

Chemical Safety and Hazard Investigation Board



Performance and Accountability Report

Fiscal Year 2006

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MESSAGE FROM THE CHAIRMAN

The Chemical Safety and Hazard Investigation Board (CSB) had a busy and productive year in fiscal year (FY) 2006. The CSB completed seven safety products, including two full investigations, three case studies, and two safety bulletins. These products included a total of 55 recommendations for promoting chemical safety and hazard reduction. In addition, the CSB closed 72 recommendations from previous investigations, significantly more than in any prior year.

In FY 2006 the CSB began producing safety videos, which use advanced computer animation to explain in just a few minutes precisely how a major chemical accident occurred. The videos present the specific findings and recommendations from CSB reports and feature interviews with CSB Board Members and investigators discussing appropriate good safety practices to follow.

The initial videos generated more than 450,000 website hits during the first eight months they were offered as streaming content over the internet, and the CSB received thousands of requests for DVD copies of the videos from safety officials throughout the world. Hundreds of unsolicited testimonials from industry have told of how the videos are already being used to design safer processes, educate workers, teach investigative methods, and promote awareness of specific life-threatening hazards.

I am pleased to present the CSB's Performance and Accountability Report for FY 2006, prepared under the guidance from the Office of Management and Budget (OMB). This Performance and Accountability Report contains a selection of performance information; the CSB's financial statements, as required by the Accountability of Tax Dollars Act of 2002; and a report on the Board's material weaknesses, as required by the Federal Managers' Financial Integrity Act (FMFIA).

The information provided in this report serves as a mechanism for fiscal and programmatic accountability. It is an accounting to the American people on our stewardship of the funding we received from them in FY 2006 to fulfill our mission. The performance results contained in this report, taken as a whole, summarize our success in achieving the performance goals we established for FY 2006. The CSB continues to aggressively improve our performance planning practices to ensure our goals are results driven and oriented toward achieving specific desired outcomes.

Leon Snead & Company, P.C. an Independent Public Accounting firm, has audited the CSB's FY 2006 consolidated financial statements included in this report and has issued an unqualified (clean) opinion indicating that our statements present fairly the CSB's financial position. This achievement demonstrates both our continued dedication to sound financial management and the reliability of the financial data upon which we base our critical decisions.

The FMFIA requires the CSB to annually evaluate its management controls and identify any material weaknesses. This requirement covers all of the CSB's programs and administrative functions. As we work to serve the American people, we must administer our programs as efficiently and economically as possible. To do this, we rely on our system of management controls to provide reasonable assurance that our financial activities comply with applicable laws, our items of value are safeguarded, and our operations are accounted for properly.

Based on internal and external evaluations, and knowledge gained from daily operations, I am able to certify with reasonable assurance that the CSB is in compliance with the provisions of the FMFIA.

A handwritten signature in blue ink that reads "Carolyn W. Merritt". The signature is written in a cursive, flowing style.

Carolyn W. Merritt
Chairman

November 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

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

The Board does not issue citations or fines but does make safety recommendations to plants, industry organizations, labor groups, and regulatory agencies such as OSHA and EPA.

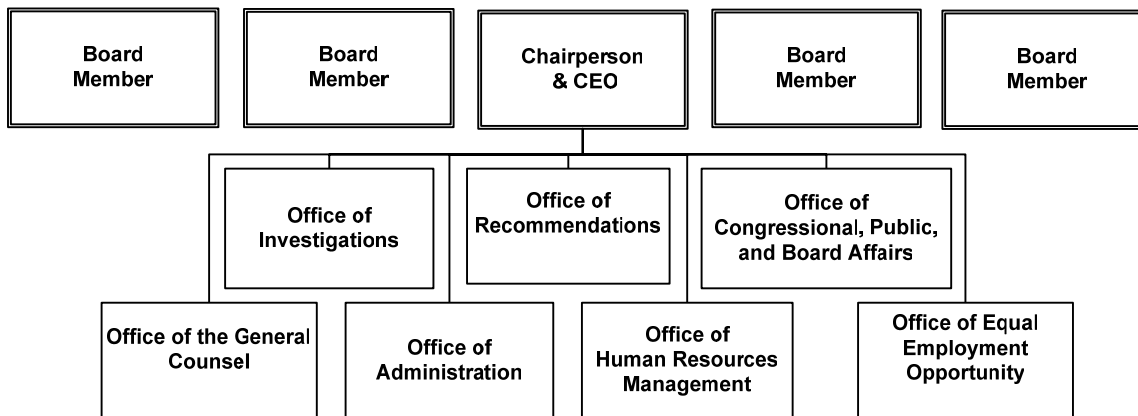
This discussion and analysis provides a concise overview of CSB. For detailed information visit our website at www.csb.gov.

Mission and Organizational Structure

The mission of the CSB is to investigate chemical accidents and hazards, recommending actions to protect workers, the public and the environment. Our independent, scientific investigations bolster efforts by government, industry, labor, and communities to prevent chemical accidents.

The CSB began operations in fiscal year (FY) 1998, is headquartered in Washington, DC, and has no regional offices. The CSB is governed by its Board, which consists of five Presidentially appointed members who are confirmed by the Senate. One of the Board members serves as the Chairperson and Chief Executive Officer (CEO) of the agency. As of September 30, 2006, there were five appointed Board members, including the Chairperson and a professional staff of 38. The following is the CSB's organizational chart, which was effective for FY 2006.

U.S. Chemical Safety and Hazard Investigation Board
Organizational Chart



Performance Goals, Objectives, and Results

In continuing work towards our mission to promote the prevention of chemical accidents, the CSB developed an action plan for FY 2006. The specific goals of the action plan were to:

- **Goal #1:** Produce timely, high quality investigation reports, bulletins and studies and use them as a basis for effective prevention recommendations.
- **Goal #2:** Achieve wide industry implementation of CSB recommendations and related accident prevention measures.
- **Goal #3:** Maintain a high-performing work environment to ensure effective mission accomplishment.

Goal #1 Accomplishments (Produce timely, high quality investigation reports, bulletins and studies and use them as a basis for effective prevention recommendations)

In FY 2006, the CSB continued to emphasize investigations and safety. During FY 2006, CSB completed the following incident investigations:

- **MFG Chemical.** On April 12, 2004, a chemical reactor overheated at the MFG Chemical manufacturing plant, releasing toxic allyl alcohol vapor. The resulting cloud sent 154 people to a local hospital and forced the evacuation of nearby residents. Vegetation and aquatic life near the plant died. The CSB report noted serious challenges that occurred during the emergency response, resulting from the lack of emergency planning and of necessary protective equipment among local fire and police personnel. The CSB recommended improved chemical emergency planning and preparedness by the local and state authorities.

- **Sterigenics.** On August 19, 2004 an explosion occurred inside an ethylene oxide sterilization chamber and an associated thermal oxidizer at the Sterigenics facility in Ontario, California. The explosion injured four workers and heavily damaged the facility. The CSB issued a final report, which urged that national fire codes be modified to provide greater safeguards against explosions at sterilization facilities. In addition, the CSB produced a video on this investigation that has been in demand by major firms that use flammable gases.
- **Giant.** On April 8, 2004, four workers were seriously injured when highly flammable gasoline components were released and ignited at the Giant Industries Ciniza refinery, east of Gallup, New Mexico. The release occurred as maintenance workers were removing a malfunctioning pump from the refinery's hydrofluoric acid (HF) alkylation unit. Unknown to personnel, a shut-off valve connecting the pump to a distillation column was apparently in the open position, leading to the release of these flammable components and resulted in subsequent explosions. The CSB issued a case study that called attention to a valve design that gave misleading feedback information to maintenance personnel about whether the valve was safely closed.
- **Marcus.** On December 3, 2004 a storage tank failed catastrophically at the Marcus Oil and Chemical polyethylene wax facility in Houston. The blast, which was felt up to 20 miles from the plant site, ignited large fires that burned for several hours, and two firefighters were injured during the emergency response. Off-site buildings near the facility - including two churches, a house, and a social club - exhibited structural damage, such as broken windows and cracked walls. The CSB issued a case study that noted uninspected, defective welds had weakened the pressure vessel and led to the explosion. The CSB called on the local authorities to adopt national standards for pressure vessels and to develop an inspection program for repaired or modified vessels.
- **Formosa (Texas).** On October 6, 2005 a forklift towing a trailer collided with a line containing highly flammable liquid propylene, causing a release and a vapor cloud explosion. Sixteen workers were injured, the process unit was heavily damaged, and a nearby school was evacuated. The CSB issued a case study on the accident, urging industry to use vehicle collision barriers, automatic shutoff valves, more extensive fireproofing of structures, and flame-resistant clothing to prevent or mitigate similar accidents in the future. The CSB also produced a video on this investigation that has been in demand from chemical, oil, and engineering design firms.
- **Acetylene Service Company.** On January 25, 2005, a gas explosion killed three workers at the Acetylene Service Company plant in Perth Amboy, NJ. The blast originated in a wooden shed located near six large storage tanks that received liquid waste from the plant's acetylene generating system. The CSB released a safety bulletin and a safety video explaining good practices to prevent similar accidents. The CSB called on the U.S. Occupational Safety and Health Administration to update its safety standard for acetylene handling and on the

manufacturer of a check valve involved in the accident to alert its customers of the accident and to replace unreliable valves. In addition, the CSB produced a video on the investigation and participated in a web based seminar for Chemical Engineering Magazine.

- **Praxair.** On June 24, 2005 fire swept through thousands of flammable gas cylinders at the Praxair gas repackaging plant in St. Louis, Missouri. Dozens of exploding cylinders were launched into the surrounding community and struck nearby homes, buildings, and cars, causing extensive damage and several small fires. The CSB issued a safety bulletin urging industry to follow safe storage practices for gas cylinders, such as avoiding direct sunlight, using fire suppression systems, and erecting barriers to confine exploding gas cylinders. The CSB recommended that national standards for relief valves on propylene cylinders be modified to provide a greater margin of safety. The CSB also produced a video on this investigation that has been in demand and distributed to hundreds of other gas cylinder facilities in urban areas throughout the United States.

In addition to the Formosa investigation, the CSB launched the following five new incident investigations in FY 2006:

- **Valero.** CSB investigators deployed to the Valero refinery in Delaware City, Delaware, where two workers were asphyxiated by nitrogen during a maintenance turnaround on a process vessel. Previously, the CSB issued a safety bulletin on the hazards of nitrogen asphyxiation, identifying 80 U.S. deaths over a recent eleven-year period.
- **Bethune.** A CSB investigative team was sent to the Bethune Point wastewater treatment plant operated by the City of Daytona Beach, Florida, where two municipal workers died in an explosion and fire as they performed hot work near a flammable methanol storage tank. The CSB investigation is focused on safety standards for municipal employees and on the design of the storage tank, which released its entire contents following the initial blast.
- **Synthron.** CSB investigators were deployed to Morganton, North Carolina, where an explosion caused by an uncontrolled chemical reaction that fatally burned one worker and injured a dozen others. The facility, which produced batch chemicals, was completely destroyed and damage occurred to a nearby church and to passing vehicles. The plant was not rebuilt and all associated jobs were lost.
- **Partridge Raleigh.** A CSB team began an investigation of an explosion and fire at an oil production facility outside of Jackson, Mississippi, which killed three contract workers and seriously injured a fourth. The explosion occurred as welding took place on a crude oil storage tank, when flammable vapors ignited. The CSB investigation focuses on safety practices in the oil and gas production sector, which has a significantly elevated rate of worker deaths and injuries.

- **Universal Form Clamp.** Investigators were deployed to a Chicago-area construction products manufacturer, where an explosion and fire killed a driver and injured five others. The explosion occurred while workers heated and mixed flammable solvents in an open-top tank. The investigation is examining the adequacy of codes and standards governing this apparently unsafe practice.

The CSB also continued investigating the tragic explosion at the BP Texas City refinery that took place on March 23, 2005. This was the worst chemical accident in the U.S. in over a decade. The accident took 15 lives and injured more than 180 others. The accident happened as operators restarted an octane-boosting isomerization unit, inadvertently overfilling a distillation tower, and causing a geyser-like release of highly flammable hydrocarbons from a nearby stack. The resulting explosions killed and injured personnel located in nearby trailers, which were flattened by the blasts.

From the beginning of the investigation, the Board recognized that the Texas City accident revealed important lessons of interest throughout the industry. The CSB conducted six news conferences to update the public and the stakeholder communities about the findings from the investigation, and made available over the Internet a five-minute video narrated by the CSB's lead investigator that used computer animation to depict the precise sequence of events that led to the explosions.

Goal #2 Accomplishments (Achieve wide industry implementation of CSB recommendations and related accident prevention measures)

Investigation report recommendations are an important tool for promoting chemical safety. Each recommendation has one or more specific recipients, who are the parties best able to carry out the recommended action to improve safety. Once CSB has issued a recommendation, our staff encourages implementation, ensures they are effectively communicated to the recipient(s), together with any needed justification or explanation, and tracks them to completion. In FY 2006, the CSB issued a total of 55 recommendations. The CSB also closed 72 recommendations in FY 2006, a significant increase over the 54 recommendations closed in FY 2005.

The CSB continued monitoring progress on its first "urgent" recommendation, issued late in FY 2005. The CSB urged BP's Global Board of Directors to commission an independent panel to examine safety management systems, culture, and oversight at the company's five North American refineries in Ohio, Washington, Indiana, California, and Texas. Early in FY 2006, BP announced the appointment of the panel, chaired by former U.S. Secretary of State James A. Baker III. As recommended by the CSB, the panel included ten other members with diverse and distinguished backgrounds in process safety, nuclear safety, aviation, and other fields. The panel held public meetings at the five BP refinery locations in the U.S., audited the safety practices at all five locations, surveyed the attitudes and beliefs of thousands of BP employees, conducted interviews of hundreds of employees, and reviewed thousands of documents. The final report and recommendations of this panel are expected at the end of November 2006.

Early in FY 2006, the CSB issued two new urgent safety recommendations calling on the petrochemical industry to establish new policies for the siting of trailer and other temporary structures away from hazardous process areas. At BP's Texas City refinery, all of the deaths and most of the injuries resulted from positioning trailers too close to the operating isomerization unit. Responding to the urgent recommendation, the American Petroleum Institute immediately convened an industry panel to develop new trailer siting guidance.

In FY 2006 the CSB began producing safety videos, which use advanced computer animation to quickly and succinctly explain precisely how a major chemical accident occurred. The videos feature interviews with CSB Board Members and investigators who discuss appropriate good safety practices for all similar companies to follow. Safety videos quickly became the leading product for communicating the CSB's investigative findings, safety information, and recommendations. Hundreds of stakeholders have written the CSB requesting DVD copies and stating that the videos are used to design safer processes, educate workers, teach investigative methods, and promote awareness of specific life-threatening hazards.

Along with these Board actions, individual Board members and staff discussed investigation findings and recommendations at over 100 business, labor, and public interest group meetings.

Goal #3 Accomplishments (Maintain a high-performing work environment to ensure effective mission accomplishment.)

Late in FY 2005, the CSB awarded a contract to implement an electronic records management solution for investigation case files. In FY 2006, software was installed, and investigation staff was trained on the electronic records management program. The program effectively allows investigators and others to easily index, search, and retrieve investigation files electronically. In FY 2006, the CSB successfully cataloged all open FY 2006 investigation files and a few open FY 2005 investigation files. In addition, the CSB awarded a contract to scan all remaining investigation case files so they can be added to the electronic records management database.

The CSB's strategic plan for FY's 2004 through 2008 continues to recognize that high performing employees are essential to the accomplishment of our critical mission. The plan builds on this foundation and focuses on improving the training, performance, productivity, and satisfaction of our dedicated workforce.

The CSB has worked throughout FY 2006 implementing the long-term human capital plan. The principle accomplishment being the selection of three new supervisors for the Office of Investigations. The Office of Investigations now has three supervisor teams, in place in FY 2007. Additionally, we placed more emphasis on writing as it was identified as a core competency for investigators. The CSB implemented a five month writing course that all investigators completed in FY 2006. Late in FY 2006 the CSB developed investigation protocol training materials and awarded a contract to implement additional core competency training for the investigation teams

Challenges

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

President's Management Agenda

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

Strategic Management of Human Capital

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

The CSB's strategic plan for FY's 2004 through 2008 continues to recognize high performing employees as essential to accomplishing our mission. As discussed in our Performance Report under Goal 3, the CSB has worked throughout FY 2006 on the implementing the long-term human capital plan. Accomplishments include the creation of a three investigation team structure that will allow the investigation teams to work more efficiently. Additionally, the CSB conducted a writing course for all investigators to improve their skills in this critical area.

Competitive Sourcing

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

As a micro-agency with very small staff and resources, the CSB continuously evaluates services of employees and contractors to determine whether recurring commercial activities should be operated under contract with commercial sources, in-house using

CSB facilities and personnel, or through interagency agreements with other Federal agencies.

Improved Financial Performance

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

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

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

Expanded Electronic Government

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

The CSB's website continuously provides citizens with online research tools, including access to our publications, recommendations database, and safety videos that present the specific findings and recommendations from our investigations. Videos were first offered as streaming content in FY 2006, and have a positive effect on chemical safety as initial videos generated more than 450,000 website hits (or visits) during the first eight months of this program.

The CSB, through agreements with other federal agencies, processes its procurement, travel, and timekeeping activities through web-based systems. The CSB uses GovTrip, an E Government initiative that supports the entire government travel process, which includes authorizing travel, calculating and approving reimbursements, and archiving data. The CSB also uses web-based training for annual procurement and ethics training for its employees.

Budget and Performance Integration

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

The investigation of chemical incidents and promoting their prevention through recommendations and public information are the CSB's primary activities. Our financial and timekeeping systems are designed to provide managers with information on the costs of investigations, both in terms of dollar and staff time investments. In FY 2006 we furthered our efforts to accurately report on investigation costs, both through routine monthly reports and ad-hoc reports to address specific issues.

Analysis of Financial Statements

CSB's financial statements have been prepared to report the financial position and results of operations of the CSB, pursuant to the requirements of the Accountability of Tax Dollars Act of 2002. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing. The following chart summarizes the CSB's budget and outlays since FY 2004.

CSB's Budget and Outlays (Dollars in Thousands)

Fiscal Year	Budget*	Outlays
2006	\$9,065	\$8,850
2005	9,027	8,680
2004	8,201	7,791

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

Limitations of the Financial Statements

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

These statements should be read with the understanding that CSB is a component of the United States Government, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the Federal Government can abrogate the payment of all liabilities other than contracts. Finally, CSB outsourced a major portion of its accounting function to the Bureau of the Public Debt, which prepared the financial statements.

* Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2006 the Emergency Fund had not been used and had a balance of \$844,000.

Systems, Controls, and Legal Compliance

CSB is cognizant of the importance of establishing and maintaining adequate controls for the programs and administrative functions for which it is responsible. Our management team is developing, implementing, evaluating, and modifying our controls to provide reasonable assurance that we have adequate accountability of our resources. In addition, given the small size of CSB, we determined it to be more cost effective to obtain accounting, personnel, and procurement services from outside sources, which also provides an additional level of controls.

Based on internal and external evaluations, and knowledge gained from daily operations, our controls provide reasonable assurance that our resources are safeguarded and properly managed. CSB Board members and managers continue to emphasize the importance of internal controls, and evaluate and enhance them as necessary.

FINANCIAL REPORT

A Message from the Chief Financial Officer

The CSB recognizes the significance of accountability and public disclosure. This report is a demonstration of our obligation to fulfill our fiduciary responsibilities to the American taxpayers.

I am pleased to present the CSB's financial statements for FY's 2006 and 2005. This year an independent public accounting firm (Leon Snead & Company, P.C.) issued an unqualified ("clean") opinion on the CSB's financial statements. A clean opinion is the best possible audit outcome, and is consistent with opinions issued since the CSB's first full financial audit was conducted in FY 2001.

These financial statements fairly present the CSB's financial position and were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America and formats prescribed by the OMB.



Elizabeth A. Robinson
Chief Financial Officer

November 15, 2006



U. S. Chemical Safety and Hazard Investigation Board

Office of Inspector General
Washington, D.C. 20460

November 14, 2006

MEMORANDUM

SUBJECT: Audit of U.S. Chemical Safety and Hazard Investigation Board's
Fiscal 2006 and 2005 Financial Statements

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

TO: Carolyn W. Merritt
Chairman

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) Fiscal 2006 and 2005 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002.

The independent public accounting firm of Leon Snead & Company, P.C., performed the audit of the CSB financial statements as of and for the years ended September 30, 2006 and 2005. 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 06-03, *Audit Requirements for Federal Financial Statements*; and the *Financial Audit Manual* of the Government Accountability Office/President's Council on Integrity and Efficiency.

Leon Snead & Company, P.C., is responsible for the attached auditor's report dated October 27, 2006, and the conclusions expressed in the report. We do not express opinions on CSB's financial statements or internal controls, or on whether CSB's financial management systems substantially complied with the Federal Financial Management Improvement Act; or conclusions on compliance with laws and regulations.

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

Attachment



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Inspector General, United States Chemical Safety and Hazard Investigation Board
Chairperson, United States Chemical Safety and Hazard Investigation Board

Independent Auditor's Report

We have audited the balance sheets of the Chemical Safety and Hazard Investigation Board (CSB), as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, and financing (the financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the internal control over financial reporting, and tested the CSB's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we found that CSB's financial statements, as of and for the years ended September 30, 2006 and 2005, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, we noted no material weaknesses involving the internal control over financial reporting.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

The following sections discuss our opinion on the CSB's financial statements, our consideration of the CSB's internal control over financial reporting, our tests of the CSB's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the CSB, as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, and financing for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and financing of the CSB, as of and for the years ended September 30, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis section is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America, or OMB Circular No. 136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information, and analysis of the information for consistency with the financial statements. However, we did not audit the information and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

We noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instances of

noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards*, and OMB Bulletin No. 06-03.

RESPONSIBILITIES

Management Responsibilities

Management of the CSB is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining and assessing internal control to provide reasonable assurance that the broad control objectives of the *Federal Managers' Financial Integrity Act* (FMFIA) are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

Auditor Responsibilities

Our responsibility is to express an opinion on the fiscal year 2006 and 2005 financial statements based on our audits. 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. 06-03. 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: (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management; and (3) evaluating that our audits provide a reasonable basis for our opinion. We believe our audits provide a reasonable basis for our opinion.

In planning and performing our audit, we considered the CSB's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not express an opinion, thereon.

As required by OMB Bulletin No. 06-03, with respect to internal control related to performance measures determined by management to be key and reported in Management's Discussion and Analysis, we obtained an understanding of the design of

significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether CSB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 06-03. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the CSB. 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.

Under OMB Bulletin No. 06-03, auditors are generally required to report whether the agency's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level specified in *Federal Financial Management Improvement Act (FFMIA)*. The Accountability of Tax Dollars Act, which requires CSB to prepare and submit audited financial statements to Congress, and the Director of OMB, did not extend to CSB the requirement to comply with FFMIA. Consequently, we did not test, nor are we reporting on, the CSB's compliance with FFMIA.

DISTRIBUTION

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

Leon Snead & Company, P.C.
Leon Snead & Company, P.C.
October 27, 2006

CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2006 AND 2005**

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**CHEMICAL SAFETY AND
HAZARD INVESTIGATION BOARD
BALANCE SHEETS
As of September 30, 2006 and 2005
(In Dollars)**

	2006	2005
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 4,001,571	\$ 3,927,630
Total Intragovernmental	4,001,571	3,927,630
Accounts Receivable, Net (Note 4)		816
General Property, Plant and Equipment, Net (Note 3)	628,676	688,848
Other (Note 5)	59,000	59,000
Total Assets	\$ 4,689,247	\$ 4,676,294
 LIABILITIES		
Intragovernmental:		
Accounts Payable (Note 7)	\$ 6,274	\$ -
Other (Note 7)	38,524	32,495
Total Intragovernmental	44,798	32,495
Accounts Payable (Note 7)	192,408	187,321
Other (Note 7)	588,016	604,779
Total Liabilities	\$ 825,222	\$ 824,595
 NET POSITION		
Unexpended Appropriations	\$ 3,532,101	\$ 3,396,962
Cumulative Results of Operations	331,924	454,737
Total Net Position	\$ 3,864,025	\$ 3,851,699
Total Liabilities and Net Position	\$ 4,689,247	\$ 4,676,294

The accompanying notes are an integral part of these statements.

**CHEMICAL SAFETY AND
HAZARD INVESTIGATION BOARD
STATEMENTS OF NET COST
For the Fiscal Years Ended September 30, 2006 and 2005
(In Dollars)**

	2006	2005
PROGRAM COSTS		
Salaries and Expenses		
Gross Costs	\$ 9,166,667	\$ 9,020,238
Net Program Costs	9,166,667	9,020,238
Net Cost Of Operations (Note 9)	\$ 9,166,667	\$ 9,020,238

The accompanying notes are an integral part of these statements.

**CHEMICAL SAFETY AND
HAZARD INVESTIGATION BOARD
STATEMENTS OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2006 and 2005
(In Dollars)**

	<u>2006</u>	<u>2005</u>
Cumulative Results of Operations:		
Beginning Balances	\$ 454,737	\$ 515,574
Budgetary Financing Sources:		
Appropriations Used	8,788,373	8,699,783
Other Financing Sources (Non-Exchange):		
Imputed Financing	<u>255,481</u>	<u>259,618</u>
Total Financing Sources	9,043,854	8,959,401
Net Cost of Operations	<u>9,166,667</u>	<u>9,020,238</u>
Net Changes	<u>(122,813)</u>	<u>(60,837)</u>
Cumulative Results of Operations	<u>\$ 331,924</u>	<u>\$ 454,737</u>
Unexpended Appropriations:		
Beginning Balances	\$ 3,396,962	\$ 2,779,739
Budgetary Financing Sources:		
Appropriations Received	9,200,000	9,500,000
Other Adjustments (recissions, etc)	(276,488)	(182,994)
Appropriations Used	<u>(8,788,373)</u>	<u>(8,699,783)</u>
Total Budgetary Financing Sources	<u>135,139</u>	<u>617,223</u>
Total Unexpended Appropriations	<u>3,532,101</u>	<u>3,396,962</u>
Net Position	<u>\$ 3,864,025</u>	<u>\$ 3,851,699</u>

The accompanying notes are an integral part of these statements.

**CHEMICAL SAFETY AND
HAZARD INVESTIGATION BOARD
STATEMENTS OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2006 and 2005
(In Dollars)**

	2006	2005
BUDGETARY RESOURCES:		
Unobligated Balance Brought Forward, October 1	\$ 1,953,311	\$ 1,475,917
Recoveries of Prior Year Unpaid Obligations	152,200	259,249
Budget Authority:		
Appropriations	9,200,000	9,500,000
Permanently Not Available	276,488	182,994
Total Budgetary Resources	\$ 11,029,023	\$ 11,052,172
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred:		
Direct	\$ 9,142,037	\$ 9,098,861
Unobligated Balance:		
Apportioned	850,327	885,718
Unobligated Balance Not Available Other	1,036,659	1,067,593
Total Status of Budgetary Resources	\$ 11,029,023	\$ 11,052,172
CHANGE IN OBLIGATED BALANCE:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 1,974,319	\$ 1,815,042
Total Unpaid Obligated Balance, Net	1,974,319	1,815,042
Obligations Incurred	9,142,037	9,098,861
Gross Outlays	8,849,571	8,680,335
Recoveries of Prior-Year Unpaid Obligations, Actual	152,200	259,249
Obligated Balance, Net, End of Period		
Unpaid Obligations	2,114,585	1,974,319
Total Unpaid Obligated Balance, Net, End of Period	\$ 2,114,585	\$ 1,974,319
NET OUTLAYS		
Net Outlays:		
Gross Outlays	\$ 8,849,571	\$ 8,680,335
Less: Offsetting collections	-	-
Net Outlays	\$ 8,849,571	\$ 8,680,335

The accompanying notes are an integral part of these statements.

**CHEMICAL SAFETY AND
HAZARD INVESTIGATION BOARD
STATEMENTS OF FINANCING
For the Fiscal Years Ended September 30, 2006 and 2005
(In Dollars)**

	2006	2005
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,142,037	\$ 9,098,861
Less: Spending Authority from Offsetting Collections and Recoveries	152,200	259,249
Obligations Net of Offsetting Collections and Recoveries	8,989,837	8,839,612
Other Resources		
Imputed Financing from Costs Absorbed by Others	255,481	259,618
Net Other Resources Used to Finance Activities	255,481	259,618
 Total Resources Used to Finance Activities	 \$ 9,245,318	 \$ 9,099,230
 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	\$ 201,463	\$ 139,829
Resources That Fund Expenses Recognized in Prior Periods	(816)	17,666
Resources That Finance the Acquisition of Assets	193,607	171,658
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	394,254	329,153
 Total Resources Used to Finance the Net Cost of Operations	 \$ 8,851,064	 \$ 8,770,077
 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	\$ 58,810	\$ -
Other	3,016	-
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	61,826	-
Components Not Requiring or Generating Resources		
Depreciation and Amortization	253,777	250,977
Other	-	(816)
Total Components of Net Cost of Operations That will not Require or Generate Resources	253,777	250,161
 Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	 315,603	 250,161
 NET COST OF OPERATIONS	 \$ 9,166,667	 \$ 9,020,238

The accompanying notes are an integral part of these statements.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, status and availability of budgetary resources, and the reconciliation between proprietary and budgetary accounts of the Chemical Safety and Hazard Investigation Board (CSB). The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of CSB in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and CSB accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control CSB's use of budgetary resources.

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

B. Reporting Entity

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

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

C. Basis of Accounting

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

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

D. Revenues & Other Financing Sources

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating and capital expenditures. Appropriations are recognized as a financing source when expended. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations.

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

E. Fund Balance with Treasury

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

F. Accounts Receivable

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

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

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

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

H. Advances and Prepaid Charges

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

I. Liabilities

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

J. Accounts Payable

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

K. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used.

L. Retirement Plans

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

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

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

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

M. Use of Estimates

Management has made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. Actual results could differ from these estimates.

N. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. CSB recognized imputed costs and financing sources in fiscal years 2006 and 2005 to the extent directed by OMB.

O. Expired Accounts and Cancelled Authority

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

P. Contingencies

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)***

Q. Reclassification

Certain fiscal year 2005 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 2. FUND BALANCE WITH TREASURY

	<u>2006</u>	<u>2005</u>
Fund Balances		
Appropriated Funds	<u>\$4,001,571</u>	<u>\$3,927,630</u>
Total Fund Balance	<u>\$4,001,571</u>	<u>\$3,927,630</u>
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ 850,327	\$ 885,718
Unavailable	1,036,659	1,067,593
Obligated Balance not yet Disbursed	<u>2,114,585</u>	<u>1,974,319</u>
Total	<u>\$4,001,571</u>	<u>\$3,927,630</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.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 3. GENERAL PROPERTY, PLANT, AND EQUIPMENT

Schedule of Property, Plant, and Equipment as of September 30, 2006

<u>Description</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 711,505	\$ (434,809)	\$ 276,696
Internal Use Software	20,800	(5,778)	15,022
Office Furniture	520,021	(408,588)	111,433
Computer Equipment	768,850	(570,138)	198,712
Office Equipment	<u>76,892</u>	<u>(50,079)</u>	<u>26,813</u>
TOTALS	<u>\$ 2,098,068</u>	<u>\$ (1,469,392)</u>	<u>\$ 628,676</u>

Schedule of Property, Plant, and Equipment as of September 30, 2005

<u>Description</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 711,505	\$ (355,752)	\$ 355,753
Office Furniture	520,021	(334,299)	185,722
Computer Equipment	596,043	(484,869)	111,174
Office Equipment	<u>76,892</u>	<u>(40,693)</u>	<u>36,199</u>
TOTALS	<u>\$ 1,904,461</u>	<u>\$ (1,215,613)</u>	<u>\$ 688,848</u>

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Receivable Due from Employee	\$ -	<u>816</u>
Total Accounts Receivable	<u>\$ -</u>	<u>\$ 816</u>

NOTE 5. OTHER ASSETS

	<u>2006</u>	<u>2005</u>
Deposit on Leased Space	\$ 59,000	\$ 59,000
Total Other Assets	<u>\$ 59,000</u>	<u>\$ 59,000</u>

NOTE 6. OPERATING LEASE

CSB occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on October 1, 2000 and expires on September 30, 2010, with the renewal rights for an additional five years. Lease payments are increased annually based on the adjustments for operating cost and real estate taxes not to be increased by an amount greater than 2 percent of the Base Rental rate in effect for the prior lease year. In the sixth year of the lease the Base Rental Rate shall increase \$2.00 per square foot.

Schedule of Future Minimum Lease Payments

2007	\$ 736,000
2008	751,000
2009	766,000
2010	<u>781,000</u>
Total Future Minimum Lease Payments	<u>\$3,034,000</u>

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 7. LIABILITIES

The accrued liabilities for CSB 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 quarter-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to quarter-end but were not paid.

Schedule of Liabilities as of September 30,

	<u>2006</u>	<u>2005</u>
Intragovernmental		
Accounts Payable	\$ 6,274	\$ -
Unfunded FECA Liability	3,016	-
Payroll Taxes Payable	<u>35,508</u>	<u>32,495</u>
Total Intragovernmental	44,798	32,495
Accounts Payable	192,408	187,321
Payroll Accrual and Other	281,532	255,255
Unfunded Leave	293,736	234,926
Other Liabilities	<u>12,748</u>	<u>114,598</u>
Total Liabilities	<u>\$ 825,222</u>	<u>\$ 824,595</u>

NOTE 8. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on CSB's Balance Sheet as of September 30, 2006 and 2005, 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. Liabilities not covered by budgetary resources consist entirely of unfunded leave. Unfunded leave balances are \$293,736 and \$234,926 as of September 30, 2006 and 2005, respectively.

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	<u>2006</u>	<u>2005</u>
Intragovernmental costs	\$ 1,997,614	\$ 1,605,451
Public costs	<u>7,169,053</u>	<u>7,414,787</u>
Total net cost	<u>\$ 9,166,667</u>	<u>\$ 9,020,238</u>

NOTE 10. UNDELIVERED ORDERS AT THE END OF THE PERIOD

CSB's undelivered orders are \$1,645,114 and \$1,443,651 as of September 30, 2006 and 2005, respectively.

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

The 2008 Budget of the United States Government, with the Actual Column completed for fiscal year 2006, has not yet been published as of the date of these financial statements. The Budget is expected to be published and delivered to Congress in early February 2007. The 2007 Budget of the United States Government, with the Actual Column completed for 2005, has been reconciled.

NOTE 12. CUSTODIAL ACTIVITY

CSB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are not primary to the mission of CSB nor material to the overall financial statements. CSB's total custodial collections are \$0 and \$1,282 for the fiscal years ended September 30, 2006, and 2005, respectively.

PERFORMANCE REPORT

In FY 2003 the CSB updated its five-year strategic plan. This plan covers FY's 2004 to 2008, and serves as a guide in setting priorities, allocating resources, and making decisions. The plan sets the direction and foundation from which annual action plans are developed to assist with day-to-day operations and decision making. In continuing our work towards our mission to promote the prevention of chemical accidents, the goals of these plans are:

- **Mission Goal #1:** Produce timely, high quality investigation reports, bulletins and studies and use them as a basis for effective prevention recommendations.
- **Mission Goal #2:** Achieve wide industry implementation of CSB recommendations and related accident prevention measures.
- **Enabling Goal #3:** Maintain a high-performing work environment to ensure effective mission accomplishment.

The following is our progress in completing specific initiatives identified in the FY 2006 action plan.

Mission Goal #1: Produce timely, high quality investigations, reports, recommendations and other technical products.

Initiative	Status	Explanation
1. Deploy to 7 incidents and select 4 incidents for investigation.	Completed	Deployed to 9 incidents and selected 6 for investigation (Formosa 2, Valero, Bethune, Synthron, Partridge Raleigh, and Universal Form Clamp)
2. Complete products on 9 different investigations or issues, including: Nine investigations initiated in FY 2003 and 2004 (Dust Study, BP Texas City, Marcus Oil, Formosa, ASCO, MFG, DPC 2, Praxair, and Sterigenics).	Completed	Completed products on 7 different investigations (Giant, MFG, Sterigenics, Marcus, ASCO, Praxair, and Formosa 2). The number of products completed was less than the number planned, due in part to more deployments and new investigations than planned. In addition, the large volume of analysis required for the BP Texas City investigation delayed its projected completion into FY 2007.

Initiative	Status	Explanation
<p>3. Complete and implement revised investigation protocol:</p> <ul style="list-style-type: none"> a. Conduct training on new protocol. b. Conduct core competency training. c. Conduct writing training 	On-Going	<p>The Board Members approved the first part of the revised protocol and training materials were developed.</p> <p>Core competency training program is under development.</p> <p>Writing training was conducted and completed in FY 2006.</p>
<p>4. Establish a formal working relationship w/United Kingdom's Health & Safety Executive (HSE), France's Institute National de L'Environmental Industriel et des Risques, and the Republic of Korea's Occupational Safety and Health Agency (KOSHA) to enhance further development of investigative techniques</p>	Completed	<p>Representatives from HSE and France's Institute National de L'Environmental Industriel et des Risques were on detail at the CSB for 2 – 3 weeks in FY 2006. Finalized arrangements for a representative from KOSHA to be detailed to the CSB for 6 months in FY 2007.</p>
<p>5. Conduct two public meetings on the BP Texas City investigation, a public meeting on the MFG Chemical investigation and at least one other public hearing or meeting.</p>	Completed	<p>Conducted an interim public meeting on the BP Texas City investigation in Texas City. It was determined that other public meetings were not appropriate for other investigations, but press conferences were held near the incident site upon completion of the investigations.</p>

Mission Goal #2: Achieve wide implementation of CSB recommendations and related accident prevention measures.

Initiative	Status	Explanation
<p>6. Increase the percentage of implemented recommendations as follows:</p> <ul style="list-style-type: none"> a. Recommendations issued before 2002 to 90% b. Recommendations issued in 2002-03 to 60% c. Recommendations issued in 2004 to 60% d. Advance (e.g., to Open Acceptable) 40% of recommendations issued in 2005 	On Going	<p>Increased the percentage of implemented recommendations as follows:</p> <ul style="list-style-type: none"> • Recommendations issued before 2002 to 84% • Recommendations issued in 2002-03 to 60% • Recommendations issued in 2004 to 49% • Advanced 29% of recommendations issued in 2005 <p>In addition the CSB advanced 45% of the recommendations issued in FY 2006.</p>
<p>7. Conduct focused advocacy and outreach efforts by staff and Board to successfully implement selected recommendations with national preventive impact (e.g., reactivities recommendations, dust study recommendations, and others as needed).</p>	Completed	<p>Expedited the completion of the Praxair investigation, which included a recommendation on redesigning propylene relief valves. The CSB produced a video and held a news conference, which helped the recommendation receive national media coverage.</p> <p>In early FY 2006 the CSB issued two urgent safety recommendations related to the BP Texas City investigation. Responding to the urgent recommendation, the American Petroleum Institute immediately convened an industry panel to develop new trailer siting guidance. In June 2006 the CSB released detailed trailer blast damage information developed during the BP Texas City investigation to help expedite development of the new guidance.</p>

Initiative	Status	Explanation
<p>8. Promote the successful adoption and implementation of CSB’s urgent recommendation to BP and promote public and industry awareness of the effect of this recommendation.</p>	<p>On-Going</p>	<p>BP announced formation of independent panel (the Baker Panel) on October 24, 2005; and the Board voted to designate the recommendation as “open-acceptable.”</p> <p>The Chairperson testified November 10, 2006 before the panel in Houston and her statement was made public. The Chairperson also requested public meetings by the Baker Panel.</p> <p>The Baker Panel conducted public meetings on December 22, 2005 in Texas City and four additional public meetings were conducted throughout the country. In addition, the panel conducted process safety audits at BP’s North American refineries, conducted hundreds of interviews, and surveyed 75% of BP’s North American refinery workforce. They used a video of the CSB Chairperson to promote participation in the survey.</p>
<p>9. Implement focused outreach plans to widely disseminate CSB lessons beyond specific recipients from four investigations/studies (e.g., selected from dust safety study, MFG, West, CTA, Hayes, ASCO and Formosa investigations).</p>	<p>On-Going</p>	<p>More than 10,000 DVDs of CSB investigations were widely distributed through ACC, SOCMA, AIChE, web site, speeches, and targeted mailings to companies. The majority of DVDs were distributed based upon requests from organizations or individuals.</p>
<p>10. Improve coordination of outreach efforts across Agency, emphasizing the development and implementation of a plan to strategically select target venues for Board and staff speeches, presentations and publications.</p>	<p>Completed</p>	<p>Coordination of outreach efforts was consolidated into one CSB office. A database was established to track outreach activities, and to facilitate/coordinate them. In addition, numerous new venues for speeches successfully pursued. Board Members and staff made over 100 presentations during FY 2006.</p>

Initiative	Status	Explanation
<p>11. Clearly define the roles and tasks of the new Recommendations Team with regard to:</p> <ul style="list-style-type: none"> • The enhanced development of recommendations with national preventive impact from incident investigations and safety studies; and, • Development and implementation of outreach activities and expertise. 	Completed	<p>The Office of Recommendations was reorganized in FY 2006 to clarify roles and tasks of the Recommendations Team. The Office of Recommendations now consists of a manager and two staff, who primarily focus on communicating recommendations to recipients, encouraging implementation, and tracking them to completion.</p>
<p>12. Complete upgrade of Recommendations web page.</p>	Completed	<p>Recommendation web page now includes text and current status of all recommendations, basic statistics, search function, and links to individual report pages.</p>
<p>13. Publish and distribute a digest for each full accident investigation.</p>	Suspended	<p>In FY 2006, we determined that safety videos were a more effective way to disseminate investigation information than published digests, so work on digests was suspended.</p>
<p>14. Produce and disseminate up to 2 safety videos on CSB investigations, subject to funds availability.</p>	Completed	<p>Produced and disseminated 5 safety videos (BP Texas City, ASCO, Sterigenics, Praxair, and Formosa 2). Increased the number of videos produced due to the huge demand for this type of product.</p>

Enabling Goal #3: Maintain a high-performance work organization to ensure effective mission accomplishment.

Initiative	Status	Explanation
<p>15. Coordinate development and implementation of metrics for measuring progress toward achieving each Strategic Plan Goal (e.g., customer surveys for Goals 1 and 2, development of baseline employee satisfaction survey for Goal 3).</p>	<p>On-Going</p>	<p>A customer survey was prepared and was in the required public comment period at the end of FY 2006. The comment process will be completed in early FY 2007 and the CSB will request approval from OMB to conduct the customer survey.</p> <p>CSB employees participated in the Office of Personnel Management's (OPM) Governmentwide Employee Survey in FY 2006. Results of the survey are expected from OPM in FY 2007.</p>
<p>16. Develop and implement electronic records management for investigations.</p>	<p>Completed</p>	<p>CSB successfully implemented an electronic records management program and converted seven open investigation paper case files into the electronic database. The CSB also awarded a contract to scan in all remaining investigation case files.</p>
<p>17. Implement the safety and health (OS&H) program for structural safety and environmental monitoring, and investigator safety training.</p>	<p>On-Going</p>	<p>Contracts awarded for structural safety and environmental monitoring support. Ten new training program modules developed for OS&H Program. Monthly OS&H safety training schedule developed and training conducted. First Aid, Cardio Pulmonary Resuscitation, Blood Borne Pathogens, and Automated External Defibrillator (AED) programs established; AEDs purchased for office and field use; staff training completed. Occupant Emergency Plan revised and updated.</p>
<p>18. Develop and implement continuity of operations (COOP) plan.</p>	<p>On-Going</p>	<p>COOP Plan was developed, and the COOP team and alternate work site were identified in FY 2006. The COOP plan will be finalized and rolled out in early FY 2007</p>

Initiative	Status	Explanation
19. Implement the human capital strategy developed in FY 2005.	On-Going	The three supervisor teams for the Office of Investigations will be put in place for the start of FY 2007 with the selection of three new supervisors. The CSB will seek resources to fund a fourth investigation team in FY 2007. The CSB will also continue to implement other parts of the human capital strategy in FY 2007, including designating a training officer, implementing the core competency training program, and increasing the capacity to conduct safety studies.
20. Review and revise procurement Board order.	On Going	Began revision in FY 2006, but were unable to complete due higher priority projects. Will address in FY 2007
21. Develop Board order on annual operating budget.	On Going	Prepared a draft Board order on the annual operating budget, but will not be able to complete it until FY 2007.
22. Complete a long-term strategic space (physical infrastructure) plan.	On-Going	The Space Planning Team prepared a long-term strategic space plan, which will be presented to the Board in early FY 2007.
23. Develop Board order on roles and responsibilities for Board members.	On Going	Work began but could not be completed during FY 2006. This initiative is included in the FY 2007 action plan.

Agency Plans and Schedules for Improving Performance

The CSB is constantly working to improve the efficiency and effectiveness of its programs and initiatives. Annual action plans are designed to include “stretch goals”, to challenge the Board Members, managers, and staff to achieve the maximum results. The CSB has a strategic planning committee, consisting of senior managers, that meets throughout the year to monitor accomplishments and assess priorities.

Completeness and Reliability of Performance Data

Reported performance data is free from any material inadequacies in the completeness and reliability of the data. As a small agency, the CSB can readily monitor and report on its actual performance in achieving its goals.

Fiscal Year Coverage

CSB annual action plans have evolved significantly over the past few years. As a result, comparison of performance from prior years may not be meaningful to most users. The CSB is currently making significant changes to its Strategic Plan for fiscal years 2007 to 2012, and intends to establish FY 2007 results as a baseline against which to measure performance in future years covered by the updated Strategic Plan.

ABBREVIATIONS AND ACRONYMS

ACC	American Chemistry Council
AED	Automated External Defibrillator
AIChE	American Institute of Chemical Engineers
BPD	Bureau of the Public Debt (within the U.S. Department of the Treasury)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COOP	Continuity of Operations Plan
CSB	Chemical Safety and Hazard Investigation Board
EPA	Environmental Protection Agency
FISMA	Federal Information Security Management Act
FMFIA	Federal Manager's Financial Integrity Act
FY	Fiscal Year (October 1 to September 30)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
OIG	Office of Inspector General
OMB	Office Management and Budget
OSHA	Occupational Health and Safety Administration (within the U.S. Department of Labor)
PAR	Performance and Accountability Report
PMA	President's Management Agenda
SOCMA	Synthetic Organic Chemical Manufacturers Association

WE WELCOME YOUR COMMENTS!

Thank you for your interest in the CSB's FY 2006 Performance and Accountability Report. We welcome your comments on how we can make this report a more informative document for our readers. We are particularly interested in your comments on the usefulness of this information and the manner in which it is presented. Please send your comments to cfo@csb.gov or write to:

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