



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

# Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2013 and 2012 Financial Statements

Report No. 14-1-0038

December 16, 2013



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# At a Glance

## Why We Did This Review

We performed this audit in accordance with the Accountability of Tax Dollars Act of 2002, which requires the U.S. Chemical Safety and Hazard Investigation Board (CSB) to prepare, and the Office of Inspector General (OIG) to audit, the Board's financial statements each year.

The U.S. Environmental Protection Agency's OIG, which also serves as the Inspector General for CSB, contracted with Brown and Company, CPAs, PLLC, to perform the audit of the CSB's fiscal years 2013 and 2012 financial statements.

## This report addresses the following CSB goal:

- *Preserve the public trust by maintaining and improving organizational excellence.*

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:  
[www.epa.gov/oig/reports/2014/20131216-14-1-0038.pdf](http://www.epa.gov/oig/reports/2014/20131216-14-1-0038.pdf)

## ***Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2013 and 2012 Financial Statements***

### What Brown and Company Found

Brown and Company rendered an unmodified opinion on the CSB's financial statements for fiscal years 2013 and 2012, meaning that the statements were fairly presented and free of material misstatements.

**The CSB received an unmodified opinion for its fiscal years 2013 and 2012 financial statements.**

In planning and performing its audit, Brown and Company considered the CSB's internal control over financial reporting. Brown and Company noted no matters involving the internal control and the CSB operation that it considered to be a material weakness. 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.

As part of obtaining reasonable assurance about whether the CSB's financial statements are free of material misstatement, Brown and Company performed tests of the CSB's compliance with certain provisions of laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Brown and Company's fiscal year 2013 audit disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or Office of Management and Budget Bulletin No. 14-02.

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

### CSB's Comments

The CSB agreed with Brown and Company's report.



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

THE INSPECTOR GENERAL

December 16, 2013

The Honorable Rafael Moure-Eraso, Ph.D.  
Chairperson and Chief Executive Officer  
U.S. Chemical Safety and Hazard Investigation Board  
2175 K Street, NW, Suite 400  
Washington, DC 20037-1809

Subject: Report No. 14-1-0038, Audit of the U.S. Chemical Safety and Hazard Investigation Board's  
Fiscal Years 2013 and 2012 Financial Statements

Dear Dr. Moure-Eraso:

This letter transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) fiscal years 2013 and 2012 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 fiscal years ended September 30, 2013 and 2012. The audit was required to be done in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Bulletin No. 14-02, *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 enclosed auditor's report dated December 9, 2013, and the opinions and conclusions expressed in the report. We do not express any opinion or conclusions on the CSB's financial statements, internal control or compliance with laws and regulations.

Should you have any questions, please contact Richard Eyermann at (202) 566-0565 or [eyermann.richard@epa.gov](mailto:eyermann.richard@epa.gov), or Bill Spinazzola at (202) 566-2568 or [spinazzola.bill@epa.gov](mailto:spinazzola.bill@epa.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over a light blue background.

Arthur A. Elkins Jr.

Enclosures

cc: Daniel Horowitz, Ph.D., Managing Director, CSB  
Elizabeth A. Robinson, Finance Director, CSB  
Anna Brown, Director of Administration and Audit Coordinator, CSB  
Richard Loeb, General Counsel, CSB  
Kimberly Penn, Audit Manager, Brown and Company, CPAs, PLLC  
Gail Jenifer, Managing Partner, Brown and Company, CPAs, PLLC



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of September 30, 2013 and 2012, 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), and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion on the Financial Statements*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSB as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

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

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CSB's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CSB's internal control. Accordingly, we do not express an opinion on the effectiveness of CSB's internal control.

*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, 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In our fiscal year 2013 audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CSB’s financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

## **Management’s Responsibility for Internal Control and Compliance**

CSB’s management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring CSB’s financial management systems are in substantial compliance with FMFIA requirements, and (4) ensuring compliance with other applicable laws and regulations.

## **Auditor’s Responsibilities**

We are responsible for: (1) obtaining a sufficient understanding of internal controls over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to CSB. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 14-02 that we deemed applicable to CSB’s financial statements for the fiscal year ended September 30, 2013. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

## **Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters**

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CSB’s internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSB’s internal control and compliance. Accordingly, these reports are not suitable for any other purpose.



This report is intended solely for the information and use of the Office of Inspector General, the management of 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  
December 9, 2013