



**U.S. Chemical Safety and  
Hazard Investigation Board**

**Performance and  
Accountability Report**

**Fiscal Year 2010**

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*Additional copies of this document may be downloaded from the CSB’s website [www.csb.gov](http://www.csb.gov)*

## MESSAGE FROM THE CHAIRMAN

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The mission of the Chemical Safety and Hazard Investigation Board (CSB) is to investigate chemical accidents and hazards, as well as recommend actions to protect workers, the public and the environment. Our independent investigative reports and videos bolster efforts by government, industry, labor, and local communities to prevent chemical process accidents.

During fiscal year (FY) 2010, the CSB completed eight safety products, including one full investigation report, one case study, three safety bulletins and four safety videos. CSB investigations included a total of 52 recommendations to improve chemical safety and hazard reduction across a range of industries. Twenty five of the recommendations were issued as urgent recommendations, meaning that Board Members determined an imminent hazard may be present and the potential to cause serious harm existed unless rectified in a short timeframe.

In FY 2010 the CSB closed 45 safety recommendations from prior years, demonstrating that past CSB recommendations have been implemented to make real impacts in the American workplaces and communities. Three examples of recommendations closed in FY 2010 help to illustrate the agency's preventive impact. As recommended by the CSB, the West Virginia state legislature required propane technicians to receive safety training; the U.S. government recommended that the Globally Harmonized System for hazard communication require inclusion of information about dust explosion hazards; and the American National Standards Institute (ANSI) now requires the inclusion of information about dust and static accumulation hazards in Material Safety Data Sheets.

The CSB refined its investigative methodology to close what the Government Accountability Office (GAO) identified as an "investigation gap" in a 2008 report.<sup>1</sup> The Board's traditional model focused almost exclusively on deployments to major chemical process accident sites resulting in full investigations lasting more than one year. In 2010, the Board also began conducting more assessments of smaller accidents with significant consequences rather than committing to full investigations. Using the assessment model, the CSB has collected important data that can be used in future studies and to develop more meaningful recommendations from future investigations.

The CSB also increased its ability to collect data on chemical accidents by strengthening its incident screening program and hiring a full-time incident screener in FY 2010. A dedicated incident screener can collect more accurate data on a greater number of incidents where CSB investigators do not launch full investigations. Incident screening information was used in several reports issued by the agency this year to strengthen

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<sup>1</sup> U.S. Government Accountability Office Report GAO-08-864R.

recommendations to regulatory and industry organizations and will be available for future safety studies.

CSB Safety Videos continue to be a way to convey the findings, lessons, and recommendations from CSB investigations and studies in a manner that is popular and effective. In FY 2010, the CSB produced four new safety videos, including the *No Place to Hang Out* video designed to educate teenagers about the dangers of socializing at oil and natural gas sites. As a result of the CSB's involvement with this issue, the Board of Supervisors of Forrest County, Mississippi, passed an ordinance requiring critical security measures, including fencing and signage, to be placed around hazardous oil sites to protect public from these hazards. Similar warning and protection legislation is expected to be considered by the Mississippi state legislature in 2011. The CSB safety videos, which have been viewed millions of times and distributed worldwide on DVD, resulted in the CSB receiving the prestigious European Process Safety Award in 2010, the first time a U.S.-based organization has been so honored.

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

The information provided serves as a mechanism for fiscal and programmatic accountability and serves as an accounting to the American people on our stewardship of the funds that have been entrusted to us for fulfillment of our mission in FY 2010. The results also summarize our success in achieving the performance goals the CSB established for FY 2010. The CSB continues to aggressively improve performance planning practices to ensure our goals are results driven and oriented toward achieving specific desired outcomes.

Brown & Company CPAs, PLLC, an Independent Public Accounting firm, has audited the CSB's FY 2010 consolidated financial statements included in this report and has issued an unqualified (clean) opinion indicating that our statements present fairly the CSB's financial position. This achievement demonstrates both our continued dedication to sound financial management and the reliability of the financial data upon which the CSB bases our critical decisions.

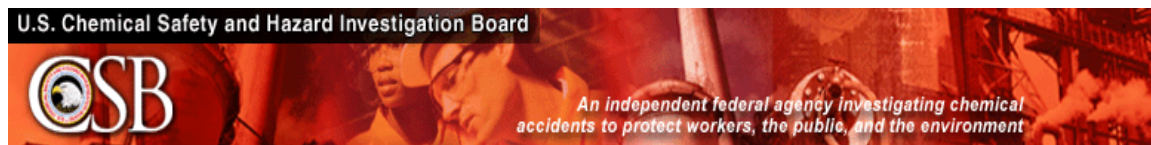
The FMFIA requires the CSB to annually evaluate its management controls and identify any material weaknesses. This requirement covers all of the CSB's programs and administrative functions. As the CSB works to serve the American people, we must administer our programs as efficiently, economically, and responsibly as possible. The CSB relies on our system of management controls to provide reasonable assurance that our financial activities comply with all applicable laws, and safeguard our resources as well as properly account for our operational expenditures.

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



Rafael Moure-Eraso  
Chairman & CEO

November 15, 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Overview

The Chemical Safety and Hazard Investigation Board (CSB) is an independent federal agency charged with investigating industrial chemical accidents and hazards. CSB investigations look into all aspects of chemical accidents, including the possible absence or inadequacy of regulations, especially those of the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA), proximate causes such as equipment failures, and root causes such as inadequacies in safety management systems and safety culture. The Board makes safety recommendations to regulatory agencies, plants, industry organizations, and labor groups. This discussion and analysis provides a concise overview of the CSB. For detailed information visit our website at [www.csb.gov](http://www.csb.gov).

### Mission and Organizational Structure

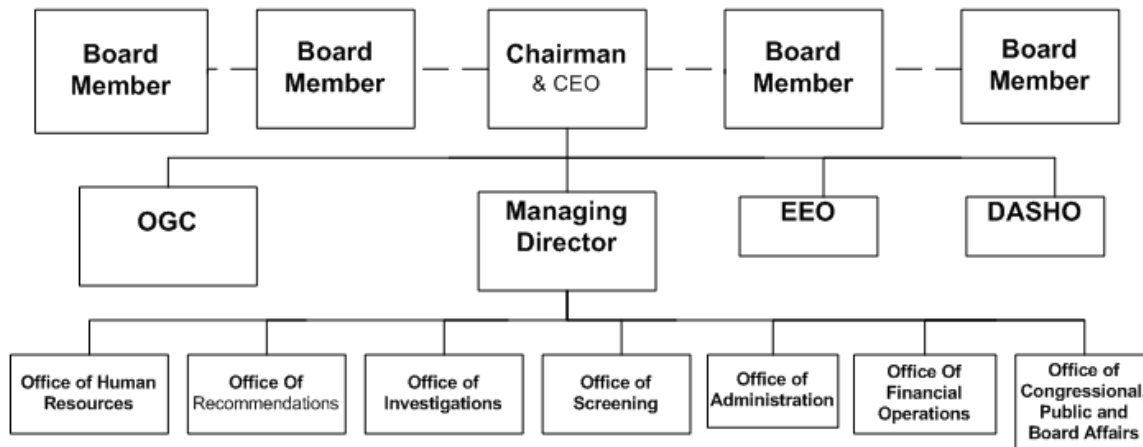
The mission of the CSB is to investigate chemical accidents and hazards, as well as to recommend actions to protect workers, the public and the environment. Our independent investigation reports and videos bolster efforts by government, industry, labor, and local communities to prevent chemical process accidents.

The CSB began operations in fiscal year (FY) 1998. The CSB is headquartered in Washington, DC, and has a field office in Denver, Colorado. The CSB is governed by its Board, which consists of five presidentially appointed members who are confirmed by the Senate. One of the board members serves as the Chairman and Chief Executive Officer (CEO) of the agency. As of September 30, 2010, there were five appointed Board members, including the Chairman, and a professional staff of 39.

The CSB reorganized in FY 2010, and the following is the organizational chart, which was in effect September 30, 2010.

## Chemical Safety & Hazard Investigation Board

September 2010



### Performance Goals, Objectives, and Results

In continuing work towards our mission to promote the prevention of chemical accidents, the CSB developed an action plan for FY 2010. The specific goals of the action plan were to:

- **Goal #1:** Select and complete accident investigations and recommend actions with a high potential for protecting workers, the public and the environment.
- **Goal #2:** Select and complete safety studies and recommend actions with a high potential for protecting workers, the public and the environment.
- **Goal #3:** Reduce the likelihood of similar accidents in the future by securing implementation of CSB safety recommendations.
- **Goal #4:** Promote improved safety practices by broadly disseminating the findings, lessons, and recommendations from CSB investigations and studies.
- **Goal #5:** Establish the CSB as a recognized world leader in accident investigation and prevention by continuing to improve our human capital and infrastructure.

**Goal #1 Accomplishments** (Select and complete accident investigations and recommend actions with a high potential for protecting workers, the public and the environment.)

In FY 2010, the CSB continued to emphasize investigations and safety by issuing final reports or a case study on the incident investigations listed below. The investigations completed in FY2010 led to significant new safety recommendations.

- **Kleen Energy:** At a public meeting, the CSB voted to approve a series of 18 urgent recommendations aimed at preventing fires and explosions caused when fuel gas is used to clean or purge gas pipes of debris, air, or other substances, typically during facility construction and maintenance. The recommendations - directed to OSHA, the National Fire Protection Association (NFPA) and others - resulted from extensive CSB investigations into the February 7, 2010, explosion at the Kleen Energy power plant in Middletown, Connecticut, that caused six deaths and multiple injuries, and the June 9, 2009, explosion at the ConAgra Foods Slim Jim plant in Garner, North Carolina, that killed four workers and injured 67. The CSB called for regulators and code organizations to prohibit pipe-cleaning using flammable natural gas, and to require companies to purge fuel gases directly outdoors instead of inside buildings.
- **ConAgra:** At a public meeting in Garner, North Carolina, the CSB approved urgent safety recommendations on the June 2009 ConAgra explosion. Recommendations to NFPA and the American Gas Association (AGA) urged changes to the National Fuel Gas Code to require that purged gases shall be vented to a safe location outdoors, away from personnel and ignition sources. In cases where outdoor venting is not possible, companies would be required to seek a variance from local officials before purging gas indoors, including approval of a risk evaluation and hazard control plan. The recommendations also require the use of combustible gas detectors to continuously monitor gas concentrations; the training of personnel about the problems of odor fade and odor fatigue; and warnings against the use of odor alone for detecting releases of fuel gases. The CSB further recommended that International Code Council incorporate the revised gas purging provisions of the National Fuel Gas Code into the International Fuel Gas Code.
- **Xcel Energy:** The CSB released its final report on the tragic accident that took the lives of five industrial painting contractors deep inside an Xcel Energy hydroelectric plant tunnel in Georgetown, Colorado. The CSB concluded the causes of the accident included (1) a lack of planning and training for hazardous work by Xcel and its contractor, RPI Coating, Inc., (2) Xcel's selection of RPI despite its having the lowest possible safety rating (zero) among competing contractors, and (3) allowing volatile flammable liquids to be introduced into a permit-required confined space without necessary special precautions. The CSB also determined that while companies are required to perform a hazard analysis prior to issuing permits for work in confined spaces, regulatory standards pertaining to the use of flammables within confined spaces are inadequate. The CSB recommended that OSHA amend its confined space rule to establish a



maximum percentage substantially below the lower explosive limit for any given flammable for safe entry and occupancy while working. The CSB made recommendations to nine other entities, including a recommendation that the Governor of Colorado implement an accredited firefighter certification program for technical rescue with specialty areas including confined space rescue.

- **Veolia:** The CSB released its case study on the explosion and fire at the Veolia ES Technical Solutions L.L.C. facility in West Carrollton, Ohio. The accident occurred when flammable vapor was released from a waste recycling process, ignited, and violently exploded. The blast seriously injured two workers and damaged 20 nearby residences and five businesses. CSB investigators found that the north wall of the lab and operations building – where the victims were injured – was less than 30 feet from the waste recycling processing area where the flammable vapor was released. The Board issued a recommendation to the NFPA, which develops codes and standards for industry, urging NFPA to require companies to perform engineering analyses to determine safe separation distances between buildings occupied by administrative and other personnel not essential to process operations, and buildings housing the potentially hazardous process equipment. The Board also revised a previous recommendation to the Environmental Technology Council, a hazardous waste industry trade group, to petition the NFPA to develop a standard specific to hazardous waste treatment, storage and disposal facilities. This would include guidance on reducing the likelihood of fires, explosions, and releases of hazardous waste.

In addition to completing these 4 investigations, the CSB also completed a safety bulletin on worker injuries and fatalities resulting from hot work, such as welding and cutting, in flammable atmospheres. The CSB used data collected from assessments and incident screening database to prepare the safety bulletin entitled *Seven Key Lessons to Prevent Worker Deaths during Hot Work in and around Tanks*. The CSB determined there were 60 fatalities since 1990 due to explosions and fires from hot work activities on tanks and incorporated findings from eleven accidents – nine of which the agency investigated.

In FY 2010, the CSB continued work on investigations that were initiated in prior fiscal years and issued urgent safety recommendations for one of these investigations, calling on CITGO to immediately improve its emergency water mitigation system in the event of another release of potentially deadly hydrogen fluoride (HF) vapor, as occurred following an explosion and fire July 19, 2009, at CITGO's Corpus Christi refinery. The Board also called on CITGO to perform third-party audits to ensure the safety of its hydrogen fluoride units at its Corpus Christi, Texas, and Lemont, Illinois, refineries. The CSB issues urgent recommendations in cases where Board Members determine an imminent hazard may be present and has the potential to cause serious harm unless rectified in a short timeframe.

The CSB deployed to 15 new incidents in FY 2010, including the major explosion that occurred in April 2010 at a Transocean-owned Mobile Offshore Drilling Unit, operated under contract to BP (hereinafter Deepwater Horizon). The explosion killed eleven workers, injured seventeen and resulted in one of the greatest environmental disasters in

the history of the United States. The CSB received a request from the House Committee on Energy and Commerce to conduct a root-cause investigation using CSB's investigative experience and knowledge of BP's safety history, culture, and organization gathered from the 2005 explosion at BP's Texas City refinery. The Deepwater Horizon investigation is one of the most difficult investigations undertaken by CSB to date, and will examine a wide variety of factors including technical issues, safety system performance, organizational factors, safety culture, contractor management, and the effectiveness of laws, regulations and enforcement.

***Goal #2 Accomplishments*** (Select and complete safety studies and recommend actions with a high potential for protecting workers, the public and the environment.)

In the Department of Interior, Environment and Related Agencies Appropriation Act of 2010, the CSB was directed to initiate a study by the National Academy of Sciences (NAS) to examine the use and storage of methyl isocyanate (MIC) and the feasibility of implementing safer alternative chemical processes at the Bayer CropScience facility in Institute, West Virginia. The study was initiated in September 2010, following an extensive public comment process, and is scheduled to be completed in FY 2011. The study will assess the benefits and costs of inherently safer chemical manufacturing technologies at the Bayer CropScience facility.

***Goal #3 Accomplishments*** (Reduce the likelihood of similar accidents in the future by securing implementation of CSB safety recommendations.)

Safety recommendations are CSB's primary tool for bringing about permanent improvements in chemical safety. Most investigations and studies issue multiple recommendations to different recipients, who are the parties best able to carry out the recommended action to improve safety. Once the CSB issues a recommendation, our staff advocates implementation, ensures they are effectively communicated to the recipient(s), together with any needed justification or explanation, and tracks them to completion. In FY 2010, the CSB issued a total of 52 recommendations, advanced 18, and closed 45 previously issued recommendations.

Several of these recommendations will significantly contribute to the prevention of chemical accidents, such as the action by the West Virginia state legislature to require training of propane technicians, the recommendation that the Globally Harmonized System require that all safety data sheets around the world contain information about dust explosion hazards, and the inclusion of requirements in the American National Standards Institute (ANSI) standard for dust and static ignition warning in Material Safety Data Sheets. In addition the revised guidance by the Center for Chemical Process Safety to ensure that companies properly evaluate the safety impacts of organizational changes such as mergers, acquisitions, personnel changes, and budget cuts.

In June 2010, the CSB testified at an investigative hearing of the House Committee on Education and Labor concerning the Board's investigation into the explosion at the Kleen Energy power plant in Middletown, Connecticut, to discuss the dangers of gas blows and gaps noted in existing standards. As a result of the Congressional hearing and specific safety recommendations from the CSB, OSHA was asked by Congress to take immediate

regulatory steps to prohibit using and releasing natural gas for pipe cleaning – the cause of the six worker deaths and many injuries at Kleen Energy.

**Goal #4 Accomplishments** (Promote improved safety practices by broadly disseminating the findings, lessons, and recommendations from CSB investigations and studies.)

The Strategic Plan for FY 2007-2012 established a strategic goal for the broad dissemination of its findings, recommendations, and lessons learned among a multitude of stakeholders. The Board recognizes that a potent tool for achieving the agency's mission is more widespread awareness of the causes of chemical accidents and the measures that can prevent them.

In FY 2010, the CSB continued producing and distributing safety videos. Following explosions at rural oil and natural gas sites where more than 40 teenagers and young adults were injured, the CSB produced and released a video *No Place to Hang Out* to educate teenagers about the dangers of socializing at oil and natural gas sites. As a result of the CSB's involvement with this issue, the Board of Supervisors of Forrest County, Mississippi, passed an ordinance requiring critical security measures, including fencing and signage, to be placed around hazardous oil sites to protect the public from these hazards. The ordinance followed an October 2009 explosion at a rural oil site that killed two teenage boys and prompted the CSB to study and publicize these types of incidents. Similar warning and protection legislation is expected to be considered by the Mississippi state legislature in 2011.

In addition to the CSB's educational video on oil and natural gas site safety, the Board released three computer-animated safety videos based on CSB investigative findings and recommendations. Among these was a 15-minute video on the hazards of confined spaces based on the findings from the Board's investigation into the Xcel Cabin Creek Hydroelectric Plant accident that fatally injured five contract workers. The CSB safety videos, which have been viewed millions of times and distributed worldwide on DVD, resulted in the CSB receiving the prestigious European Process Safety Award in 2010, the first time a U.S.-based organization has been so honored.

In addition to the video program and a public meeting in connection with the *No Place to Hang Out* video, the CSB held public meetings on the Kleen Energy and ConAgra investigations, 6 press conferences on investigations, and a family outreach meeting for the Tesoro Anacortes investigation. Individual board members also gave 46 presentations on findings, lessons learned, and recommendations at business, labor, and public interest group meetings during FY 2010.

**Goal #5 Accomplishments** (Establish the CSB as a recognized world leader in accident investigation and prevention by continuing to improve our human capital and infrastructure.)

In FY 2010, there was a major realignment of the agency's internal organization, including the creation of a new position of Managing Director. Consistent with recommendations from the U.S. Government Accountability Office (GAO) and the CSB

Office of Inspector General, the Managing Director reports to the chairman and functions as the principal day-to-day operating management official of the CSB with responsibility for directing and overseeing programs and activities in the areas of investigations, recommendations, incident screening and selection, public/government affairs and outreach, financial operations, administrative operations, and human resources.

Also in FY 2010, the CSB has fulfilled several requirements for the president’s Open Government Initiative as part of an ongoing effort to increase transparency and promote public understanding of the agency’s work. The CSB has released more than 700 board voting records dating from 1998 to the present, CSB board orders, and two sets of public comments on proposed agency actions on its website [www.csb.gov](http://www.csb.gov).

### **Analysis of Financial Statements**

Our financial statements have been prepared to report the financial position and our operational results pursuant to the requirements of the Accountability of Tax Dollars Act of 2002. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The following chart summarizes our budget and outlays since FY 2007.

**CSB’s Budget and Outlays  
(Dollars in Thousands)**

<b>Fiscal Year</b>	<b>Budget<sup>*</sup></b>	<b>Outlays</b>
2010	\$11,147	\$9,783
2009	10,199	9,313
2008	9,263	8,621
2007	9,113	8,804

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

#### ***Limitations of the Financial Statements***

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with 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.

<sup>\*</sup> Excludes a no-year Emergency Fund, which was provided to be a funding mechanism for investigation cost fluctuations. As of September 30, 2010 the Emergency Fund had not been used and had a balance of \$844,000.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

## **Systems, Controls, and Legal Compliance**

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

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

## **Management Assurances**

### ***Federal Managers' Financial Integrity Act***

In accordance with the Federal Managers' Financial Integrity Act (FMFIA), the CSB has an internal management control system, which helps provide assurance that obligations and costs comply with applicable law, assets are safeguarded against waste, loss, unauthorized use or misappropriation, and revenues and expenditures are properly accounted for and recorded. The FMFIA also requires assurance that funds are being used in accordance with the agency's mission and that they are achieving their intended results; that resources are protected from waste, fraud and mismanagement, and that appropriate laws and regulations are followed. The FMFIA encompasses program, operational and administrative areas, as well as accounting and financial management. The FMFIA requires the agency head to provide an assurance statement on the adequacy of management controls and conformance of financial systems with Government-wide standards. This assurance statement is contained in the Message from the Chairman.

### ***Improper Payments Information Act***

The Improper Payments Information Act of 2002 requires agencies to review annually all programs and activities to identify those susceptible to significant improper payments, estimate the annual improper payments in the susceptible programs and activities, and report the results of their improper payment reduction plans and activities.

The CSB has not identified any significant risk with improper payments. However, we recognize the importance of maintaining adequate internal controls to ensure proper payments, and our commitment to the continuous improvement in the overall disbursement management process remains strong. In FY 2010, the CSB continued our

agreement with the Bureau of the Public Debt (BPD) to process financial transactions, make administrative payments, and prepare various financial reports. This agreement promotes the accuracy of our financial records and payments.

## PERFORMANCE REPORT

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In FY 2007 the CSB updated its five-year strategic plan. This plan covers FY 2007 through FY 2012, and serves as a guide in setting priorities, allocating resources, and making decisions. The following is the status of specific initiatives identified in the FY 2010 action plan.

**Goal #1:** Select and complete accident investigations and recommend actions with a high potential for protecting workers, the public and the environment.

Initiative	Status	Explanation
1. Deploy to 16 incidents and select 12 incidents for investigation	Completed	<p>Deployed to 15 incidents and selected 11 for investigation – Deepwater Horizon, Kleen Energy, Millard Refrigeration, Horsehead Refinery, Tesoro – Anacortes, DuPont, Texas Tech, NDK, Silver Eagle, Caribbean Petroleum, Tesoro – UT.</p> <p>Considered completed for FY 2010 because the Deepwater Horizon investigation one of the largest and most complex ones initiated by the CSB to date.</p>

Initiative	Status	Explanation
<p>2. Complete 8 current investigations:</p> <ul style="list-style-type: none"> <li>Xcel, Silver Eagle 1, PCA, Bayer, Veolia, Goodyear, CITGO/ExxonMobil, Hot Work Bulletin</li> </ul>	Partially Complete	<p>Completed a total of 5 investigations:</p> <ul style="list-style-type: none"> <li>3 of the 8 prior year investigations planned for completion in FY 2010 were completed in FY 2010 – Xcel, Veolia, and Hot Work Bulletin</li> <li>1 investigation planned for completion in FY 2011, was actually completed in FY 2010 - ConAgra</li> <li>The CSB completed 1 investigation initiated in FY 2010 – Kleen Energy.</li> </ul> <p>Due to numerous new incidents that took place in FY2010, Silver Eagle 1, PCA, Bayer, Goodyear, and CITGO/ExxonMobil were not completed in FY 2010, but are planned for completion in FY 2011.</p>
<p>3. Ongoing investigations to be completed in FY2011: Silver Eagle 2, Con Agra, BP3 (Texas City), Tesoro, NDK, and Caribbean Petroleum</p>	On-Going	<p>As stated above, Con Agra was completed in FY 2010. The remaining investigations planned for completion in FY 2011.</p>
<p>4. Revise sections A-F of Board Order 040 on investigation protocol</p> <p>Complete sections G through M and Q</p>	On-Going	<p>Did not complete the investigation protocols due to the higher priority investigative workload. Completing the protocols will be an initiative in the FY 2011 Action Plan.</p>
<p>5. Prepare proposed rule on incident reporting for Board review and vote.</p>	Deferred	<p>Did not prepare the proposed rule on incident report due to higher priority work. Preparing a proposed rule on incident reporting for Board review and vote will be an initiative in the FY 2011 action plan.</p>



Initiative	Status	Explanation
<p>6. Prepare a proposal for Board consideration for a 4 person incident assessment team whose primary mission would be conducting 10-12, two to three day, deployments per calendar year. (The team would also be responsible for preparing incident summaries no longer than 2 written pages for each incident.)</p>	<p>Completed</p>	<p>A proposal was prepared and submitted to the Board for consideration in the fourth quarter of FY 2010. However, the proposal was awaiting Board approval at the end of the fiscal year. The proposal will be considered in FY 2011.</p>

**Goal #2:** Select and complete safety studies and recommend actions with a high potential for protecting workers, the public and the environment.

<b>Initiative</b>	<b>Status</b>	<b>Explanation</b>
7. Contract and initiate NAS Study on inherent safety/ MIC	Completed	The contract for the study was awarded and NAS initiated the study, which is scheduled for completion in FY 2011.

**Goal #3:** Reduce the likelihood of similar accidents in the future by securing implementation of CSB safety recommendations.

Initiative	Status	Explanation
8. Successfully close 45 and advance 15 recommendations	Completed	Closed 45 recommendations and advanced 18 recommendations. Closing and advancing recommendations will continue to be an initiative in the FY 2011 Action Plan.
9. Conduct follow-up study of closed recommendation in response to EPA IG recommendation to “follow up on a sample of closed recommendations and analyze whether adherence and/or conditions have changed”.	Completed	A survey was conducted in FY 2010, and a report was submitted to the Chairman. The survey had two major findings. First, it found that a group of randomly selected recipients whose recommendations had been acceptably closed in the past reported that the corrective actions were still in place. Secondly, the recommendation recipients understood the expectations of the CSB recommendations and the processes they were expected to follow.

**Goal #4:** Promote improved safety practices by broadly disseminating the findings, lessons, and recommendations from CSB investigations and studies.

Initiative	Status	Explanation
<p>10. Produce and distribute 6 safety videos (PCA, Hot Work Safety, Xcel, Bayer, Silver Eagle 1, and Oil Tank Hazards). Subject to availability of funding and personnel, produce and distribute up to 3 additional safety videos (e.g. Veolia, Exxon Mobil, and CITGO).</p>	<p>On-Going</p>	<p>Produced and distributed 4 safety videos – Hot Work Safety, Xcel, Oil Tank Hazards, and Imperial Sugar. Safety videos for remaining investigations will be produced as funding and personnel allow in FY 2011.</p> <p>In addition to safety videos, the CSB continued to produce short safety messages on a variety of current issues in chemical process safety during FY 2010.</p>
<p>11. Conduct 5 public meetings on CSB investigations and studies</p> <ul style="list-style-type: none"> <li>• Xcel, Silver Eagle 1, PCA, Bayer, ConAgra, and CITGO</li> </ul>	<p>On-Going</p>	<p>Conducted public meetings on Kleen Energy and ConAgra Investigations. Also conducted a public meeting on the Oil Tank Hazards safety video. The CSB also held press conferences on 6 investigations during FY 2010, testified before Congress on the Kleen Energy investigation, and testified before a state legislature on oil tank hazards.</p>
<p>12. Conduct public/meeting or symposium on the status of incorporating high reliability concepts and inherently safety technology in the chemical sector, “25 Years after Bhopal”.</p>	<p>Deferred</p>	<p>Initiative deferred due to higher priority work and other public meetings.</p>

**Goal #5:** Establish the CSB as a recognized world leader in accident investigation and prevention by continuing to improve our human capital and infrastructure.

Initiative	Status	Explanation
13. Track and report on Strategic Plan and Action Plan accomplishments	Completed	Reports on the status of all of Strategic and Action Plan initiatives, including accomplishments, were prepared quarterly and provided to the Board Members and managers.
14. Headquarters Office Space. There are two potential outcomes from this initiative as it continues forward: <ul style="list-style-type: none"> <li data-bbox="264 743 711 961">i. Renegotiate existing Lease/Notify of plans to execute 5-year option (only if market research shows this to be in the best interest of the government); or</li> <li data-bbox="264 982 711 1052">ii. Locate/move to alternative Office Space</li> </ul>	Completed	Lease renegotiated for 5 years.
15. Issue Homeland Security Presidential Directive 12 (HSPD-12) Identification to CSB Employees and Contractors	On-Going	In FY 2009, the CSB sought an opinion from GAO on appropriation law issues related to a GSA agreement for HSPD-12 program services. GAO issued a decision in December 2009 confirming that the standard GSA agreement was not consistent with certain appropriations law rules, and that the CSB's alternative proposals would have remedied those issues. However, GSA remained unwilling to entertain those proposals. Recently, the CSB inquired with the Government Printing Office (GPO) about obtaining HSPD-12 program services, but GPO replied that it is not yet ready to provide them.

Initiative	Status	Explanation
16. Conduct strategic planning session and revise Strategic Plan as appropriate	Deferred	The new Chairman and a new Board Member were appointed in June 2010, just after the Deepwater Horizon investigation was initiated. Work on the Strategic Plan was deferred to FY 2011 to allow the new Chairman and Board Member to focus on Deepwater Horizon, and to have time to learn about the CSB before revising the plan.
17. Track and report on GAO recommendations (dated August 22, 2008)	Completed	Reports on the status of GAO recommendations, including accomplishments, were prepared and provided to the Board Members and managers. Also met with GAO team late in FY 2010 to review the status of recommendation implementation, and worked with OIG as they complete their review of prior audit recommendations.
18. Revise Recruitment Bonus Board Order	Completed	The Board Order was reviewed and it was determined that no changes were needed.
19. Revise SES hiring Board Order	Deferred	The Managing Director position was filled at the GS-15 level, therefore revising the SES hiring Board Order was not necessary in FY 2010.
20. Develop Educational Assistance Board Order (to be funded in 2011)	On-Going	A Board Order was drafted for Board consideration in FY 2010.
21. Use Human Capital Assessment plan to measure progress of human capital plan	Completed	The Human Capital Assessment plan was used to prepare the annual report submitted to the Office of Personnel Management in December 2009.
22. Hire FY2010 budgeted positions	Completed	Hired for all budgeted positions. It is important to note that the hiring plan for FY 2010 was adjusted in the fourth quarter due to needs of the Deepwater Horizon investigation.

Initiative	Status	Explanation
23. Prepare 2011 budget with rationale for expansion of office (regional office)	Completed	The FY 2011 budget justification was submitted in February 2010, and included the rationale for a new regional office in Houston, TX.
24. Comply with Congressional and OMB requirements for greater public transparency in CSB's operations	On-Going	In FY 2010 the CSB created an open government webpage, which includes Board Orders, Board voting records, and public comments received by the agency.
25. Revise Occupational Safety and Health (OSH) Board Order	Deferred	Began revising the OSH Board Order in FY 2010, but it was not completed due to higher priority work. The CSB will continue revising this Board Order in FY 2011.
26. Update Board Order 36 (Incident Selection Process) and Assessment Protocol	Deferred	Board Order 036 was not revised in FY 2010, but this will be an initiative in the FY 2011 Action Plan. During FY 2010 the CSB made significant improvements in its screening system, including hiring a full-time incident screener. The dedicated incident screener allowed CSB to collect more accurate data on a greater number of incidents where CSB investigators do not launch full investigations. Incident screening information was used in several reports issued by the agency this year to strengthen recommendations to regulatory and industry organizations and will be available for future safety studies.
27. Clarify Health Insurance Portability and Accountability Act of 1996 (HIPAA) issue – send letter to Department of Health and Human Services (HHS), requesting clarification of CSB's status as a public health organization	On-Going	A letter was sent to HHS regarding the HIPAA issue. Follow-up e-mails were also sent, and the CSB continues to await response from HHS.

### **Agency Plans and Schedules for Improving Performance**

The CSB constantly works to improve the efficiency and effectiveness of our programs and initiatives. Annual action plans are designed to include “stretch goals”, to include challenges to managers and staff in order to achieve maximum results. Our strategic planning committee, consisting of senior managers, meets throughout the year to monitor accomplishments and assess priorities.

### **Completeness and Reliability of Performance Data**

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



## FINANCIAL REPORT

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### A Message from the Chief Financial Officer

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

I am pleased to present our financial statements for fiscal years 2009 and 2010. This year the independent public accounting firm, Brown & Company CPAs, PLLC, issued an unqualified (“clean”) opinion on our financial statements. A clean opinion is the best possible audit outcome, and is consistent with opinions issued since our first full financial audit was conducted in FY 2001.

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



Elizabeth A. Robinson  
Chief Financial Officer

November 15, 2010

## Independent Auditor Reports



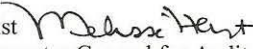
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

November 12, 2010

OFFICE OF  
THE INSPECTOR GENERAL

### MEMORANDUM

SUBJECT: Audit of U.S. Chemical Safety and Hazard Investigation Board's  
Fiscal Years 2010 and 2009 Financial Statements

FROM: Melissa Heist   
Assistant Inspector General for Audit

TO: Rafael Moure-Eraso  
Chairman and CEO

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB) Fiscal Years 2010 and 2009 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002.

The independent public accounting firm of Brown and Company, CPAs, PLLC performed the audit of the CSB financial statements as of and for the years ended September 30, 2010 and 2009. The audit was required to be done in accordance with Government Auditing Standards, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Bulletin 07-04, Audit Requirements for Federal Financial Statements; and the Financial Audit Manual of the Government Accountability Office/President's Council on Integrity and Efficiency.

Brown and Company, CPAs, PLLC is responsible for the attached auditor's report dated November 12, 2010 and the opinions and conclusions expressed in the report. We do not express any opinion or conclusions on CSB's financial statements, internal control, or compliance with laws and regulations.

Should you have any questions, please contact me at (202) 566-0899 or [Heist.Melissa@epa.gov](mailto:Heist.Melissa@epa.gov) or Bill Spinazzola, Project Officer, at (202) 566-2568 or [Spinazzola.bill@epa.gov](mailto:Spinazzola.bill@epa.gov).

Attachments



Cc: Elizabeth A. Robinson  
Chief Financial Officer  
U.S. Chemical Safety and Hazard Investigation Board

Kimberly Penn  
Audit Manager  
Brown and Company, CPAs, PLLC



**BROWN & COMPANY CPAs, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Office of Inspector General  
Chairman and CEO  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

We have audited the accompanying balance sheet of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of CSB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CSB as of September 30, 2010 and 2009 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04 as amended, we have also issued reports dated November 12, 2010 on our consideration of the CSB internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The CSB's Management's Discussion & Analysis contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with CSB officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

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

*Brown & Company*

Largo, Maryland  
November 12, 2010

**BROWN & COMPANY CPAS, PLLC**



**BROWN & COMPANY CPAs, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Office of Inspector General  
Chairman and CEO  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2010 and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the CSB's internal control over financial reporting by obtaining an understanding of the CSB's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 as amended. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness or significant deficiency. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04 as amended, a material weakness is a deficiency, or 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 in internal control, or a 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. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be a material weaknesses as defined above.

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

Largo, Maryland  
November 12, 2010

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**BROWN & COMPANY CPAs, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS**

Office of Inspector General  
Chairman and CEO  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

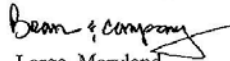
We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*.

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

The results of our tests of compliance disclosed no reportable instances of noncompliance with laws and regulations discussed in the preceding paragraph that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04 as amended.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

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

  
Largo, Maryland  
November 12, 2010

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# **CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**

## **FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2010 AND 2009**

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**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2010 AND 2009**  
**(In Dollars)**

	2010	2009
<b>Assets:</b>		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 5,961,889	\$ 4,813,726
Other (Note 5)	100,353	185,366
<b>Total Intragovernmental</b>	<b>6,062,242</b>	<b>4,999,092</b>
Accounts Receivable, Net (Note 3)	33	33
Property, Equipment, and Software, Net (Note 4)	197,833	194,061
Other (Note 5)	59,000	59,000
<b>Total Assets</b>	<b>\$ 6,319,108</b>	<b>\$ 5,252,186</b>
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable	\$ 41,451	\$ 12,280
Other (Note 7)	89,744	74,696
<b>Total Intragovernmental</b>	<b>131,195</b>	<b>86,976</b>
Accounts Payable	152,213	118,459
Other (Note 7)	799,880	742,847
<b>Total Liabilities</b>	<b>\$ 1,083,288</b>	<b>\$ 948,282</b>
<b>Net Position:</b>		
Unexpended Appropriations - Other Funds	\$ 5,379,678	\$ 4,454,636
Cumulative Results of Operations - Other Funds	(143,858)	(150,732)
<b>Total Net Position</b>	<b>\$ 5,235,820</b>	<b>\$ 4,303,904</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 6,319,108</b>	<b>\$ 5,252,186</b>

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**STATEMENT OF NET COST**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**  
**(In Dollars)**

	2010	2009
<b>Program Costs:</b>		
Salaries & Expenses:		
Gross Costs (Note 9)	\$ 10,368,551	\$ 9,313,637
<b>Net Cost of Operations</b>	<b>\$ 10,368,551</b>	<b>\$ 9,313,637</b>

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**  
(In Dollars)

	2010	2009
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ (150,732)	\$ (120,901)
<b>Budgetary Financing Sources:</b>		
Appropriations Used	10,005,769	8,993,278
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing Sources (Note 10)	369,656	290,528
Total Financing Sources	10,375,425	9,283,806
Net Cost of Operations	(10,368,551)	(9,313,637)
Net Change	6,874	(29,831)
Cumulative Results of Operations	\$ (143,858)	\$ (150,732)
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 4,454,636	\$ 3,421,793
<b>Budgetary Financing Sources:</b>		
Appropriations Received	11,147,000	10,199,000
Other Adjustments	(216,189)	(172,879)
Appropriations Used	(10,005,769)	(8,993,278)
Total Budgetary Financing Sources	925,042	1,032,843
Total Unexpended Appropriations	\$ 5,379,678	\$ 4,454,636
Net Position	\$ 5,235,820	\$ 4,303,904

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

**CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**  
(In Dollars)

	2010	2009
<b>Budgetary Resources:</b>		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 2,999,781	\$ 2,298,511
Recoveries of Prior Year Unpaid Obligations	155,615	259,896
Budget Authority		
Appropriation	11,147,000	10,199,000
Permanently Not Available	(216,189)	(172,879)
<b>Total Budgetary Resources</b>	<b>\$ 14,086,207</b>	<b>\$ 12,584,528</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 12)		
Direct	\$ 10,759,595	\$ 9,584,747
Unobligated Balance		
Apportioned	1,261,318	1,514,231
Unobligated Balance Not Available	2,065,294	1,485,550
<b>Total Status of Budgetary Resources</b>	<b>\$ 14,086,207</b>	<b>\$ 12,584,528</b>
<b>Change in Obligated Balance:</b>		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 1,813,945	\$ 1,801,799
Obligations Incurred Net	10,759,595	9,584,747
Gross Outlays	(9,782,648)	(9,312,705)
Recoveries of Prior Year Unpaid Obligations, Actual	(155,615)	(259,896)
<b>Total, Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 2,635,277</b>	<b>\$ 1,813,945</b>
<b>Net Outlays:</b>		
Gross Outlays	\$ 9,782,648	\$ 9,312,705
<b>Net Outlays</b>	<b>\$ 9,782,648</b>	<b>\$ 9,312,705</b>

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



## CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. The CSB manages a Salaries and Expense Fund and an Emergency General Fund account.

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

#### B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the CSB. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and

records of the CSB in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and the CSB's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the CSB's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

#### C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit the CSB to incur obligations for specified purposes. In fiscal years 2010 and 2009, the CSB was accountable for general fund appropriations. The CSB recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants.

#### D. Basis of Accounting

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

## **E. Revenues & Other Financing Sources**

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating and capital expenditures.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

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

## **F. Taxes**

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

## **G. Fund Balance with Treasury**

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. The CSB does not maintain cash in commercial bank accounts or foreign currency balances. Foreign currency payments are made either by Treasury or the Department of State and are reported by the CSB in the U.S. dollar equivalents.

## **H. Accounts Receivable**

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

unlikely to occur considering the debtor's ability to pay.

## **I. Property, Equipment, and Software**

Property, equipment and software represent furniture, fixtures, equipment, leasehold improvements and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The CSB capitalization threshold is \$10,000 for individual purchases and \$50,000 for bulk purchases. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

## **J. Advances and Prepaid Charges**

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

## **K. Liabilities**

Liabilities represent the amount of monies or other resources likely to be paid by the CSB as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received

are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

#### **L. Accounts Payable**

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

#### **M. Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to OPM upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY2010 and 100% in 2014.

#### **N. Accrued and Actuarial Workers' Compensation**

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the CSB employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the CSB terminates without

cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

#### **O. Retirement Plans**

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

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. FERS offers a savings plan to which the CSB automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, the CSB also contributes the employer's matching share of Social Security.

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

The CSB recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the CSB for current period expense reporting. OPM also

provides information regarding the full cost of health and life insurance benefits. The CSB recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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

#### **P. Other Post-Employment Benefits**

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

#### **Q. Use of Estimates**

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

#### **R. Imputed Costs/Financing Sources**

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is

recognized by the receiving entity for costs that are paid by other entities. The CSB recognized imputed costs and financing sources in fiscal years 2010 and 2009 to the extent directed by OMB.

#### **S. Expired Accounts and Cancelled Authority**

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



## NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2010 and 2009, were as follows:

	2010	2009
<b>Fund Balances:</b>		
Appropriated Funds	\$ 5,961,889	\$ 4,813,726
<b>Total</b>	<b>\$ 5,961,889</b>	<b>\$ 4,813,726</b>
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 1,261,318	\$ 1,514,231
Unavailable	2,065,294	1,485,550
Obligated Balance Not Yet Disbursed	2,635,277	1,813,945
<b>Total</b>	<b>\$ 5,961,889</b>	<b>\$ 4,813,726</b>

## NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2010 and 2009, were as follows:

	2010	2009
<b>With the Public</b>		
Employee Receivables	\$ 33	\$ 33
<b>Total Accounts Receivable</b>	<b>\$ 33</b>	<b>\$ 33</b>

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2010 and 2009.

**NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE**

Schedule of Property, Equipment, and Software as of September 30, 2010

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 711,505	\$ 711,505	\$ -
Office Furniture	520,021	520,021	-
Office Equipment	33,428	8,831	24,597
Computer Equipment	1,055,834	883,181	172,653
Internal Use Software	41,800	41,217	583
<b>Total</b>	<b>\$ 2,362,588</b>	<b>\$ 2,164,755</b>	<b>\$ 197,833</b>

Schedule of Property, Equipment, and Software as of September 30, 2009

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 711,505	\$ 671,978	\$ 39,527
Office Furniture	520,021	520,021	-
Office Equipment	70,197	57,587	12,610
Computer Equipment	920,102	785,760	134,342
Software	41,800	34,218	7,582
<b>Total</b>	<b>\$ 2,263,625</b>	<b>\$ 2,069,564</b>	<b>\$ 194,061</b>

**NOTE 5. OTHER ASSETS**

Other assets account balances as of September 30, 2010 and 2009, were as follows:

	2010	2009
<b>Intragovernmental Assets</b>		
EPA Advance	\$ 100,353	\$ 185,366
<b>Total Intragovernmental Assets</b>	<b>\$ 100,353</b>	<b>\$ 185,366</b>
<b>With the Public</b>		
Lease Deposit	\$ 59,000	\$ 59,000
<b>Total Public Assets</b>	<b>\$ 59,000</b>	<b>\$ 59,000</b>

## NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the CSB as of September 30, 2010 and 2009, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2010	2009
Intragovernmental – Unemployment Insurance	\$ 1,015	\$ -
Unfunded Leave	340,708	344,826
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 341,723</b>	<b>\$ 344,826</b>
Total Liabilities Covered by Budgetary Resources	741,565	603,456
<b>Total Liabilities</b>	<b>\$ 1,083,288</b>	<b>\$ 948,282</b>

The Unemployment Insurance liabilities represent the unfunded liability for actual unemployment benefits paid on the CSB's behalf and payable to the DOL.

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

## NOTE 7. OTHER LIABILITIES

All other liabilities are considered current liabilities.

	2010	2009
<b>Intragovernmental Liabilities</b>		
Unemployment Insurance Liability	\$ 1,015	\$ -
Payroll Taxes Payable	88,729	74,696
<b>Total Intragovernmental Liabilities</b>	<b>\$ 89,744</b>	<b>\$ 74,696</b>
<b>With the Public</b>		
Payroll Taxes Payable	\$ 30,003	\$ 40,195
Accrued Funded Payroll and Leave	429,169	357,826
Unfunded Leave	340,708	344,826
<b>Total Public Liabilities</b>	<b>\$ 799,880</b>	<b>\$ 742,847</b>

## NOTE 8. LEASES

### Operating Leases

The CSB occupies office space in Washington, D.C. under a lease agreement that is accounted for as an operating lease. The original lease term began on October 1, 2000 and expired on September 30, 2010. In FY 2010, the CSB executed a supplemental lease agreement to exercise a five-year renewal option included in the original lease. The renewal term commenced on October 1, 2010 and ends on September 30, 2015. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

#### Washington, D.C.

Fiscal Year	Totals
2011	\$ 780,300
2012	\$ 967,500
2013	\$ 992,000
2014	\$ 1,016,900
2015	\$ 1,042,200
<b>Total Future Payments</b>	<b>\$ 4,798,900</b>

For Washington DC, payment of rent is contingent upon the appropriation of funds for that purpose for each fiscal year covered by the renewal term. If, during any such fiscal year, appropriated funds are not available to the CSB for payment of rent, the lease shall be terminated, effective as of the last date on which appropriated funds were available. In the event of such a termination, the CSB's liability for termination costs is limited to unamortized brokerage fees, up to a maximum amount of \$140,332, part of which may be drawn from the original prepayment of rent.

The CSB also occupies office space in Denver, CO, under a lease agreement that is accounted for as an operating lease. The lease terms began on September 29, 2008 and expire on September 28, 2013. Lease payments are increased annually based on the adjustments for operating cost. The CSB may relinquish space upon four (4) months notice. Thus, at any future time, the CSB's financial obligation can be reduced to four (4) months of rent, plus the unamortized balance of any tenant improvements financed through PBS, plus any rent concessions not yet earned. Below is a schedule of future payments for the term of the lease.

#### Denver, CO

Fiscal Year	Totals
2011	\$ 36,000
2012	36,500
2013	37,000
<b>Total Future Payments</b>	<b>\$ 109,500</b>

## NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intragovernmental exchange revenue represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2010	2009
Program: Salaries & Expenses		
Intragovernmental Costs	\$ 2,543,630	\$ 2,083,933
Public Costs	7,824,921	7,229,704
<b>Total Net Cost</b>	<b>\$ 10,368,551</b>	<b>\$ 9,313,637</b>

## NOTE 10. IMPUTED FINANCING SOURCES

The CSB recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2010 and 2009, respectively, imputed financing was as follows.

	2010	2009
Office of Personnel Management	\$ 369,656	\$ 290,528
<b>Total Imputed Financing Sources</b>	<b>\$ 369,656</b>	<b>\$ 290,528</b>

## NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY10 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2011 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2011 Budget of the United States Government, with the "Actual" column completed for 2009, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

## NOTE 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2010 and 2009 consisted of the following:

	2010	2009
Direct Obligations, Category A	\$ -	\$ 17,421
Direct Obligations, Category B	10,759,595	9,567,326
<b>Total Obligations Incurred</b>	<b>\$ 10,759,595</b>	<b>\$ 9,584,747</b>

Category A apportionments distribute budgetary resources by fiscal quarters.

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

### NOTE 13. NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2010 and 2009, undelivered orders amounted to \$2,053,065 and \$1,454,855 respectively.

### NOTE 14. CUSTODIAL ACTIVITY

The CSB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of the CSB nor material to the overall financial statements. The CSB's total custodial collections are \$0 and \$2,608 for the years ended September 30, 2010, and 2009, respectively.

### NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2010	2009
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 10,759,595	\$ 9,584,747
Spending Authority From Offsetting Collections and Recoveries	(155,615)	(259,896)
Net Obligations	10,603,980	9,324,851
Other Resources		
Imputed Financing From Costs Absorbed By Others	369,656	290,528
Total Resources Used to Finance Activities	10,973,636	9,615,379
Resources Used to Finance Items Not Part of the Net Cost of Operations	(789,779)	(505,017)
Total Resources Used to Finance the Net Cost of Operations	10,183,857	9,110,362
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	184,694	203,275
Net Cost of Operations	\$ 10,368,551	\$ 9,313,637

## ABBREVIATIONS AND ACRONYMS

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AGA	American Gas Association
ANSI	American National Standards Institute
BPD	Bureau of the Public Debt (within the U.S. Department of the Treasury)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSB	Chemical Safety and Hazard Investigation Board
EPA	Environmental Protection Agency
FMFIA	Federal Manager's Financial Integrity Act
FY	Fiscal Year (October 1 to September 30)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPO	Government Printing Office
HF	Hydrogen Fluoride
HHS	Department of Health and Human Services
HIPAA	Health Insurance Portability and Accountability Act of 1996
HSPD	Homeland Security Presidential Directive
MIC	Methyl Isocyanate
NAS	National Academies of Science
NFPA	National Fire Protection Association
NTSB	National Transportation Safety Board
OIG	Office of Inspector General
OMB	Office Management and Budget
OSH	Occupational Safety and Health
OSHA	Occupational Health and Safety Administration (within the U.S. Department of Labor)
PAR	Performance and Accountability Report
PCA	Packaging Corporation of America

## **THE CSB WELCOMES YOUR COMMENTS!**

Thank you for your interest in the CSB's FY 2010 Performance and Accountability Report. The CSB welcome your comments on how we can make this report a more informative document for our readers. The CSB is particularly interested in your comments on the usefulness of this information and the manner in which it is presented. Please send your comments to [cfo@csb.gov](mailto:cfo@csb.gov) or write to:

**Chemical Safety and Hazard Investigation Board**  
Chief Financial Officer  
2175 K. St, NW Suite C-100  
Washington, DC 20038

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Additional copies of this document may be downloaded from the CSB's website [www.csb.gov](http://www.csb.gov),\* or send a written request to the e-mail or postal address above.

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