

# NATIONAL TRANSPORTATION SAFETY BOARD

## Fiscal Year 2018

### Performance and Accountability Report



**INTEGRITY • TRANSPARENCY • INDEPENDENCE • EXCELLENCE**

# **THE NATIONAL TRANSPORTATION SAFETY BOARD**

## **AT A GLANCE**

**Established April 1, 1967**

### **Headquarters**

490 L'Enfant Plaza, SW

Washington, DC 20594

[www.nts.gov](http://www.nts.gov)

**FY 2018 Budget: \$110.4 million**

**Full-Time Equivalent Employees: 403**

## OUR MISSION

Making transportation safer by conducting independent accident investigations, advocating safety improvements, and deciding airmen and mariners' certification appeals.

## LEGISLATIVE MANDATE

**Maintaining** our congressionally mandated independence and objectivity;

**Conducting** objective, precise accident investigations and safety studies;

**Performing** fair and objective airman and mariner certification appeals;

**Advocating** and promoting safety recommendations;

**Assisting** victims of transportation accidents and their families.

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

## NTSB HISTORY

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

## CORE VALUES

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

## STRATEGIC GOALS

**Strategic Goal No. 1: Safety Leadership**

**Strategic Goal No. 2: Engagement**

**Strategic Goal No. 3: Synergy**

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## HOW TO USE THIS REPORT

Our Performance and Accountability Report (PAR) for fiscal year (FY) 2018 provides financial and performance information for the NTSB and compares performance results to the agency's strategic and performance goals. This information enables the President, the Congress, and the American people to assess the agency's performance as required by the following legislation:

- Federal Managers' Financial Integrity Act (FMFIA) of 1982
- Chief Financial Officers Act of 1990
- Government Performance and Results Act (GPRA) of 1993
- Government Management Reform Act of 1994
- Federal Financial Management Improvement Act of 1996
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA)
- Government Performance and Results Modernization Act (GPRAMA) of 2010
- Digital Accountability and Transparency Act (DATA Act) of 2014
- Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, And Execution of The Budget*
- OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*
- OMB Circular A-136, *Financial Reporting Requirements*

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

The FY 2018 PAR is organized into the following four sections:

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

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

This section also summarizes the NTSB's strategic goals and related objectives; provides annual performance information as required by OMB *Circular A-11*, the GPRA, and the GPRAMA; and includes a detailed discussion and analysis of the agency's performance in FY 2018. It also includes information about past results of key performance measures and provides a discussion of future challenges.

**Section II – Financial Information.** This section contains a message from the NTSB Chief Financial Officer, details of the NTSB's FY 2018 finances, and includes the DOT's Office of the Inspector General (DOT/OIG) Quality Control Report, the Independent Auditor's Report, the NTSB Chief Financial Officer's Response to the Auditor's Report, and the agency's audited financial statements and notes.

**Section III – Other Accompanying Information.** This section includes our Summary of Financial Statement Audit and Management Assurances, Improper Payments Information Act reporting details, IPERA compliance information, assessment and recapture of improper payments reporting, Fraud Reduction efforts, Reduce the Footprint and Civil Monetary Penalties reporting.

## INTRODUCTION

### A MESSAGE FROM THE CHAIRMAN

I am pleased to present the NTSB's FY 2018 annual Performance and Accountability Report. This report provides an accounting to the American people on our stewardship of the funding we received from them for FY 2018 to ensure the fulfillment of our mission. The report contains the NTSB's financial statements, as required by OMB Circular A-136, a selection of annual performance information, and a report on the NTSB's internal controls, as required by the FMFIA.

The NTSB is recognized internationally for our accident investigation experience and for issuing, advancing, and, ultimately, persuading others to implement our safety recommendations. For over 50 years, the NTSB's dedicated staff has achieved excellence at the forefront of transportation safety issues. We continually stimulate and promote beneficial change within the transportation community—change that helps to fulfill, and is consistent with, our mission and core values. Technology is rapidly changing the transportation industry. In FY 2018 we began major efforts to better understand emerging transportation technologies and improve our use of data analysis to support our investigative processes.

Being responsible stewards of the public resources provided to us by the American taxpayers and Congress is one of our most important duties. For the FY 2018 financial statement audit, we received our 16<sup>th</sup> consecutive unmodified (clean) opinion, the best possible audit result. Allmond & Company, LLC, an independent public accounting firm engaged by the DOT/OIG audited the NTSB's FY 2018 consolidated financial statements, included in this report, and did not identify any material weaknesses or instances of noncompliance with laws and regulations.

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

The performance goals and accomplishments in this report summarize the NTSB's success in achieving the strategic goals we established for FY 2018.

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

Sincerely,

/s/

Robert L. Sumwalt, III, Chairman

November 6, 2018

## THE NTSB'S VITAL ROLE IN TRANSPORTATION SAFETY

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

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

Since the NTSB's inception in 1967, we have investigated more than 146,000 aviation accidents and thousands of surface transportation accidents. On call 24 hours a day, 365 days a year, NTSB investigators traveled throughout the country and to every corner of the world. Because of this dedication and our accumulated experience, the NTSB is recognized as the world's leading accident investigation agency.

The NTSB has issued more than 14,800 safety recommendations to more than 2,400 recipients in all transportation modes. Since 1990, the NTSB has published a *Most Wanted List* (MWL) of transportation safety improvements that increases awareness of, and support for, the most critical recommendations needed to reduce transportation accident and save lives.

The NTSB does not have authority to regulate transportation equipment, personnel, or operations or to initiate enforcement action. However, because of our reputation for objectivity and thoroughness, the NTSB has achieved such success in shaping transportation safety improvements that, over the last 6 years, those who are authorized to effect these changes have implemented more than 82 percent of the agency's recommendations. Many safety features currently incorporated into airplanes, helicopters, automobiles, commercial motor vehicles, trains, pipelines, and marine vessels had their genesis in these recommendations.

The NTSB serves as the appellate authority for enforcement actions involving aviation and mariner certificates issued by the Federal Aviation Administration (FAA) and the US Coast Guard and is also, responsible for adjudicating appeals of civil penalty actions taken by the FAA.

## SECTION I – MANAGEMENT’S DISCUSSION AND ANALYSIS

### A. MISSION AND ORGANIZATIONAL STRUCTURE

#### OVERVIEW

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

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

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

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

#### HISTORY AND STRUCTURE OF THE NTSB

With the 1967 creation of the NTSB, Congress envisioned that a single organization with a clearly defined mission could more effectively promote a higher level of safety in the transportation system than the individual modal agencies working separately. In 1974, Congress reestablished the NTSB as a separate entity outside of the DOT, reasoning that "No federal agency can properly perform such (investigatory) functions unless it is totally separate and independent from any other...agency of the United States."

Because the DOT has broad operational and regulatory responsibilities that affect the safety, adequacy, and efficiency of the transportation system, and transportation accidents may suggest deficiencies in that system, the NTSB's independence was deemed necessary for proper oversight.

Although our charter is the Independent Safety Board Act of 1974, the origins of the NTSB can be found in the Air Commerce Act of 1926, in which Congress charged the Commerce Department with investigating the causes of aircraft accidents. The rules of the NTSB are in Chapter VIII, Title 49 of the *Code of Federal Regulations*. The NTSB has no authority to regulate, fund, or be directly involved in the operation of any mode of transportation. We conduct investigations and make recommendations from an objective viewpoint.

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

The NTSB's headquarters office is in Washington, DC. In addition to the investigators located in the regional offices in Ashburn, Virginia; Denver, Colorado; Anchorage, Alaska; and Federal Way, Washington, a staff of investigators also work remotely throughout the country.

### US Regional Presence

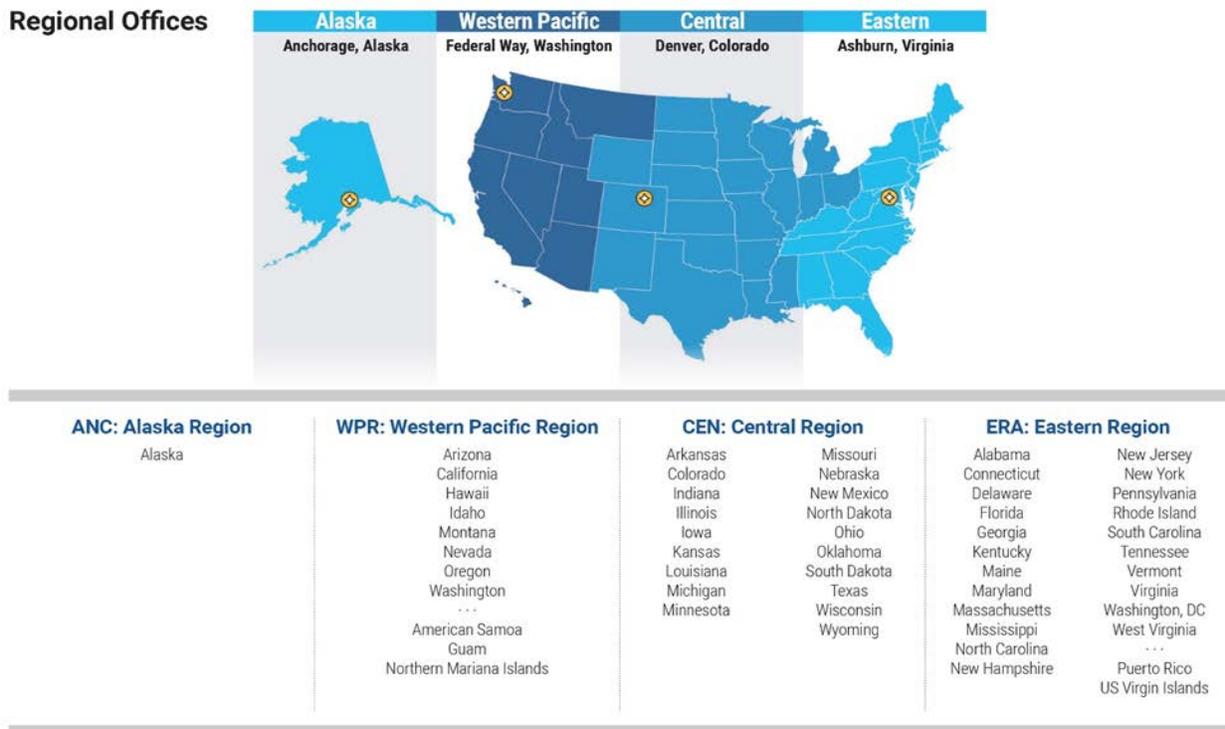


Figure 1. US Regional Presence

NTSB ORGANIZATION AND PROGRAM STRUCTURE

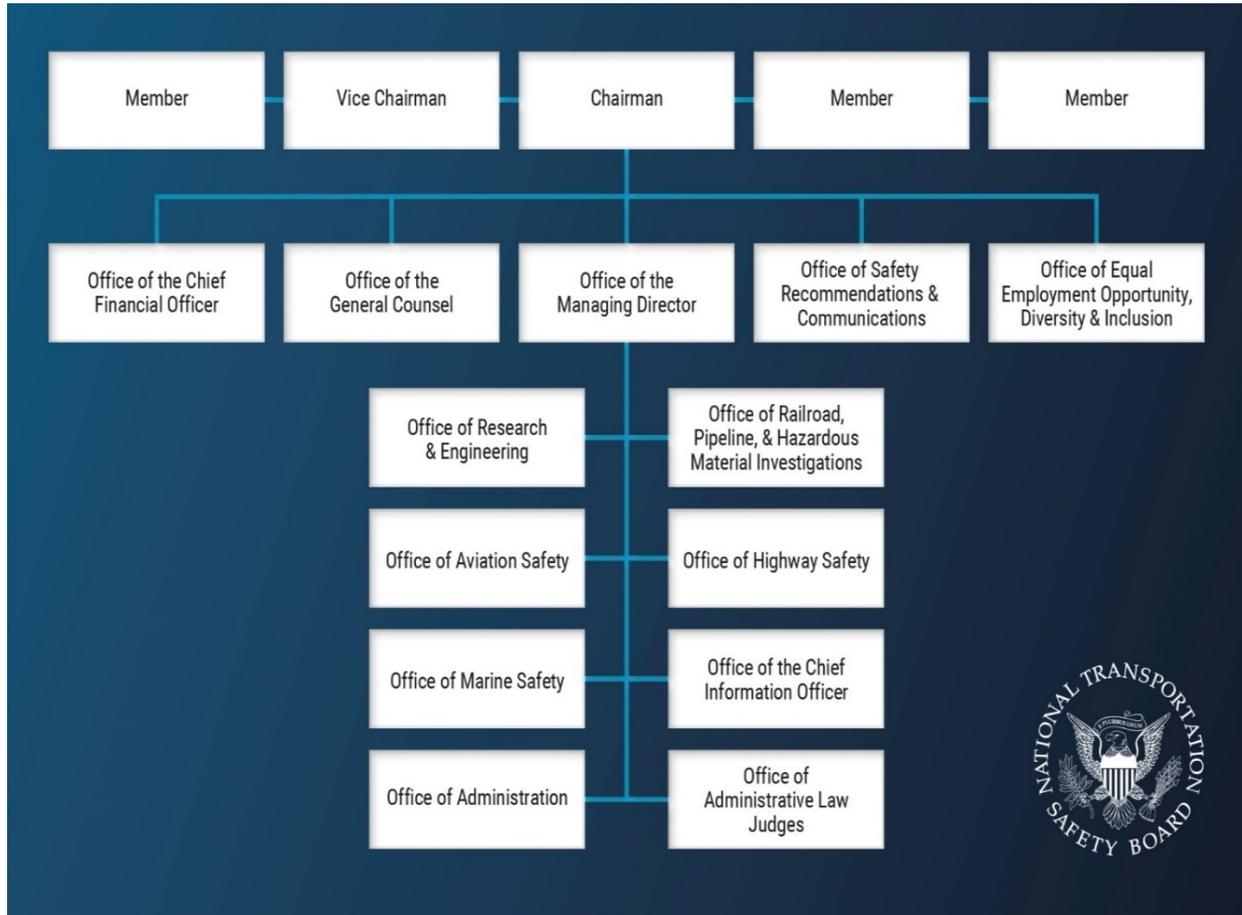


Figure 2. Organization and Program Structure

The NTSB Chairman serves as the chief executive officer for the agency. The Chairman, Vice Chairman, and Board Members review and approve major accident reports, safety studies, and safety recommendations and safety alerts and provide appellate review of FAA certificate and certain civil penalty actions, as well as Coast Guard license actions. They also preside over accident or other transportation safety hearings, testify before congressional committees, and may act as the on-scene agency spokesperson during accident investigations.

**Office of the Managing Director (MD)**

The MD assists the Chairman in the discharge of the Chairman’s functions as executive and administrative head of the NTSB. The office provides overall leadership for the management of the agency, including production, strategy, and support functions. The office coordinates activities of the entire staff, manages the day-to-day operation of the agency, and develops and recommends plans to achieve program objectives. The Managing Director is responsible for the overall leadership, direction, and performance of the agency, as well as its communications and organizational efficiency to include oversight of the NTSB Response Operations Center. The center provides support 24 hours a day, 365 days a year, for agency-wide

operational requirements, including accident launches and the collection and dissemination of information related to transportation accidents and incidents.

There are two organizational units within the MD—the Training Center and the Executive Secretariat Division. The Training Center manages workforce development and external training functions. The Executive Secretariat Division is responsible for managing the Board members’ review of the agency’s products and correspondence, as well as the processing and archiving of external correspondence.

### **Office of Safety Recommendations and Communications (SRC)**

SRC comprises six divisions: Safety Recommendations, Safety Advocacy, Media Relations, Digital Services, Government and Industry Affairs, and Transportation Disaster Assistance (TDA). SRC ensures that the NTSB mission and actions are accurately and effectively communicated to congressional stakeholders, victims of transportation accidents and their families, state and local governments, the press, and the public. The office also administers the NTSB’s safety recommendation program, advocating for the implementation of NTSB recommendations to address critical transportation safety issues.

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

As part of its advocacy efforts, the SRC develops and administers the MWL based, in part, on safety recommendations for which corrective action has yet to be taken. The MWL is the agency’s preeminent advocacy tool, highlighting issues whose resolution would have significant impact on transportation safety at the national and state levels. A new list is announced biennially at a press conference. Although the NTSB actively advocates for the acceptance of all our safety recommendations, follow-up efforts for the recommendations supporting MWL issue areas are generally more aggressive.

### **Office of Aviation Safety (AS)**

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

Because of these investigations, AS is responsible for proposing probable causes for the Board’s consideration and approval. Working with other offices within the NTSB, AS also develops recommendations intended to prevent the recurrence of similar accidents and incidents and to otherwise improve aviation safety.

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

### **Office of Highway Safety (HS)**

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

### **Office of Marine Safety (MS)**

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

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

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

MS is also responsible for overall management of the NTSB international marine safety program, under which we investigate major marine casualties involving foreign-flagged vessels in US territorial waters and

those involving US-flagged vessels anywhere in the world. Accidents involving foreign-flagged vessels accounted for 29 percent of NTSB marine accident investigations over the past 5 years.

#### **Office of Railroad, Pipeline, and Hazardous Materials Investigations (RPH)**

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

#### **Office of Research and Engineering (RE)**

RE provides technical support to NTSB accident investigations in all modes of transportation. The office—consisting of four divisions (Safety Research, Vehicle Performance, Vehicle Recorders, and the Materials Laboratory). Medical and toxicology support for investigations in all transportation modes is staffed in the immediate office of the director.

#### **Office of Administrative Law Judges (ALJ)**

The NTSB serves as the “court of appeals” for airmen, mechanics, or mariners whenever the FAA or the Coast Guard takes a certificate action. The NTSB currently has three judges: two are assigned to headquarters in Washington, DC, and one is in Arlington, Texas. They hold hearings based on their circuit assignment.

#### **Office of the Chief Information Officer (CIO)**

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

#### **Office of Administration (AD)**

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

#### **Office of the General Counsel (GC)**

GC provides advice and assistance on legal aspects of policy matters, legislation, testimony, NTSB rules, and ethics. The office also provides timely and objective review of airman appeals of certificate actions and certain civil penalties and seaman license actions, acting on behalf of the NTSB on particular procedural aspects of enforcement cases; makes decisions as to the release of official information pursuant to the requests or demands of private litigants, courts, or other authorities for use in litigation not involving

the United States; ensures compliance with statutes concerning public access to information through publication of NTSB decisions and releases under the Freedom of Information Act; provides counsel and staff assistance to the US Department of Justice when the NTSB is a party to judicial proceedings; and provides internal legal assistance and guidance regarding accident and incident investigations, hearings, appearances as witnesses, acquiring evidence by subpoena and other means, and the taking of depositions.

### **Office of the Chief Financial Officer (CFO)**

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

### **Office of Equal Employment Opportunity, Diversity, and Inclusion (EEODI)**

EEODI advises and assists the Chairman and NTSB office directors in carrying out their responsibilities relative to Title VII of the Civil Rights Act of 1964, as amended and other laws, executive orders, and regulatory guidelines affecting diversity development and the processing of equal employment opportunity complaints. EEODI services also include mandatory educational training activities, diversity awareness and targeted outreach, and internal recruitment initiatives/career enhancement advisory services. Additionally, the EEODI manages an alternative dispute resolution program.

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## **MISSION**

Our core mission at the NTSB is making transportation safer by conducting independent accident investigations, advocating safety improvements, and deciding airmen and mariners' certification appeals. Our status as an independent government agency makes the NTSB different from other stakeholders in the transportation industry. Transportation companies are motivated by financial gain, and many are ultimately accountable to their shareholders. Other government agencies (for example, the FAA, the Federal Railroad Administration, the Federal Highway Administration, and the Coast Guard) have an official role in establishing and enforcing industry regulations. The NTSB has no such interests or obligations. Our most important stakeholder is the traveling public.

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

Actions to correct deficiencies that contribute to accidents are often identified early in the investigative process. The NTSB strongly supports and encourages voluntary efforts to effect safety changes and works with parties to implement such changes. In other situations, the NTSB invokes the more formal process of issuing safety recommendations, which ask government agencies, parties to the investigation, or other

entities to act to improve safety. Some of these recommendations are issued during the accident investigation. In other cases, the NTSB makes safety recommendations at the conclusion of the investigative process and incorporates them into the official accident reports.

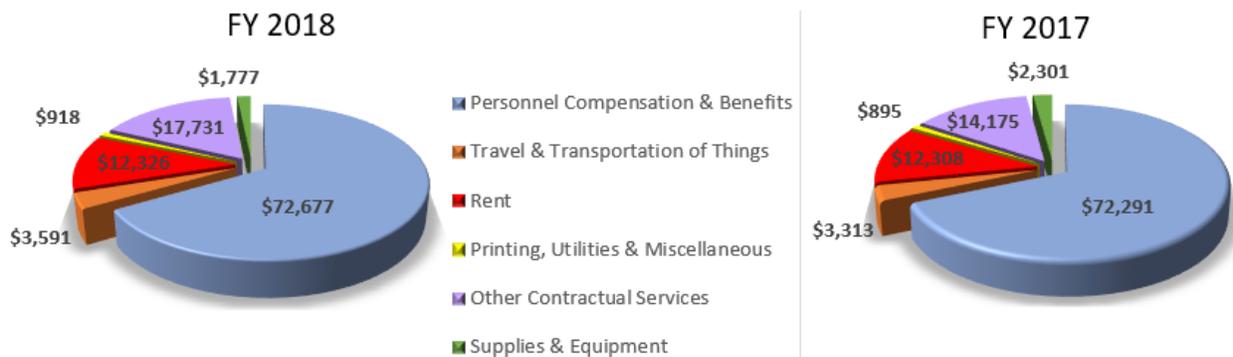
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**SOURCES OF FUNDS**

As authorized by 5 *United States Code (USC) 3109*, the NTSB receives an annual Salaries and Expenses appropriation for necessary expenses of which no more than \$2,000 can be expended for the use of official reception and representation expenses. For 2018, the NTSB’s enacted appropriation was \$110,400,000. In addition, the NTSB received \$1,300,000 in discretionary reimbursable spending authority for reimbursable activities with other federal agencies, state and local governments, and the public for services determined to be appropriately provided by the NTSB. All fees imposed for services are to be credited as offsetting collections to the account that financed the activities and services. Fees collected are only available to pay the costs of activities and services for the fees imposed and shall remain available until expended.

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**NTSB SALARIES AND EXPENSES APPROPRIATION FUNDS BY OBJECT CLASSIFICATION (\$000S)**



**Figure 3. Sales and Expenses Appropriation Funds by Object Classification (000s)**

The figure above represents the NTSB’s FY 2018 obligations by personnel and non-personnel costs. Personnel costs, which primarily comprise salaries and employee benefits, accounted for 67 percent of NTSB costs. The remaining 33 percent was spent on non-personnel items, such as equipment and infrastructure, software, hardware, office rent, building security, travel, and other related costs.

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**B. PERFORMANCE GOALS, OBJECTIVES, AND RESULTS**

**STRATEGIC GOALS OVERVIEW**

The NTSB developed a new strategic plan in 2017 to encompass fiscal years 2018 to 2022. This plan identifies three priority strategic goals and six related objectives which influence the day-to-day work at the NTSB. The three priority strategic goals are these:



**Figure 4. NTSB Priority Strategic Goals**

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**MANAGEMENT REVIEW**

The NTSB uses a quarterly data driven strategic review process. Performance goals and metrics are assigned a goal leader to ensure success. Each designated goal leader is responsible for the progress in meeting the goals, reporting the results, and making operational adjustments. The Office of the Managing Director coordinates these quarterly activities, reviews and analyzes data, and provides reports to senior leadership at various intervals throughout the year.

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**DATA MANAGEMENT AND RELIABILITY**

Data management and reliability are important in determining performance outcomes at the NTSB. The data are reviewed and verified by the agency’s Strategic Management Program Manager and finalized with the Office of Managing Director. With the implementation of the strategic management communication tool, each office is responsible for entering their respective data into the web-based tracking system for each identified performance metric. Utilization of the system streamlines the strategic performance reporting process, supports the validation and verification of reported metrics and creates a consistent and effective tool for data management, which provides reasonable assurances of the reliability and accuracy of all performance metric data.

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**REPORTING ON PROGRESS**

Continuous improvement rests on ongoing cycles of assessing performance, examining data, and employing lessons learned to improve practices internally and externally. Creating a culture of continuous

improvement<sup>1</sup> is at the heart of the NTSB's efforts to achieve better performance results overall. The strategic management performance portal implemented in FY 2017 tracks the performance metrics for the agency. The system allows for a streamlined process of identifying success and provides for necessary validation and verification by each office.

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#### ASSESSMENT: RATING SCALES AND SUCCESS CRITERIA

The NTSB evaluates progress towards achieving its performance metrics by using success criteria based on milestone achievement, combined with explanations of the performance and sources provided by program officials, to review and validate each metric's results and ratings.

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#### KEY FACTORS AFFECTING THE ACHIEVEMENT OF THE STRATEGIC GOALS

The NTSB's ability to achieve its strategic goals may be influenced by the changing balance of industry operations; other federal, state, and local government activities; national priorities; market forces; and resource availability. The following factors may have affected the achievement of strategic goals for fiscal year 2018:

- Advances in new technologies in all modes of transportation
- Effectively managing pilots' and mariners' appeals
- Effectively issuing and closing safety recommendations
- Recruiting, retaining, and developing staff
- Budgetary constraints, including fluctuations in appropriations.

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#### ADDRESSING THE CHALLENGES TO GOAL ACHIEVEMENT/LOOKING FORWARD

We address these challenges through effective long-range planning, open communication, and improved employee engagement. Long-range planning in human capital management and core operations ensures that we are ready to deal with future investigative needs. Effective communication at all levels of the organization improves planning and process. We devote time and resources to thinking strategically, promoting employee engagement, and encouraging staff development. To achieve our long-term vision, we must effectively plan and communicate while maintaining our primary commitment to improve transportation safety. We believe that the initiatives in place will provide the necessary balance to foster the success of these strategic goals and priorities.

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#### SUMMARY OF GOALS AND OBJECTIVES

##### **Strategic Goal 1: Safety Leadership**

Serve as a global leader in conducting independent accident investigations, producing studies, and creating products essential to transportation safety.

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<sup>1</sup> Edward Deming; PDCA (Plan-do-check-act is an iterative four-step management method used in business for the control and continual improvement of processes and products)

- Objective 1.1, Evolving Technology: Increase agency focus on awareness of emerging technologies.
- Objective 1.2, Data Analytics: Broaden the use of data and analysis to improve decision-making.
- Objective 1.3, Improve Transportation Safety: Promote transportation safety through response, products, recommendations, outreach, and proactive approaches and actions to remain resilient and effective.

### **Strategic Goal 2: Engagement**

Engage external stakeholders to advance transportation safety by

- Objective 2.1 Stakeholder Engagement: Optimize outreach and build consensus with stakeholders.

### **Strategic Goal 3: Synergy**

Promote employee teamwork, innovation, and engagement to optimize operations.

- Objective 3.1, Empowerment: Cultivate creativity and innovation across the agency through effective leadership.
- Objective 3.2, Inclusive and Engaged Workforce: Promote an inclusive and engaged workforce and eliminate barriers to equal employment opportunity.

The strategic objectives support and complement the strategic goals. Each strategic objective has performance goals and key performance indicators with measurable metrics and targets. Performance metrics use available data to provide a way to determine whether our goals and objectives are met within the proposed time frame. Targets serve to establish line of sight toward achievement. We review performance metrics and targets to assess the effectiveness of programs and consider how risks and opportunities impact achieving our strategic goals and objectives. This assessment allows the agency to adjust and improve performance throughout each year, as well as to re-evaluate the agency's strategic plan objectives and metrics, as necessary.

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## **PERFORMANCE METRIC FY 2018 RESULTS HIGHLIGHTS**

FY 2018 was a transitional year for our new strategic plan, which allowed us to set baseline targets for most of the new metrics. We met **13 of the 14 (93%)** metrics with available data. Below are highlights of our FY 2018 performance results.

- **75** products were adopted by the Board, compared to a target of **41**. This measure includes accident reports, investigative hearings, safety forums, and safety alerts. We also issued **713** non-Board-adopted products to improve transportation safety, compared to our target of **514**, such as videos, newsletters, safety accomplishments, and safety results.
- Our offices conducted **116** international cooperative outreach activities, which surpassed our target of **59**. Increased launches and requests for our expertise from international counterparts helped the offices achieve their goals. In addition, in this fiscal year, our international outreach data included the number of

international visitors who came to our facilities for lab and lessons-learned tours, as well as interagency exchange agreements for knowledge sharing.

- We conducted **1,089** outreach efforts with industry and stakeholders, more than doubling the target of **585**. This dramatic increase is due to the addition of new offices that provide stakeholders with expertise that was not previously captured.
- The Office of Administrative Law Judges (ALJ) reported on two revised efficiency metrics for emergency and nonemergency cases closed. The office successfully met its emergency case completed goal of no more than **27** days **100%** of time, compared to a target of **100%**. Nonemergency cases were completed at a rate of **75%** within in 180 days slightly under the target of **80%**.
- Management successfully implemented **29** efficiencies/tools to increase innovation and collaboration, compared to a target of **13**.

FY 2018 PERFORMANCE METRICS RESULTS AT A GLANCE

Measure Type	Measure Name	Office	FY 2016 Result	FY 2017 Result	FY 2018 Target	FY 2018 Result	Met or Exceeded
<b>Objective 1.1 Existing and Evolving Technology: Increase agency focus on state-of-the-art technologies.</b>							
Outcome	Define an emerging technology capability for use in decision-making	Multiple offices	N/A	N/A	5	35	700%
<b>Objective 1.2 Data Analytics: Broaden the use of data and analytics to improve decision-making.</b>							
Outcome	Define a data analytics capability for use in decision-making	Multiple offices	N/A	N/A	5	18	360%
Outcome	Develop a digital transformation action plan resulting in increased efficiency and effectiveness	Agency	N/A	N/A	Action plan approved	Yes	100%
<b>Objective 1.3 Improve Transportation Safety: Promote transportation safety through response, products, recommendations, outreach, and proactive approaches and actions to remain resilient and effective.</b>							
Output	Number of products adopted by the Board	Multiple offices	62	70	41	75	183%
Output	Number of products to improve transportation safety	Multiple offices	655	1160	514	713	139%
Output	Number of delegated briefs completed	Multiple offices	N/A	N/A	1023	1004	98%
Output	Number of international cooperative activities completed	Multiple offices	27	21	52	116	223%
Efficiency	Percentage of emergency hearings convened within 30 days	ALJ	N/A	N/A	100%	100%	100%
Efficiency	Percentage of nonemergency cases closed within 180 days	ALJ	N/A	N/A	80%	75%	94%
<b>Objective 2.1 Optimize outreach and build consensus with stakeholders.</b>							
Outcome	Number of outcome-oriented safety results	Multiple offices	563	250	585	1089	186%
Outcome	Number of stakeholder engagements implemented		N/A	N/A	15	37	247%
<b>Objective 3.1 Empowerment: Cultivate creativity and innovation across the agency through effective leadership.</b>							
Output	Number of efficiencies or tools implemented to increase innovation and collaboration	Agency	N/A	N/A	13	29	223%
<b>Objective 3.2 Promote an inclusive and engaged workforce to eliminate barriers to equal employment opportunities.</b>							
Output	Number of employee engagement & EEO/Diversity outreach initiatives implemented	Agency	N/A	N/A	13	55	423%
Outcome	Implement an agency rotational program	MD	N/A	N/A	Action plan approved	Yes	100%

Figure 5. FY 2018 Performance Metrics Results at a Glance

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## C. ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

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### DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

The NTSB fiscal years 2018 and 2017 financial statements report the agency's financial position and the results of operations on an accrual basis. These annual financial statements comprise a Consolidated Balance Sheet, a Consolidated Statement of Net Cost, a Consolidated Statement of Changes in Net Position, and a Consolidated Statement of Budgetary Resources along with related notes that provide a clear description of the agency, our mission, and the significant accounting policies used to develop the statements.

### LIMITATIONS OF THE FINANCIAL STATEMENTS

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

### CONSOLIDATED BALANCE SHEET

The major components of the Consolidated Balance Sheet are assets, liabilities, and net position.

Assets represent agency resources that have future economic benefits. The NTSB's assets totaled \$48.0 million in FY 2018. Fund balances with Treasury—mostly undisbursed cash balances from appropriated funds—comprised about 85 percent of the total assets. The NTSB does not maintain any cash balances outside of the Treasury and does not have any revolving or trust funds. Less than 1 percent of the NTSB's assets were composed of accounts receivable, which reflect funds owed to the NTSB by other federal agencies and the public. The value of property and equipment, less accumulated depreciation, was \$7.3 million.

Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources. In FY 2018, the NTSB had total liabilities of \$30.4 million. The largest component of these liabilities was a capital lease liability of \$8.2 and \$9.7 million in 2018 and 2017, respectively. Accounts payable reflect funds owed primarily for contracts and other services.

The NTSB's net position, which reflects the difference between assets and liabilities and represents the agency's financial condition, totals \$17.7 million. This amount is broken into two categories: unexpended appropriations (amounts related to undelivered orders and unobligated balances) of \$25.2 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of

prior period adjustments) of less than \$-7.5 million. The negative amount in net position is primarily the result of the liabilities not covered by budgetary resources and other liabilities.

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#### CONSOLIDATED STATEMENT OF NET COST

The Consolidated Statement of Net Cost represents the net cost to operate the agency. Net costs are composed of gross costs less earned revenues and are reported by the NTSB's major programs. The NTSB's FY 2018 net cost of operations was \$110.5 million: \$111.7 million in gross costs less \$1.2 million in earned revenues.

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#### CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

The Consolidated Statement of Changes in Net Position reports the changes in net position during the reporting period. The NTSB ended FY 2018 with a net position total of \$18.0 million. The negative change in net position is primarily the result of the liabilities not covered by budgetary resources and other liabilities.

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#### COMBINED STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources focuses on how budgetary resources (appropriations and reimbursable) were made available, the status of those resources (obligated or unobligated) at the end of the reporting period, and the relationship between the budgetary resources and outlays (collections and disbursements). The NTSB's FY 2018 budgetary resources totaled \$129.4 million and primarily consisted of budget authority funds of \$109.8 million and an unobligated balance of \$19.6 million.

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### D. MANAGEMENT ASSURANCES - ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

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#### INTERNAL CONTROL FRAMEWORK

As stated in the Chairman's *Federal Managers' Financial Integrity Act* (FMFIA) Statement of Assurance, the NTSB has no material weaknesses or non-conformances to report for FY 2018. No new material weaknesses or significant non-conformances were identified for the past 4 years nor were there any existing unresolved weaknesses requiring corrective action. The NTSB has achieved the intent of the Act to prevent problems through systematic review and evaluation of the agency's programs and operations and through management and financial controls.

The NTSB conducts an annual review of the adequacy of our management accountability and controls program in accordance with the FMFIA and revised OMB Circular A-123 *Management's Responsibility for Enterprise Risk Management and Internal Control*. For FY 2018, the NTSB continued to follow established Internal Control Review (ICR) plans.

The NTSB provides reasonable assurance that internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations were operating effectively and that, accordingly, our programs and resources are protected from waste, fraud, abuse, and mismanagement. This assurance includes certification that the appropriate policies and

controls are in place to mitigate the risk of fraud and inappropriate charge card practices. The results of this review are included in the Chairman's Statement of Assurance sent to the President on September 30, 2018. The Chairman's assurance is based on NTSB Office Director Management Control Assurance Memoranda and NTSB responses to Office Directors' Risk Assessments for an accountability unit, conducted in accordance with the guidance in OMB *Circular A-123*.

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

The NTSB also relies on the findings and results of audits and studies conducted by the DOT Office of the Inspector General; the US Government Accountability Office; independent audits of service providers' operations and financial systems performed in accordance with Statement on Standards for Attestation Engagements (SSAE) 18; and the results of our financial statement audit conducted under the Chief Financial Officers Act of 1990, the *Accountability of Tax Dollars Act of 2002*, and OMB *Circular A-136*.

The NTSB continues to focus on our information technology (IT) security program and compliance with the Federal Information Security Management Act (FISMA). The agency continues to maintain an information security program to manage IT in accordance with National Institute of Standards and Technology requirements and has developed, documented, and implemented an agency-wide information security program as required by OMB *Circular A-136* and FISMA. In FY 2018, an independent audit found the NTSB in compliance with FISMA requirements.

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#### ANTI-DEFICIENCY ACT (ADA)

The Anti-Deficiency Act (ADA) prohibits federal employees from obligating more than an appropriation, or before funds are available, or from accepting voluntary services. As required by the ADA, the NTSB notifies all appropriate authorities of any ADA violations.

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#### IMPROPER PAYMENT ELIMINATION AND RECOVERY ACT OF 2010

The Improper Payments Elimination and Recovery Act of 2010 requires agencies to review annually all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in susceptible programs and activities, and report their results of improper payment activities. In accordance with OMB guidance, the NTSB has performed a risk assessment and has determined that none of the agency's programs or activities was susceptible to significant improper payments.

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## DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014

The Digital Accountability and Transparency Act of 2014 (DATA Act) increased accountability and transparency in federal spending, making federal expenditure data more accessible to the public. It directs the federal government entities to utilize government-wide data standards for developing and publishing reports, and to make supplementary information, including award-related data, available. Additionally, the DATA Act accelerated the referral of delinquent debt owed to the federal government to the Treasury's Offset Program after 120 days of delinquency.

The NTSB aligned the Financial Management, Acquisition and Budget business lines that are operationally responsible for generating and validating submissions to ensure transparency, consistency, and compliance. The information is now available, to the public for searching and extracting spending data across the government.

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## NTSB FINANCIAL MANAGEMENT SYSTEMS

The NTSB financial management systems framework is driven by the objectives of Strategic Goal No. 1 of broadening the use of data analytics to improve decision-making by developing an operational and management strategy to inform decision-making. The systems framework is designed to provide outstanding mission support by efficiently utilizing and managing agency resources, and it emphasizes the agency's challenge to provide accurate, timely, and useful financial information to agency managers and staff to support effective decision-making.

The NTSB obtains hosting and application management services for its core financial system from the Department of the Interior Business Center (IBC), a federal shared-service provider. The core financial management system is based on Oracle U.S. Federal Financials, Release 12.1.3; the NTSB uses the general ledger, accounts payable, budget execution, acquisition, and reporting capability modules of the system.

The NTSB uses IBC's Federal Personnel/Payroll System (FPPS) services to process our payroll and personnel applications. The (FPPS) is a mainframe-based, portable, integrated, on-line, and real-time personnel and payroll system. The system is customer-driven, creating and generating the complete cycle of personnel and payroll transactions delivered in compliance with the Financial Systems Integration Office, the Office of Personnel Management's Enterprise Human Resources Integration, and human resources and payroll systems requirements for payroll management activities. Financial data from FPPS is interfaced into the core financial management system on a biweekly basis.

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

## SECTION II—AUDITOR’S REPORT AND FINANCIAL STATEMENTS

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### A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

It is my pleasure to report that during FY 2018, the NTSB continued to honor our commitment to lead by example in government financial management. For the 16th consecutive year, since being required to prepare audited financial statements, the NTSB received an unmodified (clean) opinion on our financial statements from our independent auditors. The auditors reported no material weaknesses but they did report one significant deficiency. NTSB has developed a corrective action plan which will be implemented in FY 2019.

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

In FY 2018, our efforts continued toward organizational excellence, which is defined by results. Progress for much of our efforts toward excellence is captured in the NTSB FY 2018 PAR. The report provides the NTSB’s most important financial and performance information. It is also our principal publication and report to Congress and the American people on our program leadership and our stewardship and management of the public funds entrusted to us.

The attainment of the independent auditor’s unmodified opinion of our financial statement demonstrates the Chief Financial Officer (CFO) team’s commitment to fiscal responsibility, transparency, and a continuous focus on minimizing risks at every level. We look forward to FY 2019 and beyond in making every effort to build upon our progress of strengthening and improving the NTSB’s reporting components and enterprise risk management controls.

Edward Benthall

November 6, 2018

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OFFICE OF INSPECTOR GENERAL QUALITY CONTROL REVIEW



U.S. DEPARTMENT OF TRANSPORTATION  
**OFFICE OF INSPECTOR GENERAL**

**Quality Control Review of the  
Independent Auditor's Report on the  
National Transportation Safety Board's  
Audited Financial Statements for  
Fiscal Years 2018 and 2017**

Report No. QC2019007  
November 13, 2018



U.S. DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL

## Highlights

### Quality Control Review of the Independent Auditor's Report on the National Transportation Safety Board's Audited Financial Statements for Fiscal Years 2018 and 2017

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*Required by the Accountability of Tax Dollars Act of 2002*

QC2019007 | November 13, 2018

#### What We Looked At

We contracted with the independent public accounting firm of Allmond & Company, LLC to audit the National Transportation Safety Board's (NTSB) financial statements as of and for the fiscal years ended September 30, 2018, and September 30, 2017, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget audit guidance, and the Governmental Accountability Office's and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*. In connection with the contract, we performed a quality control review of Allmond's report dated November 6, 2018, related documentation, and inquired of its representatives.

#### What We Found

Our quality control review disclosed no instances in which Allmond did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

#### Recommendations

NTSB concurs with Allmond's two recommendations.

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All OIG audit reports are available on our website at [www.oig.dot.gov](http://www.oig.dot.gov).

For inquiries about this report, please contact our Office of Legal, Legislative, and External Affairs at (202) 366-8751.

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U.S. Department of  
Transportation

Office of Inspector General  
Washington, DC

November 13, 2018

The Honorable Robert L. Sumwalt  
Chairman, National Transportation Safety Board  
490 L'Enfant Plaza, SW  
Washington, DC 20594

Dear Chairman Sumwalt:

I respectfully submit our report on our quality control review (QCR) of the independent auditor's report on the National Transportation Safety Board's (NTSB) audited financial statements for fiscal years 2018 and 2017.

We contracted with the independent public accounting firm of Allmond & Company, LLC (Allmond) to audit NTSB's financial statements as of and for the fiscal years ended September 30, 2018, and September 30, 2017, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget audit guidance, and the Governmental Accountability Office's and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*<sup>1</sup>.

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## Allmond's Report

In its audit of NTSB, Allmond reported

- that the financial statements<sup>2</sup> were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles,

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<sup>1</sup> *Financial Audit Manual*, volumes 1, 2, and 3, GAO-18-601G, GAO-18-625G, and GAO-18-626G, June 2018.

<sup>2</sup> The financial statements are included in the Agency's Performance and Accountability Report (see attachment 3).

QC2019007

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- that NTSB had a significant deficiency<sup>3</sup> that Allmond did not consider a material weakness<sup>4</sup> in internal control over financial reporting, and
- no instances of reportable noncompliance with provisions of laws tested or other matters.

Allmond provided two recommendations to address the significant deficiency in internal controls over financial reporting (see attachment 1).

---

## Significant Deficiency

### Ineffective controls over user access privileges to financial systems.

Weaknesses were identified related to the implementation and effective operation of complimentary client controls related to logical access to NTSB's service provider's financial systems. More specifically, NTSB did not always complete a new user access form when subsequent changes were made to users' permissions after initial system access was granted and did not otherwise document changes made to users' permissions in the Federal Personnel Payroll System, and NTSB did not always terminate user access to the Oracle Federal Financial system timely following separation from the agency.

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## Recommendations

Allmond made two recommendations to strengthen NTSB's controls over user access privileges to financial systems. Allmond recommended that NTSB

1. Redesign its provisioning process to require that when access is modified a new system access request form is completed to reflect this change.
2. Require the completion and submission of an Oracle Federal Financial User Access Form to the service provider immediately upon separation of an Oracle Federal Financial user from the agency and monitor agency separations on a weekly basis to align with user access termination policies in place for other agency information systems.

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<sup>3</sup> 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 attention by those charged with governance.

<sup>4</sup> A material weakness is a deficiency, or a combination of deficiencies, 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.

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## Quality Control Review

In connection with the contract, we performed a review of Allmond's report dated November 6, 2018, related documentation, and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted Government auditing standards, was not intended to enable us to express, and we do not express, an opinion on NTSB's financial statements or conclusions about the effectiveness of internal control over financial reporting or compliance with laws and other matters. Allmond is responsible for its report and the conclusions expressed therein. However, our review disclosed no instances in which Allmond did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

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## Agency Comments and OIG Response

Allmond provided NTSB with its draft report, and received NTSB's response on November 8, 2018 (see attachment 2). NTSB agreed with the deficiencies that Allmond found but did not believe that they were, individually or combined, a significant deficiency. Allmond responded to the Agency's concern by providing more information on its rationale for its determination that there was a significant deficiency. Nothing came to our attention to lead us to believe that Allmond was incorrect in reaching this conclusion.

NTSB concurred with Allmond's two recommendations and indicated that it has or will be implementing corrective actions to address them. We agree with Allmond's recommendations and are not making any additional recommendations.

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## Actions Required

We consider Allmond's two recommendations resolved but open pending review during the fiscal year 2019 audit.

We appreciate the cooperation and assistance of NTSB's representatives and Allmond. If you have any questions about this report, please call me at (202) 366-1407, or George Banks, Program Director, at (202) 420-1116.

Sincerely,



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

cc: NTSB Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

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## Attachment 1. Independent Auditor's Report

NTSB – 2018 Financial Statement Audit  
Contract: GS23F0111L/DTOS5916F10056

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**National Transportation Safety Board (NTSB)  
Fiscal Year 2018 Financial Statement Audit**

### **Final Independent Auditors' Report**

*Submitted for review and acceptance to:*  
Shirell Butcher  
Contracting Officer's Representative (COR)  
Department of Transportation  
1200 New Jersey Avenue, SE  
Washington, DC 20590-0001

*Submitted by:*  
Jason L. Allmond, CPA, CGFM, CISA, CISM  
Engagement Partner  
Allmond & Company, LLC  
8181 Professional Place, Suite 250  
Landover, MD 20785  
301-918-8200  
[jallmond@allmondcpa.com](mailto:jallmond@allmondcpa.com)

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**Final Independent Auditors' Report**  
Prepared under contract to the Department of Transportation Office of Inspector General (DOT OIG) to provide financial auditing services

**NATIONAL TRANSPORTATION SAFETY BOARD  
AUDIT REPORT  
SEPTEMBER 30, 2018**



**ALLMOND & COMPANY, LLC  
Certified Public Accountants  
8181 Professional Place, Suite 250  
Landover, Maryland 20785  
(301) 918-8200**



ALLMOND & COMPANY, LLC

8181 PROFESSIONAL PLACE, SUITE 250  
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CERTIFIED PUBLIC ACCOUNTANTS

(301) 918-8200  
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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the National Transportation Safety Board (NTSB), which comprise the balance sheets as of September 30, 2018 and 2017, 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).

### 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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the fiscal year 2018 and 2017 financial statements of NTSB based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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## Independent Auditors' Report

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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 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Transportation Safety Board as of September 30, 2018 and 2017, and its net costs of operations, 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.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the *Message from the Chairman, Management and Discussion Analysis* section, and *Other Accompanying Information* section of this report is 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding 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 NTSB's financial statements. However, we did not audit this information and, accordingly, we express no opinion on it.

### Other Reporting Required by Government Auditing Standards

#### *Internal Control over Financial Reporting*

In planning and performing our audit of NTSB's financial statements as of and for the year ended September 30, 2018, in accordance with generally accepted government auditing standards, we considered NTSB's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of NTSB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NTSB's internal control over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 19-01. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, 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.

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**Independent Auditors' Report**

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Our consideration of internal control over financial reporting 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 material weaknesses or significant deficiencies. Given these limitations, during our fiscal year 2018 audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying *Exhibit I Findings and Recommendations* that we consider to be significant deficiency (2018-1A).

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether NTSB's fiscal year 2018 financial statements are free of material misstatements, we performed tests of NTSB's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, which noncompliance could have a direct and material effect on the determination of material amounts and disclosures in NTSB's financial statements, and certain provisions of other laws specified in OMB Bulletin No. 19-01. 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 of compliance as described in the preceding paragraph, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 19-01.

***NTSB's Response to Findings***

NTSB's response to the findings identified in our audit are described immediately following Exhibit I. NTSB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance with selected provision of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of NTSB's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal controls and compliance with laws, regulations, contracts, and grant agreements which could have a material effect on NTSB's financial statements. Accordingly, this communication is not suitable for any other purpose.

*Allmond & Company, LLC*

Landover, MD  
November 6, 2018

**Ineffective Controls over User Access Privileges to Financial Systems (2018-01A)****CONDITION**

We identified weaknesses related to the implementation and effective operation of complimentary client controls related to logical access to National Transportation Safety Board (NTSB) service provider's financial systems. Based on our review of complimentary client controls improvements are needed in granting and removing access to service providers financial systems. Specifically, we noted the following:

*Federal Personnel Payroll System (FPPS)*

- NTSB did not always complete a new user access form when subsequent changes were made to users' permissions after initial system access was granted and did not otherwise document changes made to users' permissions in FPPS. We noted two of twelve users reviewed had system access that did not match the access request forms provided by NTSB.

*Oracle Federal Financial (OFF) System*

- NTSB did not always terminate user access to OFF system timely following separation from the agency. We noted three of the seven terminated users were not removed from OFF in a timely manner. Specifically, the number of days to remove these users was 23, 26, and 80 days, respectively.

**CRITERIA**

National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision 4, Security and Privacy Controls for Federal Information Systems and Organizations, Section AC-2, Account Management, states:

- c. Creates, enables, modifies, disables, and removes information system accounts in accordance with NTSB's Information Technology Identification and Authentication Policy and the security requirements of the hosting entity/shared service provider, the U.S. Department of the Interior (DOI) Interior Business Center (IBC);
- d. Specifies authorized users of the information system, group and role membership, and access authorizations (i.e., privileges) and other attributes (as required) for each account.

NTSB Operations Bulletin CIO-GEN-003 Information Technology Identification and Authentication Policy, states, "All NTSB user accounts are to be disabled within 5 business days of the employee's separation from the NTSB, or immediately in the event of an unfriendly termination."

## CAUSE

NTSB Security Point of Contact (SPOC) did not complete a new/updated access request form when changes were made to users' permissions in FPPS.

Terminated users were not being removed in a timely manner from OFF due to user access form not being used consistently and NTSB relying on their quarterly review of users' access.

## EFFECT

Without an accurate record of system access required for each user, users could be granted access exceeding what is required based on job responsibility. This could negatively impact the accuracy, and integrity of the FPPS system and data.

Termination of separated employees' access to the NTSB system without also terminating the OFF user account could result in unauthorized use of the account by third-parties who have access to the NTSB access point from using the OFF account during the period between the employee's separation and the date that the OFF user account was terminated.

## RECOMMENDATION

We recommend that NTSB management:

1. Redesign its provisioning process to require that when access is modified a new system access request form is completed to reflect this change.
2. Require the completion and submission of an OFF User Access Form to the service provider immediately upon separation of an OFF user from the agency and monitor agency separations on a weekly basis to align with user access termination policies in place for other agency information systems.

## MANAGEMENT'S RESPONSE

Management's response to the finding is presented in a separate letter immediately following this report.

## AUDITORS' RESPONSE

The exceptions noted for the Federal Personnel Payroll System (FPPS) in the Conditions section above were related to the failure of the system custodian to properly document changes made to user access privileges. We believe this is a continuation of the prior year finding that was reported to NTSB in the FY 2017 Management Letter Report (U.S. Department of Transportation Office of Inspector General Report # QC2018025, dated February 14, 2018) and we do not consider the matter closed.

Independent Auditors' Report

Exhibit I

Findings and Recommendations

Similarly, the corrective action plan regarding user termination to the Oracle Federal Financial (OFF) system was not implemented by NTSB until October 2, 2018 and we were therefore unable to test the effectiveness of NTSB's new control procedure. Furthermore, the compensating controls included in Management's Response above do not directly address the vulnerabilities identified. As management's corrective action plan was not fully implemented during FY 2018, we consider this matter to still be open.

As such, we continue to believe that the level of severity, given the combination of deficiencies discussed above, is appropriate. We will conduct follow-up procedures in FY 2019 to determine whether corrective actions have been developed and implemented.

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 NTSB'S CFO RESPONSE(S) TO AUDITOR'S REPORT
 

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**National Transportation Safety Board**

Washington, D.C. 20594

Office of the Chief Financial Officer

November 6, 2018

TO: Jason Allmond, Member  
Allmond & Company, LLC

FROM: Edward Benthall *EB*  
Chief Financial Officer

SUBJECT: DRAFT AUDIT REPORT  
Fiscal Year 2018 Financial Statement Audit Report

The National Transportation Safety Board (NTSB) has reviewed the draft fiscal year 2018 Financial Statement Audit Report and we concur with the facts and conclusions in the report with one exception. We disagree with the conclusion that the control issues identified with the Oracle Federal Financials (OFF) and Federal Personnel Payroll System (FPPS) result in a significant deficiency. Allmond and Company have explained to NTSB that it is only the combination of three findings that raises the issue to the level of a significant deficiency. Those 3 findings were an FY2017 finding related to the need for improvements to the process for granting user access to FPPS, an FY2018 finding related to timely termination of access to OFF, and an FY2018 finding relating to insufficiently documented modifications of user access for FPPS.

The FY2017 FPPS NFR cited a problem with actual user access not completely matching the related user access request forms. The auditors recommended redesigning the process to ensure actual user access granted agrees with the requested accesses on the user access form. NTSB agreed with the finding and took the following swift steps to correct the problem.

- Conducted a review of the lessons learned from the 2017 financial statement audit and the recertification completed in 2017 to develop the standard operating procedures for granting access to FPPS. This policy defined user roles and responsibilities and permissions and the responsibility of the Security Point of Contact (SPOC) and others. (April 2018).
- Conducted a review of FPPS user roles for all system users, requesting authority and actions to ensure alignment with the newly developed policy. (April 2018)
- Updated User Access Form (April 2018)
  - Removed the section that allowed users to request the role and permission needed.
  - Documented the permissions that the SPOC recommends regarding the access and permission needed based on the User Type.
  - Added an approval signature for the data custodian to approve all requests.
- Conducted a recertification process to implement the new form and the new policy. (May 2018)

- Conducted another quarterly review of users and their permissions. (October 2018)

On August 30, 2018, Allmond and Company provided an FY2018 NFR #1 that notified us their testing identified a problem with timely termination of OFF user access. NTSB concurred and immediately did the following.

1. Reviewed 100% of separations for FY2018 for other possible separation problems in FY18 and found none.
2. Verified that no transactions were processed in FY2018 by any user id after the separation date.
3. Enhanced our control processes to better ensure accounts are closed promptly by updating and formalizing a new Standard Announcement – Systems Access Termination that institutionalizes a process for identifying employee separations on a weekly basis to ensure accesses are terminated timely.

We believe our enhanced process provides sufficient safeguards to offset the potential risks. Our controls now include the following elements.

1. Standard Announcement – Systems Access Termination which documents a procedure for identifying employee separations and ensuring that action is taken timely to terminate user access including weekly reporting to the Chief Financial Officer (CFO).
2. Extensive budget execution monitoring by the CFO Budget Division. The Budget Division closely monitors agency wide budget execution. Any significant increase in obligations or expenditures would be quickly identified as would any commitment that was not approved by the Budget Division.
3. Quarterly User Access Reviews would also capture any users that need to be deactivated.
4. Regular budget execution monitoring done by the program offices would quickly surface fraudulent documents as office discretionary allotments for travel and similar activities are relatively small.
5. Interior Business Center our third-party service provider controls include the following:
  - a. To access OFF a former NTSB user would have to have access to the URL. The URL is NOT publicly accessible which means they would have to have access via one of Interior Business Center's (IBC) other Oracle client's connectivity into the OFF system;
  - b. When IBC receives a request from a client to set up a new user, they search all of OFF by the user's name, not just the requesting client ID prefix. If they find the user already has an account, they contact the previous client data custodian to verify it is the same person and confirm they left their agency. They are advised to submit a request to terminate the users OFF account. The new client account is not set up until the old account is terminated. Once terminated, the person working at another IBC customer agency would not be able to log on with their old NTSB account; and
  - c. IBC has Oracle Governance, Risk and Compliance (GRC) software that automatically searches for potential separation of duties (SODs) issues with user accesses. This software prevents SODs from being assigned to end users, so even if the user could still access the system, he/she could only perform the same functions in the system they had previously.
6. NTSB OFF users are configured such that no action can be completed in OFF without the involvement or approval of another user (such as, a Journal Voucher cannot be entered and approved by the same person).

Based on their fieldwork and the results of their testing Allmond and Company communicated to us that our actions sufficiently addressed the FY2018 NFR #1 finding.

The FY2018 FPPS finding cited a new aspect of user access that needed to be addressed, documentation of approval of changes to user access initiated by the administering office rather than from user requests. NTSB agrees with that finding and is proposing the following corrective actions to address this finding.

- Conduct a review of the agency standard operating procedures for FPPS User Access to align with National Institute of Standards and Technology (NIST) and NTSB IT policy to identify needed changes. Consult with the Office of the Chief Information Officer (OCIO) regarding revised operating procedures for adherence with information technology guidelines.
- Redesign the audit process to include a review of the actions taken under the authority granted to the SPOC in granting access and permissions to further protect the system and data from unauthorized use.
- Identify a reviewer other than the SPOC to conduct a quarterly audit of users and their permissions in relationship to the policy.
- Develop and implement a change request and approval process for system changes made to access and permissions by the SPOC as a result of intervening reviews and/or the quarterly review process.
- Document quarterly audit findings and submit them for a higher level review of the audit findings and approval of any recommendations. This will be a recurring process to mitigate risk of unauthorized use.

We believe these changes will correct the identified deficiency.

Based on all the above information and the fact that the FY2017 NFR on FPPS and the FY2018 NFR #1 OFF were both closed leaving only the FY2018 NFR #2 FPPS still open at fiscal year end, we conclude our risk is very low due to actions taken to address the findings and other existing mitigating controls. These issues in our professional opinion do not rise to the significant deficiency level, either separately or collectively. Nonetheless, we take very seriously our responsibility to address and correct any deficiencies identified and we will aggressively pursue correction of the remaining open finding. We will share the final audit report with senior officials, other interested program managers and staff.

Please convey my appreciation to everyone on Allmond & Company staff who worked diligently on our financial statement audit. If you have any questions or comments, please contact me or Bill Mills at (202) 314-6265.

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

**NATIONAL TRANSPORTATION SAFETY BOARD**  
**Balance Sheet**  
**As of September 30, 2018 and 2017**  
**(in dollars)**

	<b>FY 2018</b>	<b>FY 2017</b>
<b>Assets</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 40,683,078	\$ 35,050,696
Accounts receivable (Note 3)	80,701	-
Total Intragovernmental	40,763,779	35,050,696
Accounts receivable, net (Note 3)	2,514	14,235
General property, plant, and equipment, net (Note 4)	7,238,730	8,978,746
Other	56,568	-
<b>Total Assets</b>	<b>\$ 48,061,591</b>	<b>\$ 44,043,677</b>
<b>Liabilities</b>		
Intragovernmental:		
Accounts payable	\$ 906,500	\$ 875,284
Employer contributions and payroll taxes	558,671	549,370
Unfunded FECA liability (Note 6)	1,483,944	1,404,924
Advances from others	-	32,346
Unfunded unemployment insurance liability (Note 5)	-	8,094
Total Intragovernmental	2,949,115	2,870,018
Accounts Payable	3,463,243	1,428,171
Actuarial FECA liability (Note 6)	7,966,734	7,405,658
Employer contributions and payroll taxes	91,124	88,325
Accrued funded payroll & leave	2,023,844	2,005,278
Unfunded leave (Note 5)	5,392,825	5,284,048
Advances from others	266,134	142,808
Capital lease liability (Note 7)	8,223,324	9,676,420
<b>Total Liabilities</b>	<b>\$ 30,376,343</b>	<b>\$ 28,900,726</b>
<b>Net Position</b>		
Unexpended appropriations	\$ 25,192,645	\$ 22,354,024
Cumulative results of operations	(7,507,397)	(7,211,073)
<b>Total Net Position</b>	<b>\$ 17,685,248</b>	<b>\$ 15,142,951</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 48,061,591</b>	<b>\$ 44,043,677</b>

*The accompanying notes are an integral part of these statements*

**NATIONAL TRANSPORTATION SAFETY BOARD**  
**Statement of Net Cost**  
**For the Period Ending September 30, 2018 and 2017**  
**(in dollars)**

	<u>FY 2018</u>	<u>FY 2017</u>
<b>Gross Program Costs (Note 9):</b>		
<b>Aviation Safety:</b>		
Gross costs	\$ 52,516,744	\$ 49,578,948
Less: earned revenue	<u>(603,614)</u>	<u>(474,130)</u>
Net program costs	<u>\$ 51,913,130</u>	<u>\$ 49,104,818</u>
<b>Surface Transportation Safety:</b>		
Gross costs	\$ 38,431,595	\$ 37,411,561
Less: earned revenue	<u>(382,538)</u>	<u>(312,592)</u>
Net program costs	<u>\$ 38,049,057</u>	<u>\$ 37,098,969</u>
<b>Research &amp; Engineering:</b>		
Gross costs	\$ 20,792,848	\$ 21,489,635
Less: earned revenue	<u>(206,750)</u>	<u>(183,367)</u>
Net program costs	<u>\$ 20,586,098</u>	<u>\$ 21,306,268</u>
<b>Net cost of operations</b>	<b><u>\$ 110,548,285</u></b>	<b><u>\$ 107,510,055</u></b>

*The accompanying notes are an integral part of these statements*

**NATIONAL TRANSPORTATION SAFETY BOARD**  
**Statement of Changes in Net Position**  
**For the Period Ending September 30, 2018 and 2017**  
(in dollars)

	<u>FY 2018</u>	<u>FY 2017</u>
<b>Unexpended Appropriations:</b>		
Beginning Balance	22,354,024	23,503,237
Adjustments: Corrections of errors	-	19,904
Beginning balance, as adjusted	<u>22,354,024</u>	<u>23,523,141</u>
<b>Budgetary Financing Sources:</b>		
Appropriations received	110,400,000	106,000,000
Other adjustments	(1,190,122)	(1,696,842)
Appropriations used	<u>(106,371,257)</u>	<u>(105,472,275)</u>
Total Budgetary Financing Sources	<u>2,838,621</u>	<u>(1,169,117)</u>
<b>Total Unexpended Appropriations</b>	<u>25,192,645</u>	<u>22,354,024</u>
<b>Cumulative Results of Operations:</b>		
Beginning Balances	(7,211,073)	(7,668,519)
Adjustments: Corrections of errors	-	(19,904)
Beginning balances, as adjusted	<u>(7,211,073)</u>	<u>(7,688,423)</u>
<b>Budgetary Financing Sources:</b>		
Appropriations used	106,371,257	105,472,275
<b>Other Financing Sources (Non-exchange):</b>		
Imputed financing	<u>3,880,704</u>	<u>2,515,130</u>
Total Financing Sources	110,251,961	107,987,405
Net Cost of Operations	<u>(110,548,285)</u>	<u>(107,510,055)</u>
Net Change	<u>(296,324)</u>	<u>477,350</u>
<b>Cumulative Results of Operations</b>	<b>(7,507,397)</b>	<b>(7,211,073)</b>
<b>Net Position</b>	<b><u>\$ 17,685,248</u></b>	<b><u>\$ 15,142,951</u></b>

*The accompanying notes are an integral part of these statements*

**NATIONAL TRANSPORTATION SAFETY BOARD**  
**Statement of Budgetary Resources**  
**For the Period Ending September 30, 2018 and 2017**  
(in dollars)

	<b>FY 2018</b>	<b>FY 2017</b>
<b>Budgetary Resources</b>		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	17,732,444	18,299,618
Appropriations (discretionary and mandatory)	110,400,000	106,000,000
Spending authority from offsetting collections (discretionary and mandatory)	1,283,881	1,080,860
<b>Total Budgetary Resources</b>	<b><u>\$ 129,416,325</u></b>	<b><u>\$ 125,380,478</u></b>
<b>Status of Budgetary Resources</b>		
New Obligations and upward adjustments (Note 10)	\$ 109,846,218	\$ 107,439,568
Unobligated balance, end of period:		
Apportioned, unexpired accounts	11,391,382	9,857,888
Expired unobligated balance, end of year	8,178,725	8,083,022
Unobligated balance, end of year	19,570,107	17,940,910
<b>Total Budgetary Resources</b>	<b><u>\$ 129,416,325</u></b>	<b><u>\$ 125,380,478</u></b>
<b>Outlays, Net</b>		
Outlays, Net	103,577,496	105,288,505
<b>Agency Outlays, Net (discretionary and mandatory)</b>	<b><u>\$ 103,577,496</u></b>	<b><u>\$ 105,288,505</u></b>

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

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## NOTES TO THE FINANCIAL STATEMENTS

### *Note 1*

#### *Summary of Significant Accounting Policies*

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##### REPORTING ENTITY

The accompanying financial statements present the financial position, net cost of operations, changes in net position and budgetary resources of the NTSB. The NTSB is not part of the Department of Transportation (DOT) nor affiliated with any of the DOT's modal agencies. The agency is identified as a consolidated entity for purposes of reporting in compliance with the Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*.

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##### BASIS OF ACCOUNTING AND PRESENTATION

As required by the Accountability of Tax Dollars Act of 2002, the accompanying financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of the NTSB. These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized as incurred, without regard to receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

The NTSB's financial statements are prepared from the books and reports of the NTSB in accordance with U.S. generally accepted accounting principles (GAAP) for the federal government and the (OMB) *Circular A-136*. Throughout these financial statements, assets, liabilities, revenue and costs have been classified according to the type of entity with which the transactions are associated. For example, assets and liabilities resulting from transactions with other federal entities are classified as intragovernmental assets and liabilities. Intragovernmental costs are payments or accrual to other federal entities, and intragovernmental earned revenues are collections or accrual of revenue from other federal entities. The NTSB's statements are to be read with the understanding that they are produced for a component of the federal government, a sovereign entity.

##### **Use of Estimates**

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

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## ASSETS

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

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## FUND BALANCE WITH TREASURY

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

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## ACCOUNTS RECEIVABLE

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

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## PROPERTY AND EQUIPMENT

### *General Property and Equipment*

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

The land and buildings in which the agency operates are leased primarily from commercial entities. The General Services Administration (GSA) provides some of the facilities occupied by the NTSB. The GSA charges the NTSB a standard level user charge that approximates the commercial rental rates for similar properties.

### *Bulk Purchases*

The CFO has established the capitalization minimum threshold for bulk purchases at \$250,000.

### *Aggregate Purchases*

The CFO has established a capitalization threshold of \$250,000 for aggregate purchases. If such a purchase does not meet that threshold but includes a single item or multiple items that meet the \$25,000 PP&E minimum for capitalization, then that item or items would be capitalized.

### *Leasehold Improvements*

The CFO has established a capitalization threshold of \$100,000 for leasehold improvements. A leasehold improvement is an improvement of a leased asset that increases the asset's value. Depreciation on these

assets is calculated using the straight-line method, with 10 years as the estimated useful life of the improvements or the remaining term of the lease, whichever is less.

### ***Capital Lease Assets***

Any Lease-to-Ownership Plan (LTOP) leases are classified as capital leases. The NTSB has one capital lease, for a period of 20 years for rental of the space that houses the NTSB Ashburn facility.

Depreciation on the capital lease is calculated using the straight-line method, with 20 years, the term of the lease, as the estimated useful life of the capital lease.

### ***Internal Use Software***

The capitalization threshold of internal-use software is established at \$1,000,000. Only the costs associated with the software development phase, including labor, are subject to capitalization. Software development phase activities generally include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase. Internal use software includes software to operate NTSB programs and software used to produce NTSB goods and services. Depreciation on these assets is calculated using the straight-line method with 3 years as the estimated useful life of the asset.

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## **LIABILITIES**

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

Intragovernmental liabilities arise from transactions with other federal entities.

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## **ACCOUNTS PAYABLE**

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

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## **ACCRUED PAYROLL AND BENEFITS**

Accrued payroll and benefits represent salaries, wages, and benefits earned by employees but not disbursed as of September 30, 2018. Accrued payroll and benefits are payable to employees and are therefore not classified as intragovernmental. Employer contributions and payroll taxes payable are classified as both intragovernmental and with the public.

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## **ANNUAL, SICK, AND OTHER LEAVE**

Annual leave is recognized as an expense and as a liability as it is earned; the liability is reduced as leave is taken. Each year, the balance in the accrued annual, restored, and compensatory leave account is adjusted to reflect current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken. Accrued annual leave is paid from future funding sources and is reflected as a liability not covered by budgetary resources; , sick leave and other types of non-vested leave are expensed as taken.

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## EMPLOYEE RETIREMENT PLANS

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

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

For CSRS-covered employees, the NTSB withholds 7.0 percent of gross earnings. The NTSB matches the withholding, and the sum of the withholding, and the matching funds are transferred to the CSRS.

For each fiscal year the Office of Personnel Management (OPM) calculates the US government's service costs for covered employees, which is an estimate of the amount of funds that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the US government's estimated FY 2018 service cost exceeds contributions made by employer agencies and covered employees, the plan is not fully funded by the NTSB and our employees. NTSB recognized imputed cost and imputed financing of \$3,880,704, and \$2,515,129 for September 30, 2018, and September 30, 2017, respectively. Of the September 30, 2018 total, \$3,850,737 represents the difference between the estimated service cost and the contributions made by the NTSB and our employees. The remaining amount of \$29,967 represents the required recognition of interdepartmental imputed costs with the Department of Homeland Security as required by the Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government.

FERS contributions made by employer agencies and covered employees exceed the US government's estimated FY 2018 service cost. For FERS-covered employees, the NTSB made contributions of 16.2 percent of basic pay. Employees contributed .80 percent of gross earnings. New employees hired in 2013 or later were required to contribute 3.1 percent of gross earnings. New Employees hired in 2014 or later are required to contribute 4.4 percent of gross earnings, dependent on their categorization as Revised Annuity Employees, or Further Revised Annuity Employees. Employees participating in FERS are covered under the Federal Insurance Contribution Act for which the NTSB contributes a matching amount to the Social Security Administration.

### *Thrift Savings Plan (TSP)*

Employees covered by CSRS and FERS are eligible to contribute to the US government's TSP, administered by the Federal Retirement Thrift Investment Board. The NTSB makes a mandatory contribution of 1 percent of basic pay for FERS-covered employees. In addition, the NTSB makes matching contributions, of up to 5 percent of basic pay, for employees who contribute to the TSP. Contributions are matched dollar for dollar for the first 3 percent of pay contributed each pay period and 50 cents on the dollar for the next 2 percent of pay. There are no percentage limits on contributions for FERS participants. There are no percentage limits for CSRS participants, but there is no governmental matching contribution. The maximum amounts that either FERS or CSRS employees may contribute to the plan in calendar year 2018 is \$18,500. Those who are of age 50 and older may contribute an additional \$6,000 in catch up contributions.

Consistent with reporting under multi-employer pension plans, the NTSB does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to NTSB employees and funded by the NTSB. This data is reported for plan participants by the Office of Personnel Management (OPM).

### **Contingencies**

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

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## **REVENUES AND OTHER FINANCING SOURCES**

### ***Appropriations***

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

#### ***Annual Salaries and Expenses Appropriation***

Annual appropriations are provided by Congress and are available for obligation in the fiscal year for which they were provided to fund the overall operation of the agency.

#### ***Supplemental Salaries and Expenses Appropriation***

Supplemental appropriations are provided by Congress to fund extraordinary investigations.

#### ***No-Year Emergency Fund Appropriation***

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

### ***Imputed Financing Sources***

In accordance with OMB Circular A-136, all expenses should be reported by agencies whether or not these expenses would be paid by the agency that incurs the expense. The amounts for certain expenses of the NTSB, which will be paid by other federal agencies, are recorded in the Statement of Net Cost. A corresponding amount is recognized in the Statement of Changes in Net Position as an "Imputed Financing Source." These imputed financing sources represent the unfunded pension costs, Federal

Employees' Health Benefits Program costs, and Federal Employees Group Life Insurance Program costs of NTSB employees, and interdepartmental imputed costs as required by the Statement of Federal Accounting Standards No. 4, Managerial cost Accounting Concepts and Standards for the Federal Government.

## **Statement of Net Cost**

### ***Sub-Organization Program Costs***

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

### ***Earned Revenue***

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

## **Net Position**

Net position is the residual difference between assets and liabilities and comprises unexpended appropriations and cumulative results of operations.

Unexpended appropriations include appropriations not yet obligated or expended, represented by the unobligated balances and undelivered orders of the agency's appropriated funds. Multi-year appropriations remain available to the NTSB for obligation in future periods. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments—but not for new obligations—until that account is closed 5 years after the appropriations expire. Cumulative results of operations are the net result of the NTSB's operations since inception.

## **Reclassification**

Activity and balances reported in the FY 2017 Statement of Budgetary Resources have been reclassified to conform to the updated guidance provided in OMB Circular A-136 issued in July 2018.

*Note 2****Fund Balance with Treasury***

Fund Balance with Treasury consisted of the following as of September 30, 2018, and September 30, 2017:

<b>Fund Balance with Treasury</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Appropriated Funds	\$ 40,683,078	\$ 35,050,696
<b>Total</b>	<b><u>\$40,683,078</u></b>	<b><u>\$35,050,696</u></b>
 <b>Status of Fund Balance with Treasury</b>		
Unobligated Balance		
Available	11,391,382	9,857,888
Unavailable	<u>8,178,725</u>	<u>8,083,022</u>
Total Unobligated Balance	19,570,107	17,940,910
 Obligated Balance not yet Disbursed	 <u>21,112,971</u>	 <u>17,109,786</u>
<b>Total</b>	<b><u>\$ 40,683,078</u></b>	<b><u>\$ 35,050,696</u></b>

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

*Note 3**Accounts Receivable, Net*

The NTSB's accounts receivable represents amounts due from overpayments to current and non-current employees and from vendors. The NTSB maintains an allowance for doubtful accounts for public receivables based on past collection experience. NTSB's methodology for establishing an allowance for doubtful accounts is receivables aged 120 days or less are 100 percent collectible; receivables greater than 120 days are treated as 100 percent doubtful for collection.

Accounts receivable consisted of the following as of September 30, 2018, and September 30, 2017:

	<b>Federal</b>	<b>Non-Federal</b>	<b>Total</b>	<b>Federal</b>	<b>Non-Federal</b>	<b>Total</b>
	<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2017</b>
Gross Receivables	\$ 80,701	\$ 2,514	\$ 83,215	\$ -	\$ 14,315	\$ 14,315
Allowance for Loss	-	-	-	-	80	80
Net Receivables	\$ 80,701	\$ 2,514	\$ 83,215	\$ -	\$ 14,235	\$ 14,235

**Note 4****General Property, Plant, and Equipment, Net**

General property, plant, and equipment consisted of the following as of September 30, 2018, and September 30, 2017:

**Property and Equipment**

Classes of Fixed Assets	Service Life (Years)	Acquisition Value FY2018	Accumulated Depreciation FY2018	Net Book Value FY2018	Acquisition Value FY2017	Accumulated Depreciation FY2017	Net Book Value FY2017
Equipment	Up to 5 years	\$ 10,559,463	\$ 9,153,830	\$ 1,405,633	\$ 10,253,443	\$ 8,294,392	\$ 1,959,051
Assets Under Capital Lease	Up to 20 years	24,169,774	18,336,677	5,833,097	24,169,774	17,150,079	7,019,695
IT Software	3 years	564,707	564,707	-	564,707	564,707	-
<b>Totals</b>		<b>\$ 35,293,944</b>	<b>\$ 28,055,214</b>	<b>\$ 7,238,730</b>	<b>\$ 34,987,924</b>	<b>\$ 26,009,178</b>	<b>\$ 8,978,746</b>

*Note 5****Liabilities Not Covered by Budgetary Resources***

Liabilities not covered by budgetary resources consisted of the following as of September 30, 2018 and September 30, 2017.

<b>Intragovernmental:</b>	<b>FY 2018</b>	<b>FY 2017</b>
Accrued Unfunded FECA Liability	\$ 1,483,944	\$ 1,404,924
Accrued Unfunded Unemployment Insurance Liability	0	8,094
<b>Total Intragovernmental</b>	<b>1,483,944</b>	<b>1,413,018</b>
Capital Lease Liability	8,223,324	9,676,420
Accrued Unfunded Annual Leave	5,392,825	5,284,048
Actuarial FECA Liability	7,966,734	7,405,658
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>23,066,827</b>	<b>23,779,144</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>7,309,516</b>	<b>5,121,582</b>
<b>Total Liabilities Not Requiring Budgetary Resources</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>\$ 30,376,343</b>	<b>\$ 28,900,726</b>

Liabilities not covered by budgetary resources result from the receipt of goods and services or the occurrence of events for which appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through congressional appropriation. Unfunded Intragovernmental Liabilities consist of Accrued FECA in the amount of approximately \$1.5 million.

Capitalization of the full net present value of the Ashburn facility lease created a deficiency in 2001 funding, which was reported to OMB and Congress. OMB subsequently provided guidance on future funding and reporting of this liability, and with the cancellation of the FY 2001 appropriation as of September 30, 2006, the budgetary account no longer reflected a deficiency. The Appropriation acts annually include language to provide funds to make lease payments due in the current fiscal year. Consistent with GAAP, the remaining liability will remain on the general ledger until the lease is fully liquidated. The lease liability not covered by budgetary resources as of September 30, 2018, is \$8,223,324.

**Note 6*****Accrued Federal Employee's Compensation Act (FECA) Liability***

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

FECA liability includes two components: (1) the accrued liability, which represents money owed for claims paid by the DOL through the current fiscal year, for which billing to and payment by the NTSB will occur in a subsequent fiscal year and (2) the liability for future costs, which represents the expected liability for approved compensation cases beyond the current fiscal year. Estimated future costs have been actuarially determined and are regarded as a liability to the public because neither the costs nor reimbursement have been recognized by the DOL. The FECA liability is included in liabilities not covered by budgetary resources, as referenced in Note 5.

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

**Note 7****Leases**

The NTSB signed a 10-year non-cancelable operating lease, with the GSA, in 2010 to rent the Conference Center. The lease will expire on November 30, 2020.

The NTSB signed a 20-year capital lease in 2001 to rent the Ashburn, Virginia, training facility space. Total future payments disclosed for the Ashburn facility include estimates for services and utilities.

**Capital Leases:**

	<b><u>FY 2018</u></b>	<b><u>FY2017</u></b>
<b>Summary of Assets under Capital Leases</b>		
Buildings (Training Center)	\$ 23,731,941	\$ 23,731,941
Machinery (Copy Machines)	-	437,833
Accumulated Depreciation	(17,898,844)	(17,150,079)
<b>Net Capital Lease Value</b>	<b><u>\$ 5,833,097</u></b>	<b><u>\$ 7,019,695</u></b>

**Future Capital Lease Payments**

	<b>Buildings</b>
FY 2019	\$ 2,521,440
FY 2020	2,521,440
FY 2021	2,521,440
FY2022	2,521,440
FY 2023 and beyond	<u>2,101,200</u>
Total Future Capital Lease Payments	\$ 12,186,960
Less: Imputed Interest	(1,133,613)
Less: Executory Costs	(2,830,023)
<b>Capital Lease Liability</b>	<b><u>\$ 8,223,324</u></b>

Capital lease liabilities not covered by budgetary resources as of September 30, 2018: \$8,223,324

In 2003, the NTSB determined that the Ashburn facility lease should be recorded as a capital lease. Capitalizing the full net present value of the Ashburn facility lease created a deficiency in 2001 funds. This deficiency was reported to the OMB and Congress. The OMB has provided guidance on future funding and reporting of this liability. With the cancellation of the FY 2001 appropriation at September 30, 2006, the budgetary accounts no longer reflect a deficiency situation. The related asset, liability, and amortization will remain on the general ledger until the lease is fully liquidated. Annual Appropriation acts now include language to provide funds to make lease payments due in the current fiscal year.

**Operating Leases:**

The NTSB has commitments under non-cancelable operating leases for office space. These leases have terms that range from 5 to 14 years. Under the lease agreement with the GSA, the NTSB is charged rent that is intended to approximate commercial rental rates.

**Future Payments Due for Non-Cancellable Operating Leases:****Non-cancelable**

	<b>Non-cancelable</b>
FY 2019	\$ 667,534
FY 2020	674,080
FY 2021	108,546
FY 2022	-
FY 2023 and beyond	-
<b>Total</b>	<b><u>\$ 1,450,160</u></b>

	<b>Federal</b>	<b>Non-Federal</b>	<b>Total</b>
FY 2019	\$ 667,534	\$ -	\$ 667,534
FY 2020	674,080	-	674,080
FY 2021	108,546	-	108,546
FY 2022	-	-	-
FY 2023 and beyond	-	-	-
<b>Total</b>	<b><u>\$ 1,450,160</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,450,160</u></b>

**Future Payments Due for Cancellable Operating Leases:****Cancellable**

	<b>Cancellable</b>
FY 2019	\$ 9,147,564
FY 2020	9,235,619
FY 2021	1,665,085
FY 2022	127,837
FY 2023 and beyond	153,651
<b>Total</b>	<b><u>\$ 20,329,756</u></b>

**Cancellable**

	<b>Federal</b>	<b>Non-Federal</b>	<b>Total</b>
FY 2019	\$ 9,048,582	\$ 98,982	\$ 9,147,564
FY 2020	9,144,885	90,734	9,235,619
FY 2021	1,665,085	-	1,665,085
FY 2022	127,837	-	127,837
FY 2023 and beyond	153,651	-	153,651
<b>Total</b>	<b><u>\$ 20,140,040</u></b>	<b><u>\$ 189,716</u></b>	<b><u>\$ 20,329,756</u></b>

**Total Operating Leases****Headquarters v. Regional Offices**

	<b>Headquarters</b>	<b>Regional Offices</b>	<b>Total</b>
FY 2019	\$ 9,509,966	\$ 305,131	\$ 9,815,097
FY 2020	9,612,437	297,261	9,909,698
FY 2021	1,566,334	207,298	1,773,632
FY 2022	-	127,837	127,837
FY 2023 and beyond	-	153,652	153,652
<b>Total</b>	<b><u>\$ 20,688,737</u></b>	<b><u>\$ 1,091,179</u></b>	<b><u>\$ 21,779,916</u></b>

The NTSB has commitments under cancelable operating leases for office space. These leases have terms that range from 5 to 14 years. The buildings in which the NTSB operates are leased primarily from commercial companies. Under the lease agreement with the GSA, the NTSB is charged rent that is intended to approximate commercial rental rates.

The NTSB has operating leases for postage meters and vehicles. Postage meters are leases are cancelable or renewable on an annual basis at the option of the NTSB. They do not impose binding commitments on the agency for future rental payments on leases with terms longer than 1 year.

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

*Note 8*

***Commitments and Contingencies***

As of September 30, 2018, the NTSB was not a party to any legal actions which were likely to result in a material liability. Accordingly, no provision for loss is included in the financial statements. However, as of September 30, 2018, the NTSB has three pending matters for which there is at least a reasonable possibility that a loss may be incurred. The potential loss for these matters cannot be estimated at this time. These actions are disclosed in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 5, “Accounting for Liabilities of the Federal Government,” as amended by SFFAS No. 12, “Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government”.

## Note 9

*Suborganization Program Costs/Program Costs by Segment***Intragovernmental and Public Costs**

<b>Fiscal Year 2018</b>	<b>Aviation Safety</b>	<b>Surface Safety</b>	<b>Research &amp; Engineering</b>	<b>Consolidated Totals</b>
Intragovernmental Gross Costs	\$ 15,675,307	\$ 11,515,010	\$ 5,892,674	\$ 33,082,991
Less: Intragovernmental Earned Revenue	(243,768)	(119,788)	(61,300)	(424,856)
Intragovernmental Net Costs	\$ 15,431,539	\$ 11,395,222	\$ 5,831,374	\$ 32,658,135
Gross Costs with the Public	\$ 36,841,436	\$ 26,916,584	\$ 14,900,174	\$ 78,658,194
Less: Earned Revenues from the Public	(359,845)	(262,749)	(145,450)	(768,044)
Net Costs with the Public	\$ 36,481,591	\$ 26,653,835	\$ 14,754,724	\$ 77,890,150
<b>Net Cost of Operations</b>	<b>\$ 51,913,130</b>	<b>\$ 38,049,057</b>	<b>\$ 20,586,098</b>	<b>\$ 110,548,285</b>

<b>Fiscal Year 2017</b>	<b>Aviation Safety</b>	<b>Surface Safety</b>	<b>Research &amp; Engineering</b>	<b>Consolidated Totals</b>
Intragovernmental Gross Costs	\$ 13,501,391	\$ 12,380,150	\$ 6,651,081	\$ 32,532,622
Less: Intragovernmental Earned Revenue	(73,148)	(34,846)	(18,720)	(126,714)
Intragovernmental Net Costs	\$ 13,428,243	\$ 12,345,304	\$ 6,632,361	\$ 32,405,908
Gross Costs with the Public	\$ 36,077,557	\$ 25,031,410	\$ 14,838,553	\$ 75,947,520
Less: Earned Revenues from the Public	(400,982)	(277,745)	(164,646)	(843,373)
Net Costs with the Public	\$ 35,676,575	\$ 24,753,665	\$ 14,673,907	\$ 75,104,147
<b>Net Cost of Operations</b>	<b>\$ 49,104,818</b>	<b>\$ 37,098,969</b>	<b>\$ 21,306,268</b>	<b>\$ 107,510,055</b>

*Note 10****Apportionment Categories of New Obligations and Upward Adjustments: Direct vs. Reimbursable Obligations***

Direct obligations incurred against amounts apportioned under category A were \$109 million and \$107 million through September 30, 2018, and September 30, 2017, respectively. Direct obligations incurred against amounts apportioned under category B were \$0.4 million and \$0.6 million through September 30, 2018, and September 30, 2017, respectively.

<b>Apportionment Categories of New Obligations and Upward Adjustments: Direct vs. Reimbursable Obligations</b>	<b>FY 2018</b>	<b>FY 2017</b>
Category A Direct New Obligations and Upward Adjustments	\$ 109,417,447	\$ 106,856,430
Category B Reimbursable New Obligations and Upward Adjustments	428,771	583,138
<b>Total New Obligations and Upward Adjustments</b>	<b>\$ 109,846,218</b>	<b>\$ 107,439,568</b>

*Note 11*

***Undelivered Orders at the End of the Period***

The total of undelivered orders at September 30, 2018 is \$14.2 million, of which \$1.5 million is categorized as federal and \$12.7 million is non-federal. The total undelivered orders as of September 30, 2017, was \$12.2 million.

*Note 12****Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the U.S. Government***

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources, and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2018 actual budgetary execution information is scheduled for publication in February 2019, which will be available through the OMB's website at <http://www.whitehouse.gov/omb>. Accordingly, information required for FY 2018 disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2017 Statement of Budgetary Resources and the related President's Budget reflected the following:

<b>In Millions</b>	<b>Budgetary Resources</b>	<b>New Obligations &amp; Upward Adjustments (Total)</b>	<b>Distributed Offsetting Receipts</b>	<b>Net Outlays</b>
Combined Statement of Budgetary Resources	\$ 125	\$ 107		\$ 105
Unobligated Balance - expired	(9)			
Emergency Fund	(2)			
Differences Due to Rounding		(1)		1
Budget of the U.S. Government	\$ 114	\$ 106		\$ 106

**Note 13****Reconciliation of Net Cost of Operation to Budget**

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

<b>Resources Used to Finance Activities</b>	<b>FY 2018</b>	<b>FY 2017</b>
New Obligations and Upward Adjustments	\$ 109,846,218	\$ 107,439,568
Less: spending authority from offsetting collections and recoveries	<u>(2,265,538)</u>	<u>(3,051,269)</u>
Net obligations	107,580,680	104,388,299
Imputed financing from costs absorbed by others	<u>3,880,704</u>	<u>2,515,129</u>
Total resources used to finance activities	<b>\$ 111,461,384</b>	<b>\$ 106,903,428</b>
<b>Resources Used to Finance Items not Part of the Net cost of operations</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	\$ (1,895,951)	\$ 760,944
Resources that fund expenses recognized in prior periods	(892,020)	(1,461,121)
Resources that finance the acquisition of assets	<u>(362,588)</u>	<u>(928,667)</u>
Total resources used to finance items not part of the net cost of operations	<u>\$ (3,150,559)</u>	<u>\$ (1,628,844)</u>
Total resources used to finance the net cost of operations	<b>\$ 108,310,825</b>	<b>\$ 105,274,584</b>
<b>Components of the Net Cost of Operations that will not require or generate Resources in the Current Period</b>		
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 191,424	\$ 102,105
Depreciation and Amortization	2,046,036	2,133,366
Revaluation of assets or liabilities	<u>-</u>	<u>-</u>
Total components of Net Cost of Operations that will not require or generate resources in the current period	<b>\$ 2,237,460</b>	<b>\$ 2,235,471</b>
<b>Net Cost of Operations</b>	<b><u>\$ 110,548,285</u></b>	<b><u>\$ 107,510,055</u></b>

**SECTION III—OTHER ACCOMPANYING INFORMATION**

**SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES**

TABLE 1: SUMMARY OF FINANCIAL STATEMENT AUDIT

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

TABLE 2: SUMMARY OF MANAGEMENT ASSURANCES

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

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## PAYMENT INTEGRITY

### Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012

The *Improper Payments Information Act* of 2002 as amended by the *Improper Payments Elimination and Recovery Act* of 2010, and the *Improper Payments Eliminations and Recovery Act of 2012* requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payments is significant, agencies are to estimate the annual amount of erroneous payments made in those programs. OMB guidance provided in *Circular A-136* and *Appendix C of Circular A-123* requires detailed information related to the NTSB's Improper Payments Elimination Program, which is provided below.

In FY 2018, the NTSB reviewed its programs and activities to identify those which may be susceptible to significant erroneous payments. The risk assessment included (1) consideration of certain risk factors that are likely to contribute to a susceptibility to significant improper payments and (2) transaction testing on a sample basis of payments made during FY 2018. The risk assessment was performed for vendor payments (including travel and other employee reimbursement payments), intragovernmental payments, and payroll. OMB defines significant erroneous payments as annual erroneous payments in a program exceeding both \$10 million and 1.5 percent or \$100 million of total annual program payments. Based on the results of transaction testing applied to a sample of payments, consideration of risk factors, and reliance on the internal controls in place over the payment process, the NTSB determined that none of its programs or activities are susceptible to significant improper payments.

The level of risk of erroneous payment is determined to be low and baseline estimates have been established; the NTSB conducts a formal risk assessment every 3 years unless the program experiences a significant change. The NTSB will conduct continuous monitoring of our programs and activities in FY 2019. If any programs and activities experience unexpected changes, the NTSB will reassess the programs' risk susceptibility and make a statistically valid estimate of erroneous payments for any program determined to be susceptible to significant erroneous payments as required by the circular.

*Appendix C of OMB Circular A-123* requires agencies to implement payment recapture audit programs where it is cost effective to do so. Based upon the agency's low improper payment rate as determined by the testing conducted in FY 2015 and FY 2018, the NTSB has determined that implementing a payment recapture audit program is not cost effective. That is, the recaptured amounts that could be recovered do not exceed the costs of implementation and operation of a payment recapture audit program (which would include staff time and resources or payments to a contractor).

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

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## FRAUD REDUCTION EFFORTS

The NTSB continues in our efforts to implement the *Fraud Reduction and Data Analytics Act of 2016 (FRDAA)* agency-wide as an extension of our fraud risk program.

We have determined that, although many of the controls associated with prevention and detection of improper payments are similar in nature to the same controls that would be employed for fraud detection, the NTSB has unique challenges, which include

- Lack of expertise to conduct fraud risk management activities
- Lack of available resource (funding and staffing) to conduct fraud risk management activities
- Difficulty in measuring the extent to which fraud exists in the agency
- Difficulty in determining the agency's fraud risk tolerance

Despite these challenges, the NTSB continues to refine our business process to enable the organization to define, deter, detect, and take appropriate and timely action on fraud. Our enterprise risk management and internal control program considers the potential for fraud and incorporates elements of government set standards. The agency's framework for fraud risk assessment is designed to identify potential financial fraud risks and schemes to ensure that preventive and detective controls are present and working as designed. We identify potential fraud areas and establish key controls for such areas as contract/supplier payments, and travel card purchases. The NTSB recognizes that although no system of internal control provides absolute assurance, our system of internal control can provide reasonable assurance that key controls are adequate and working as designed. Monitoring activities include supervisory approvals, management reports and exception reporting.

NTSB management is committed to performing due diligence in areas of alleged or suspected fraud.

At the end of due diligence, the matter is either dropped or referred to the Office of Inspector General for investigation. We identified no systemic fraud within the NTSB during 2018.

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**REDUCE THE FOOTPRINT**

Consistent with Section 3 of the OMB *Memorandum-12-12, Promoting Efficient Spending to Support Agency Operations*, and OMB *Management Procedures Memorandum No. 2015-01*, agencies are required to set annual targets to reduce the total square footage of their domestic office and warehouse inventory compared to the 2015 baseline.

The NTSB's overall Reduce the Footprint plan includes no increase from the 2015 baseline to FY 2018. The agency's current plan anticipates that the portfolio will remain at the FY 2015 baseline for the immediate future. Beyond that, the agency will continue to actively seek opportunities to maximize efficiencies to best support the mission of the organization and will continue to make every effort to reduce the office footprint as each lease is renewed. The NTSB has no buildings that meet the requirements to report operation and maintenance costs.

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**Reduce the Footprint Baseline Comparison**

	<b><u>2018</u></b>	<b><u>2015 Baseline</u></b>	<b><u>Change</u></b>
Square Footage	265,683	265,683	0

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**CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION**

The Federal Civil Penalties Inflation Adjustment Act of 1990, Public Law 101-410, 104 Stat. 890 as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Public Law 114-74, sec. 701, 129 Sta. 584 (codified at 28 U.S.C. 2461 note), requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to improve their effectiveness and to maintain their deterrent effect. To improve compliance with the Act, and in response to multiple audits and recommendations, agencies should report annually in the Other Information Section, the most recent inflationary adjustments to civil monetary penalties to ensure that penalty adjustments are both timely and accurate.

Statutory Authority	Aviation Penalty	Year Enacted	Latest Year of Adjustment	Current Penalty Level (\$)	Location for Penalty Update Details
49 U.S.C. § 1155 - U.S. Code - Unannotated Title 49. Transportation § 1155. Aviation penalties	A person violating section 1132, section 1134(b), section 1134(f)(1), or section 1136(g) (related to an aircraft accident) of this title or a regulation prescribed, or order issued under any of those sections.	1994	2017	\$1,617 per violation, per day	Federal Register; 82 FR 8133 (October 12, 2018)

**ABBREVIATIONS**

AD	NTSB Office of Administration
AS	NTSB Office of Aviation Safety
ALJ	NTSB Office of Administrative Law Judges
CFO	NTSB Office of the Chief Financial Officer
CIO	NTSB Office of the Chief Information Officer
CSRS	Civil Service Retirement Systems
DOL	US Department of Labor
DOT	US Department of Transportation
DOT/OIG	US Department of Transportation's Office of the Inspector General
EEODI	NTSB Office of Equal Employment Opportunity, Diversity, and Inclusion
FAA	Federal Aviation Administration
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FPPS	Federal Personnel/Payroll System
FY	fiscal year
GAAP	generally accepted accounting principles
GC	Office of the General Counsel
GPR	Government Performance and Results Act
GPRAMA	Government Performance and Results Modernization Act
GSA	General Services Administration
HS	NTSB Office of Highway Safety
IBC	Interior Business Center
ICR	internal control review
IPERA	Improper Payments Elimination and Recovery Act of 2010
IT	information technology
MD	NTSB Office of the Managing Director
MS	NTSB Office of Marine Safety
MWL	Most Wanted List
NTSB	National Transportation Safety Board
OMB	Office of Management and Budget
OPM	Office of Personnel Management
P&E	property and equipment
PAR	Performance and Accountability Report
RE	NTSB Office of Research and Engineering
RPH	NTSB Office of Railroad, Pipeline, and Hazardous Materials Investigations
SFFAS	Statement of Federal Financial Accounting Standards
SMOC	Senior Management Oversight Council
SRC	NTSB Office of Safety Recommendations and Communications
TDA	NTSB Transportation Disaster Assistance Division
TSP	Thrift Savings Plan
USC	<i>United States Code</i>

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