
Office of Inspector General

Audit Report

QUALITY CONTROL REVIEW OF AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

National Transportation Safety Board

Report Number: QC-2016-006

Date Issued: November 10, 2015





U.S. Department of
Transportation
Office of the Secretary
of Transportation

Office of Inspector General
Washington, DC 20590

November 10, 2015

The Honorable Christopher A. Hart
Chairman
National Transportation Safety Board
490 L'Enfant Plaza, SW
Washington, DC 20594

Dear Chairman Hart:

I respectfully submit our report on the quality control review (QCR) of the National Transportation Safety Board's (NTSB) financial statement audit for fiscal years 2015 and 2014.

Acuity Consulting, Inc. (Acuity) of Alexandria, VA, completed the audit of NTSB's financial statements as of and for the year ended September 30, 2015 (see enclosure), under contract to the Office of Inspector General. The contract required Acuity to perform the audit in accordance with generally accepted Government auditing standards and Office of Management and Budget (OMB) Bulletin 15-02, "Audit Requirements for Federal Financial Statements." Leon Sned & Company, P.C., under contract to the Office of the Inspector General, audited NTSB's fiscal year 2014 financial statements, and expressed an unmodified opinion on those statements.¹

Acuity concluded that the financial statements present fairly, in all material respects, NTSB's financial position as of September 30, 2015, and September 30, 2014, and the related net cost, changes in net position, and budgetary resources, for the years ended, in conformity with U.S. generally accepted accounting principles.² The report did not include any reportable internal

¹ *Quality Control Review of Audited Financial Statements for Fiscal Years 2014 and 2013, National Transportation Safety Board*, Report Number QC-2015-008, November 10, 2014. OIG reports and testimony can be found on our Web site at: www.oig.dot.gov.


² Page 31 of the enclosed Performance and Accountability Report

control deficiencies or instances of reportable noncompliance with laws and regulations tested.

We performed a QCR of Acuity's report and related documentation. Our QCR, as differentiated from an audit performed in accordance with generally accepted Government auditing standards, was not intended for us to express, and we do not express, an opinion on NTSB's financial statements or conclusions about the effectiveness of internal controls or compliance with laws and regulations. Acuity is responsible for its report dated November 7, 2015, and the conclusions expressed in that report. However, our QCR disclosed no instances in which Acuity did not comply, in all material respects, with generally accepted Government auditing standards. A response to this report is not required since Acuity did not make any recommendations.

We appreciate the cooperation and assistance of NTSB's representatives and Acuity. If you have any questions, please call me at (202) 366-1407, or George Banks, Program Director, at (410) 962-1729.

Sincerely,



Louis C. King
Assistant Inspector General for Financial and
Information Technology Audits

Enclosure

National Transportation Safety Board Fiscal Year 2015 Performance and Accountability Report



THE NATIONAL TRANSPORTATION SAFETY BOARD AT A GLANCE

Established, April 1, 1967

Headquarters

490 L'Enfant Plaza, SW Washington, DC 20594

www.nts.gov

FY 2015 Budget: \$104 million

Full-Time Equivalent Employees: 418

OUR MISSION

Independently Advancing Transportation Safety

LEGISLATIVE MANDATE

Maintaining our congressionally mandated independence and objectivity;
Conducting objective, precise accident investigations and safety studies;
Performing fair and objective airman and mariner certification appeals;
Advocating and promoting safety recommendations;
Assisting victims of transportation accidents and their families.

The National Transportation Safety Board (NTSB) is an independent federal agency charged by Congress with investigating every civil aviation accident in the United States and significant accidents in other modes of—railroad, highway, marine and pipeline. The NTSB determines the probable cause of the accidents and issues safety recommendations aimed at preventing future accidents. In addition, the NTSB carries out special studies concerning transportation safety and coordinates the resources of the federal government and other organizations to provide assistance to victims and their family members impacted by major transportation disasters.

NTSB HISTORY

The NTSB originated in the Air Commerce Act of 1926, in which the US Congress charged the US Department of Commerce with investigating the causes of aircraft accidents. Later, that responsibility was given to the Civil Aeronautics Board's Bureau of Aviation Safety when it was created in 1940. In 1967, Congress consolidated all transportation agencies into a new US Department of Transportation (DOT) and established the NTSB as an accident investigation agency within the newly created DOT. In 1974, Congress passed the Independent Safety Board Act, which severed the NTSB's ties to the DOT.

CORE VALUES

The NTSB is committed to the core values of Safety, Excellence, Independence, Integrity, Diversity and Inclusion, and Transparency.

STRATEGIC GOALS

Strategic Goal No. 1: *Conduct Effective Accident Investigations.*

Strategic Goal No. 2: *Recommend and Advocate Actions to Improve Global Transportation Safety.*

Strategic Goal No.3: *Conduct Fair and Expeditious Adjudication of Airman and Mariner Appeals from the Federal Aviation Administration (FAA) and the US Coast Guard (USCG) Enforcement Actions and Certificate Denials.*

Strategic Goal No. 4: *Provide Outstanding Mission Support.*

Table of Contents

Table of Contents	ii
How to use this Report	1
Introduction	3
A Message from the Chairman.....	3
The NTSB’s Vital Role in Transportation Safety	5
Section I – Management’s Discussion and Analysis	6
A. Mission and Organizational Structure.....	6
Overview	6
History and Structure of the NTSB.....	6
NTSB US Regional Presence.....	8
NTSB Organization and Program Structure	9
Mission.....	13
Sources of Funds	14
NTSB Salaries and Expenses Appropriation Funds by Object Classification (\$000s)	15
B. Performance Goals, Objectives and Performance Results.....	16
Summary of Significant Performance Results	16
Highlights of Performance Measures.....	16
Environmental Analysis	18
Evaluation and Planning Process	19
C. Analysis of Financial Statements and Stewardship Information.....	19
Discussion and Analysis of Financial Statements.....	19
Limitations of the Financial Statements	19
Consolidated Balance Sheet.....	19
Consolidated Statement of Net Cost.....	20
Consolidated Statement of Changes in Net Position	20
Combined Statement of Budgetary Resources.....	20
D. Management Assurances—Internal Control Framework and Legal Compliance ...	20
Internal Control Framework	20
Improper Payment Elimination and Recovery Act of 2010	21
NTSB Financial Management Systems	21
Section II—Performance Report	23

A. Strategic Goals, Objectives, Strategies, and Performance Measures 23

 Strategic Goal No. 1: Conduct Effective Accident Investigations..... 23

 Strategic Goal No. 2: Recommend and Advocate Actions to Improve Global Transportation Safety 24

 Strategic Goal No. 3: Conduct Fair and Expeditious Adjudication of Airman and Mariner Appeals from the FAA and the USCG Enforcement Actions and Certificate Denials..... 25

 Strategic Goal No. 4: Provide Outstanding Mission Support..... 26

Section III—Auditor’s Report and Financial Statements 28

 A Message from the Chief Financial Officer 28

 Office of Inspector General Quality Control Review..... 29

 Independent Auditor’s Report..... 31

 NTSB CFO Responses to Auditor’s Report 37

 Financial Statements 38

 Notes to the Financial Statements..... 43

Section IV—Other Accompanying Information 64

 Summary of Financial Statement Audit and Management Assurances 64

 Table 1: Summary of Financial Statement Audit..... 64

 Table 2: Summary of Management Assurances 64

 Improper Payments Elimination and Recovery Improvement Act of 2012 65

 “Freeze the Footprint” Implementation..... 66

Appendix 67

Acronyms and Abbreviations 68

How to use this Report

Our Performance and Accountability Report (PAR) for fiscal year (FY) 2015 provides financial and performance information for the NTSB and compares performance results to the agency's strategic and performance goals. This information enables the President, the Congress, and the American people to assess the agency's performance as required by the following legislation:

- Federal Managers' Financial Integrity Act (FMFIA) of 1982
- Chief Financial Officers Act of 1990
- Government Performance and Results Act (GPRA) of 1993
- Government Management Reform Act (GMRA) of 1994
- Federal Financial Management Improvement Act of 1996
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA)
- Government Performance and Results Modernization Act (GPRAMA) of 2010
- Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, And Execution Of The Budget*
- OMB Circular No. A-123, *Management's Responsibility For Internal Control*
- OMB Circular No. A-136, *Financial Reporting Requirements*

The NTSB strives to keep the public informed of its activities. This report shows the tremendous effort and challenges involved in each of our modal office investigations and demonstrates how we are a major voice in promoting safety for the traveling public in the United States and globally. To learn more about the NTSB, visit our website at <http://www.nts.gov>. The NTSB's Strategic Plan and annual PARs are available on our website at <http://www.nts.gov/about/reports>. The NTSB welcomes feedback on the form and content of this report.

The FY 2015 PAR is organized into the following five sections:

Introduction. This section includes a message from the Chairman attesting to the reliability and completeness of the financial and performance information presented in the report and includes a statement of assurance of the agency's management controls as required by the FMFIA. This section also discusses the NTSB's role in transportation safety.

Section I – Management's Discussion and Analysis. This section provides an overview of the financial and performance information later in the report. The Management's Discussion and Analysis includes an overview of the NTSB organization, highlights of the agency's performance goals and results, the current status of systems and internal control weaknesses, and other pertinent information.

Section II – Performance Information. This section summarizes the NTSB’s strategic goals and related objectives; provides annual performance information as required by OMB Circular A-11, the GPRA, and the GPRAMA; and includes a detailed discussion and analysis of the agency’s performance in FY 2015. It also includes information about past results of key performance measures and provides a discussion of future challenges.

Section III – Financial Information. This section contains a message from the NTSB Chief Financial Officer, details of the NTSB’s FY 2015 finances, and includes the DOT’s Office of the Inspector General (DOT/OIG) Quality Control Report, the Independent Auditor’s Report, the NTSB Chief Financial Officer’s Response to the Auditor’s Report, and the agency’s audited financial statements and notes.

Section IV – Other Accompanying Information. This section includes our Management and Performance Challenges, Improper Payments Information Act (IPIA) Reporting Details, IPERA compliance information, and risk assessment and recapture of improper payments reporting.

Introduction

A Message from the Chairman

I am pleased to present the NTSB's FY 2015 annual Performance and Accountability Report. This report highlights the agency's mission, reflects the application of our core values, and details our strategic goal priorities, accomplishments, and challenges in upholding our mission to promote transportation safety. It also provides an accounting to the American people on our stewardship of the funding we received from them for FY 2015 to ensure the fulfillment of our mission. This report contains the NTSB's financial statements, as required by OMB Circular A-136, a selection of annual performance information, and a report on the NTSB's internal controls, as required by the FMFIA.

The NTSB is recognized internationally for our accident investigation experience and also for issuing, advancing, and ultimately persuading others to implement our safety recommendations. For more than 40 years, the NTSB's dedicated staff has achieved excellence at the forefront of transportation safety issues. We aim to continually stimulate and promote beneficial change within the transportation community—change that helps to fulfill, and is consistent with, our mission and core values.

Being responsible stewards of the public resources provided to us by the American taxpayers and Congress is one of our most important duties. For the FY 2015 financial statement audit, we received our 13th consecutive unmodified (clean) opinion, the best possible audit result. Acuity Consulting, Inc., an independent public accounting firm engaged by the DOT/OIG audited the NTSB's FY 2015 consolidated financial statements included in this report and did not identify any material weaknesses, significant deficiencies, or instances of noncompliance with laws and regulations.

I am also pleased to report that management's annual assessment of risks and review of controls as required by the FMFIA and OMB Circular A-123 *Management's Responsibility for Internal Control* disclosed no material weaknesses and that the financial and performance data presented here are reliable and complete.

The FMFIA requires the NTSB to annually evaluate our management controls and identify any material weaknesses. This requirement covers all agency 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.

The performance goals and accomplishments in this report summarize the NTSB's success in achieving the strategic goals we established for FY 2015.

All of us at the NTSB look forward to continuing our work to protect the traveling public and promote safety along with our partners and colleagues in Congress, industry, and domestic and international agencies. We look forward to continuing to serve the Congress and the public as we reach our financial management and performance goals, while addressing current and future challenges in advancing transportation safety.

Sincerely,
/s/
Christopher A. Hart, Chairman
November 1, 2015

The NTSB's Vital Role in Transportation Safety

With the responsibility vested by Congress to investigate every civil aviation accident in the United States and significant accidents in other modes of transportation—railroad, highway, marine, and pipeline, the NTSB determines the probable cause of accidents and develops recommendations that will prevent future accidents or reduce their effects in terms of injury, loss of life, or damage to property. Safety recommendations are a focal point of NTSB's effort to improve the safety of the nation's and the world's transportation systems and are issued to agencies, industry, and other organizations in a position to effect change.

The NTSB promotes transportation safety, assists victims of transportation accidents and their families, conducts safety studies, and prepares accident reports based on investigation and analyses of transportation accident and incident data. NTSB investigations are used to determine factors common to a series of events and to identify safety improvements or evaluate the effectiveness of transportation-related devices or policies. Safety studies enhance the NTSB's corporate knowledge, enabling it to better perform our transportation safety mission. Additionally, the NTSB serves as the appellate authority for enforcement actions involving aviation and mariner certificates issued by the FAA and USCG, as well as the appeals of civil penalty actions taken by the FAA.

Since the NTSB's inception in 1967, we have investigated more than 143,000 aviation accidents and thousands of surface transportation accidents. On call 24 hours a day, 365 days a year, NTSB investigators traveled throughout the country and to every corner of the world. Because of this dedication, the NTSB is recognized as the world's leading accident investigation agency.

The NTSB has issued more than 14,300 safety recommendations to more than 2,300 recipients in all transportation modes as a result of our investigations. Since 1990, the NTSB has published a Most Wanted List (MWL) of transportation safety improvements, which highlights safety-critical actions that the DOT modal administrations, USCG, and others should take to help prevent accidents and save lives.

The NTSB does not have authority to regulate transportation equipment, personnel, or operations or to initiate enforcement action. However, because of our reputation for objectivity and thoroughness, the NTSB has achieved such success in shaping transportation safety improvements that, over the last 5 years, those who are in a position to effect these changes have implemented more than 71 percent of the agency's recommendations. Many safety features currently incorporated into airplanes, helicopters, automobiles, commercial motor vehicles, trains, pipelines, and marine vessels had their genesis in these recommendations.

Section I – Management’s Discussion and Analysis

A. Mission and Organizational Structure

Overview

Since its creation in 1967 as an accident investigation agency within the newly created DOT, the NTSB’s mission has been to determine the probable cause of transportation accidents and incidents and to formulate safety recommendations to improve transportation safety. The NTSB’s authority currently extends to the following types of accidents:

- All US civil aviation accidents and certain public aircraft accidents;
- Selected highway accidents;
- Railroad accidents involving passenger trains or selected freight train accidents that result in fatalities or significant property damage;
- Major marine accidents and any marine accident involving both a public and a nonpublic vessel;
- Pipeline accidents involving fatalities, substantial property damage, or significant environmental damage;
- Selected accidents resulting in the release of hazardous materials in any mode of transportation;
- Selected transportation accidents that involve problems of a recurring nature or that are catastrophic.

In 1974, Congress passed the Independent Safety Board Act, which severed the NTSB’s ties to the DOT and authorized the agency to take the following additional actions:

- Evaluate the effectiveness of government agencies involved in transportation safety;
- Evaluate the safeguards used in the transportation of hazardous materials;
- Evaluate the effectiveness of emergency responses to hazardous material accidents;
- Conduct special studies on safety problems;
- Maintain official US census of aviation accidents and incidents;
- Review appeals from airmen, mechanics, and repairmen who have been assessed civil penalties by the FAA;
- Review appeals from airmen and merchant seamen whose certificates have been revoked or suspended by the USCG.

History and Structure of the NTSB

With the 1967 creation of the NTSB, Congress envisioned that a single organization with a clearly defined mission could more effectively promote a higher level of safety in the transportation system than the individual modal agencies working separately. In 1974, Congress reestablished the NTSB as an independent entity separate from the DOT, reasoning that "No federal agency can properly perform such (investigatory) functions unless it is totally separate and independent from any other...agency of the United States." Because the DOT has broad operational and regulatory responsibilities that affect the safety, adequacy, and efficiency of the transportation system, and transportation accidents may suggest deficiencies in that system, the NTSB's independence was deemed necessary for proper oversight.

Although our charter is the Independent Safety Board Act of 1974, the origins of the NTSB can be found

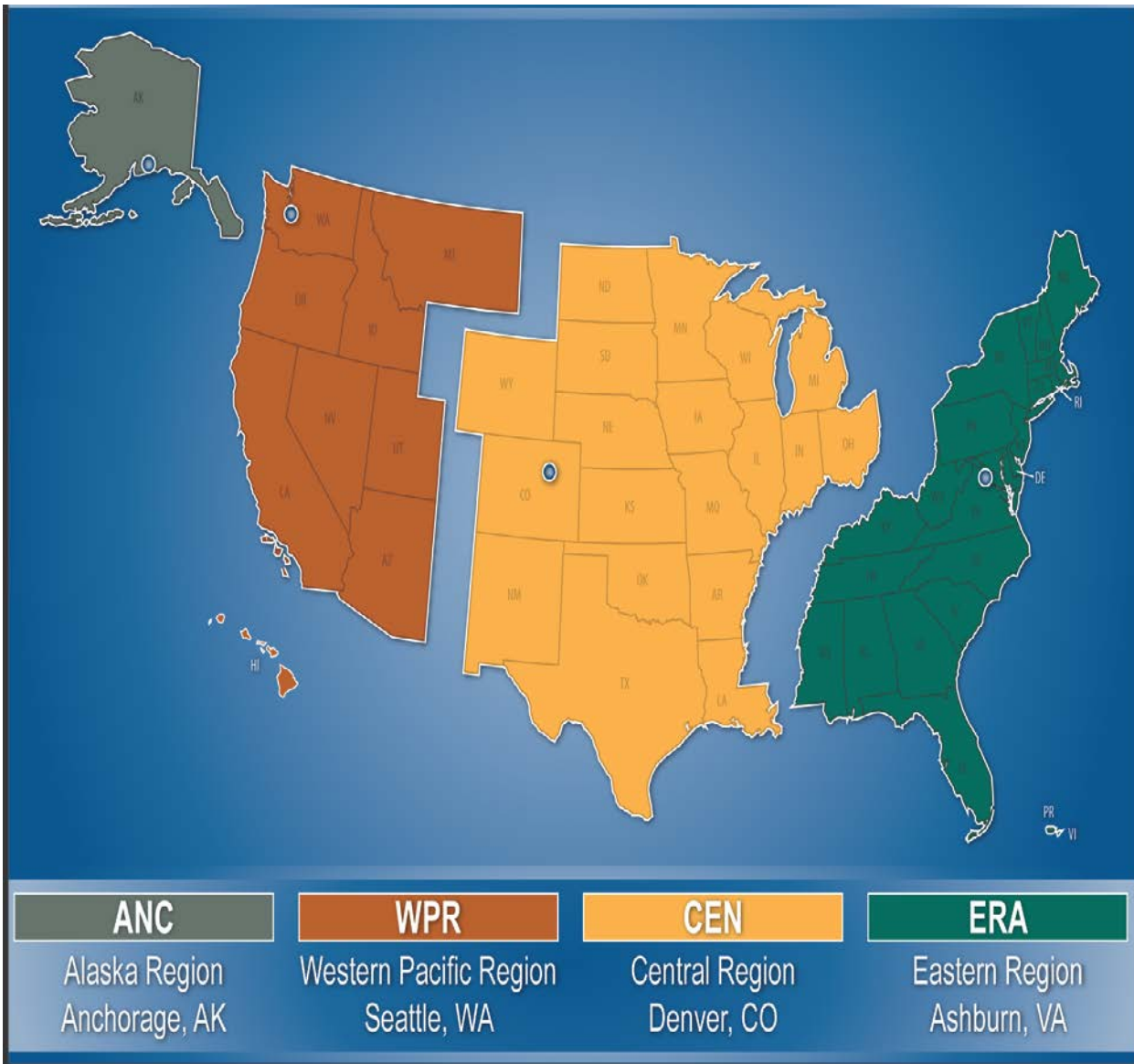
in the Air Commerce Act of 1926, in which Congress charged the Commerce Department with investigating the causes of aircraft accidents. The rules of the NTSB are located in Chapter VIII, Title 49 of the *CFRs*. The NTSB has no authority to regulate, fund, or be directly involved in the operation of any mode of transportation. We conduct investigations and make recommendations from an objective viewpoint.

In 1996, Congress assigned the NTSB the additional responsibility of coordinating federal assistance to families of aviation accident victims. While originally legislated to provide assistance following major aviation accidents, the program has expanded to provide assistance in all modes of transportation on a case-by-case basis.

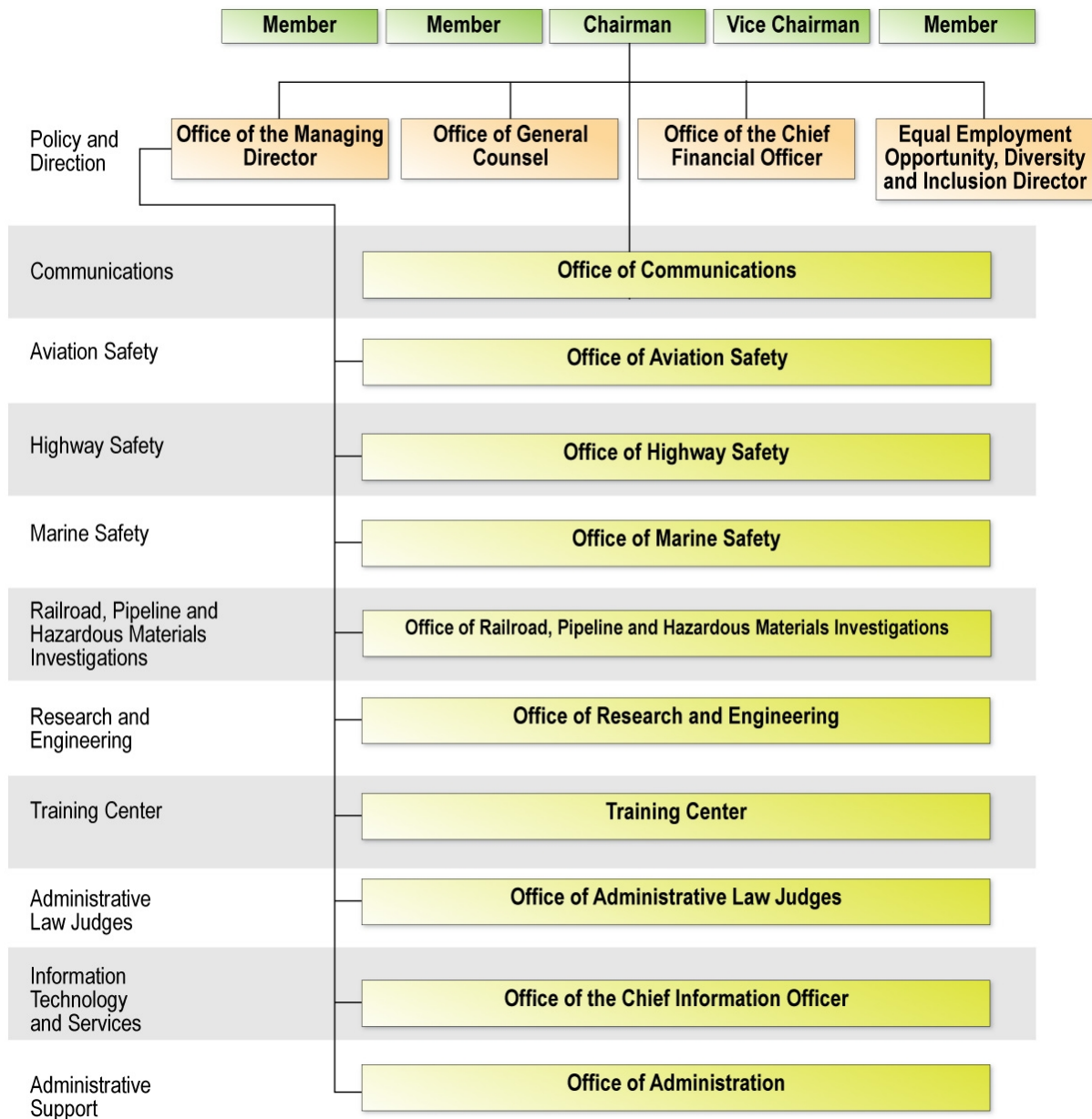
In 2000, the agency embarked on a major initiative to increase employee technical skills and make our investigative expertise more widely available to the transportation community by establishing the NTSB Training Center.

The NTSB's headquarters office is located in Washington, DC. The NTSB also has investigators strategically located in Ashburn, Virginia; Denver, Colorado; Anchorage, Alaska; and Seattle, Washington (see the following map of the NTSB's US regional presence). The Office of Aviation Safety has organized the staff assigned in the 48 contiguous states into three mega-regional offices; Alaska forms a fourth region. In addition, two aviation investigators are based in Hawaii.

NTSB US Regional Presence



NTSB Organization and Program Structure



The NTSB Chairman serves as the chief executive officer for the agency. The Chairman, Vice Chairman, and Board Members establish policies on transportation safety issues; review and approve major accident reports, safety studies, and safety recommendations; and provide appellate review of FAA certificate and certain civil penalty actions, as well as USCG license actions. They also preside over accident or other transportation safety hearings, testify before congressional committees, and participate in agency go-teams on major investigations.

Office of the Managing Director (MD): The MD assists the Chairman in the discharge of the Chairman’s functions as executive and administrative head of the NTSB. The office provides overall leadership for the management of the agency, including production, strategy, and support functions.

The office coordinates activities of the entire staff, manages the day-to-day operation of the agency, and develops and recommends plans to achieve program objectives. The Managing Director is responsible for the overall leadership, direction, and performance of the agency, as well as its communications and organizational efficiency to include oversight of the NTSB Response Operations Center. The center provides support 24 hours a day, 365 days a year, for agency wide operational requirements, including accident launches and the collection and dissemination of information related to transportation accidents and incidents.

There are two organizational units within the MD—the Training Center and the Safety Recommendations and Quality Assurance Division. The Training Center manages workforce development and external training functions. The Safety Recommendations and Quality Assurance Division manage safety recommendations and policies concerning document development and review, quality control for NTSB documents and product databases, and the archiving of internal and external correspondence.

Safety recommendations are issued to government agencies at all levels, transportation operators, safety organizations, and other key stakeholders to improve the nation's transportation system. The adoption of NTSB safety recommendations is not mandatory but to emphasize their importance Congress requires the DOT and its agencies to respond to recommendations within 90 days of their issuance.

The Office of Communications (OC): The OC comprises four divisions: Safety Advocacy, Public Affairs, Government and Industry Affairs, and Transportation Disaster Assistance (TDA). The OC ensures that the NTSB mission and actions are accurately and effectively communicated to congressional stakeholders, victims of transportation accidents and their families, state and local governments, the press, and the public. OC staff also produces information for the NTSB website and creates videos to support the agency's advocacy efforts. The result is a clear understanding of the NTSB mission and how implementation of NTSB recommendations addresses critical transportation safety issues.

The OC develops and administers the MWL based, in part, on safety recommendations for which corrective action has yet to be taken. The MWL is the agency's preeminent advocacy tool, highlighting issue areas whose resolution would have significant impact on transportation safety at the national and state levels. A new list is announced annually at a press conference. Although the NTSB actively advocates for the acceptance of all our safety recommendations, follow-up efforts for the recommendations supporting MWL issue areas are generally more aggressive. This includes tracking agency wide advocacy efforts and coordinating the NTSB's overall strategy for safety advocacy through traditional media outlets, as well as through social media, and with industry and other non-governmental organizations engaged in safety advocacy at the federal and state levels.

Office of Aviation Safety (AS): The mission of AS is to accomplish the following: (1) investigate all air carrier, commuter, and air taxi accidents; in-flight collisions; fatal and nonfatal general aviation accidents; and certain public aircraft accidents; (2) participate in the investigation of major airline crashes in foreign countries that involve US carriers, US-manufactured or -designed equipment, or US-registered aircraft to fulfill US obligations under International Civil Aviation Organization agreements; and (3) investigate safety issues that extend beyond a single accident to examine specific aviation safety problems from a broader perspective.

AS is responsible for investigating domestic aviation accidents and incidents (about 1,500 annually) and for proposing probable causes for the Board's approval. Working with other offices within the NTSB, AS develops recommendations to prevent the recurrence of similar accidents and incidents and to otherwise improve aviation safety.

AS conducts investigative activities through five specialty divisions (Major Investigations, Operational Factors, Aviation Engineering, Human Performance and Survival Factors, and Writing and Editing) based in Washington, DC, and a regional investigation management structure consisting of four regional office sites. Investigators are located throughout the country. International aviation activities are coordinated from the Washington, DC headquarters.

Office of Highway Safety (HS): HS investigates accidents that have a significant effect on public confidence in highway transportation safety, highlight national safety issues, or generate high public interest and media attention. Such accidents may include collapses of highway bridge or tunnel structures, mass casualties and injuries on public transportation vehicles (such as motorcoaches and school buses), and collisions at highway–railroad grade crossings. We are also interested in accidents that involve new safety issues or technologies. HS conducts special studies based on trends emerging from NTSB accident investigations and from other research and accident data that identify common risks or underlying causes of accidents. The NTSB is the only organization that performs independent, comprehensive, and transparent multidisciplinary investigations to determine the probable causes of highway accidents, with the goal of making recommendations to prevent similar accidents. Our investigations restore public confidence in the nation’s highway systems and provide policymakers with unbiased analysis. HS is composed of the Investigations Division and the Report Development Division.

Office of Marine Safety (MS): MS investigates major marine accidents in the territorial waters of the United States, including accidents involving US-flagged merchant vessels worldwide and those involving both US public and nonpublic vessels in the same casualty. In addition, the office investigates select catastrophic marine accidents or those of a recurring nature. The USCG conducts preliminary investigations of all marine accidents and notifies the NTSB if an accident qualifies as a major marine casualty, which is defined as resulting in at least one of the following:

- The loss of six or more lives
- The loss of a mechanically propelled vessel of 100 or more gross tons;
- Property damage initially estimated as \$500,000 or more; or
- Serious threat (as determined by the USCG Commandant and concurred in by the NTSB Chairman) to life, property, or the environment due to hazardous materials.

MS investigates and determines the probable cause of all major marine casualties. For select major marine casualties, the office launches a full investigative team and presents the investigative product to the Board. In all other major marine casualties, MS launches marine investigators to the scene to gather sufficient factual information to develop a marine accident brief report. The majority of these brief investigation reports are adopted by the MS director through delegated authority; the remainder are adopted by the five-member Board.

MS is also responsible for overall management of the NTSB international marine safety program, under which we investigate major marine casualties involving foreign-flagged vessels in US territorial waters and those involving US-flagged vessels anywhere in the world. Accidents involving foreign-flagged vessels accounted for 27 percent of NTSB marine accident investigations in the past 5 years.

MS also participates with the USCG in investigating serious marine casualties involving foreign-flagged vessels in international waters as a substantially interested state; for example, when a casualty involves a foreign-flagged cruise ship with US citizens onboard. Every year, more than 10 million Americans are carried aboard foreign-flagged cruise ships. The international program involves reviewing US Administration position papers related to marine accident investigations and participating in select

International Maritime Organization (IMO) meetings.

Under the MS international program, the NTSB also coordinates with other US and foreign agencies to ensure consistency with IMO conventions, most notably in joint US–flag state marine accident investigations. MS also cooperates with other accident investigation organizations worldwide, such as the Marine Accident Investigators’ International Forum, and tracks developments related to marine accident investigation and prevention. MS is organized into the Major Investigations Division and the Product Development Division.

Office of Railroad, Pipeline, and Hazardous Materials Investigations (RPH): RPH investigates accidents involving railroads, pipelines, and hazardous materials, and evaluates the associated emergency response. On the basis of these investigations, the NTSB may issue safety recommendations to federal and state regulatory agencies, industry and safety standards organizations, carriers and pipeline operators, equipment and container manufacturers, producers and shippers of hazardous materials, and emergency response organizations. RPH consists of four divisions: Railroad, Pipeline and Hazardous Materials, Human Performance and Survival Factors, and Report Development.

Office of Research and Engineering (RE): RE provides technical support to NTSB accident investigations in all modes of transportation. The office—consisting of four divisions (Safety Studies and Statistical Analysis, Vehicle Performance, Vehicle Recorders, and Materials Laboratory) and one program area—also conducts safety studies, generates periodic statistical reviews of aviation accidents, and provides medical and toxicology support for investigations in all modes.

Office of Administrative Law Judges (ALJ): The NTSB serves as the “court of appeals” for airmen, mechanics, or mariners whenever the FAA or the USCG takes a certificate action. The NTSB currently has four judges: three are assigned to headquarters in Washington, DC, and one is located in Denver, Colorado. They hold hearings based on their circuit assignment.

The agency’s administrative law judges hear, consider, and issue initial decisions on administrative appeals regarding FAA enforcement actions. The judges also adjudicate claims for fees and expenses stemming from FAA certificate and civil penalty actions under the Equal Access to Justice Act. The certificate holder or the FAA may appeal the judges’ decisions in these cases to the five-member Board. The Board’s review on appeal of an administrative law judges’ decisions is based on the record of the proceeding, which includes hearing testimony (transcript), exhibits, the judge’s decision, and appeal briefs submitted by the parties.

Marine certificate actions are heard first by the USCG administrative law judges and may be appealed to the USCG Commandant. The ruling of the Commandant may then be appealed to the NTSB. The same appellate process is followed for marine certificate actions as is conducted for aviation actions.

Office of the Chief Information Officer (CIO): The CIO provides strategic direction and operational support for NTSB information systems and develops and distributes programs and products for use by the agency and the public. The CIO consists of four divisions and one program area: Computer Services, Systems Support, Records Management, Enterprise Architecture, and the Information Technology Security Program.

Office of Administration (AD): AD coordinates and manages the infrastructure and support activities of the agency. This office provides assistance in the areas of human resource management, labor relations, facilities management, safety, security, acquisitions, and lease management. Physical inventory, shipping and receiving, and management of the NTSB’s conference center are also major functions managed by AD.

Office of the General Counsel (GC): GC provides advice and assistance on legal aspects of policy matters, legislation, testimony, NTSB rules, and ethics. The office also provides timely and objective review of airman appeals of certificate actions and certain civil penalties and seaman license actions, acting on behalf of the NTSB on particular procedural aspects of enforcement cases; makes decisions as to the release of official information pursuant to the requests or demands of private litigants, courts, or other authorities for use in litigation not involving the United States; ensures compliance with statutes concerning public access to information through publication of NTSB decisions and releases under the Freedom of Information Act (FOIA); provides counsel and staff assistance to the US Department of Justice when the NTSB is a party to judicial proceedings; and provides internal legal assistance and guidance regarding accident and incident investigations, hearings, appearances as witnesses, acquiring evidence by subpoena and other means, and the taking of depositions.

Office of the Chief Financial Officer (CFO): The CFO manages NTSB financial resources, develops the agency's budget requests for submission to the OMB and Congress, and executes the budget for resources appropriated to the NTSB by Congress. The CFO also prepares the agency's financial statements, as required by the Accountability of Tax Dollars Act; oversees property and inventory control programs; and analyzes the fee structure for services that the agency provides on a reimbursable basis. Additionally, the CFO is responsible for ensuring compliance with the FMFIA.

Office of Equal Employment Opportunity, Diversity, and Inclusion (EEODI): EEODI advises and assists the Chairman and NTSB office directors in carrying out their responsibilities relative to Title VII of the Civil Rights Act of 1964, as amended, and other laws, executive orders, and regulatory guidelines affecting diversity development and the processing of equal employment opportunity complaints. These services are provided to managers, employees, and job applicants by the director and two full-time staff people, three collateral-duty employees (that is, one Hispanic employment program manager, one federal women's program manager, and one disability program manager), and volunteer special emphasis program managers. EEODI services also include mandatory educational training activities, diversity awareness and targeted outreach, and internal recruitment initiatives/career enhancement advisory services. Additionally, the EEODI manages an alternative dispute resolution program.

Mission

Independently Advancing Transportation Safety is the core mission of the NTSB. Our status as an independent government agency makes the NTSB different from other stakeholders in the transportation industry. Transportation companies are motivated by financial gain, and many are ultimately accountable to their shareholders. Other government agencies (for example, the FAA, the Federal Railroad Administration, the Federal Highway Administration, and the USCG) have an official role in establishing and enforcing industry regulations. The NTSB has no such interests or obligations. Our most important stakeholder is the traveling public.

NTSB staff takes an unbiased approach to each accident that the agency investigates. Local authorities, industry representatives, and other agencies are frequently called upon to participate as parties to the NTSB's investigations. Our only objectives are to determine the probable cause of the accident and to extract lessons learned that will prevent similar accidents in the future. The NTSB's reputation as an honest broker is a key reason why state and local governments, federal agencies, and even foreign countries welcome and encourage the NTSB to lead important accident investigations.

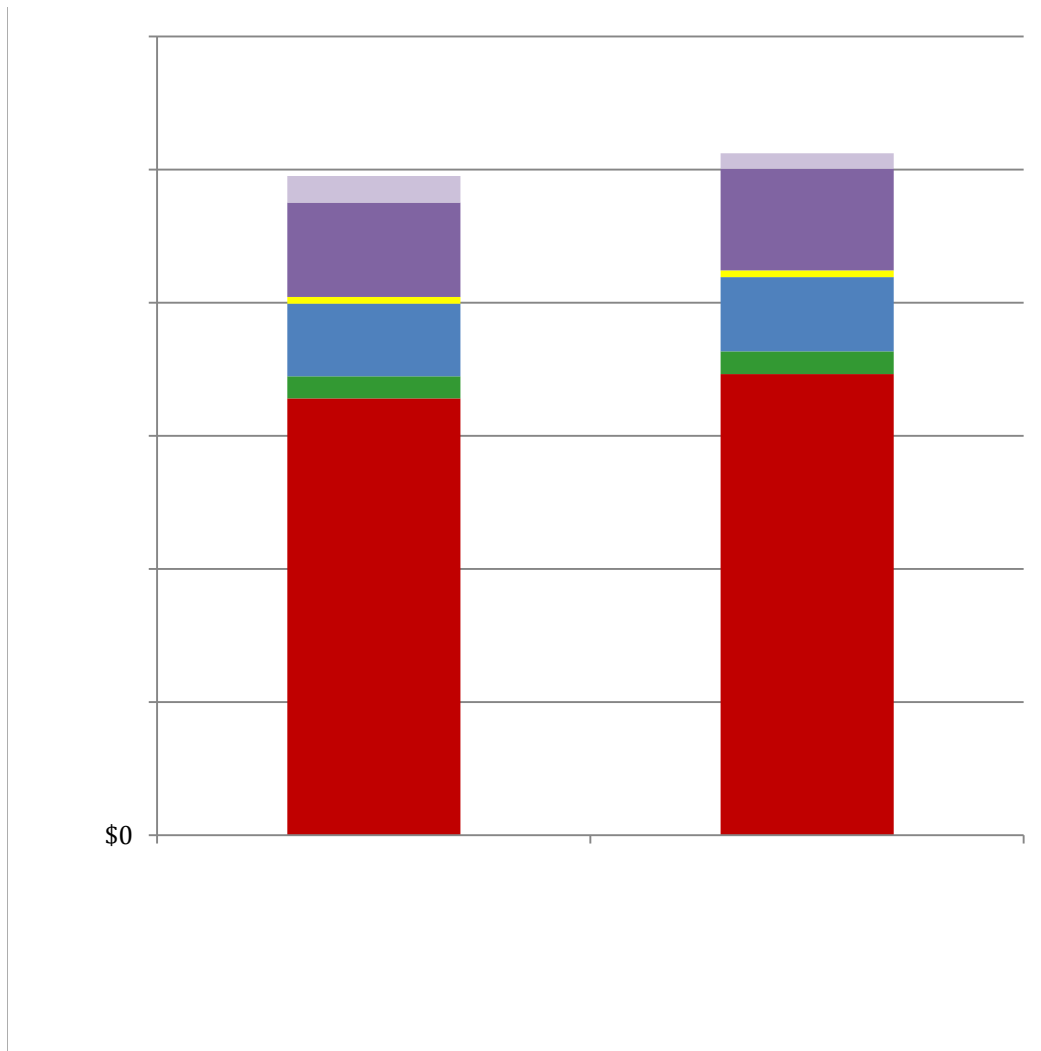
Actions to correct deficiencies that contribute to accidents are often identified early in the investigative process. The NTSB strongly supports and encourages voluntary efforts to effect safety changes and

works with parties to implement such changes. In other situations, the NTSB invokes the more formal process of issuing safety recommendations, which ask government agencies, parties to the investigation, or other entities to take action to improve safety. Some of these recommendations are issued during the accident investigation. In other cases, the NTSB makes safety recommendations at the conclusion of the investigative process and incorporates them into the official accident reports.

Sources of Funds

Annually, the NTSB receives an appropriation for necessary expenses of the National Transportation Safety Board as authorized by 5 *United States Code* (USC) 3109, of which not to exceed \$2,000 may be used for official reception and representation expenses. In FY 2015, the NTSB's authorized funding level included an appropriation of \$103,981,000. During FY 2015 the NTSB additionally received \$1,250,000 in discretionary spending authority for reimbursable services provided to other federal agencies, state and local governments, and the public to be credited as offsetting collections to the account that financed the activities and services for which the fee was imposed or with which the refund or reimbursement was associated. Fees are available for expenditure only to pay the costs of activities and services for which the fee is imposed or with which the refund or reimbursement is associated and remain available until expended.

NTSB Salaries and Expenses Appropriation Funds by Object Classification (\$000s)



The figure above represents the NTSB's FY 2015 obligations by personnel and non-personnel costs. Personnel costs, which are primarily comprised of salaries and employee benefits, accounted for 71 percent of NTSB costs. The remaining 29 percent was spent on non-personnel items, such as equipment and infrastructure, software, hardware, office rent, building security, travel, and other related costs.

B. Performance Goals, Objectives and Performance Results

Summary of Significant Performance Results

This section provides a summary of the results of the NTSB’s key performance objectives, which are discussed in greater detail in Section II of this report. The FY 2015 performance planning is developed from the NTSB’s Strategic Plan for Fiscal Years 2013 to 2016 and is supported by the NTSB’s Performance Plan. The work is structured around four strategic goals and nine objectives.

Highlights of Performance Measures

Strategic Goal #1					
Conduct effective accident investigations					
Objective 1.1 Select and scale an appropriate response to accident investigations and incidents					
<i>Performance Measure Type</i>	<i>Measure Name</i>	<i>Office</i>	<i>FY14 Results</i>	<i>FY15 Target Level</i>	<i>FY15 Results</i>
<i>Output</i>	<i>Number of products adopted by the Board</i>	AS	29	22	25
		HS	10	6	18
		MS	4	4	5
		RE	5	2	10
		RPH	14	6	31
<i>Efficiency</i>	<i>Average time (in months) to complete Board adopted products</i>	AS	8.4	15	14.5
		HS	6	15	7
		MS	12	15	6.9
		RE	7	16	5
		RPH	6	16	8.1
Objective 1.2 Increase the recognition of the NTSB’s role for investigating international aviation accidents					
<i>Output</i>	<i>Number of aviation international cooperative activities completed</i>	AS	14	9	29
Objective 1.3 Continue to effectively coordinate and deliver Transportation Disaster Assistance to accident victims					
<i>Output</i>	<i>Percent of TDA support provided to major aviation and rail accident investigations as legislated</i>	OC	100%	100%	100%

Performance and Accountability Report					
Outcome	Obtain audit opinion on financial statements to ensure records are maintained to the highest level of integrity	CFO	Yes	Yes	Ongoing; completion Nov 2015
Efficiency	Increase integration of IT solutions into the NTSB's mission and administrative processes	CIO	12	7	7
Outcome	Obtain positive response to Federal Information Security Management Act, FOIA and other oversight body reports	CIO	Yes	Yes	Yes
Outcome	Implement the NTSB Occupational Safety and Health Program Audit Plan	AD	N/A	Implement 50% of Audit Plan	100% implemented
Objective 4.2 Align and improve human capital planning and diversity					
Outcome	Implement diversity and inclusion developmental opportunities	AD EEODI MD	22	20	47
Output	Increase employee inclusion and engagement through evaluation of *EVS scores and other indicators	AD EEODI MD	N/A	Action Plan approved	Review Data submitted for approval
Outcome	Increase representation of women and minorities in NTSB's applicant pools	AD EEODI	N/A	Baseline	Determined to date, not enough data at this time. Reviewing measure for deletion.

*Employee Viewpoint Survey

Environmental Analysis

The NTSB's ability to achieve our strategic goals may be influenced by the changing balance of industry operations; other federal, state, and local government activities; national priorities; market forces; and resource availability. The following factors may affect the achievement of strategic goals for FYs 2015 to 2016:

- Challenges in achieving closure of significant recommendations.
- Difficulty in retaining and recruiting staff with critical technical experience.
- Dealing with retirement or attrition of key personnel.
- Managing under budgetary constraints, including fluctuations in appropriations.
- Responding to emerging technologies that affect the NTSB's investigative process as well as its advocacy and outreach efforts.

Evaluation and Planning Process

The NTSB's approach to performance measure evaluation has helped drive our overall planning process. Over the last several years, the planning process has been improved by streamlined collection and reporting techniques. Overall, the agency has improved the selection and evaluation of performance measures, resulting in measures that have been designated as priorities for the agency and can be accomplished in 2 years or less. The measures are more aligned with our strategic objectives in our strategic and annual operating plans. This approach will continue and will result in additional improvements to the evaluation of our planning process.

C. Analysis of Financial Statements and Stewardship Information

Discussion and Analysis of Financial Statements

The NTSB's FY 2015 and 2014 financial statements report the agency's financial position and the results of operations on an accrual basis. These annual financial statements comprise a Consolidated Balance Sheet, a Consolidated Statement of Net Cost, a Consolidated Statement of Changes in Net Position, and a Consolidated Statement of Budgetary Resources along with related notes that provide a clear description of the agency, our mission, and the significant accounting policies used to develop the statements.

Limitations of the Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with NTSB management. The accompanying principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 *USC* 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles GAAP for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the awareness that they are for a component of the U.S. Government, a sovereign entity.

Consolidated Balance Sheet

The major components of the Consolidated Balance Sheet are assets, liabilities, and net position. Assets represent agency resources that have future economic benefits. The NTSB's assets totaled \$48.9 million in FY 2015. Fund balances with the US Treasury—mostly undisbursed cash balances from appropriated funds—comprised about 75 percent of the total assets. The NTSB does not maintain any cash balances outside of the US Treasury and does not have any revolving or trust funds. Less than 1 percent of the NTSB's assets were composed of accounts receivable, which reflect funds owed to the NTSB by other federal agencies and the public. The value of equipment, less accumulated depreciation, was \$12.1 million.

Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources. In FY 2015, the NTSB had total liabilities of 31.4 million. The largest component of these liabilities was a capital lease liability of \$12.5 and 13.8 million, in 2015 and 2014, respectively. Accounts payable reflect funds owed primarily for contracts and other services.

The NTSB's net position, which reflects the difference between assets and liabilities and represents the

agency's financial condition, totals \$17.5 million. This amount is broken into two categories: unexpended appropriations (amounts related to undelivered orders and unobligated balances) of \$24.6 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) of less than \$-7.1 million. The negative amount in net position was primarily the result of the liabilities not covered by budgetary resources and other liabilities.

Consolidated Statement of Net Cost

The Consolidated Statement of Net Cost represents the net cost to operate the agency. Net costs are composed of gross costs less earned revenues and are reported by the NTSB's major programs. The NTSB's FY 2015 net cost of operations was \$104 million: \$105.5 million in gross costs less \$1.5 million in earned revenues.

Consolidated Statement of Changes in Net Position

The Consolidated Statement of Changes in Net Position reports the changes in net position during the reporting period. The NTSB ended FY 2015 with a net position total of \$17.5 million. The negative change in net position was primarily the result of the liabilities not covered by budgetary resources and other liabilities.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources focuses on how budgetary resources (appropriations and reimbursable) were made available, the status of those resources (obligated or unobligated) at the end of the reporting period, and the relationship between the budgetary resources and outlays (collections and disbursements). The NTSB's FY 2015 budgetary resources totaled \$123.5 million and primarily consisted of budget authority funds of \$105.8 million and an unobligated balance of \$17.7 million.

D. Management Assurances—Internal Control Framework and Legal Compliance

Internal Control Framework

As stated in the Chairman's FMFIA Statement of Assurance, the NTSB has no material weaknesses or non-conformances to report for FY 2015. No new material weaknesses or significant non-conformances were identified for the past 2 years nor were there any existing unresolved weaknesses requiring corrective action. The NTSB has achieved the intent of the Act to prevent problems through systematic review and evaluation of the agency's programs and operations and through management and financial controls.

The NTSB conducts an annual review of the adequacy of our management accountability and controls program in accordance with the FMFIA and revised OMB Circular A-123 *Management's Responsibility for Internal Control*. For FY 2015, the NTSB continued to follow established Internal Control Review (ICR) Plans and also established two new ICR plans to evaluate the adequacy of controls in place for designated areas and to assist management in strengthening controls where necessary.

The NTSB provides reasonable assurance that internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations were operating effectively and thus our programs and resources are protected from waste, fraud, abuse, and mismanagement. This assurance includes certification that the appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices. The results of this review are included in the Chairman's Statement of Assurance sent to the President on September 30, 2015. The Chairman's assurance is based on NTSB Office Director Management Control Assurance Memoranda and NTSB responses to Office Directors' Risk Assessments for an accountability unit, conducted in accordance with the OMB's guidance in Circular A-123.

The Senior Management Oversight Council composed of the Managing Director, General Counsel, Chief Financial Officer, Chief Information Officer, Director of the Office of Administration, and Director of the Office of Research and Engineering address management accountability issues within NTSB business and program operations. The council additionally provides input to the Chairman for use in preparing the annual assessment of and report on management controls, as required by FMFIA, and assist with coordinating independent third-party internal control assessments as needed. The CFO provides guidance on internal control assessments, including identification of scope and methodology, reviewing assessable unit risk assessments, and validating that corrective action plans are developed for all weaknesses identified and monitored for completion.

The NTSB also relies on the findings and results of audits and studies conducted by the DOT OIG; the Government Accountability Office; independent audits of service providers' operations and financial systems performed in accordance with Statement on Standards for Attestation Engagements No. 16; and the results of our financial statement audit conducted under the Chief Financial Officers Act of 1990, the Accountability of Tax Dollars Act of 2002, and OMB Circular A-136.

The NTSB continues to focus on our information technology (IT) security program and FISMA compliance. The agency continues to maintain an information security program to manage IT in accordance with National Institute of Standards and Technology requirements and has developed, documented, and implemented an agency-wide information security program as required by OMB Circular A-13 and FISMA. Again in FY 2015, an independent audit found the NTSB was in compliance with FISMA requirements.

Improper Payment Elimination and Recovery Act of 2010

The IPERA requires agencies to annually review all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities. In accordance with the OMB guidance, the NTSB has performed a risk assessment and determined that none of the agency's programs or activities was susceptible to significant improper payments.

NTSB Financial Management Systems

The NTSB financial management systems framework is driven by the objectives of Strategic Goal No. 4 by providing mission support in efficiently utilizing and managing agency resources and emphasizes the agency's challenge to provide accurate, timely, and useful financial information to agency managers and staff to support effective decision-making.

The NTSB obtains hosting and application management services for its core financial system from the Department of the Interior Business Center (IBC), a federal shared service provider. The core financial management system is based on Oracle Federal Financials, Release 12, and the NTSB uses the general ledger, accounts payable, budget execution, acquisition, and reporting capabilities of the system.

The NTSB also obtains payroll and personnel processing applications and services support from the IBC using its Federal Personnel/Payroll System (FPPS) which is also an Oracle mainframe-based, integrated, on-line personnel and payroll system. It creates and generates the complete cycle of personnel and payroll transactions delivered in compliance with the Financial Systems Integration Office, OPM's Enterprise Human Resources Integration, and human resources and payroll systems requirements for payroll management activities. FPPS is hosted by the IBC and financial data from FPPS is interfaced into the core financial management system on a biweekly basis.

The NTSB also uses the web-based travel management system E2 Solutions. The IBC provides operations and maintenance support, including interfacing financial data into the core financial management system on a daily basis.

Section II—Performance Report

A. Strategic Goals, Objectives, Strategies, and Performance Measures

Strategic Goal No. 1: Conduct Effective Accident Investigations

Summary

Strategic Goal No. 1 focuses on the NTSB's key challenges of identifying those accidents in each transportation mode that represent the most important targets of investigative opportunity, determining the scope and scale of such investigations, and conducting safety studies to help to prevent similar accidents in the future.

Our status as an independent federal agency sets us apart from other stakeholders in the transportation industry. Our most important stakeholder is the traveling public, and we are concerned with one principal objective: promoting transportation safety. Conducting independent accident investigations is a critical component of our mission, and it is done with transparency, accountability, and integrity, which are core values of the agency.

The NTSB is obligated to participate in aviation investigations in foreign countries when they involve US carriers or US-manufactured or -designed equipment. These efforts help ensure the continued safe operation of US-built or -designed aircraft. Our participation in foreign aviation investigations has led to improvements in aviation safety here and abroad. NTSB-led domestic investigations have also benefitted from the participation of other international accident investigation agencies. Our role in international activities for all modes of transportation includes unique challenges but with our continued advocacy and outreach, we can showcase lessons learned and improve awareness of these investigations nationally and internationally.

Accomplishing Strategic Goal No. 1 will foster a transportation industry that is better prepared to address safety issues. The NTSB applies the following objectives, strategies, and performance measures to achieve this goal:

Objectives

- Select and scale appropriate responses to accident investigations and incidents.
- Increase recognition of the NTSB role in investigating international aviation accidents.
- Continue to effectively coordinate and deliver transportation disaster assistance to the families of accident victims.
- Engage in outreach with the transportation community to improve awareness of lessons learned from accident investigations nationally and internationally.

Strategies

- Revise and periodically review selection criteria and other tools as necessary to improve and expedite investigations.
- Continue to spotlight our role in international aviation accidents and to participate in aviation investigations in foreign countries.
- Improve our capacity to conduct safety studies.
- Develop outreach plans and products such as videos and digests based on investigations and studies.

- Assist investigators in all modes of transportation by interacting with accident victims and family members.

Performance Measures

- Number of products adopted by the Board.
- Average time (in months) to complete Board adopted products.
- Number of cooperative aviation international activities completed.
- Percent of TDA support provided to major aviation and rail accident investigations, as legislated.
- Number of outcome-oriented safety results (legislation, federal rules, industry symposiums, or lessons learned) involving industry or government stakeholders following outreach efforts.

Key Management Issues and Challenges

The cost of transportation accidents to society is significant, and as activity in the US transportation system grows, so will the potential for accidents and associated costs. Accompanying this growth are enormous increases in the system's complexity, which must be addressed with techniques and methods of accident investigation that are equally complex. A key challenge for the NTSB is to identify those accidents in each transportation mode that represent the most important targets of investigative opportunity and to determine the appropriate scope and scale of such investigations. This selection process must balance the significance of the safety issues involved against the limited investigative resources available to the NTSB and the depth of the investigation required to develop the safety issues.

To conduct thorough accident investigations, NTSB investigators must stay abreast of the latest technology in the transportation industry; this requires substantial and continuing training. The NTSB is challenged to identify the available resources and staff to provide training in these areas and schedule timely and appropriate training, working around the number and timing of accidents and the limited number of NTSB investigators. The number of major airline accidents worldwide that NTSB aviation safety staff participates in has increased with 19 major foreign accident investigations annually, on average. This level of international participation presents a particular challenge because the office must also continue to meet its mandate to investigate all aviation accidents in the United States.

Strategic Goal No. 2: Recommend and Advocate Actions to Improve Global Transportation Safety

Summary

Because our mission is to be a premier organization improving transportation safety, Strategic Goal No. 2, which affects the safety of the entire transportation system, cascades into strategic objectives that emphasize advocacy and outreach. Issuing, advancing, and closing safety recommendations are key NTSB functions. This goal also emphasizes our need to promote items on the MWL. The MWL is designed as a transparent tool to increase awareness of, and support for, the most critical changes needed to reduce transportation accidents and save lives. Leveraging our unique position in the safety industry, we believe it is necessary to lead the transportation community with integrity to ensure that emerging safety issues are being addressed and that political leadership is aware of public policy implications.

To achieve this goal, the NTSB applies the following objectives, strategies, and measures:

Objectives

- Identify new and creative ways to advocate safety recommendations and other safety actions.
- Maintain and advocate items on the MWL.

Strategies

- Implement appropriate safety recommendations from investigations and safety studies.

- Publicly recognize safety recommendations that are implemented and those that, being unimplemented, result in persistent risk.
- Publicize the up-to-date status of all safety recommendations through the NTSB website and other public communication channels.
- Increase advocacy efforts on emerging safety issues through ongoing dialogue with relevant government and other stakeholders, testimony, and other public communications.

Performance Measures

- Number of safety recommendations implemented during the FY.
- Percent of MWL issue areas that are new to the list.

Key Management Issues and Challenges

The nation's level of transportation activity, which highly correlates with its economic activity, continues to increase. As our skies, highways, waterways, and railways become more congested, the potential for transportation accidents increases. With limited resources, the NTSB is challenged to identify ways to achieve implementation of its open safety recommendations. Another concern is how to increase our presence at state legislative sessions to elevate the priority of highway safety at the state level and advance legislators' understanding of the issues.

Finally, because of the length and complexity of the rulemaking process, federal agencies are frequently not implementing NTSB recommendations in a timely fashion. The NTSB is challenged to ensure that the rulemaking process, which can take years, does not hamper the successful implementation of recommendations. Working with Congress, other government agencies, and industry groups, the NTSB takes an active role in leading efforts for a safer transportation system. During FY 2015, the NTSB adopted 62 products. The NTSB conducted 42 outreach efforts to advance transportation safety among industry and government stakeholders, which led to important safety results. Over the last 5 years, implementation of NTSB safety recommendations in all modes of transportation increased with 705 recommendations having been implemented.

Strategic Goal No. 3: Conduct Fair and Expedient Adjudication of Airman and Mariner Appeals from the FAA and the USCG Enforcement Actions and Certificate Denials

Summary

Strategic Goal No. 3 recognizes our continuing commitment to providing a fair appeals process for airmen and mariners to ensure thorough and independent adjudication while providing due process to those affected and safeguarding the integrity of the aviation and marine safety enforcement system.

To achieve this goal, the NTSB applies the following objective and strategies:

Objective

- Effectively manage the appeals process and appropriately protect the rights of airmen and mariners seeking the NTSB's review, balancing their interests with those of aviation and marine safety.

Strategies

- Continue to increase administrative law judges' case closure rate.
- Continue to decrease non-emergency backlog cases on hand.

Performance Measures

- Percentage of total cases disposed of during the FY.
- Total number of non-emergency enforcement backlog cases on hand.

Key Management Issues and Challenges

The NTSB serves as the “court of appeals” for airmen and mariners facing the loss or suspension of their licensing certificates or the imposition of a civil penalty. As the level of transportation activity increases, the potential for transportation accidents increases, resulting in more enforcement cases; consequently, effective management of the appeals process becomes more challenging. We will continue to promote transportation safety by adjudicating appeals of certificate actions and denials, providing due process to those affected, and ensuring the integrity of the aviation and maritime safety enforcement system. During FY 2015, the ALJ closed 66 percent of cases received.

Strategic Goal No. 4: Provide Outstanding Mission Support

Summary

Providing mission support in achieving our first three goals is imperative if we are to retain our leadership in influencing changes, increasing transparency and outreach, and advancing transportation safety. Strategic Goal no. 4 captures the overall nature of the organization—excellence—and ensures that we are able to fulfill our broad mission.

The strategic objectives for this goal concern maintaining agency resources; effectively managing financial resources, improving employee safety and health knowledge, human capital, diversity, and inclusion; and maintaining effective communications. This goal emphasizes the agency’s challenge to enhance our management of information and data to ensure reliable and consistent information for management and staff. We remain focused on hiring the right people and effectively capturing and transferring knowledge. We foster a culture of leadership, diversity, and accountability that enables decision-making while promoting teamwork and collaboration. In addition, we strive to meet challenges with innovation and urgency. Collectively, these efforts support our fulfillment of this strategic goal as well as our mission of independently advancing transportation safety.

To achieve this goal, the NTSB applies the following objectives and strategies:

Objectives

- Maintain efficiency in utilizing agency resources.
- Align and improve human capital planning and diversity.

Strategies

- Provide accurate, timely, and useful financial information to agency managers and staff to support effective decision-making.
- Manage agency information and employ IT to improve the productivity, effectiveness, and efficiency of agency programs and to enhance the availability and usefulness of information to all users, both within and outside the agency.
- Continue to improve safety and health training and education to assist the agency in employing sound risk management practices.
- Use innovative strategies to recruit, develop, and retain a high-quality, diverse workforce.
- Create an agency-wide performance culture focused on individual and organizational accountability to achieve the NTSB’s programmatic goals and priorities.
- Sustain a learning environment that provides for continuing improvement in performance through knowledge management, performance feedback, and training, coaching, and mentoring.
- Continue to foster a work environment that is free from discrimination and provides maximum opportunities for all employees to use their diverse talents in support of the NTSB’s mission and goals.
- Continue to identify new and improved methods of communicating internally and externally.

Performance Measures

- Obtain an audit opinion on financial statements to ensure that records are maintained to the highest level of integrity.
- Increase integration of IT solutions into NTSB mission and administrative processes.
- Obtain positive responses to the FISMA, FOIA, and other oversight body reports.
- Implement the NTSB Occupational Safety and Health Program Audit Plan.
- Implement diversity and inclusion developmental opportunities.
- Increase employee inclusion and engagement through evaluation of employee viewpoint survey scores and other indicators.
- Increase representation of women and minorities in NTSB’s applicant pool.

Key Management Issues and Challenges

The NTSB has earned a reputation for thorough and independent investigation of transportation accidents. To maintain that reputation, we are committed to continuing to develop the managerial, leadership, and workforce skills needed to ensure the quality of the accident investigations for which we are well known. This initiative includes the entire NTSB organization—investigative offices, business support offices, and agency leadership. We are faced with the challenge of developing our workforce in an environment of technological changes and dwindling resources.

This challenge is addressed by effective long-range planning and excellent communications. Long-range planning in human capital management, as well as in core operations, ensures that the NTSB is fully equipped to deal with any future investigative need. The NTSB’s enhanced focus on planning results in a workforce and processes that are capable and flexible enough to respond effectively to any and all issues and challenges. Effective communications at all levels of the organization ensure that we continually improve our plans and processes. We will devote time and resources to thinking strategically and developing our staff. To achieve our long-term vision, we must effectively plan and communicate while maintaining our primary commitment to investigating transportation accidents. We believe that the initiatives in place will provide the necessary balance to ensure success with this strategic goal.

Section III—Auditor’s Report and Financial Statements

A Message from the Chief Financial Officer

It is my pleasure to report that during FY 2015, the NTSB continued to honor our commitment to lead by example in government financial management. For the 13th consecutive year, since being required to prepare audited financial statements, the NTSB received an unmodified (clean) opinion on our financial statements from our independent auditors. The NTSB is proud to report that the auditors reported no material weaknesses or significant deficiencies. We achieved these results by strengthening our financial reporting controls and satisfactorily closing the internal control findings and recommendations from previous financial statement audits.

The financial statements that follow were prepared, audited, and made publicly available as an integral part of this PAR. These financial statements fairly present the NTSB’s financial position and were prepared in accordance with generally accepted accounting principles in the United States of America and according to the guidance provided by the OMB.

In FY 2015, the NTSB continued our efforts toward organizational excellence, which is defined by results. Progress for much of our efforts toward excellence is captured in the NTSB FY 2015 PAR. The report provides the NTSB’s most important financial and performance information. It is also our principal publication and report to Congress and the American people on our program leadership and our stewardship and management of the public funds entrusted to us.

Attainment of the independent auditor’s unmodified opinion on our financial statement demonstrates the CFO’s commitment to moving forward vigorously during FY 2016 to continue to improve our internal control processes and fulfill our financial management goals.

Edward Benthall
November 1, 2015

Office of Inspector General Quality Control Review

Independent Auditor's Report



Independent Auditor's Report

To: Inspector General, U.S. Department of Transportation
Chairman, National Transportation Safety Board

We have audited the accompanying balance sheets of the National Transportation Safety Board (NTSB) as of September 30, 2015 and 2014, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources (financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of these financial statements. In connection with our audit, we also considered the NTSB's internal control over financial reporting and tested the NTSB's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

SUMMARY

As stated in our opinion on the financial statements, we found that the NTSB's financial statements, as of and for the years ended September 30, 2015 and 2014, are presented fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America.

As a result of our tests of controls, we found no material weaknesses or significant deficiencies in internal control over financial reporting. Our tests of internal controls were 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 NTSB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NTSB's internal control over financial reporting.

As a result of our tests of compliance with certain provisions of laws, regulations, and significant provisions of contracts, nothing came to our attention that causes us to believe that NTSB failed to comply with applicable laws, regulations, or significant provisions of contracts that have a material effect on the financial statements insofar as they relate to accounting matters.

The following sections discuss in more detail (1) our report on the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts; and (4) agency comments.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the National Transportation Safety Board, which comprise the balance sheets as of September 30, 2015, and 2014; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Bulletin 15-02, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). Those standards and the OMB audit bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to the RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NTSB's internal control or its compliance with laws, regulations, and significant provisions of contracts. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NTSB as of September 30, 2015 and 2014, and the related net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the U.S. requires that Management's Discussion and

Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. This consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The performance measures and other accompanying information are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER AUDITOR REPORTING REQUIREMENTS

Report on the Internal Control

In planning and performing our audit of NTSB's financial statements as of and for the fiscal year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered NTSB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 NTSB's internal control over financial reporting. Accordingly, we do not express an opinion on NTSB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore material weaknesses or significant deficiencies may exist that were not identified.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet

important enough to merit attention by those charged with governance.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses or to express an opinion on the effectiveness of NTSB's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

Leon Snead & Company, P. C. concluded in its fiscal year 2013 audit that NTSB had a material weakness in its internal control over financial reporting. Leon Snead recommended the Board:

- Strengthen supervisory review of interim and year-end financial statements presented to OMB and for audit, and maintain documentation of these reviews. Ensure that meaningful variance analyses of current and prior year financial statements and footnotes are made and documented.

The recommendation remained open at the end of fiscal year 2014. However, the portion of the recommendation relating to variance analyses was closed.

In fiscal year 2014 Leon Snead & Company, P. C. concluded in its audit that the Office of Chief Financial Officer (OCFO) personnel needed to more effectively implement established controls over the preparation, review and approval of JVs; and the compilation and presentation of the financial statements. Leon Snead recommended the Board:

- Provide training to applicable OCFO personnel concerning the agency's internal controls over financial reporting to ensure that controls are more effectively implemented over the processing of JVs, and compilation and presentation errors are eliminated.

During fiscal year 2015, the Board implemented policies and procedures that we believe adequately address the recommendations mentioned above and the related control deficiencies no longer exist.

Report on Compliance

As part of obtaining reasonable assurance about whether the agency'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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in the OMB audit bulletin. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations

applicable to the NTSB. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that NTSB failed to comply with applicable laws, regulations, or significant provisions of laws, regulations, and contracts that have a material effect on the financial statements. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding NTSB's noncompliance with applicable laws, regulations, or significant provisions of laws, regulations, and contracts.

Restricted Use Relating to Reports on Internal Control and Compliance

The purpose of the communication included in the sections identified as "Report on Internal Control" and "Report on Compliance" is solely to describe the scope of our testing of internal control over financial reporting and compliance, and to describe any material weaknesses, significant deficiencies, or instances of noncompliance we noted as a result of that testing. Our objective was not to provide an opinion on the design or effectiveness of the NTSB's internal control over financial reporting or its compliance with laws, regulations, or provisions of contracts. The two sections of the report referred to above are integral parts of an audit performed in accordance with *Government Auditing Standards* in considering the NTSB's internal control over financial reporting and compliance. Accordingly, those sections of the report are not suitable for any other purpose.

AGENCY COMMENTS AND AUDITOR EVALUATION

In commenting on a draft of this report, the Chief Financial Officer concurred with our opinion on the financial statements and conclusions in our reports on internal control and compliance with certain provisions of laws, regulations, and significant provisions of contracts.

The complete text of NTSB's comments is reprinted in Appendix II.

Acuity Consulting, Inc.

Acuity Consulting, Inc.

November 7, 2015

APPENDIX I

**Status of Prior Year
Recommendations
As of September 30, 2015**

Rec. No.	Audit Recommendation	Status as of 9-30-15
1.	Strengthen supervisory reviews of interim and year-end financial statements presented to OMB and for audit, and maintain documentation of these reviews. Ensure that meaningful variance analyses of current and prior year financial statements and footnotes are made and documented.	Closed

Rec. No.	Audit Recommendation	Status as of 9-30-15
2.	Provide training to applicable OCFO personnel concerning the agency's internal controls over financial reporting to ensure that controls are more effectively implemented over the processing of JVs, and compilation and presentation errors are eliminated.	Closed

NTSB CFO Responses to Auditor's Report –Appendix II



National Transportation Safety Board
Washington, D.C. 20594

Office of the Chief Financial Officer

DATE: November 5, 2015

TO: James E. Short, CPA
President/CEO
Acuity Consulting, Inc.

FROM: Edward Benthall
Chief Financial Officer

SUBJECT: DRAFT AUDIT REPORT
Fiscal Year 2015 and 2014 Financial Statement Audit Report

The National Transportation Safety Board (NTSB) has reviewed the draft fiscal years 2015 and 2014 Financial Statement Audit Report and we concur with the audit opinion and reports on internal controls and compliance with applicable provisions of laws and regulations. We will share the final audit report with senior officials, other interested program managers and staff.

We are pleased that the NTSB's FY 2015 financial statements received an unmodified opinion, the NTSB's 13th consecutive unqualified/unmodified opinion since its FY 2002 financial statements were initially audited, pursuant to the Accountability of Tax Dollar Act of 2002. The NTSB's unmodified opinion was rendered this fiscal year with no material weaknesses or significant deficiencies identified, and no instances of non-compliance with laws and regulations.

Please convey my appreciation to everyone on your staff who worked diligently on our financial statement audit. If you have any questions or comments, please contact me or Dien Nguyen at (202) 314-6228.

cc: George Banks, Program Director,
Financial Audits, DOT OIG

Financial Statements

NATIONAL TRANSPORTATION SAFETY BOARD
Balance Sheet
As of September 30, 2015 and 2014

	FY 2015	FY 2014
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 36,693,876	\$ 36,210,047
Accounts receivable (Note 3)	14,044	-
Total intragovernmental	<u>36,707,920</u>	<u>36,210,047</u>
Accounts receivable, net (Note 3)	18,002	14,105
General property, plant and equipment, net (Note 4)	<u>12,141,868</u>	<u>12,987,236</u>
Total Assets	<u>\$ 48,867,790</u>	<u>\$ 49,211,388</u>
Liabilities: (Note 5)		
Intragovernmental:		
Accounts payable	\$ 629,399	\$ 376,303
Other (Note 7)	1,781,035	1,593,534
Total Intragovernmental	<u>2,410,434</u>	<u>1,969,837</u>
Accounts payable	2,636,872	1,217,963
Actuarial FECA Liability	6,797,016	7,042,672
Capital lease liability (Note 8)	12,503,173	13,829,142
Other (Note 7)	<u>7,004,167</u>	<u>6,618,147</u>
Total Liabilities	<u>\$ 31,351,662</u>	<u>\$ 30,677,761</u>
Commitments and contingencies (Note 9)		
Net Position:		
Unexpended appropriations	24,639,485	26,740,902
Cumulative results of operations	(7,123,357)	(8,207,275)
Total Net Position	<u>\$ 17,516,128</u>	<u>\$ 18,533,627</u>
Total liabilities and net position	<u>\$ 48,867,790</u>	<u>\$ 49,211,388</u>

The accompanying notes are an integral part of these statements.

NATIONAL TRANSPORTATION SAFETY BOARD
Statement of Net Cost
For the Years Ending September 30, 2015 and 2014

	FY 2015	FY 2014
Aviation Safety:		
Gross costs (Note 10)	\$ 50,219,430	\$ 51,060,730
Less: earned revenue	(794,560)	(981,600)
Net program costs	\$ 49,424,870	\$ 50,079,130
Surface Transportation Safety:		
Gross costs	\$ 32,278,955	\$ 30,588,532
Less: earned revenue	(446,826)	(505,703)
Net program costs	\$ 31,832,129	\$ 30,082,829
Research & Engineering:		
Gross costs	\$ 23,039,612	\$ 22,552,315
Less: earned revenue	(314,337)	(380,911)
Net program costs	\$ 22,725,275	\$ 22,171,404
Net cost of operations	\$ 103,982,274	\$ 102,333,363

The accompanying notes are an integral part of these statements.

NATIONAL TRANSPORTATION SAFETY BOARD
Consolidated Statement of Net Position
For the Years Ending September 30, 2015 and 2014

	FY 2015	FY 2014
Cumulative Results of Operations:		
Beginning balance	\$ (8,207,275)	\$ (7,913,682)
Budgetary Financing Sources:		
Appropriations used	101,943,041	98,337,185
Other Financing Sources:		
Imputed financing	3,123,151	3,702,585
Total Financing Sources	105,066,192	102,039,770
Net Cost of Operations	(103,982,274)	(102,333,363)
Net Change	1,083,918	(293,593)
Cumulative Results of Operations	(7,123,357)	(8,207,275)
Unexpended Appropriations		
Beginning Balance	26,740,902	26,192,015
Budgetary Financing Sources:		
Appropriations received	103,981,000	103,027,000
Other adjustments	(4,139,376)	(4,140,928)
Appropriations used	(101,943,041)	(98,337,185)
Total Budgetary Financing Sources	(2,101,417)	548,887
Total Unexpended Appropriations	24,639,485	26,740,902
Net Position	\$ 17,516,128	\$ 18,533,627

The accompanying notes are an integral part of these statements.

NATIONAL TRANSPORTATION SAFETY BOARD
Statement of Budgetary Resources
For the Years Ending September 30, 2015 and 2014

	FY 2015	FY 2014
Budgetary Resources		
Unobligated balance brought forward, October 1	\$ 19,013,126	\$ 16,834,235
Recoveries of prior year unpaid obligations	2,830,527	3,413,744
Other changes in unobligated balance	(4,139,376)	(4,140,928)
Unobligated balance from prior year budget authority, net	\$ 17,704,277	\$ 16,107,051
Appropriations	\$ 103,981,000	\$ 103,027,000
Spending authority from offsetting collections:	\$ 1,816,214	\$ 2,013,360
Total Budgetary Resources	\$ 123,501,491	\$ 121,147,411
Status of Budgetary Resources		
Obligations Incurred (Note 11)	\$ 105,792,250	\$ 102,134,285
Unobligated balance, end of year:		
Apportioned	9,582,649	11,577,487
Unapportioned	8,126,592	7,435,639
Total unobligated balance, end of year	\$ 17,709,241	\$ 19,013,126
Total Budgetary Resources	\$ 123,501,491	\$ 121,147,411
Change in Obligated Balance		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$ 17,209,796	\$ 17,398,915
Obligations incurred	105,792,250	102,134,285
Outlays	(101,172,614)	(98,909,660)
Recoveries of prior year unpaid obligations	(2,830,527)	(3,413,744)
Unpaid obligations, end of year	\$ 18,998,905	\$ 17,209,796
Uncollected payments:		
Uncollected payments, Federal sources, brought forward, October 1	\$ (12,874)	\$ -
Change in uncollected payments, Federal sources	(1,396)	(12,874)
Uncollected payments, Federal sources	\$ (14,270)	\$ (12,874)
Obligated Balance, start of year	\$ 17,196,922	\$ 17,398,915
Obligated Balance, end of year	\$ 18,984,635	\$ 17,196,922

Budget Authority and Outlays, net

Budget Authority, Gross	\$ 105,797,214	\$ 105,040,360
Actual offsetting collections	(1,814,818)	(2,000,486)
Change in uncollected payments, Federal sources	(1,396)	(12,874)
Budget Authority, Net	\$ 103,981,000	\$ 103,027,000
Outlays, Gross	\$ 101,172,614	\$ 98,909,660
Actual offsetting collections	(1,814,818)	(2,000,486)
Outlays, Net	\$ 99,357,796	\$ 96,909,174

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position and budgetary resources of the National Transportation Safety Board (NTSB). The NTSB is an independent federal agency charged with determining the probable cause(s) of transportation accidents and promoting transportation safety. The financial activity presented relates primarily to the execution of the NTSB's congressionally approved budget. The NTSB began operations in 1967 and, although independent, it relied on the U.S. Department of Transportation (DOT) for funding and administrative support. In 1975, under the Independent Safety Board Act, all organizational ties to DOT were severed. The NTSB is not part of DOT, or affiliated with any of its modal agencies. The laws specific to the Board are located in Chapter VIII, Title 49 of the Code of Federal Regulations.

Basis of Accounting and Presentation

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized as incurred, without regard to receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

These financial statements have been prepared from the books and reports of NTSB in accordance with U.S. generally accepted accounting principles (GAAP) for the federal government and the Office of Management and Budget (OMB) Circular A-136.

Assets

Intragovernmental assets are those assets that arise from transactions with other federal entities. Entity assets are available for use by the entity in its operations while nonentity assets are assets held by the entity but not available for use by the entity in its operations.

Fund Balance with U.S. Treasury

The NTSB does not maintain cash in commercial bank accounts. The U.S. Treasury processes cash receipts and disbursements. Funds with the U.S. Treasury consist of appropriated and deposited funds that are available to pay current liabilities and finance authorized purchase commitments.

Accounts Receivable

NTSB's accounts receivable represent amounts due from overpayments to current and non-current employees and from vendors. NTSB maintains an allowance for doubtful accounts for public receivables based on past collection experience. The allowance for doubtful accounts is reviewed and adjusted quarterly.

Property and Equipment

General Property and Equipment

The Office of the Chief Financial Officer has established a capitalization policy for general property and equipment (P&E). General P&E is reported at acquisition cost. The capitalization threshold is established at \$25,000. General P&E consists of items that are used by NTSB to support its mission. Depreciation on these assets is calculated using the straight-line method.

The land and buildings in which the NTSB operates are primarily leased from commercial entities. The General Services Administration (GSA) provides some of the facilities occupied by the NTSB. GSA charges the NTSB a Standard Level Users Charge (SLUC) that approximates the commercial rental rates for similar properties.

Leasehold Improvements

The NTSB capitalization policy for leasehold improvements has established a capitalization threshold of \$100,000. A leasehold improvement is an improvement of a leased asset that increases the asset's value. Depreciation on these assets is calculated using the straight-line method with ten years as the estimated useful life of the improvements or the remaining term of the lease, whichever is less.

Capital Lease Assets

Any Lease-to-Ownership Plans (LTOP) leases are classified as capital leases. The NTSB has two capital leases. One lease is for space rental on the building that houses the NTSB Ashburn facility. This is a twenty-year lease. Depreciation on the capital lease is calculated using the straight-line method with twenty years, the term of the lease, as the estimated useful life of the capital lease.

The second lease is for copy machines used at all NTSB locations nationwide. This is a five-year lease. Depreciation on the capital lease is calculated using the straight-line method with five years, the term of the lease, as the estimated useful life of the capital lease.

Internal Use Software

The capitalization threshold of internal use software is established at \$250,000. Only the costs associated with the software development phase including labor are subject to capitalization. Software development phase activities generally include the design of chosen path, including software configuration and software interfaces, coding, installation to hardware and testing, including the parallel processing phase. Internal use software includes software to operate NTSB programs and software used to produce NTSB goods and services. Depreciation on these assets is

calculated using the straight-line method with three years as the estimated useful life of the asset.

Liabilities

Liabilities represent amounts that are likely to be paid by the NTSB as the result of transactions or events that have already occurred; however, no liabilities are paid by the NTSB without an appropriation. Intragovernmental liabilities arise from transactions with other federal entities.

Accounts payable

Accounts payable consist of amounts owed for goods, services and other expenses received but not yet paid.

Accrued Payroll and Benefits

Accrued Payroll and Benefits represents salaries, wages and benefits earned by employees, but not disbursed as of September 30, 2015. Accrued payroll and benefits are payable to employees and are therefore not classified as intragovernmental.

Annual, Sick, and Other Leave

Annual leave is recognized as an expense and as a liability as it is earned; the liability is reduced as leave is taken. Each year, the balance in the accrued annual, restored, and compensatory leave account is adjusted to reflect current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

Employee Retirement Plans

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS)

NTSB employees participate in one of two retirement programs, either the CSRS or the FERS, which became effective on January 1, 1987. Most NTSB employees hired after December 31, 1983, are automatically covered by FERS and Social Security.

For CSRS covered employees, the NTSB withheld 7.0 percent of gross earnings. The NTSB matches the withholding, and the sum of the withholding and the matching funds is transferred to the Civil Service Retirement System.

For each fiscal year the Office of Personnel Management (OPM) calculates the U.S. Government's service costs for covered employees, which is an estimate of the amount of funds that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. Government's estimated FY 2015 service cost exceeds

contributions made by employer agencies and covered employees, the plan is not fully funded by the NTSB and its employees. As of September 30, 2015, NTSB recognized \$3,123,151 as an imputed cost and as an imputed financing source for the difference between the estimated service cost and the contributions made by NTSB and its employees.

FERS contributions made by employer agencies and covered employees exceed the U.S. Government's estimated FY 2015 service cost. For FERS covered employees the NTSB made contributions of percent of basic pay. Employees contributed .80 percent of gross earnings. Employees participating in FERS are covered under the Federal Insurance Contribution Act (FICA) for which the NTSB contributes a matching amount to the Social Security Administration.

Thrift Savings Plan (TSP)

Employees covered by CSRS and FERS are eligible to contribute to the U.S. Government's TSP, administered by the Federal Retirement Thrift Investment Board. The NTSB makes a mandatory contribution of 1 percent of basic pay for FERS-covered employees. In addition, NTSB makes matching contributions, of up to 5 percent of basic pay, for employees who contribute to the Thrift Savings Plan. Contributions are matched dollar for dollar for the first 3 percent of pay contributed each pay period and 50 cents on the dollar for the next 2 percent of pay. There are no percentage limits on contributions for FERS participants. There are no percentage limits for CSRS participants, but there is no governmental matching contribution. The maximum amounts that either FERS or CSRS employees may contribute to the plan in calendar year 2015 is \$18,000. Those who are of age fifty and older may contribute an additional \$6,000 in catch up contributions.

The NTSB financial statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to NTSB employees and funded by NTSB. Such reporting is the responsibility of OPM.

Contingencies

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability is recognized when a past event or exchange transaction has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable.

Revenues and Other Financing Sources

Appropriations

Most of NTSB's operating funds are provided by congressional appropriations of budget authority. The NTSB receives appropriations on annual, multi-year, and no-year bases. NTSB receives financial resources from the following appropriations:

Annual Salaries and Expenses Appropriation

Annual one-year appropriations are provided by Congress and are available for obligation in the fiscal year for which it was provided to fund the overall operation of the NTSB.

Supplemental Salaries and Expenses Appropriation

Supplemental appropriations provided by Congress to fund extraordinary investigations.

Two Year Appropriation for Lease Renewal Expenses

For FY 2010, Congress appropriated \$2,416,000 to fund one-time expenses associated with renewing the lease for NTSB's Washington, DC headquarters. The funding was available for obligation in FY 2010 and FY 2011.

Two Year Appropriation

For FY 2011 Congress appropriated \$2.4 million. The funding was available for obligation in FY 2011 and FY 2012.

No Year Emergency Fund Appropriation

A no-year Emergency Fund appropriation was provided by the Congress to fund extraordinary accident investigation costs. Emergency Fund disbursements are made at the discretion of the NTSB, but must be reported to the Congress. A no-year appropriation is available for obligation without fiscal year limitation. The NTSB's Emergency Fund currently is appropriated at \$1,997,884.

Imputed Financing Sources

In accordance with OMB Bulletin No. A-136, all expenses should be reported by agencies whether or not these expenses would be paid by the agency that incurs the expense. The amounts for certain expenses of the NTSB, which will be paid by other federal agencies, are recorded in the "Statement of Net Cost." A corresponding amount is recognized in the "Statement of Changes in Net Position" as an "Imputed Financing Source." These imputed financing sources primarily represent unfunded pension costs of NTSB employees.

Statement of Net Cost

Sub-Organization Program Costs

The NTSB Statement of Net Cost is presented by Responsibility Segment. These Responsibility Segments are based on the NTSB's mission and funding sources. The major programs that comprise the Responsibility Segments are: Aviation Safety, Surface Transportation Safety, and Research and Engineering.

Earned Revenue

Earned revenues collected by NTSB include amounts collected for training programs, rental of conference room space, subleasing of office space, and for investigative related services.

Net Position

Net position is the residual difference between assets and liabilities and comprises Unexpended Appropriations and Cumulative Results of Operations.

Unexpended appropriations include appropriations not yet obligated or expended, represented by the unobligated balances and undelivered orders of NTSB's appropriated funds. Multi-year appropriations remain available to NTSB for obligation in future periods. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not for new obligations, until that account is closed, five years after the appropriations expire. Cumulative Results of Operations is the Net Result of NTSB's operations since inception.

Use of Estimates

The preparation of financial statements in accordance with the accounting principles described above requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

Note 2

FUND BALANCES WITH THE U.S. TREASURY

Fund Balance with Treasury consisted of the following as of September 30, 2015 and September 30, 2014:

Fund Balances with Treasury	FY 2015	FY 2014
Appropriated Funds	\$ 36,693,876	\$ 36,210,047
Total	\$ 36,693,876	\$ 36,210,047
Status of Fund Balance with Treasury	FY 2015	FY 2014
Unobligated Balance		
Available	\$ 9,582,649	\$ 11,577,487
Unavailable	8,126,592	7,435,639
Total Unobligated Balance	17,709,241	19,013,126
Obligated Balance Not Yet Disbursed	18,984,635	17,196,921
Total	\$ 36,693,876	\$ 36,210,047

Available unobligated balances represent amounts that were apportioned and/or allotted for obligation in the current fiscal year. Unavailable unobligated balances represent amounts that are not apportioned for obligation during the current fiscal year and expired appropriations that are no longer available to incur new obligations. Obligated balances not yet disbursed include unpaid delivered and undelivered orders, reduced by budgetary receivables.

Note 3

ACCOUNTS RECEIVABLE

NTSB's accounts receivable represent amounts due from overpayments to current and non-current employees and from vendors. NTSB maintains an allowance for doubtful accounts for public receivables based on past collection experience. NTSB estimates the allowance for doubtful accounts based on the following agency schedule and is updated quarterly.

DAYS OUTSTANDING	PERCENTAGE
0-120	0%
Over 120 Days	100%

Accounts Receivable consisted of the following as of September 30, 2015 and September 30, 2014:

	Federal FY 2015	Non-Federal FY 2015	Total FY 2015	Federal FY 2014	Non-Federal FY 2014	Total FY 2014
Gross Receivables	\$ 14,044	\$ 18,002	\$ 32,046	\$ -	\$ 104,607	\$ 104,607
Allowance for Loss	-	-	-	-	90,502	90,502
Net Receivables	\$ 14,044	\$ 18,002	\$ 32,046	\$ -	\$ 14,105	\$ 14,105

Note 4

PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of September 30, 2015 and September 30, 2014:

Property and Equipment

Classes of Fixed Assets	Service Life (Years)	Acquisition Value FY 2015	Accumulated Depreciation FY 2015	Net Book Value FY 2015	Acquisition Value FY 2014	Accumulated Depreciation FY 2014	Net Book Value FY 2014
laptop computers and peripherals	3	\$ 1,034,519	\$ 890,836	\$ 143,683	\$ 1,034,519	\$ 545,996	\$ 488,523
Other ADP and Tele-comm equipment (servers, routers)	5	\$ 712,108	\$ 357,331	\$ 354,777	\$ 294,723	\$ 293,145	\$ 1,578
Furniture	5	\$ 1,351,974	\$ 1,041,551	\$ 310,423	\$ 1,351,974	\$ 917,382	\$ 434,592
Investigative equipment	5	\$ 5,847,386	\$ 4,213,685	\$ 1,633,701	\$ 4,597,061	\$ 3,578,451	\$ 1,018,610
Internal Use Software	3	\$ 564,707	\$ 396,999	\$ 167,708	\$ 547,207	\$ 309,013	\$ 238,194
Capital lease (buildings)	20	\$23,731,941	\$14,339,052	\$ 9,392,889	\$23,731,941	\$13,152,456	\$10,579,485
Capital lease (office equipment)	5	\$ 437,833	\$ 299,146	\$ 138,687	\$ 437,833	\$ 211,579	\$ 226,254
Totals		\$33,680,468	\$21,538,600	\$12,141,868	\$31,995,258	\$19,008,022	\$12,987,236

Note 5

LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2015 and September 30, 2014.

Liabilities Not Covered by Budgetary Resources

Intragovernmental:	FY 2015	FY 2014
Accrued Unfunded FECA Liability	\$ 1,381,057	\$ 1,271,101
Total Intragovernmental	\$ 1,381,057	\$ 1,271,101
Capital Lease Liability	12,359,526	13,597,198
Accrued Unfunded Annual Leave	5,243,259	5,225,303
Actuarial FECA Liability	6,797,016	7,042,672
Total Liabilities Not Covered by Budgetary Resources	\$ 25,780,858	\$ 27,136,274
Total Liabilities Covered by Budgetary Resources	\$ 5,570,804	\$ 3,541,487
Total Liabilities	\$ 31,351,662	\$ 30,677,761

Liabilities Not Covered by Budgetary Resources result from the receipt of goods and services, or the occurrence of events, for which appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through Congressional appropriation. . Unfunded Intragovernmental Liabilities consist of Accrued FECA in the amount of approximately \$1.4 million. Capitalizing the full net present value of the Ashburn facility lease created a deficiency in 2001 funds which was reported to OMB and Congress. OMB has provided guidance on future funding and reporting of this liability. With the cancellation of the FY 2001 appropriation at September 30, 2006, budgetary accounts no longer reflect a deficiency. The Appropriation acts annually include language to provide funds to make lease payments due in the current fiscal year. Consistent with generally accepted accounting principles, the remaining liability will remain on the general ledger until the lease is fully liquidated. The lease liability not covered by budgetary resources at September 30, 2015, is \$12,359,526.

Note 6**ACCRUED FECA LIABILITY**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for NTSB employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the NTSB.

FECA liability includes two components: (1) the accrued liability which represents money owed for claims paid by the DOL through the current fiscal year, for which billing to and payment by the NTSB will occur in a subsequent fiscal year, and (2) the liability for future costs which represents the expected liability for approved compensation cases beyond the current fiscal year. Estimated future costs have been actuarially determined, and are regarded as a liability to the public because neither the costs nor reimbursement have been recognized by DOL. FECA liability is included in Liabilities Not Covered by Budgetary Resources, as described in Note 7.

The NTSB accrues liabilities based on estimates of funds owed to other federal government entities for services provided, but not yet billed. The accruals for Workers Compensation and Unemployment Compensation represent the estimated liability for the current fiscal year; for money owed, but not billed; and for claims, which were paid by the Department of Labor, but not yet billed to the NTSB.

Note 7

OTHER LIABILITIES

Other Liabilities consisted of the following as of September 30, 2015 and September 30, 2014.

	<u>Non-Current</u>	<u>Current</u>	<u>FY 2015 Total</u>
Intragovernmental:			
Accrued Employee Benefits	\$ -	\$ 399,978	\$ 399,978
Accrued FECA Liability	<u>\$ 808,719</u>	<u>\$ 572,338</u>	<u>\$ 1,381,057</u>
Total Intragovernmental	<u>\$ 808,719</u>	<u>\$ 972,316</u>	<u>\$ 1,781,035</u>
Reimbursable Advances	\$ -	\$ 131,906	\$ 131,906
Accrued Payroll and Benefits	\$ -	\$ 1,629,002	\$ 1,629,002
Accrued Unfunded Leave	<u>\$ -</u>	<u>\$ 5,243,259</u>	<u>\$ 5,243,259</u>
Total Other Liabilities	<u>\$ 808,719</u>	<u>\$ 7,976,483</u>	<u>\$ 8,785,202</u>
	<u>Non-Current</u>	<u>Current</u>	<u>FY 2014 Total</u>
Intragovernmental:			
Accrued Employee Benefits	\$ -	\$ 319,433	\$ 319,433
Accrued FECA Liability	<u>\$ 710,374</u>	<u>\$ 563,727</u>	<u>\$ 1,274,101</u>
Total Intragovernmental	<u>\$ 710,374</u>	<u>\$ 883,160</u>	<u>\$ 1,593,534</u>
Accrued Payroll and Benefits	\$ -	\$ 1,392,844	\$ 1,392,844
Accrued Unfunded Leave	<u>\$ -</u>	<u>\$ 5,225,303</u>	<u>\$ 5,225,303</u>
Total Other Liabilities	<u>\$ 710,374</u>	<u>\$ 7,501,307</u>	<u>\$ 8,211,681</u>

Note 8

LEASES

The NTSB has commitments under cancelable operating leases for office space. These leases have terms that extend from 5 to 14 years. The majority of buildings in which the NTSB operates are leased from commercial companies. Under their lease agreement with the General Services Administration (GSA), the NTSB is charged rent that is intended to approximate commercial rental rates.

The NTSB has a non-cancelable lease, signed with the GSA, for a ten-year term, expired on November 30, 2020. This lease was signed in 2010 to rent the Conference Center.

The NTSB has a 20-year capital lease for the Ashburn training facility space which was originally entered into during 2001. The total future payments disclosed for the Ashburn facility include estimates for services and utilities.

The NTSB also has a 5-year capital lease for Lexmark copy machines which was entered into during 2012. The total future payments disclosed for the copy machines include estimates for service.

	FY 2015	FY 2014
Summary of Assets under Capital Leases		
Buildings (Training Center)	\$ 23,731,941	\$ 23,731,941
Machinery (Copy Machines)	437,833	437,833
Accumulated Depreciation	<u>(14,638,198)</u>	<u>(13,364,035)</u>
Net Capital Lease Value	\$ 9,531,576	\$ 10,805,739

Future Capital Lease Payments

	Buildings	Equipment	Total
FY 2016	\$ 2,521,440	\$ 173,544	\$ 2,694,984
FY 2017	2,521,440	101,234	2,622,674
FY 2018	2,521,440		2,521,440
FY 2019	2,521,440		2,521,440
FY 2020	2,521,440		2,521,440
FY 2021 and beyond	<u>7,144,080</u>		<u>7,144,080</u>
Total Future Lease Payments	\$ 19,751,280	\$ 274,778	\$ 20,026,058
Less: Imputed Interest	(2,803,473)	(2,527)	(2,806,000)
Less: Executory Costs	<u>(4,588,281)</u>	<u>(128,603)</u>	<u>(4,716,884)</u>
Capital Lease Liability	<u>\$ 12,359,526</u>	<u>\$ 143,648</u>	<u>\$ 12,503,174</u>

Capital lease liabilities covered by budgetary resources as of September 30, 2015: \$ 143,648
 Capital lease liabilities not covered by budgetary resources as of September 30, 2015: \$ 12,359,526
 In 2003 NTSB determined that the Ashburn facility lease should be recorded as a capital lease. Capitalizing the full net present value of the Ashburn facility lease created a deficiency in 2001

funds. This deficiency was reported to OMB and Congress. OMB has provided guidance on future funding and reporting of this liability. With the cancellation of the FY 2001 appropriation at September 30, 2006, the budgetary accounts no longer reflect a deficiency situation. The related asset, liability, and amortization will remain on the general ledger until the lease is fully liquidated. Annual Appropriation acts now include language to provide funds to make lease payments due in the current fiscal year.

The NTSB has operating leases for postage meters and vehicles. Postage meters are leased on an annual basis. These leases are cancelable or renewable on an annual basis at the option of NTSB. They do not impose binding commitments on NTSB for future rental payments on leases with terms longer than one year.

Future operating payments due are as follows:

Future Operating Lease Payments

	Cancellable	Non-cancellable	Total
FY 2016	\$ 8,321,772	\$ 649,018	\$ 8,970,790
FY 2017	8,410,512	655,008	9,065,520
FY 2018	8,501,908	661,178	9,163,086
FY 2019	8,596,039	667,534	9,263,573
FY 2020	8,684,742	674,080	9,358,822
FY 2021 and beyond	1,935,501	108,546	2,044,047
Operating Lease Liability	\$ 44,450,474	\$ 3,415,364	\$ 47,865,838

Future Operating Lease Payments

	Headquarters	Regional Offices	Total
FY 2016	\$ 8,645,117	\$ 325,673	\$ 8,970,790
FY 2017	8,738,892	326,628	9,065,520
FY 2018	8,835,480	327,606	9,163,086
FY 2019	8,934,966	328,607	9,263,573
FY 2020	9,037,437	321,384	9,358,821
FY 2021 and beyond	1,470,501	573,547	2,044,048
Operating Lease Liability	\$ 45,662,393	\$ 2,203,445	\$ 47,865,838

NTSB renewed an operating lease to rent office space for the Anchorage, Alaska, location in August 2015.

GSA vehicle leases are cancelable at any time without penalty and are not included in Future Operating Lease Payments information.

Future Operating Lease Receipts

In August 2007, NTSB signed a sub-lease agreement to provide certain office space beginning in September 2007.

This agreement is with the Transportation Security Administration (TSA) for a period of ten years beginning October 1, 2008. The Sub-Lessee may cancel this agreement after the first twelve months with 120 days' notice without penalty. This agreement will result in the receipt of \$593,329 over the twelve-month lease term in accordance with amendment #7, paid quarterly. The Sub-Lessee rental rate will be annually adjusted by a reconciliation of Operating costs and taxes corresponding with increases to the Consumer Price Index (CPI) Cost of Living index.

Future Operating Lease Receipts

	September 30, 2015	September 30, 2014
FY 2015		\$ 577,525
FY 2016	\$ 593,329	577,525
FY 2017	593,329	577,525
FY 2018		
FY 2019		
FY 2020		
FY 2021 and beyond		
Total Future Lease Receipts	<u>\$ 1,186,658</u>	<u>\$ 1,732,575</u>

Note 9**COMMITMENTS AND CONTINGENCIES**

As of September 30, 2015, the NTSB was not a party to any legal actions which were likely to result in a material liability. Accordingly, no provision for loss is included in the financial statements. However, as of September 30, 2015, the NTSB was party to an EEO action for which there is at least a reasonable possibility that a loss in the range of \$300,000 to \$400,000 may be incurred; an EEO action for which there is at least a reasonable possibility that a loss in the range of \$50,000 to \$100,000 may be incurred; and a FOIA action for which there is at least a reasonable possibility that a loss in the range of \$0 to \$50,000 may be incurred. These actions are disclosed in accordance with SFFAS No. 5, as amended by SFFAS No.12.

Note 10

SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

Intragovernmental and Public Costs

Fiscal Year 2015	Aviation Safety	Surface Safety	Research & Engineering	Consolidated Totals
Intragovernmental Gross Costs	\$ 13,866,431	\$ 9,022,166	\$ 6,798,121	\$ 29,686,718
Less: Intragovernmental Earned Revenue	(450,715)	(228,833)	(162,101)	(841,649)
Intragovernmental Net Costs	\$ 13,415,716	\$ 8,793,333	\$ 6,636,020	\$ 28,845,069
Gross Costs with the Public	\$ 36,352,999	\$ 23,256,789	\$ 16,241,491	\$ 75,851,279
Less: Earned Revenues from the Public	(343,845)	(217,993)	(152,236)	(714,074)
Net Costs with the Public	\$ 36,009,154	\$ 23,038,796	\$ 16,089,255	\$ 75,137,205
Net Cost of Operations	\$ 49,424,870	\$ 31,832,129	\$ 22,725,275	\$ 103,982,274

Fiscal Year 2014	Aviation Safety	Surface Safety	Research & Engineering	Consolidated Totals
Intragovernmental Gross Costs	\$ 14,672,643	\$ 8,982,389	\$ 7,968,862	\$ 31,623,894
Less: Intragovernmental Earned Revenue	(444,029)	(186,510)	(165,465)	(796,004)
Intragovernmental Net Costs	\$ 14,228,614	\$ 8,795,879	\$ 7,803,397	\$ 30,827,890
Gross Costs with the Public	\$ 36,388,087	\$ 21,606,143	\$ 14,583,453	\$ 72,577,683
Less: Earned Revenues from the Public	(537,571)	(319,193)	(215,446)	(1,072,210)
Net Costs with the Public	\$ 35,850,516	\$ 21,286,950	\$ 14,368,007	\$ 71,505,473
Net Cost of Operations	\$ 50,079,130	\$ 30,082,829	\$ 22,171,404	\$ 102,333,363

Note 11

**APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED:
DIRECT VS. REIMBURSABLE OBLIGATIONS**

The Statement of Budgetary Resources (SBR) compares budgetary resources with the status of those resources. For the year ended September 30, 2015, budgetary resources were \$123,501,491 and net outlays were \$99,357,795. For the year ended September 30, 2014, budgetary resources were \$121,147,411 and net outlays were \$96,909,174.

For the years ended September 30, 2015 and September 30, 2014, direct obligations incurred amounted to \$104,484,612 and \$100,906,478, respectively. For the years ended September 30, 2015 and September 30, 2014, reimbursable obligations incurred amounted to \$1,307,638 and \$1,227,807, respectively.

Apportionment Categories of Obligations Incurred	FY 2015	FY 2014
Budgetary Resources	\$ 123,501,491	\$ 121,147,411
Net Outlays	99,357,796	96,909,174
Category A Direct Obligations Incurred	104,484,612	100,906,478
Category B Reimbursable Obligations Incurred	1,307,638	1,227,807

Note 12

UNDELIVERED ORDERS AT THE END OF THE PERIOD

The total of undelivered orders at September 30, 2015, and September 30, 2014, were \$13,471,709 and \$13,668,308, respectively.

Note 13

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

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2015 actual budgetary execution information is scheduled for publication in February 2016, which will be available through OMB's website at <http://www.whitehouse.gov/omb>. Accordingly, information required for FY 2015 disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2014 SBR and the related President's Budget reflected the following:

In Millions	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 121	\$ 102	\$ -	\$ 97
Unobligated Balance - expired	\$ 11	\$ -	\$ -	\$ -
Differences due to rounding	\$ -	\$ 1	\$ -	\$ -
Budget of the U.S. Government	\$ 110	\$ 103	\$ -	\$ 97

The difference between the Statement of Budgetary Resources and the *Budget of the United States Government* for budgetary resources is due to expired unobligated balances and rounding.

Note 14

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.

	<u>FY 2015</u>	<u>FY 2014</u>
Resources Used to Finance Activities		
Obligations Incurred	\$105,792,250	\$102,134,285
Less: spending authority from offsetting collections and recoveries	(4,659,389)	(5,414,229)
Net obligations	<u>101,132,861</u>	<u>96,720,056</u>
Imputed financing from costs absorbed by others	3,123,151	3,702,585
Total resources used to finance activities	<u>\$104,256,012</u>	<u>\$100,422,641</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	328,504	1,197,115
Resources that fund expenses recognized in prior periods	(1,571,625)	(1,304,453)
Resources that finance the acquisition of assets	(1,685,210)	(424,811)
Total resources used to finance items not part of the net cost of operations	<u>(2,928,331)</u>	<u>(532,149)</u>
Total resources used to finance the net cost of operations	<u>\$101,327,681</u>	<u>\$ 99,890,492</u>
Components of the Net Cost of Operations that will not require or generate Resources in the Current Period		
Total components of Net Cost of Operations that will require or generate resources in future periods	124,015	212,328
Depreciation and Amortization	2,530,578	2,230,543
Revaluation of assets or liabilities	-	-
Total components of Net Cost of Operations that will not require or generate resources in the current period	<u>2,654,593</u>	<u>2,442,871</u>
Net Cost of Operations	<u><u>\$103,982,274</u></u>	<u><u>\$102,333,363</u></u>

Section IV—Other Accompanying Information

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2: Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (Federal Managers' Financial Integrity Act (FMFIA) Para.2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0
Effectiveness of Internal Control Over Operations (FMFIA Para.2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA Para.4)					
Statement of Assurance	Systems conform to financial management system requirements				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0

Improper Payments Elimination and Recovery Improvement Act of 2012

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012, requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payments is significant, agencies are to estimate the annual amount of erroneous payments made in those programs. OMB guidance provided in Circular No. A-136 and Appendix C of Circular No. A-123 requires detailed information related to the NTSB's Improper Payments Elimination Program, which is provided below.

In FY 2015, the NTSB reviewed the programs and activities it administers to identify those which may be susceptible to significant erroneous payments. The risk assessment included 1) consideration of certain risk factors that are likely to contribute to a susceptibility to significant improper payments and 2) transaction testing on a sample basis of payments made during FY 2015. The risk assessment was performed for the following programs: vendor payments (including travel and other employee reimbursement payments), intragovernmental payments, and payroll. OMB defines significant erroneous payments as annual erroneous payments in the program exceeding both \$10 million and 1.5 percent or \$100 million of total annual program payments. Based on the results of transaction testing applied to a sample of payments, consideration of risk factors, and reliance on the internal controls in place over the payment process, the NTSB determined that none of its programs and activities are susceptible to significant improper payments.

The level of risk of erroneous payment is determined to be low and baseline estimates have been established; the NTSB will conduct a formal risk assessment every 3 years unless the program experiences a significant change. The NTSB will conduct continuous monitoring of our programs and activities in FY 2016. If any programs and activities experience unexpected changes, the NTSB will reassess the programs' risk susceptibility and make a statistically valid estimate of erroneous payments for any programs determined to be susceptible to significant erroneous payments as required by the circular.

Appendix C of OMB Circular A-123 requires agencies to implement payment recapture audit programs where it is cost effective to do so. Based on our low improper payment rate as determined by the testing conducted in FY 2015, the NTSB has determined that implementing a payment recapture audit program is not cost-effective. That is, the recaptured amounts that could be recovered do not exceed the costs of implementation and operation of a payment recapture audit program which would include staff time and resources or payments to a contractor.

The NTSB will continue to monitor our improper payments across all programs and activities we administer and assess whether implementing payment recapture audits for each program is cost-effective. If through future risk assessments the agency determines a program is susceptible to significant improper payments and implementing a payment recapture program may be cost-beneficial, the NTSB will identify and pursue options to implement such a program.

“Freeze the Footprint” Implementation

In FY 2015, the NTSB maintained our overall square footage at 273,807 square feet. Our rentable square footage from FY 2012 to FY 2015 has been reduced by 15,807 square feet. The NTSB will continue our efforts to reduce our office footprint each time we renew a lease in the future. The NTSB has no buildings that meet the requirements to report operation and maintenance costs.

Appendix

Acronyms and Abbreviations

AD	NTSB Office of Administration
AS	NTSB Office of Aviation Safety
ALJ	NTSB Office of Administrative Law Judges
CFO	NTSB Office of the Chief Financial Officer
CFR	<i>Code of Federal Regulations</i>
CIO	NTSB Office of the Chief Information Officer
DOT	US Department of Transportation
EEODI	NTSB Office of Equal Employment Opportunity, Diversity, and Inclusion
FAA	Federal Aviation Administration
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
FPPS	Federal Personnel/Payroll System
FY	fiscal year
GC	Office of the General Counsel
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GPRAMA	Government Performance and Results Modernization Act
HS	NTSB Office of Highway Safety
IBC	Interior Business Center
ICR	Internal Control Review
IMO	International Maritime Organization
IPERA	Improper Payments Information Act
IPIA	Improper Payments and Information Act

IT	information technology
MD	NTSB Office of the Managing Director
MS	NTSB Office of Marine Safety
MWL	Most Wanted List
NTSB	National Transportation Safety Board
OC	NTSB Office of Communications
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
RE	NTSB Office of Research and Engineering
RPH	NTSB Office of Railroad, Pipeline and Hazardous Materials Investigations
TDA	NTSB Transportation Disaster Assistance Division
TMS	Talent Management System
<i>USC</i>	<i>United States Code</i>
USCG	US Coast Guard

For Additional Information Contact:

Edward Benthall
Chief Financial Officer
National Transportation Safety Board
Washington, DC 20594

cfofeed@ntsb.gov