FY 2004 Actual (Target)	FY 2005 Actual (Target)	FY 2006 Actual (Target)	FY 2007 Actual (Target)
Reduce the length of time to resolve Commission-level cases	Percent of cases over 2 years old disposed of at the Commission level	42% Target not met (100%)	52% Target not met (100%)	22% Target not met (100%)	32% Target not met (100%)
Reduce the length of time to resolve priority cases	Percent of priority cases disposed of within 6 months	100% Target met (100%)	100% Target met (100%)	100% Target met (100%)	100% Target met (100%)

Administrative Law Judge Function

The function of the Review Commission’s Administrative Law Judge Division is to conduct formal hearings and related proceedings in a fair, just, and expeditious manner, consistent with OSHRC’s public service goal.

The Administrative Law Judge function began the fiscal year with 685 cases in its inventory and received 1,998 new cases during the year, for a total of 2,683 cases. A total of 2,058 cases were disposed of, leaving 625 cases at the end of the fiscal year.

The following table provides the performance goals and results for this function for FYs 2004-2007.

Performance Goals	Performance Indicators	FY 2004 Actual Target	FY 2005 Actual Target	FY 2006 Actual Target	FY 2007 Actual Target
Increase the percent of non-complex cases at the ALJ level that are resolved in less than one year	Percent within 365 days	98% Target exceeded (93%)	98% Target exceeded (93%)	99% Target exceeded. (94%)	99 % Target met. (99%)
Increase the percent of complex cases at the ALJ level that are resolved within 18 months	Percent within 540 days	98% Target exceeded (93%)	98% Target exceeded (93%)	99% Target exceeded. (94%)	97% Target not met. (98%)

Office of Administration Function

The Office of Administration provides administrative services to support the Review Commission in fulfilling its mission.

The Administration function provides strategic planning and operational management for the organization. Administration also includes, technology management, computer and information security, financial, and administrative services. The day-to-day tasks performed under the direction of the Director include:

- Supporting the development and implementation of the Agency’s strategic goal;
- Maintaining and enhancing a website to provide the public with greater access to Review Commission information;
- Providing support agency-wide in the areas of finance, budget, procurement, human resources, equal opportunity and general administrative services;
- Providing personnel, payroll, benefits, reproduction, mail services, and travel assistance to agency employees;
- Procuring goods and services, maintenance and needed repairs of equipment, training, reference materials, supplies and office space;
- Implementing case management and administrative systems through information technology hardware and software;
- Developing and maintaining computer systems and information security enhancements; and
- Enhancing telecommunications and improving technology efficiency and effectiveness.

Analysis of Financial Statements

The Review Commission had biennial audits of its financial statements from 1996 through 2002. Consistent with the Accountability of Tax Dollars Act of 2002, OSHRC began annual audits in FY 2003. OSHRC has received an "unqualified" opinion for each biennial and annual review conducted by an independent auditor.

Since 2002, the Review Commission has contracted with the Treasury Franchise Fund, Administrative Resource Center, for accounting services. The Administrative Resources Center prepared the Review Commission's FY 2007 financial statements, which include comparative data for FY 2006. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Net Position, and Statement of Budgetary Resources. The Statement of Financing is now part of the Notes to the financial statements.

The changes described in the analyses below generally indicate that OSHRC has been more efficient in the obligation of the funds available. This is due to higher payroll costs, both rising costs and filling critical positions, as well as higher costs for goods and services to maintain operations and fulfill our mission.

Analysis of the Balance Sheet

OSHRC's assets in fiscal year 2007 were \$4,274,097 as of September 30, 2007. This represents a decrease of \$807,802 from fiscal year 2006. The Fund Balance with Treasury of \$4,053,230 represents OSHRC's largest asset as of September 30, 2007. This is a decrease of approximately 17.1 percent from fiscal year 2006 and represents approximately 94.8 percent of the agency's total assets. General Property, Plant, and Equipment accounts for approximately 5.2 percent of OSHRC's total assets as of September 30, 2007. The net fixed asset value of \$220,448 equals the cost less accumulated depreciation and represents the current book value of those assets.

OSHRC's liabilities in fiscal year 2007 totaled \$1,245,508 as of September 30, 2007. This is an increase of \$150,983 over the fiscal year 2006 balance of \$1,094,525. Accounts payable balance at September 30, 2007, was \$190,093, an increase of \$72,313 from September 30, 2006. Accrued liabilities and payroll taxes payable increased slightly in 2007. Unfunded annual leave increased \$42,917 in 2007 from 2006. Unfunded annual leave represents approximately 51 percent of total agency liabilities.

Net Position is the difference between total assets and total liabilities. The total net position for fiscal year 2007 decreased by \$958,785 from fiscal year 2006.

Analysis of Statement of Net Cost

The Statement of Net Cost shows the net cost of operations for the agency, and it is broken out between OSHRC's two major programs, Administrative Law Judge and Commission. The Total

net cost of operations in 2007 was \$11,140,424, an increase of \$157,599, or 1.4 percent, over the 2006 net cost of operations of \$10,982,825.

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in the agency's net position during the reporting period. The net position consists of two components, the unexpended appropriations and the cumulative results of operations. The Net Position decreased \$958,785 in 2007 from 2006, a change of approximately 24 percent.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources presents how the budgetary resources were made available and the status of the budgetary resources at the end of the reporting period. The total budgetary resources must always equal the total status of budgetary resources. For fiscal year 2007, OSHRC had total budgetary resources of \$12,588,985, which is \$329,124 less than in 2006.

Management Assurances

Systems, Controls, and Legal Compliance

The Review Commission is in compliance with the Federal Managers Financial Integrity Act and OMB Circular A-123, Management's Responsibility for Internal Control. The system of internal controls for this agency is functioning well. It provides reasonable assurance as to the efficiency and effectiveness of programs and operations, reliability of financial and performance information, and compliance with laws and regulations. These controls satisfy the requirements of the Federal Managers' Financial Integrity Act.

The Occupational Safety and Health Review Commission is a small agency and does not have a separate Inspector General Office. Therefore, the Review Commission's management team assumes the responsibility for assessing the Agency's internal operations and determining if there are any weaknesses that need correction. In FY 2007, two program reviews took place: an audit of FY 2007 financial statements, and an audit of computer and information security.

The Review Commission has had biennial, and more recently, annual audits of its financial statements, including reviews of the adequacy of the Review Commission's internal control systems. The Review Commission has received an unqualified opinion for each financial audit conducted, including FY 2006.

With regard to financial management, the National Finance Center (NFC) provided payroll services, and the Bureau of Public Debt (BPD) provided accounting, disbursement, and financial

statement preparation services for the agency. Accordingly, certain aspects of the Review Commission's financial management system are largely influenced by the practices and procedures of the NFC and the BPD.

In addition to the practices and procedures of the NFC and BPD, the Review Commission has established certain internal controls and procedures that safeguard assets and ensure that obligations and disbursements are made consistent with management's direction. For example, BPD reports are reviewed and reconciled to assure that the agency's obligation and disbursement actions are properly recorded and that the year end financial statements are correctly stated. The agency's Budget and Finance Office also prospectively certifies funds availability for all payments and conducts periodic reviews of internal systems including travel, payroll, and procurement.

The financial audit resulted in an "unqualified" opinion with no reported material weaknesses or other significant deficiencies. Generally, the system of internal controls for this Agency is functioning well. It provides reasonable assurance as to the efficiency and effectiveness of programs and operations, reliability of financial and performance information, and compliance with laws and regulations. These controls satisfy the requirements of the Federal Managers' Financial Integrity Act. As previously mentioned, the Review Commission has had biennial, and more recently, annual audits of its financial statements, including reviews of the adequacy of the Review Commission's internal control systems. The Review Commission has received an unqualified opinion for each audit conducted.

The Review Commission contracts with the Treasury Franchise Fund, Administrative Resource Center, (Bureau of Public Debt (BPD)), for accounting, disbursement, and travel services and with the National Finance Center for payroll and personnel services. In addition to the Agency's internal controls and procedures that safeguard assets and ensure that obligations and disbursements are made consistent with management's direction, the BPD and the National Finance Center have established practices and procedures that assure appropriate internal controls. The two agencies' internal control systems are evaluated independently.

Since FY 2003, the Review Commission has contracted for annual independent evaluations of its computer and information security programs, consistent with the Federal Information Security Management Act (December 17, 2002) which was signed into law as part of the E-Government Act (Public Law 107-347). These evaluations are conducted under the requirements of the *Government Information Security Reform Act* (the predecessor to *Federal Information Security Management Act (FISMA)*), as well as the Office of Management and Budget's (OMB) implementing guidelines, and National Institute of Standards and Technology (NIST) guidance.

As a follow-up to the FY 2006 audit, as well as the current one, both of which revealed a material weakness in policies and procedures, specifically in Certification and Authorization (C&A), OSHRC is updating all security processes, including the continuity of operations plan (COOP), the system security plan and security plan to comply with NIST standards. This

process, as described below, will resolve the material weakness and should be completed during FY 2008.

The executive summary for the current (FY 2007) FISMA Program Review Report reveals that the Review Commission continues to take steps to enhance its computer security posture. In August 2007, the agency performed a review of its continuity of operations plan (COOP), which indicated that the plan requires revision to incorporate new technologies and to adapt communication and coordination procedures to adjust to newly identified threats to continuity of operations. OSHRC is in the process of making these and other necessary revisions. In the interim, the existing plan has been tested successfully annually, and has been updated through supplemental procedures and policies to implement recommendations made by the independent evaluators, implement the plan of action and milestones established by the agency, and to otherwise assist in strengthening the security of agency programs and applications.

The provisions of the security policy directive apply to all Review Commission employees and contractors who use our computer and network systems or gain access to our computer generated information. In addition to establishing and separating roles and responsibilities for the agency-wide security program, the plan addresses issues relating to all aspects of computer systems security. The plan also elaborates on day-to-day safeguards, rules of the system, accessibility, software licensing, user responsibilities, business continuity in the event of system failure, incidents responses, training, personnel controls, and security incident reporting.

The agency's information security program will, at a minimum, continue to implement appropriate recommendations made by the independent evaluator; incorporate performance measures to ensure that the security plan is practiced throughout the life cycle of the agency's system; establish additional personnel controls for sensitive information; monitor procedures for program effectiveness and compliance with security requirements; assure that systems and applications operate effectively and provide appropriate confidentiality, integrity and availability; and protect information commensurate with the level of risk and magnitude of harm resulting from loss, misuse, unauthorized access, or modification.

Performance Data Verification

For each strategic goal and its related objectives, the Review Commission formulated performance measures and numerical annual targets, whenever possible. A few measures are necessarily qualitative in nature. Case processing and adjudication measurements are used for several objectives contained in our Public Service Goal. Most of the data related to the Public Service Goal resides in the Review Commission's case management/tracking system. In FY 2007, each of the approximately 2,000 new cases filed with the agency was entered into the case management system, and progress on all cases was tracked. In order to assure the quality of the data, management periodically reviews the information in the case management/tracking system. The agency conducts test runs of the data to ensure that information is entered and updated on a

timely basis. Semi-annual and annual reviews are conducted by the appropriate managers to ensure the accuracy of the data, to monitor performance goals and progress, and produce reports. The reports are used to assess workload and make workload adjustments, when necessary. At the end of the year, this data is used by the offices to measure performance related to the goal and improve management.

Limitations of the Financial Statements

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

The statements have been prepared from the books and records of the Review Commission in accordance with generally accepted accounting principles (GAAP) for Federal entities and formats prescribed by the Office of Management and Budget (OMB). The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.