U.S. Chemical Safety and Hazard Investigation Board Fiscal Years 2023 and 2022 Financial Statement Audit

March 28, 2024 | Report No. 24-F-0030

Abbreviations

CSB	U.S. Chemical Safety and Hazard Investigation Board
EPA	U.S. Environmental Protection Agency
OIG	Office of Inspector General

Cover Image

U.S. Chemical Safety and Hazard Investigation Board logo. (CSB image)

Are you aware of fraud, waste, or abuse in an CSB program?

EPA Inspector General Hotline
1200 Pennsylvania Avenue, NW (2431T)
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24-F-0030
March 28, 2024

At a Glance

U.S. Chemical Safety and Hazard Investigation Board Fiscal Years 2023 and 2022 Financial Statement Audit

Why This Audit Was Done

To accomplish this objective:

The audit was performed in accordance with the Accountability of Tax Dollars Act of 2002, which requires the U.S. Chemical Safety and Hazard Investigation Board to prepare, and the Office of Inspector General to audit, the agency's financial statements each year.

The U.S. Environmental Protection Agency OIG, which also serves as the OIG for the CSB, contracted with Allmond & Company LLC to perform the audit of the CSB's fiscal years 2023 and 2022 financial statements.

Allmond & Company is responsible for the enclosed auditor's report and the conclusions expressed in that report. We do not express any opinion or conclusions on the CSB's financial statements; internal control; or compliance with laws, regulations, contracts, and grant agreements.

To support this CSB mission-related effort:

- *Creating and maintaining an engaged, high-performing workforce.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG.PublicAffairs@epa.gov.

List of OIG reports.

What Allmond & Company Found

Allmond & Company rendered a qualified opinion on the CSB's fiscal years 2023 and 2022 financial statements, meaning that except for material errors in unrecorded lease obligations, the statements were fairly presented. However, the CSB's budgetary accounting for recording lease obligations in prior years was not in accordance with U.S. generally accepted accounting principles; therefore, Allmond & Company's current opinion on the CSB's FY 2022 financial statement differs from its previous opinion. Specifically, in an audit report that was issued on November 15, 2022, Allmond & Company expressed the opinion that the CSB's FY 2022 financial statements were fairly presented.

Allmond & Company advised the CSB that all prior-period financial statements audited from FY 2016 through 2022 contain material errors and should no longer be relied upon.

In planning and performing the current audit, Allmond & Company considered the CSB's internal control over financial reporting. Allmond & Company identified one deficiency in internal control over financial reporting that would be considered a material weakness.

As part of obtaining reasonable assurance about whether the CSB's financial statements are free of material misstatement, Allmond & Company performed tests of the CSB's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the financial statements. During the current audit, Allmond & Company identified one instance of potential noncompliance with the Antideficiency Act in FY 2023.

Allmond & Company found the CSB's financial statements, except for unrecorded lease obligations, to be fairly presented.

Recommendations and Planned Agency Corrective Actions

Allmond & Company recommends that the CSB complete the investigation into the potential Antideficiency Act violation involving the office lease agreement and report, as necessary, to the president, Congress, and the comptroller general. Allmond & Company also recommends that the CSB:

- Record the remaining obligation for the Washington, D.C. lease; properly state the FY 2023 Statement of Budgetary Resources and related note disclosure; and restate the FY 2022 Statement of Budgetary Resources and related note disclosure.
- Develop and implement adequate internal controls to ensure lease obligations are recorded in compliance with Office of Management and Budget Circular A-11, Appendix B.
- Update accounting policies on the lease obligations to be consistent with the guidance in Office of Management and Budget Circular A-11, Appendix B.

The CSB does not concur with Allmond & Company's findings. As of February 26, 2024, the CSB was awaiting a ruling from the Office of Management and Budget as to whether the Antideficiency Act was violated.

OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

March 28, 2024

Steve Owens
Chairperson
U.S. Chemical Safety and Hazard Investigation Board
1750 Pennsylvania Avenue NW, Suite 910
Washington, D.C. 20006

Dear Mr. Owens:

This letter transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's fiscal years 2023 and 2022 financial statements. The audit is required by the Accountability of Tax Dollars Act of 2002, Pub. L. 107-289. The independent public accounting firm of Allmond & Company LLC performed this audit in accordance with the comptroller general of the United States' *Government Auditing Standards* and Office of Management and Budget Bulletin 24-01, *Audit Requirements for Federal Financial Statements*.

Allmond & Company is responsible for the enclosed auditor's report, dated February 26, 2024, and the opinions and conclusions expressed in that report. We do not express any opinion or conclusions on the CSB's financial statements; internal control; or compliance with laws, regulations, contracts, and grant agreements.

You provided a response to Allmond & Company's recommendations. Allmond & Company will conduct follow-up procedures in fiscal year 2024 to determine the status of the recommendations. You are not required to respond to this report. However, if you submit a response, it will be posted on our public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public. If your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epaoig.gov.

Sincerely,

Damon Jackson

Damon Jackson, Director
Financial Directorate
Office of Audit

Enclosures

Chemical Safety and Hazard Investigation Board (CSB)
Fiscal Year 2023 Financial Statement Audit

Final Independent Auditors' Report

Submitted for review and acceptance to:
Safiya Chambers
Contracting Officer's Representative (COR)
Environmental Protection Agency
Office of the Inspector General
1301 Constitution Avenue, NW
Washington, DC 20004

Submitted by:
Jason L. Allmond CPA, CGFM, CISA, CISM
Managing Member
Allmond & Company, LLC
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Final Independent Auditors' Report
Prepared under contract to the Environmental Protection Agency (EPA) Office of Inspector General (OIG) to provide financial auditing services

A/C ALLMOND & COMPANY, LLC CERTIFIED PUBLIC ACCOUNTANTS

7501 FORBES BOULEVARD, SUITE 200
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Independent Auditors' Report

Chairperson, U.S. Chemical Safety and Hazard Investigation Board
Inspector General, Environmental Protection Agency:

Report on the Financial Statements

Qualified Opinion

Pursuant to the Accountability of Tax Dollars Act of 2002, we have audited the accompanying financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB), which comprise the balance sheets as of September 30, 2023 and 2022; 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 (hereinafter referred to as the financial statements).

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the U.S. Chemical Safety and Hazard Investigation Board as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As disclosed in Note 7, CSB is a party to a multi-year lease agreement for their Washington D.C. office space. U.S. generally accepted accounting principles require a lease obligation to be recorded at the inception of the lease in the amount necessary to cover the legal obligations including the estimated total payments expected to arise under the full term of the lease contract. Instead, CSB recognized only the annual portion of the lease payments due each year in the accompanying combined statements of budgetary resources. Not recording the required lease obligations at the inception of the lease resulted in an understatement of obligations of approximately $1,331,512 and $2,004,790, respectively, as of September 30, 2023 and 2022. Accordingly, a number of amounts are misstated on CSB's combined statements of budgetary resources and in the related notes for the years ended September 30, 2023 and 2022 including financial statement captions such as Unobligated Balance from Prior Year Budget Authority, Net, Total Budgetary Resources, New Obligations and Upward Adjustments, and Unobligated Balance, End of Year.

We conducted our audits in accordance with U.S. generally accepted auditing standards (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CSB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter

As disclosed in Note 15, CSB restated the FY 2022 Statement of Budgetary Resources (SBR) and Note 2 Fund Balance with Treasury. To properly present Apportioned Unexpired Accounts in the SBR and Unobligated Balance Available in Note 2 Fund Balance with Treasury. Our opinion is not modified in respect to this matter.

Other Matter

In our report dated November 11, 2022, we expressed an opinion that the 2022 financial statements fairly presented the financial position, net costs, changes in net position, and budgetary resources in accordance with accounting principles generally accepted in the United States of America. As described above, CSB's budgetary accounting for recording lease obligations in prior years and in the current year is not in accordance with U.S. generally accepted accounting principles. Accordingly, our present opinion on the 2022 financial statements, as presented herein, is different from expressed in our previous report.

Responsibilities of Management for the Financial Statements

Management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) the preparation, measurement, and presentation of Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles; (3) the preparation and presentation of other information included in CSB's Performance and Accountability Report and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) the design, implementation, and maintenance of effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with GAAS, generally accepted government auditing standards (GAGAS), and OMB Bulletin No. 24-01 will always detect a material misstatement or material weakness when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB Bulletin No. 24-01, we exercise professional judgment and maintain professional skepticism throughout the audit; identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures that are responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. In addition, in making those risk assessments, we obtain an understanding of internal control relevant to an audit 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 CSB's internal control over financial reporting.

Accordingly, we express no such opinion.

An audit also includes 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, and performing other procedures we consider necessary in the circumstances. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of CSB's financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

CSB's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in CSB's Performance Accountability Report. The other information comprises the *Message from the Chairperson*, *Message from the Chief Financial Officer*, *Management Discussion and Analysis (MD&A)* and *Performance* sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exist between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of CSB's financial statements, we considered CSB's internal control over financial reporting, consistent with the auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[1] or to express an opinion on the effectiveness of CSB's internal control over financial reporting. Given these limitations material weaknesses or significant deficiencies may exist that have not been identified.

During our fiscal year 2023 audit, we identified a deficiency in CSB's internal control over financial reporting that we consider to be a material weakness. This deficiency is described in the accompanying *Exhibit II, Findings and Recommendations*, to this report. We considered this material weakness in determining the nature, timing, and extent of our audit procedures on CSB's fiscal year 2023 financial statements.

In addition, we also identified a deficiency in CSB's internal control over financial reporting that we do not consider to be a material weakness or significant deficiency that, nonetheless, warrant management's attention. We have communicated this matter to CSB's management, and where appropriate, will report on it separately.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to CSB's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

CSB management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of CSB's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered CSB's internal control relevant to the financial statement audit 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 CSB's internal control over financial reporting. Accordingly, we do not express an opinion on CSB's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

1 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 combination of deficiencies, in internal control over financial reporting, 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 a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of CSB's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of CSB's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of CSB's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance for fiscal year 2023 that would be reportable under U.S. generally accepted government auditing standards. This matter is further discussed in *Exhibit I, Findings and Recommendations* of this report. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CSB. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

CSB management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CSB.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to CSB that have a direct effect on the determination of material amounts and disclosures in CSB's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CSB**.** We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

We provided CSB with a draft of our report on March 4, 2024, and received CSB's response on March 6, 2024. CSB's response to our report was not subjected to the auditing procedures that we applied to our audit of the financial statements and, therefore, we express no opinion on the response.

Allmond & Company, LLC

Lanham, MD
February 26, 2024

Potential Anti Deficiency Act Violation 2023-01

CONDITION

The Chemical Safety and Hazard Investigation Board (CSB) is investigating a matter that may potentially represent a violation of the Anti-deficiency Act (ADA) related to a lease agreement CSB entered into for their Washington, DC office. A final determination has not yet been made and therefore the outcome of this matter is not presently known.

CRITERIA

31 U.S. Code (U.S.C.) 1501(a) (1), requires an agency to record the full amount of its contractual liability against funds available at the time the contract was executed.

Title 31 U.S.C. Section 1341 *Limitations on expending and obligating amounts* states:

> (a)(1) Except as specified in this subchapter or any other provisions of law, an officer or employee of the United States Government or of the District of Columbia government may not -
>
> (A) make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation

Title 31 U.S.C. Section 1351 *Reports on Violations* states If an officer or employee of an executive agency or of the District of Columbia government violates section 1341(a) or 1342 of this title, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken. A copy of each report shall also be transmitted to the Comptroller General on the same date the report is transmitted to the President and Congress.

CAUSE

CSB did not record its Washington, DC office lease agreement in accordance with applicable laws and regulations.

EFFECT

CSB may not be in compliance with the ADA related to the potential instance noted.

RECOMMENDATION

We recommend that CSB management complete the investigation into the potential ADA violation noted and report to the appropriate parties, as necessary.

MANAGEMENT RESPONSE

In accordance with 31 U.S.C. § 1351, the CSB has reported the GAO decision to OMB, along with drafts of the reports that the CSB would submit to appropriate parties pursuant to 31 U.S.C. § 1351 if OMB determines that a violation of the Antideficiency Act has occurred.

As the auditors are aware, OMB is currently conducting a legal analysis of the findings and conclusions in the GAO decision to determine whether there has been a violation of the Antideficiency Act, as well as reviewing the draft reports prepared by the CSB. OMB has not yet made a determination about the GAO report, or the draft reports prepared by the CSB.

AUDITORS’ RESPONSE

We will perform follow up procedures during FY 2024 to determine if corrective action has been fully implemented.

Improvements Needed over Leasing Activities 2023-02

CONDITION

The Chemical Safety and Hazard Investigation Board (CSB) lacks sufficient internal controls over their leasing activities to ensure that leases are recorded in accordance with U.S. generally accepted accounting principles and more specifically Office of Management and Budget (OMB) Circular A-11 *Preparation, Submission, and Execution of the Budget*. CSB entered into a lease agreement for their Washington D.C. office building and did not recognize the legal obligation amount of the estimated total payments expected to arise under the full term of the lease contract in the initial year of the agreement. Instead, CSB recognized the annual lease payment as the recorded obligation amount. This error impacted both the fiscal year (FY) 2022 and 2023 financial statements and related notes.

CRITERIA

Statement of Federal Financial Accounting Standards 7 (SFFAS 7), *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,* paragraph 78 requires "Recognition and measurement of budgetary resources should be based on budget concepts and definitions contained in OMB Circular A-11."

OMB Circular A-11, Appendix B – *Budgetary Treatment of Lease-Purchases and Leases of Capital Assets* paragraph 1a states "For operating leases, budget authority is required to be obligated up front in the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act. This will include the estimated total payments expected to arise under the full term of the contract or, if the contract includes a cancellation clause, an amount sufficient to cover the lease and other contractually required payments an amount sufficient to cover the lease payments for the first year plus an amount sufficient to cover the costs associated with cancellation of the contract."

OMB Circular A-11, Appendix A, Bullet 11, Scoring Purchases, states, "For operating leases, budget authority will be scored against the legislation in the year in which the budget authority is first made available in the amount necessary to cover the Government's legal obligations. The amount scored will include the estimated total payments expected to arise under the full term of a lease contract."

OMB Circular A-123 *Management's Responsibility for Internal Control* states, "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting and compliance with laws and regulations.

Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (issued September 2014), *Principle 10 – Design Control Activities*, 10.03, *Accurate and timely recording of transactions*, states, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

CAUSE

- CSB relied on the cancellation clause included in the contract, which made payments contingent upon available funding.
- CSB does not have policy or procedures designed to document the factors which should be considered when determining how a lease should be recorded in the agency's financial records.
- When obligating funds for lease obligations, CSB did not distinguish between leases executed between intragovernmental parties (i.e., the General Services Administration (GSA)), which allows only the current year amount of estimated lease payments to be obligated, and nongovernmental parties, which may require the obligation of the lease payments due under the entire lease term to be obligated in the fiscal year in which the lease contract is executed.

EFFECT

Failure to consider relevant requirements when recording the Washington D.C. lease agreement has resulted in material misstatements in CSB's FY 2023 and 2022 financial statements. Specifically:

- The Undelivered Order Balance is misstated by approximately $1,331,512 and $2,004,790 for fiscal years 2023 and 2022, respectively.
- Unobligated Balance Unavailable and Obligated Balance Not Yet Disbursed balances in Note 2 – Fund Balance with Treasury are misstated by approximately $1,331,512 and $2,004,790 for fiscal years 2023 and 2022, respectively.
- The Statement of Budgetary Resources New obligations and upward adjustments and Unobligated Balance, End of year line items are misstated by approximately $673,278 and $594,522 for fiscal years 2023 and 2022, respectively.
- Unobligated Balance from Prior Year Budget Authority, Net in Note 10 –Net Adjustments to Unobligated Balance, Brought Forward, October 1 is misstated by approximately $2,004,790 and $2,599,312 for fiscal years 2023 and 2022, respectively.
- Total New Obligations and Upward Adjustments in Note 11–Apportionment Categories of New Obligations and Upward Adjustments is misstated by approximately $673,278 and $594,522 for fiscal years 2023 and 2022, respectively.
- Total Undelivered Orders in Note 12 – Undelivered Orders at the End of the Period is misstated by approximately $1,331,512 and $2,004,790 for fiscal years 2023 and 2022, respectively.

- Combined Statement of Budgetary Resources and Unobligated Balance Not Available in Note 13 – Explanation of differences between the SBR and the Budget of the U.S. Government is misstated by approximately $2,000,000.

Also, CSB potentially violated the Anti-Deficiency Act.

RECOMMENDATION

We recommend that the CSB management perform the following:

- Record the remaining obligation for the Washington, DC lease and properly state the FY 2023 Statement of Budgetary Resources and related note disclosure.
- Restate the FY 2022 Statement of Budgetary Resources and related note disclosure.
- Develop and implement adequate internal controls to ensure lease obligations are recorded in compliance with OMB A-11, Appendix B requirements.
- Update its accounting policies on the accounting for lease obligations to be consistent with the guidance in OMB Circular A-11, Appendix B.
- Investigate the potential violation of the Antideficiency Act and report it, as applicable.

MANAGEMENT RESPONSE

The CSB disagrees with this NFR and the auditor's conclusion that there is a "material weakness" in the CSB's "internal controls". The auditor has been aware of the CSB's practice regarding the agency's lease since FY 2016, but the auditor never characterized it as a "material weakness" until now.

As the auditor also is aware, OMB is currently reviewing the GAO decision on which the auditor has relied upon in issuing its conclusions and NFR.

The CSB has been complying with applicable laws and regulations, including OMB Circular A-11. Contrary to the auditor's assertion, OMB Circular A-11 does not distinguish between leases executed between intragovernmental parties (such as GSA) and nongovernmental parties.

Below is the extract from A-11, Section 95.8:

"Where loans or other costs (such as termination costs for some contracts and annual lease payments under operating leases, capital leases, or lease-purchase agreements) will be disbursed beyond the five-year period, use the following standard proviso, modified as appropriate, to ensure that the budget authority will remain available for disbursement over the full term of the contract: Provided, That such sums are to remain available through 20XX for the liquidation of valid obligations incurred in fiscal year 20XX."

Below is the extract from A-11, Appendix A, Section 11:

"For lease-purchases and capital leases, budget authority will be scored against the legislation in the year in which the budget authority is first made available in the amount of the estimated net present value of the Government's total estimated legal obligations over the life of the contract,…"

"For operating leases, budget authority will be scored against the legislation in the year in which the budget authority is first made available in the amount necessary to cover the Government's legal obligations. The amount scored will include the estimated total payments expected to arise under the full term of a lease contract or, if the contract will include a cancellation clause, an amount sufficient to cover the lease payments for the first fiscal year during which the contract is in effect, plus an amount sufficient to cover the costs associated with cancellation of the contract. For funds that are self-insuring under existing authority, only budget authority to cover the annual lease payment is required to be scored."

Below is the extract from A-11, Appendix B – Budgetary Treatment of Lease-Purchases and Leases of Capital Assets:

"For operating leases, budget authority is required to be obligated up front in the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act. This will include the estimated total payments expected to arise under the full term of the contract or, if the contract includes a cancellation clause, an amount sufficient to cover the lease and other contractually required payments for the first year plus an amount sufficient to cover the costs associated with cancellation of the contract. For each subsequent year, sufficient budget authority is required to be obligated to cover the annual lease payment for that year plus any additional cancellation costs."

The CSB has been in full compliance with A-11, Appendix B as the CSB obligated funds to cover the annual lease payments. In addition, the CSB lease does not include any cancellation costs. As such, the annual lease payments, obligated every year in CSB's one-year appropriation budgets follow A-11 guidelines.

Furthermore, the CSB does not agree that it should "develop and implement adequate internal controls to ensure lease obligations are recorded in compliance with OMB A-11, Appendix B requirements, update its accounting policies on the accounting for lease obligations to be consistent with the guidance in OMB Circular A-11, Appendix B". The CSB has fully complied with A-11.

As the auditors are aware, OMB is currently reviewing this matter to determine whether there has been a violation of the of the Antideficiency Act and whether the CSB must submit the reports specified in 31 U.S.C. § 1351. The CSB has been advised by OMB not to restate the agency's financial statements for any prior years at this time, and any recommendations for the CSB would be applicable to the current fiscal year and thereafter.

AUDITORS' RESPONSE

Based on the Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (OMB A-11), Appendix B, paragraph cited in the "CRITERIA" section above, we continue to believe that CSB's accounting policy to recognize lease obligations is not in accordance with U.S. generally accepted accounting principles.

The following table provides the fiscal year (FY) 2023 status of all recommendations included in the Audit Report on the U.S. Chemical Safety Hazard Investigation Board FY 2022 Financial Statements (November 11, 2022).

FY 2022 Finding	Prior Year Recommendation	FY 2023 Status
Anti-Deficiency Act Violation, 2020 (2022-01)	**Recommendation:** We recommend that CSB management: 1. Update CSB policies and guidance to include the limits on expenditures for office furniture related improvements for political appointees.	Closed

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
BALANCE SHEET
AS OF SEPTEMBER 30, 2023 AND 2022
(In Dollars)

	2023	2022
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 12,443,593	$ 10,411,024
Advances and Prepayments (Note 12)	7,883	-
Total Intragovernmental Assets	12,451,476	10,411,024
Other than Intragovernmental Assets:		
Accounts Receivable, Net (Note 3)	29,688	33,381
Property, Plant, and Equipment, Net (Note 4)	47,934	45,379
Total Other than Intragovernmental Assets	77,622	78,760
Total Assets	$ 12,529,098	$ 10,489,784
Liabilities:		
Intragovernmental Liabilities:		
Accounts Payable	$ 36,940	$ 27,983
Other Liabilities (Note 6)	37,841	33,123
Total Intragovernmental Liabilities	74,781	61,106
Other than Intragovernmental Liabilities:		
Accounts Payable	439,750	320,238
Federal Employee [and Veteran] Benefits Payable	591,331	517,421
Other Liabilities (Note 6)	123,546	124,520
Total Other than Intragovernmental Liabilities	1,154,627	962,179
Total Liabilities	$ 1,229,408	$ 1,023,285
Net Position:		
Unexpended Appropriations - Funds from Other than Dedicated Collections	$ 11,804,243	$ 9,901,480
Total Unexpended Appropriations (Consolidated)	11,804,243	9,901,480
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(504,553)	(434,981)
Total Cumulative Results of Operations (Consolidated)	(504,553)	(434,981)
Total Net Position	11,299,690	9,466,499
Total Liabilities and Net Position	$ 12,529,098	$ 10,489,784

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(In Dollars)

	2023	2022
Gross Program Costs:		
Gross Costs	$ 12,714,842	$ 11,717,720
Net Cost of Operations	$ 12,714,842	$ 11,717,720

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(In Dollars)

	2023 Consolidated Total	2022 Consolidated Total
Unexpended Appropriations:		
Beginning Balance	$ 9,901,480	$ 7,970,381
Appropriations Received	14,400,000	13,400,000
Other Adjustments	(239,790)	(223,882)
Appropriations Used	(12,257,447)	(11,245,019)
Net Change in Unexpended Appropriations	1,902,763	1,931,099
Total Unexpended Appropriations	$ 11,804,243	$ 9,901,480
Cumulative Results of Operations:		
Beginning Balance	$ (434,981)	$ (209,430)
Appropriations Used	12,257,447	11,245,019
Imputed Financing (Note 9)	387,823	247,150
Net Cost of Operations	(12,714,842)	(11,717,720)
Net Change in Cumulative Results of Operations	(69,572)	(225,551)
Total Cumulative Results of Operations	$ (504,553)	$ (434,981)
Net Position	$ 11,299,690	$ 9,466,499

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

U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(In Dollars)

		2023		RESTATED 2022
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10)	$	6,559,527	$	6,032,525
Appropriations		14,400,000		13,400,000
Total Budgetary Resources	$	20,959,527	$	19,432,525
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (total) (Note 11)	$	14,452,038	$	13,398,974
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts (Note 15)		847,343		937,129
Unapportioned, Unexpired Accounts (Note 15)		-		-
Unexpired Unobligated Balance, End of Year		847,343		937,129
Expired Unobligated Balance, End of Year		5,660,146		5,096,422
Unobligated Balance, End of Year (total)		6,507,489		6,033,551
Total Budgetary Resources	$	20,959,527	$	19,432,525
Outlays, Net and Disbursements, Net:				
Outlays, Net (total)	$	12,127,641	$	11,656,935
Agency Outlays, Net	$	12,127,641	$	11,656,935

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

CHEMICAL SAFETY AND HAZARD INVESTIGATION BOARD NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

C. Basis of Accounting

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

D. Fund Balance with Treasury

Fund Balance with Treasury is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the CSB's funds with Treasury in expenditure, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The CSB does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. When the reporting entity seeks to use FBWT or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed to the agency on demand. Foreign currency payments are made either by Treasury or the Department of State and are reported by the CSB in the U.S. dollar equivalents.

E. Accounts Receivable

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

F. Property, Equipment, and Software

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

Description	Useful Life (years)
Leasehold Improvements	Lease Term
Office Furniture	7
Computer Equipment	5
Office Equipment	3
Software	3

G. 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.

H. Liabilities

Liabilities represent the amount of funds likely to be paid by the CSB as a result of transactions or events that have already occurred.

The CSB reports its liabilities under two categories, Intragovernmental and Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another government agency. Liabilities other than intragovernmental represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

I. 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 the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

J. 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's 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.

K. Retirement Plans

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

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

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

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

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

L. Other Post-Employment Benefits

The CSB's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the CSB with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees.

The CSB recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM and offset by the CSB through the recognition of an imputed financing source.

M. 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.

N. Reclassification

Certain fiscal year 2022 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

O. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2023, and 2022, were as follows:

	2023	RESTATED 2022
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 847,343	$ 937,129
Unavailable	5,660,146	5,096,422
Obligated Balance Not Yet Disbursed	5,936,104	4,377,473
Total	$ 12,443,593	$ 10,411,024

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts. The available unobligated fund balances represent the current period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

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

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

Please refer to Note 15 for an explanation of the 2022 restated amounts.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2023, and 2022, were as follows:

	2023	2022
Other than Intergovernmental Accounts Receivable	$ 29,688	$ 33,381
Total Accounts Receivable	$ 29,688	$ 33,381

The accounts receivable is primarily made up of reimbursements due from employees. Out of the $29,688 accounts receivable, the CSB has an account receivable of $14,376 which is made up by the debt, interests, penalties, and fees that has not been paid out since December 31, 2020. This debt has been 973 days past due and referred to the Department of Justice since July 2023.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT, NET

Schedule of Property, Plant and Equipment, Net as of September 30, 2023:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 1,112,920	$ 1,064,986	$ 47,934
Software	76,402	76,402	-
Total	$ 1,189,322	$ 1,141,388	$ 47,934

Schedule of Property, Plant and Equipment, Net as of September 30, 2022:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 1,405,249	$ 1,383,215	$ 22,034
Software	76,402	53,057	23,345
Total	$ 1,481,651	$ 1,436,272	$ 45,379

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the CSB as of September 30, 2023 and 2022, 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.

	2023	2022
Intragovernmental – FECA	$ -	$ 1,020
Unfunded Leave	579,658	509,560
Total Liabilities Not Covered by Budgetary Resources	$ 579,658	$ 510,580
Total Liabilities Covered by Budgetary Resources	647,233	509,544
Total Liabilities Not Requiring Budgetary Resources	2,517	3,161
Total Liabilities	$ 1,229,408	$ 1,023,285

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers' compensation claims and 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 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2023, were as follows:

Current Year:

	Current	Non Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 9,155	$ -	$ 9,155
Custodial Liability (to the General Fund)	2,442	-	2,442
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity (to the General Fund)	75	-	75
Employer Contributions and Payroll Taxes Payable	26,169	-	26,169
Total Intragovernmental	$ 37,841	$ -	$ 37,841
Other than Intragovernmental			
Accrued Funded Payroll and Leave	$ 123,546	$ -	$ 123,546
Total Other than Intragovernmental	$ 123,546	$ -	$ 123,546
Total Other Liabilities	$ 161,387	$ -	$ 161,387

Other liabilities account balances as of September 30, 2022, were as follows:

	Current	Non Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 9,467	$ -	$ 9,467
Custodial Liability (to the General Fund)	3,011	-	3,011
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity (to the General Fund)	150	-	150
Employer Contributions and Payroll Taxes Payable	19,475	-	19,475
Unfunded FECA Liability	1,020	-	1,020
Total Intragovernmental	$ 33,123	$ -	$ 33,123
Other than Intragovernmental			
Accrued Funded Payroll and Leave	$ 124,520	$ -	$ 124,520
Total Other than Intragovernmental	$ 124,520	$ -	$ 124,520
Total Other Liabilities	$ 157,643	$ -	$ 157,643

NOTE 7. LEASES

Operating Leases

The CSB occupies office space in Washington, DC. The Washington, DC office currently has a lease agreement which is accounted for as an operating lease.

On July 15, 2019, the CSB entered into a Novation Agreement which recognized the transfer in ownership of its headquarters building and established a new lease term with the new building owner. The new agreement began on July 15, 2019, and is scheduled to terminate on July 14, 2024. The CSB has notified the landlord its intention to exercise the option year of the lease from July 15, 2024, through September 30, 2025. The novation lease includes caps for annual adjustments for real estate taxes, operating expenses, and a 24-hour HVAC requirement. Finally, the amendment changed agreed upon rent abatements delineated in the original lease. Below is a schedule of future payments for the lease through September 30, 2025, including agreed upon annual caps and rent abatements.

Fiscal Year		Asset Category Building
2024	$	751,629
2025		579,883
Total Future Lease Payments	$	1,331,512

NOTE 8. COMMITMENTS AND CONTINGENCIES

As of September 30, 2023, the CSB has pending FOIA litigation with PEER. The chance of an unfavorable outcome of the current FOIA litigation with PEER is less than probable, but more than remote.

NOTE 9. INTER-ENTITY COSTS

The CSB recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. The CSB recognizes as inter-entity costs 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 periods ended September 30, 2023, and 2022, respectively, inter-entity costs were as follows:

		2023		2022
Office of Personnel Management	$	387,823	$	247,150
Total Imputed Financing Sources	$	387,823	$	247,150

NOTE 10. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2023, and 2022, consisted of the following:

		2023		2022
Unobligated Balance Brought Forward From Prior Year, October 1	$	6,033,551	$	5,555,781
Recoveries of Prior Year Obligations		765,766		700,626
Other Changes in Unobligated Balances		(239,790)		(223,882)
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	$	6,559,527	$	6,032,525

NOTE 11. APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS

New obligations and upward adjustments incurred and reported in the Statement of Budgetary Resources in 2023 and 2022 consisted of the following:

	2023	2022
Direct Obligations, Category B	$ 14,452,038	$ 13,398,974
Total New Obligations and Upward Adjustments	$ 14,452,038	$ 13,398,974

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

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2023, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ 7,883	$ -	$ 7,883
Unpaid Undelivered Orders	432,136	4,856,736	5,288,872
Total Undelivered Orders	$ 440,019	$ 4,856,736	$ 5,296,755

As of September 30, 2022, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 39,051	$ 3,828,879	$ 3,867,930
Total Undelivered Orders	$ 39,051	$ 3,828,879	$ 3,867,930

NOTE 13. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2023 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2024 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/.* The 2024 Budget of the United States Government, with the "Actual" column completed for 2022, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Combined Statement of Budgetary Resources	$ 19	$ 13	$ 12
Unobligated Balance Not Available	(5)	-	-
Budget of the U.S. Government	$ 14	$ 13	$ 12

NOTE 14. RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2023
(In Dollars)

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	$ 2,929,835	$ 9,785,007	$ 12,714,842
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(51,371)	(51,371)
Accounts Receivable, Net	-	(3,123)	(3,123)
Other Assets	7,883	-	7,883
Accounts Payable	(8,957)	(119,512)	(128,469)
Federal Employee [and Veteran] Benefits Payable	-	(73,910)	(73,910)
Other Liabilities	(5,362)	974	(4,388)
Financing Sources:			
Imputed Cost	(387,823)	-	(387,823)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (394,259)	$ (246,942)	$ (641,201)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	$ -	$ 53,925	$ 53,925
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 53,925	$ 53,925
Misc Items			
Custodial/Non-Exchange Revenue	$ 2,793	$ (2,793)	$ -
Non-Entity Activity	75	-	75
Total Other Reconciling Items	$ 2,868	$ (2,793)	$ 75
Total Net Outlays (Calculated Total)	$ 2,538,444	$ 9,589,197	$ 12,127,641
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 12,127,641

RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2022
(In Dollars)

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	$ 3,315,357	$ 8,402,363	$ 11,717,720
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(122,810)	(122,810)
Accounts Receivable, Net	-	87	87
Accounts Payable	(3,334)	93,234	89,900
Federal Employee [and Veteran] Benefits Payable	-	(97,556)	(97,556)
Other Liabilities	45,206	271,538	316,744
Financing Sources:			
Imputed Cost	(247,150)	-	(247,150)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (205,278)	$ 144,493	$ (60,785)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ -	$ -
Misc Items			
Custodial/Non-Exchange Revenue	$ 2,432	$ (2,432)	$ -
Total Other Reconciling Items	$ 2,432	$ (2,432)	$ -
Total Net Outlays (Calculated Total)	$ 3,112,511	$ 8,544,424	$ 11,656,935
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			$ 11,656,935

NOTE 15. RESTATEMENTS

The no-year fund in the amount of $844,145 was incorrectly reported as “Unapportioned, Unexpired Accounts” in the Statement of Budgetary Resources (SBR) for FY 2022 while its apportionment was approved by OMB on August 24, 2021. Since this reporting error has exceeded the materiality threshold of FY 2022, the CSB has determined that the adjustment should be corrected in the earliest affected period presented on the financial statements, which was the fourth quarter of FY 2022, and that the SBR should be restated to include the no-year fund as part of “Apportioned, Unexpired Accounts” of FY 2022. As a result, for Note 2, the Status of Fund Balance with Treasury, the Unobligated Balance – Available in FY 2022 increased by $844,145 after FY 2022 was restated.

U.S. Chemical Safety and Hazard Investigation Board

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Steve Owens
Chairperson

Sylvia E. Johnson, Ph.D.
Board Member

Catherine J.K. Sandoval
Board Member

To: Damon Jackson, Director – Financial Directorate, Office of Audit, Office of Inspector General

From: Steve Owens, Chairperson

Cc: Sylvia E. Johnson, Ph. D. – Board Member
Catherine J.K. Sandoval - Board Member
Michele Lawson – Director of Financial Operations

Subject: Management Response to the Office of Inspector General (OIG) Fiscal Year 2023's Draft Audit Report

Date: March 6, 2024

The U.S. Chemical Safety and Hazard Investigation Board (CSB or "Agency") has performed significant work to ensure the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

The Federal Manager's Financial Integrity Act (FMFIA) requires the CSB to annually evaluate its management controls and identify any material weaknesses. This requirement covers all 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. The CSB relies on a system of management controls to provide reasonable assurance that our financial activities comply with all applicable laws, and safeguards resources, as well as properly accounts for expenditures.

In FY 2023, the Government Accountability Office (GAO) issued a decision opining that the CSB had violated the Antideficiency Act (ADA), 31 U.S.C. § 1341(a)(1), when the agency entered into a lease for its headquarters office space in 2014 because the CSB did not have sufficient readily available appropriations to cover the total amount of all payments expected to arise under the full term of the lease, even though the CSB's lease plainly states that the CSB's obligation to make lease payments is contingent on the availability of appropriated funds and that the lease will terminate if the CSB has not been appropriated sufficient funds to pay its rent, with the CSB not obligated to pay a penalty for early termination of the lease.

The CSB reported the GAO decision to the Office of Management and Budget (OMB), along with drafts of the reports that the CSB would submit to appropriate parties pursuant to 31 U.S.C. § 1351 if OMB determines that a violation of the ADA has occurred. OMB is currently conducting a legal analysis of the findings and conclusions in the GAO decision to determine whether there has been a violation of the ADA, as well as reviewing the draft reports prepared by the CSB. OMB has not yet made a determination about the GAO report or the draft reports prepared by the CSB.

The CSB has received a Notice of Findings and Recommendations (NFR) in this audit which recommends that the CSB "complete the investigation into the potential ADA violation noted and report to the appropriate parties, as necessary." As noted, OMB is currently conducting an analysis of the GAO decision to determine whether there has been a violation of the ADA, as well as reviewing the draft reports prepared by the CSB.

The CSB also has received a NFR in this audit recommending in part that the CSB's financial statements for FY 2023 and FY 2022 be restated because the CSB did not state the estimated total payments expected to arise under the full term of the CSB's lease but instead stated the annual lease payments due each year. The auditors also identified a purported material weakness in the CSB's internal controls due to how the CSB states the lease payments and has issued a qualified opinon based solely on this, even though the auditors have been aware of the CSB's practice for several years. The CSB disagrees with the auditors. The CSB believes that the agency has complied with all applicable laws and regulations, including OMB Circular A-11. The CSB is working with OMB to review this matter, and OMB has advised the CSB not to restate the agency's financial statements at this time.

Except as noted above, based on both internal and external evaluations, knowledge gained from daily operations and information provided by CSB staff with responsibility for implementation of the CSB's programs and administrative functions, I can certify with reasonable assurance that the CSB follows the provisions of the FMFIA.

We appreciate the opportunity to respond to the OIG draft report. Please contact Michele Lawson in the Office of Financial Operations at (202) 713-6849 if you have further questions.

Whistleblower Protection

U.S. Environmental Protection Agency

The whistleblower protection coordinator's role is to educate Agency employees about prohibitions against retaliation for protected disclosures and the rights and remedies against retaliation. For more information, please visit the OIG's whistleblower protection webpage.

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