



United States Nuclear Regulatory Commission

Protecting People and the Environment

Fiscal Year 2019

Agency Financial Report



UNITED STATES NUCLEAR REGULATORY COMMISSION

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About This Report

The Agency Financial Report (AFR) for the U.S. Nuclear Regulatory Commission (NRC) provides financial and summary performance information in accordance with Office of Management and Budget Circular A-136, "Financial Reporting Requirements." This AFR is an account of the agency's stewardship of its resources during fiscal year (FY) 2019, which covers the period from October 1, 2018, to September 30, 2019. The report is organized into the following three chapters:

- **Chapter 1: Management's Discussion and Analysis**
This chapter provides an overview of the NRC financial information and summary-level program performance information. It includes an overview of program performance, current status of systems, internal controls, financial management, and the FY 2019 financial statement analysis.
- **Chapter 2: Financial Statements and Auditors' Report**
This chapter contains details on the NRC's finances for FY 2019. It includes a message from the Chief Financial Officer, the financial statements and accompanying notes, required supplementary information, and the independent auditors' report.
- **Chapter 3: Other Information**
This chapter provides the Office of the Inspector General's discussion of management and performance challenges, a summary of the financial statement audit, information on payment integrity and fraud, space occupancy, a glossary of acronyms, and other information.

NRC Reports on the Agency Web Site:

- The NRC has chosen to produce an AFR and an Agency Performance Report. The FY 2019 Agency Performance Report will accompany the NRC's FY 2021 Congressional Budget Justification and will be posted on the NRC's Web site at <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1100/> after publication of the report.
- Since FY 2017, AFRs are located at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr2220/>
- Prior to publication of the AFR, there were Performance and Accountability Reports which are located at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/>.

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Table of Contents

The Commission	vi
A Message from the Chairman.....	vii
Chapter 1: Management’s Discussion and Analysis.....	1
Mission – Vision – Principles of Good Regulation	2
About the NRC	3
The NRC’s Organizational Structure	4
The NRC’s Regulatory Activities	5
The Nuclear Industry	6
Future Challenges.....	10
Source of Funds	12
Analysis of the Financial Statements.....	14
Management Assurances, Systems, Controls, and Legal Compliance.....	18
Program Performance Overview	25
Chapter 2: Financial Statements and Auditors’ Report	33
A Message from the Chief Financial Officer.....	34
Financial Statements.....	35
Notes to the Financial Statements	39
Required Supplementary Information.....	60
Inspector General’s Letter Transmitting Independent Auditors’ Report.....	65
Independent Auditors’ Report.....	68
Management’s Response to the Independent Auditors’ Report.....	73
Chapter 3: Other Information	75
Inspector General’s Assessment of the Most Serious Management and Performance Challenges Facing the NRC.....	76
Summary of Financial Statement Audit and Management Assurances	90
Payment Integrity	91
Fraud Reduction Report	92
Reduce the Footprint.....	94
Civil Monetary Penalty Adjustment for Inflation	95
Grants Oversight & New Efficiency (GONE) Act Requirements.....	96
Acronyms and Abbreviations.....	97

The Commission

The authority of the U.S. Nuclear Regulatory Commission is vested in a Commission of five members, with one member designated by the President of the United States to serve as Chairman. With the advice and consent of the Senate, the President appoints each member to serve a 5-year term. The Chairman is the chief executive officer and official spokesperson for the Commission. The Commission as a whole formulates policies and regulations governing the safety and security of nuclear reactors and materials, issues orders to licensees, and adjudicates legal matters brought before it. The Executive Director for Operations carries out program policies and decisions made by the Commission. At the end of FY 2019, one of the five Commissioner positions was vacant.



Chairman Kristine L. Svinicki



Commissioner Jeff Baran



Commissioner Annie Caputo



Commissioner David A. Wright

A Message from the Chairman



The U.S. Nuclear Regulatory Commission (NRC) is pleased to present its fiscal year (FY) 2019 Agency Financial Report (AFR). This AFR details the NRC's continuing success in achieving its mission, which is to license and regulate the Nation's civilian use of radioactive materials in a manner that provides reasonable assurance of adequate protection of public health and safety and promotes the common defense and security. The AFR provides key financial information and a summary of program performance to the President, Congress, and the American people, detailing how we used our resources during FY 2019. The AFR is available at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr2220/>.

The NRC is an independent regulatory agency dedicated to the effective and efficient regulatory oversight of the Nation's operating power, research, and test nuclear reactors. The agency also maintains regulatory oversight of nuclear reactors in various stages of decommissioning. The NRC reviews all safety aspects of new reactor designs, siting, and construction. Further, the agency focuses on the safe and secure use of nuclear materials in the energy, medical, educational, and industrial sectors through effective regulatory oversight of fuel facilities, uranium recovery sites, decommissioning sites, spent nuclear fuel sites, and nuclear material users.

The NRC is committed to good governance and the prudent management of its resources. I am pleased to report that in FY 2019 the NRC effectively managed its internal control environment. There were no material internal control weaknesses uncovered in our assessment. I have concluded, based on assessments the agency conducted consistent with the *Federal Manager's Financial Integrity Act of 1982*, that there is reasonable assurance the agency is in substantial compliance with all requirements pertaining to internal controls, including program management, resource management, IT systems, laws and regulations, and communication. The financial and summary performance data published in this report are complete, accurate, reliable, and timely, in accordance with the *Reports Consolidation Act of 2000* and Office of Management and Budget Circular A-136, "Financial Reporting Requirements." Additionally, I have concluded that the agency is in substantial compliance with the *Federal Financial Management Improvement Act of 1996 (FFMIA)*, based on the NRC's application of the FFMIA risk model.

The performance and dedication of the NRC employees in achieving the agency's safety and security goals is evident. As an agency, we look forward to continuing to provide the high-quality service the American people have come to expect from us.

A handwritten signature in blue ink, appearing to read 'K. Svinicki', written in a cursive style.

Kristine L. Svinicki
Chairman

Chapter 1: Management's Discussion and Analysis

Mission

The U.S. Nuclear Regulatory Commission (NRC) licenses and regulates the Nation’s civilian use of radioactive materials to provide reasonable assurance of adequate protection of public health and safety, and to promote the common defense and security, and to protect the environment.

Vision

Demonstrate the Principles of Good Regulation in performing our mission.

To be successful, the NRC must not only excel in carrying out its mission but must do so in a manner that engenders the trust of the public and stakeholders. The Principles of Good Regulation—independence, openness, efficiency, clarity, and reliability—guide the agency. They affect how the NRC reaches decisions on safety, security, and the environment; how the NRC performs administrative tasks; and how its employees interact with each other as well as external stakeholders, and promotes trust in the agency. The agency puts these principles into practice with effective, realistic, and timely actions.

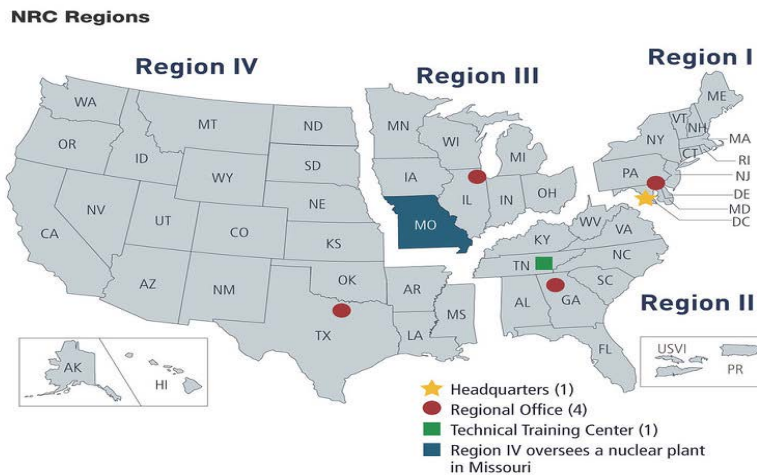
Principles of Good Regulation

Independence:	<i>Nothing but the highest possible standards of ethical performance and professionalism should influence regulation.</i>
Openness:	<i>Nuclear regulation is the public’s business, and it must be transacted publicly and candidly.</i>
Efficiency:	<i>The highest technical and managerial competence is required and must be a constant agency goal.</i>
Clarity:	<i>Regulations should be coherent, logical, and practical. Agency positions should be readily understood and easily applied.</i>
Reliability:	<i>Regulations should be based on the best available knowledge from research and operational experience.</i>

About the NRC

The U.S. Congress established the NRC on January 19, 1975, as an independent Federal agency regulating the commercial and institutional uses of nuclear materials. The *Atomic Energy Act of 1954*, as amended, and the *Energy Reorganization Act of 1974*, as amended, define the NRC’s purpose. These acts provide the foundation for the NRC’s mission to regulate the Nation’s civilian use of byproduct, source, and special nuclear materials to provide adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. The agency regulates civilian nuclear power plants and other nuclear facilities, as well as other uses of nuclear materials. These other uses include nuclear medicine programs at hospitals; academic activities at educational institutions; research work; industrial applications, such as gauges and testing equipment; and the transport, storage, and disposal of nuclear materials and wastes. Additional information about the NRC is available in the Information Digest at <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1350/>.

NRC Headquarters is located in Rockville, MD. The agency Operations Center in the headquarters building coordinates communications with NRC licensees, State agencies, and other Federal agencies. This center is the focal point for assessing and responding to operating events in the industry. NRC operations officers staff the Operations Center 24 hours a day, 7 days a week. The agency also has four regional offices located in King of Prussia, PA; Atlanta, GA; Lisle, IL; and Arlington, TX. The regional offices allow the agency to work closely with the agency’s licensees to ensure safety. The NRC also employs at least two resident inspectors at each of the Nation’s nuclear power reactor, new reactor, and fuel fabrication sites.



Nuclear Power Plants

- Each regional office oversees the plants in its region—except for the Callaway plant in Missouri, which Region IV oversees.

Materials Licensees

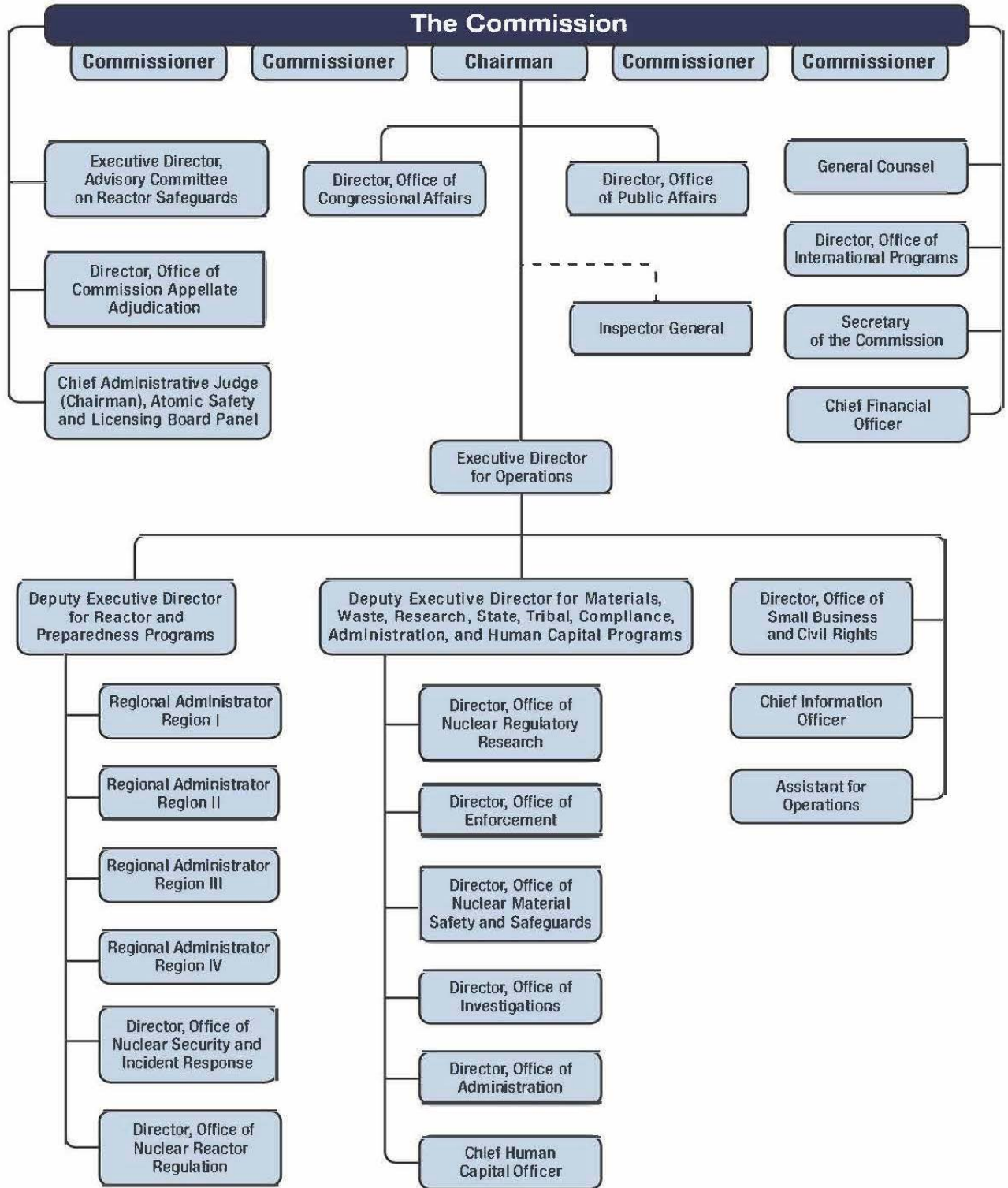
- Region I oversees licensees and Federal facilities located in Region I and Region II.
- Region III oversees licensees and Federal facilities located in Region III.
- Region IV oversees licensees and Federal facilities located in Region IV.

Nuclear Fuel Processing Facilities

- Region II oversees all the fuel processing facilities in all regions.
- Region II also handles all construction inspection activities for new nuclear power plants and fuel cycle facilities in all regions.



The NRC’s Organizational Structure



The NRC’s Regulatory Activities

The NRC performs five principal regulatory functions: developing regulations and guidance for applicants and licensees; licensing or certifying applicants to use nuclear materials, operate nuclear facilities, construct new nuclear facilities, and decommission facilities; inspecting and assessing licensee operations and facilities to verify that licensees are complying with NRC requirements and taking appropriate follow-up or enforcement actions when necessary; evaluating operational experience of license facilities and activities; and conducting research, holding hearings, and obtaining independent reviews to support regulatory decisions (see Figure 1).

The standards and regulations established by the agency set the rules that users of radioactive materials must follow. Drawing on the knowledge and experience of the agency’s scientists and engineers, these rules are the basis for protecting workers and the general public from the potential hazards associated with the use of radioactive materials.

With a few exceptions, any organization or individual intending to have or use radioactive materials must obtain a license. A license identifies the type and amount of radioactive material that may be held and used. NRC

scientists and engineers evaluate the license application to ensure that the potential licensee’s use of nuclear materials meets the agency’s safety and security requirements.

The NRC regulates 97 commercial nuclear power reactors operating in 29 states at 58 sites; 31 research and test reactors; 22 nuclear reactors in various stages of decommissioning; 80 independent spent fuel storage installations; 10 licensed fuel cycle facilities; 3 uranium recovery sites; and about 2,800 licenses for medical, academic, industrial, and general uses of nuclear materials. The agency conducts approximately 900 health and safety inspections of its nuclear materials licensees annually.

Under the NRC’s Agreement State program, 38 states have assumed primary regulatory responsibility for the industrial, medical, and other users of nuclear materials within their states, accounting for approximately 16,500 licensees. The NRC works closely with these states to assist them in maintaining public safety through acceptable licensing and inspection procedures.

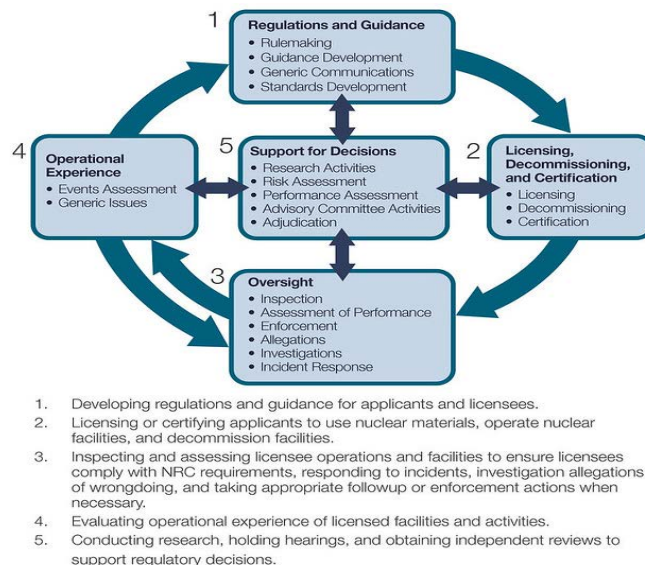


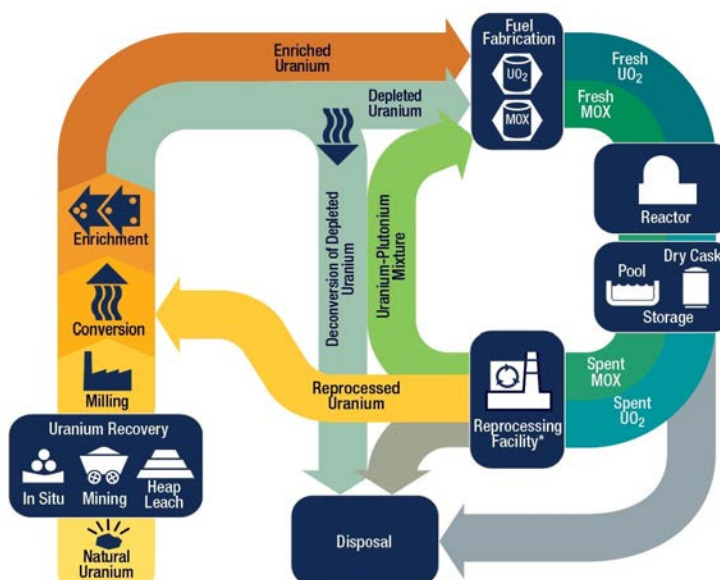
Figure 1 How the NRC Regulates

The Nuclear Industry

The NRC is responsible for regulating all aspects of the civilian nuclear industry. The industry can best be described by examining the nuclear fuel cycle (see Figure 2). The nuclear material cycle begins with the mining and production of nuclear fuel or the use of nuclear materials for medical, industrial, and other applications, continues with the use of nuclear fuel to power the Nation’s nuclear power plants, and ends with the safe transportation and storage of spent nuclear fuel and other nuclear waste. The NRC’s regulatory programs provide reasonable assurance that radioactive materials are used safely and securely at every stage in the nuclear material cycle. To address safety and security issues, the NRC has developed regulatory practices, knowledge, and expertise specific to each activity in the nuclear fuel cycle.

Fuel Facilities

The production of nuclear fuel begins at uranium mines where milled uranium ore is used to produce a uranium concentrate called “yellowcake.” At a special facility, the yellowcake is converted into uranium hexafluoride (UF₆) gas and loaded into cylinders. The cylinders are sent to a gaseous diffusion plant, where uranium is enriched for use as reactor fuel. The enriched uranium is then converted into oxide powder, fabricated into fuel pellets (each about the size of a fingertip), loaded into metal fuel rods about 3.5 meters long, and bundled into reactor fuel assemblies at a fuel fabrication facility. Assemblies are then transported to nuclear power plants, non-power research reactor facilities, and naval propulsion reactors for use as fuel (see Figure 3). The NRC licenses eight major fuel fabrication and production facilities and three enrichment facilities in the United States. Because they handle extremely hazardous material, these facilities take special precautions to prevent theft, diversion, and dangerous exposures.



* Reprocessing of spent nuclear fuel, including mixed-oxide (MOX) fuel, is not practiced in the United States. Note: The NRC has no regulatory role in mining uranium.

Figure 2 The Nuclear Fuel Cycle

Assemblies are then transported to nuclear power plants, non-power research reactor facilities, and naval propulsion reactors for use as fuel (see Figure 3). The NRC licenses eight major fuel fabrication and production facilities and three enrichment facilities in the United States. Because they handle extremely hazardous material, these facilities take special precautions to prevent theft, diversion, and dangerous exposures.

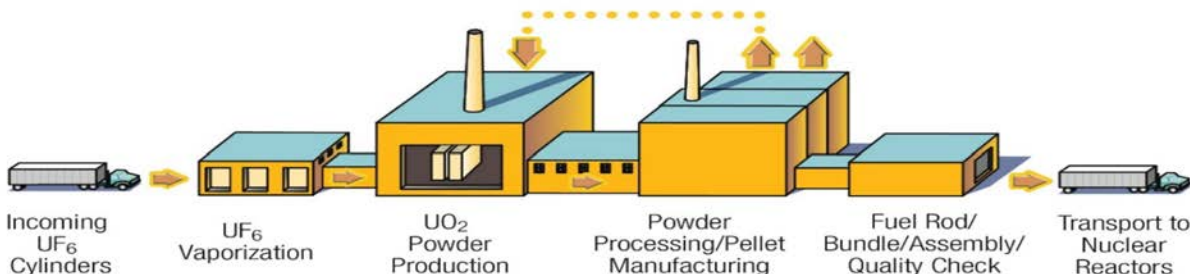


Figure 3 Simplified Fuel Fabrication Process

Reactors

The NRC licensed nuclear reactors generate approximately 19 percent of the U.S. gross electricity needs, or about 807 billion kilowatt hours annually. The NRC regulates about 80 different reactor designs. To generate electricity, power plants change one form of energy into another. Electrical generating plants convert heat energy, the kinetic energy of wind or falling water, or solar energy into electricity. Other types of heat-conversion plants burn coal, oil, or gas to produce heat energy that is then used to produce electricity. Nuclear energy cannot be seen. Heat energy is not produced by the burning of fuel in the usual sense. Rather, energy is given off by the nuclear fuel as certain types of atoms split in a process called nuclear fission. This energy is in the form of fast-moving particles and radiation. As the particles and radiation move through the fuel and surrounding water, the energy is converted into heat, which generates electricity. The radiation energy can be hazardous, and facilities take special precautions at nuclear power plants to protect people and the environment from these hazards (see Figures 4 and 5).

Because the fission reaction produces potentially hazardous radioactive materials, nuclear power plants are equipped with safety systems to protect workers, the public, and the environment. Radioactive materials require careful use because they produce radiation, a form of energy that can damage human cells. Depending on the amount and duration of the exposure, radiation can potentially cause cancer. In a nuclear reactor, most hazardous radioactive substances, called fission byproducts, are trapped in the fuel pellets, or in the sealed metal tubes holding the fuel. However, small amounts of these radioactive fission byproducts, principally gases, become mixed with the water passing through the reactor. Other impurities in the water also become radioactive as they pass through the reactor. The facility processes and filters the water to remove these radioactive impurities and then returns the water to the reactor cooling system.

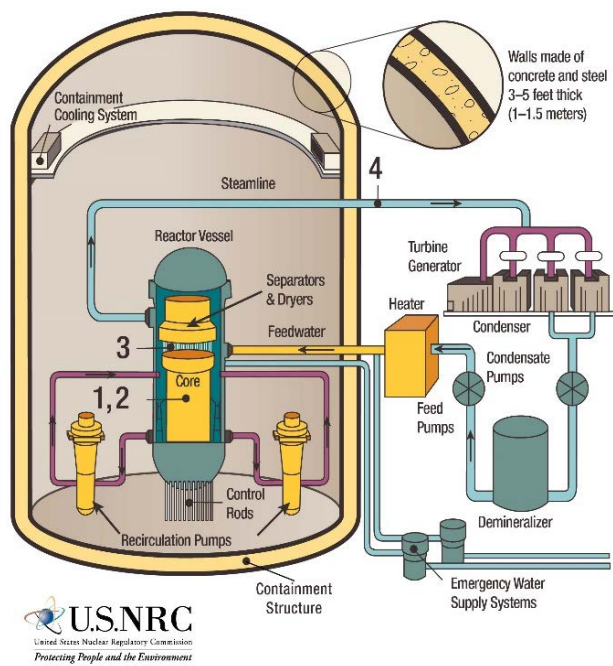


Figure 4 The Boiling-Water Reactor

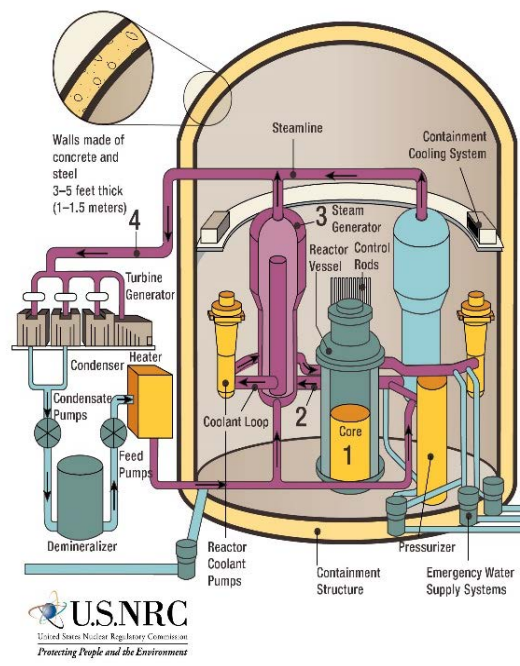


Figure 5 The Pressurized-Water Reactor

Materials Users

The medical, academic, and industrial fields all use nuclear materials. For example, about one-third of all patients admitted to U.S. hospitals are diagnosed or treated using radioisotopes. Most major hospitals have specific departments dedicated to nuclear medicine. Of the nuclear medicine or radiation therapy procedures performed annually, the vast majority are used in diagnoses. Radioactive materials used as a diagnostic tool can identify the status of a disease and minimize the need for surgery. Radioisotopes give doctors the ability to look inside the body and observe soft tissues and organs, in a manner similar to the way x-rays provide images of bones. Radioisotopes carried in the blood also allow doctors to detect clogged arteries or check the functioning of the circulatory system.

The same property that makes radiation hazardous can also make it useful in treating certain diseases like cancer. When living tissue is exposed to high levels of radiation, cells can be destroyed or damaged. Doctors can selectively expose cancerous cells (cells that are dividing uncontrollably) to radiation to either destroy or damage these cells.

Many of today's industrial processes also use nuclear materials. Technologically advanced methods that ensure the quality of manufactured products often rely on radiation generated by radioisotopes. To determine whether a well drilled deep into the ground has the potential for producing oil, geologists use nuclear well-logging, a technique that employs radiation from a radioisotope inside the well, to detect the presence of different materials. Radioisotopes are also used to sterilize instruments, find flaws in critical steel parts and welds that go into automobiles and modern buildings, authenticate valuable works of art, and solve crimes by spotting trace elements of poison. Radioisotopes can also eliminate dust from film and compact discs and reduce static electricity (which may create a fire hazard) from can labels. In manufacturing, radiation can change the characteristics of materials, often giving them features that are highly desirable. For example, wood and plastic composites treated with gamma radiation resist abrasion and require low maintenance. As a result, they are used for some flooring in high-traffic areas of department stores, airports, hotels, and churches.

Waste Disposal

During normal operations, a nuclear power plant generates both high level radioactive waste, which consists of used fuel (usually called spent fuel), and low level radioactive waste, which includes contaminated equipment, filters, maintenance materials, and resins used in purifying water for the reactor cooling system. Other users of radioactive materials also generate low level waste.

Nuclear power plants handle each type of radioactive waste differently. They must use special procedures in the handling of the spent fuel because it contains the highly radioactive fission byproducts created while the reactor was operating. The spent fuel from nuclear power plants can be stored in water-filled pools at each reactor site. The water in the spent fuel storage pool provides cooling and adequately shields and protects workers from the radiation. Nuclear power plants also use dry casks to store spent fuel. These large metal or concrete casks rest on concrete pads adjacent to the reactor facility. The thick layers of concrete and steel in these casks shield workers and the public from radiation.

Chapter 1 • Management's Discussion and Analysis

Currently, most spent fuel in the United States remains stored at individual plants. Permanent disposal of spent fuel from nuclear power plants will require a disposal facility that can provide reasonable assurance that the waste will remain isolated for thousands of years.

Licensees often store low-level waste on site until its radioactivity has decayed and the waste can be disposed of as ordinary trash, or until amounts are large enough for shipment to a low level waste disposal site in containers approved by the U.S. Department of Transportation. The NRC has developed a waste classification system for low-level radioactive waste based on its potential hazards and has specified disposal and waste form requirements for Class A, Class B, and Class C waste. Generally, Class A waste contains lower concentrations of radioactive material than Class B and Class C wastes. The three disposal facilities that accept a broad range of low level wastes are located in Barnwell, SC, Richland, WA, and Andrews, TX.



Spent Fuel Dry Cask Storage

Future Challenges

Many challenges and external factors influence the NRC's ability to achieve its strategic goals and associated objectives. The most significant challenges include industry operating experience, national priorities, a potential significant incident at a domestic or non-U.S. nuclear facility, the security and threat environment, legislation, Federal court litigation, market forces, new technologies, and resource availability. The NRC strives to respond promptly to shifts in Agency priorities necessitated by these challenges. The nuclear industry has maintained an excellent safety record at nuclear power plants over decades as both the nuclear industry and the NRC have gained substantial experience in the operation and maintenance of nuclear power facilities. Maintaining this excellent safety record requires that the agency take proactive measures to ensure the accomplishment of its mission. The key challenges the Agency faces are highlighted below.

Market Forces

Many market forces affect the nuclear industry. These can affect the business operations of facility operators and license applicants subject to NRC jurisdiction and therefore the workload before the agency. The NRC must be prepared with the regulatory infrastructure to continue to provide reasonable assurance of the safety and security of operating facilities, support areas such as decommissioning of nuclear power plants, changes in exports and imports, and licensing of new technologies and facilities.

Globalization and Development of Nuclear Technology

Technological changes may affect the development of advanced nuclear systems and support infrastructure, resulting in impacts to the industry activities subject to NRC jurisdiction. Increased globalization of nuclear technology, including small modular reactors and advanced reactor designs, could increase competition in the nuclear supply chain and; therefore, could affect industry operating costs and increase the complexity of regulatory oversight due to the need to encompass foreign vendors. In addition to operating and regulatory impacts on the domestic nuclear industry, globalization increases the value of the NRC's enhanced cooperation with international organizations for licensing activities, training, development and implementation of codes and standards, and conventions and treaties to ensure safe and secure use of nuclear technology.

Incidents

The U.S. national security landscape will continue to be dynamic, encompassing a full range of threats and incidents, including the identification of and protection against, cyber and physical security threats. As a result, the regulatory approach needed to ensure the safety and security of nuclear materials and infrastructure may need to evolve in response to such incidents and threats. A significant incident at a nuclear facility, whether caused by adversaries, natural disaster, or other factors, could prompt the agency to reassess its safety and security requirements and could impact the agency's focus. The NRC must anticipate and be prepared for an operational and regulatory response to threats and incidents involving nuclear infrastructure. An incident at a non-U.S. facility could also cause the NRC to reassess its safety and security requirements.

Legislative and Executive Branch Actions

Congressional or Executive Branch actions may affect the NRC’s regulatory responsibilities, and strategies to comply with new direction would need to be developed.

International Treaties and Conventions

The ratification by the United States of international instruments related to the safety of nuclear facilities or radioactive materials could potentially impose binding provisions on the Nation that can affect responsible governmental agencies, such as the NRC. Strategies to comply with new provisions would need to be developed.

Workforce Dynamics

The agency’s most valuable resource is its staff, and its ability to recruit, hire, train, motivate, and retain qualified staff in a competitive job market is critical to meeting its strategic goals. The agency must also maintain a high-performing, diverse, engaged, and flexible workforce supported by a healthy organizational culture with a focus on safety, security, and continuous improvement to meet mission needs. This will require the NRC to better understand and meet the needs of its employees and become a more flexible and agile organization.

Information Technology Advances

Information technology developments in an increasingly mobile society will impact the agency’s operations. The NRC will need to take advantage of technology to enable an effective and efficient work environment. It is essential to maintain a reasonable balance between the need to maximize technological innovation to perform the Agency’s mission and the secure use and protection of sensitive and proprietary information. The NRC needs to be aware of the heightened risk that sensitive information held by the Agency or its licensees could be lost, misplaced, or intercepted and obtained by unauthorized users. The Agency will need to develop and maintain a knowledgeable workforce capable of addressing both these technology and security challenges.

Source of Funds

Appropriations

The NRC receives two appropriations: (1) Salaries and Expenses and (2) the Office of the Inspector General (OIG). For FY 2019, the NRC received total appropriations of \$911.0 million, which included \$898.4 million for the Salaries and Expenses appropriation and \$12.6 million for the OIG. The NRC’s Salaries and Expenses appropriation decreased \$10.7 million compared to the prior year. The appropriation for the OIG decreased by \$0.6 million.

The Salaries and Expenses appropriation is available until expended. This includes a provision that not more than \$9.5 million be made available for the Office of the Commission; these funds are available for obligation by the NRC through September 30, 2020. After that date, the remaining funds that have not been obligated for the Office of the Commission are available until expended as part of the Salaries and Expenses appropriation.

The OIG appropriation is available to obligate for 2 years (FY 2019 and FY 2020) through September 30, 2021. This 2-year funding includes \$1.1 million for Inspector General services provided to the Defense Nuclear Facilities Safety Board (DNFSB).

Total Budget Authority

The total budget authority available for the NRC to obligate in FY 2019 was \$973.1 million and included \$911.0 million for current year appropriations, \$49.8 million from prior year appropriations, \$8.6 million from recoveries of prior-year obligations, and \$3.7 million spending authority from offsetting collections. Funds available to obligate in FY 2019 decreased from the FY 2018 amount of \$975.2 million by \$2.1 million, primarily as a result of a decrease of \$11.0 million in

appropriations, offset by an increase of \$11.1 million in unobligated balances from prior-year budget authority, a decrease of \$1.9 million in recoveries of prior-year obligations, and a decrease of \$0.3 million in spending authority from offsetting collections.

Table 1 Total Budget Authority (IN MILLIONS)

For the fiscal years ended September 30,	2019	2018	Inc/(Dec)
Appropriations			
Salaries and Expenses	\$898.4	\$909.1	\$(10.7)
Office of the Inspector General	12.6	12.9	(0.3)
Total Appropriations	911.0	922.0	(11.0)
Other Budget Authority			
Unobligated balance from prior-year budget authority, brought forward October 1	49.8	38.7	11.1
Recoveries of prior-year obligations	8.6	10.5	(1.9)
Spending from collections	3.7	4.0	(0.3)
Total Other Budget Authority	62.1	53.2	8.9
Total NRC Budget Authority	\$973.1	\$975.2	\$(2.1)

Fee Collection Offset of Appropriations

The *Omnibus Budget Reconciliation Act of 1990* (OBRA-90), as amended, requires the NRC to collect fees to offset approximately 90 percent of its appropriation. By law, this excludes amounts appropriated for Waste Incidental to Reprocessing, Generic Homeland Security, Inspector General services for the DNFSB, the Advanced Reactor Regulatory Infrastructure, International Activities, and the Nuclear Waste Fund (NWF). Funds equal to fees collected are transferred to the NRC’s two appropriations, and the U.S. Department of the Treasury (Treasury) issues a negative warrant for the amount of the fee transfer to reduce the NRC’s appropriations.

In FY 2019, the NRC collected fees and transferred \$772.2 million to the Treasury and the net received from the Treasury general fund was \$138.8 million (see Table 2). The fees collected during FY 2018 and transferred to the Treasury totaled \$781.8 million.

Table 2 Sources of Funds for Appropriations (IN MILLIONS)

For the fiscal years ended September 30,	2019	2018	Inc/(Dec)
Reactor Fees Collected	\$696.0	\$ 697.0	\$(1.0)
Materials Fees Collected	76.2	84.8	(8.6)
Nuclear Waste Fund	-	-	-
Treasury General Fund	138.8	140.1	(1.3)
Total Sources of Funds	\$911.0	\$921.9	\$(10.9)

Uses of Funds by Function

Funds are used when the NRC incurs obligations against budget authority. Obligations are legally binding agreements that will result in an outlay of funds.

The NRC incurred obligations of \$895.0 million in FY 2019, which represented a decrease of

\$39.0 million from FY 2018 (see Table 3). Approximately 60 percent of obligations in FY 2019 were for salaries and benefits. The remaining 40 percent were used to obtain technical assistance for the NRC’s principal regulatory programs, to conduct confirmatory safety research, to cover operating expenses (e.g., building rentals, transportation, printing, security services, supplies, office automation, and training), and to pay for staff travel.

The unobligated budget authority at the end of FY 2019 was \$69.4 million, which was a \$28.3 million increase from the FY 2018 amount of \$41.1 million.

Table 3 Use of Funds (Obligations) (IN MILLIONS)

For the fiscal years ended September 30,	2019	2018	Inc/(Dec)
Salaries and Benefits	\$540.2	\$553.9	\$(13.7)
Contract Support	313.2	335.5	(22.3)
Travel	22.2	21.6	0.6
Grants	15.9	17.0	(1.1)
Reimbursable Work	3.5	6.0	(2.5)
Total Obligations	\$895.0	\$934.0	\$(39.0)

Analysis of the Financial Statements

Chapter 2 of this AFR presents the NRC’s financial statements, accompanying notes, and required supplementary information, along with the report of the independent auditors. The independent auditors issued an unmodified opinion on the financial statements and an unmodified opinion on internal controls over financial reporting for the fiscal year ended 2019. Additionally, the independent auditors found no reportable instances of noncompliance with laws and regulations.

The principal financial statements are prepared to report the financial position and results of operations of the NRC, pursuant to the requirements of 31 United States Code (U.S.C.) § 3515(b). The statements are prepared from the books and records of the NRC in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by the Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

We present the following analysis of the financial statements and significant changes.

Table 4 Key Measures (IN MILLIONS)

For the fiscal years ended September 30,	FY 2019	FY 2018	Inc/(Dec)	%
Assets:				
Fund Balance with Treasury	\$411.9	\$386.9	\$25.0	6.5%
Accounts Receivable, Net	66.4	75.3	(8.9)	(11.8%)
Advances and Prepayments	7.0	9.2	(2.2)	(23.9%)
Property & Equipment, Net	55.6	65.0	(9.4)	(14.5%)
Other Assets	0.1	0.1	0.0	-
Total Assets	\$541.0	\$536.5	\$4.5	(0.8%)
Liabilities:				
Accounts Payable	\$35.4	\$31.9	\$3.5	11.0%
Federal Employee Benefits	4.6	5.3	(0.7)	(13.2%)
Other Liabilities	85.2	77.7	7.5	9.7%
Total Liabilities	\$125.2	\$114.9	\$10.3	9.0%
Net Position (Assets minus Liabilities)	\$415.8	\$421.6	\$(5.8)	(1.4%)
COST BY PROGRAMS				
Nuclear Reactor Safety	\$729.9	\$741.9	\$(12.0)	(1.6%)
Nuclear Materials and Waste Safety	208.4	213.0	(4.6)	(2.2%)
LESS: Earned Revenue (License Fees)	767.9	774.7	(6.8)	(0.9%)
Net Cost of Operations	\$170.4	\$180.2	\$(9.8)	(5.4%)
COST BY STRATEGIC GOALS				
Safety	\$893.9	\$912.8	\$(18.9)	(2.1%)
Security	44.4	42.1	2.3	5.5%
LESS: Earned Revenue (License Fees)	767.9	774.7	(4.6)	(0.6%)
Net Cost of Operations	\$170.4	\$180.2	\$(9.8)	(5.4%)

Analysis of the Balance Sheet

Assets. The NRC's total assets were \$541.0 million as of September 30, 2019, representing a increase of \$4.5 million from the fiscal year ended September 30, 2018. Changes in major categories include an increase of \$25.0 million in the Fund Balance with Treasury, offset by decreases of \$8.9 million in Accounts Receivable, net, \$2.2 million in Advances and Prepayments, \$9.4 million in Property and Equipment, net.

The Fund Balance with Treasury was \$411.9 million as of September 30, 2019, which accounts for 76 percent of total assets. This account consists of cash or cash equivalents from appropriated funds, license fee collections, and other funds maintained at the U.S. Treasury to pay current liabilities and to finance authorized purchase commitments. The Fund Balance with Treasury can vary largely due to timing of disbursing payments and receiving collections as well as changes in the appropriations. The increase of \$25.0 million in the Fund Balance with Treasury is primarily the result of an increase in the beginning balance of \$21.1 million and a decrease in Net Outlays of \$14.9 million, offset by a decrease of \$10.9 million in appropriations.

Accounts Receivable, net consists mainly of amounts that other Federal agencies and the public owe to the NRC for license fees. As of September 30, 2019, Accounts Receivable, net was \$66.4 million, which includes an offsetting allowance for doubtful accounts of \$2.4 million. This represents a net decrease in Accounts Receivable, net of \$8.9 million from the FY 2018 amount of \$75.3 million. The decrease is primarily due to reductions in intragovernmental billed fees receivable of \$1.2 million, billed fees receivable of \$2.1 million, unbilled fees receivable of \$7.7 million, and the allowance for doubtful accounts of \$0.4 million, offset by an increase of \$1.8 million for a refund due from another Federal agency. The changes result from the reduced fee base used for collections and an increased collection effort.

Property and Equipment, net consists primarily of office equipment, leasehold improvements, nuclear reactor simulators, and computer hardware and software. The NRC has no real property. The land and buildings in which the NRC operates are leased from the U.S. General Services Administration (GSA). At the end of FY 2019, Property and Equipment, net was \$55.6 million, a \$9.4 million decrease from the FY 2018 amount of \$65.0 million. The decrease primarily results from the amortization expense of \$4.6 recognized on completed ADP Software Development projects and the removal from the NRC books of \$6.1 million of Leasehold Improvement projects for expired leases on NRC office buildings; offset by an increase of \$1.4 million in Internal Use Software Under Development.

Liabilities. Total Liabilities were \$125.2 million as of September 30, 2019, representing an increase of \$10.3 million from the FY 2018 balance of \$114.9 million. Liabilities consist primarily of accounts payable to other Federal agencies and the public, grants payable, accrued salaries and benefits, and other accrued employee benefits.

Total Liabilities include liabilities not covered by budgetary resources, which represent expenses recognized in the financial statements that will be paid from future appropriations. The liabilities not covered by budgetary resources are \$53.5 million for FY 2019, compared to \$48.8 million for end of FY 2018, a \$4.7 million increase. For FY 2019 the liabilities not covered by budgetary resources represent 43 percent of Total Liabilities and include \$42.0 million in unfunded accrued annual leave that has been earned but not yet taken, \$4.6 million as an actuarial estimate of accrued future workers' compensation expenses included in Federal employee benefits, \$1.0 million in accrued workers' compensation included in Other Liabilities, and a \$5.9 million accrual to GSA for future annual rent increases on the rent of NRC office buildings.

Net Position. The difference between Total Assets and Total Liabilities, Net Position, was \$415.8 million as of September 30, 2019, a decrease of \$5.8 million from the FY 2018 year-end balance. Net Position comprises two components: Unexpended Appropriations and Cumulative Results of Operations which is the cumulative excess of financing sources over expenses. The analysis of the Statement of Changes in Net Position provides additional information on the significant changes to Net Position for FY 2019 year-end.

Analysis of the Statement of Net Cost

The Statement of Net Cost presents the gross cost of the NRC’s two major programs (Nuclear Reactor Safety and Nuclear Materials and Waste Safety) as identified in the NRC Annual Performance Plan, offset by earned revenue. The purpose of this statement is to link program performance to the cost of programs. The NRC’s net cost of operations for the year ended September 30, 2019, was \$170.4 million, representing a decrease of \$9.8 million compared to the FY 2018 net cost of \$180.2 million. This represents a decrease in gross costs of \$16.6 million offset by a decrease in earned revenue of \$6.8 million.

Gross Costs. The NRC’s total gross costs were \$938.3 million for FY 2019, a decrease of \$16.6 million from the prior-year amount of \$954.9 million. The gross costs in FY 2019 for the Nuclear Reactor Safety program were \$729.9 million compared to FY 2018 gross costs of \$741.9 million, a decrease of \$12.0 million. The gross costs in FY 2019 for the Nuclear Materials and Waste Safety program were \$208.4 million compared to FY 2018 gross costs of \$213.0 million, a decrease of \$4.6 million. Thus, the gross cost of both programs decreased a total of \$16.6 million. The decrease is due to reductions in employee salaries and benefits of \$13.4 million; rent, telecommunications, and utilities of \$8.1 million, contract support of \$7.6 million, and grants of \$0.9 million; offset by increases of \$13.1 million for property and equipment and \$0.3 million for travel and transportation costs. The gross cost of \$938.3 million as incurred by the NRC’s goals of Safety and Security were \$893.9 million for the Safety goal and \$44.4 million for the Security goal.

Earned Revenue. Total earned revenue for FY 2019 was \$767.9 million, a decrease of \$6.8 million from the FY 2018 earned revenue of \$774.7 million. Revenue for the Nuclear Reactor Safety program in FY 2019 was \$693.0 million compared to \$692.9 million in FY 2018, an increase of \$0.1 million. Revenue from the Nuclear Materials and Waste Safety program in FY 2019 was \$74.9 million compared to \$81.8 million in FY 2018, a decrease of \$6.9 million. The decrease in earned revenue is primarily a result of reductions in the fee base, that is, the amount of the appropriated budget that Congress directs the NRC to recover in license fees. The \$16.1 million appropriated budget for International Activities and an additional \$10.3 million appropriated budget for the Advanced Reactor Regulatory Infrastructure program were taken off the fee base in FY 2019.

The NRC is required to collect approximately 90 percent of its appropriation through license fee billing. The agency collects fees for reactor and materials licensing and inspections in accordance with Title 10 of the *Code of Federal Regulations* (10 CFR) Part 170, “Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services under the Atomic Energy Act of 1954, as amended,” at <https://www.nrc.gov/reading-rm/doc-collections/cfr/part170/>, and 10 CFR Part 171, “Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Materials Licenses, Including Holders of Certificates of Compliance, Registrations, and Quality Assurance Program Approvals and Government Agencies Licensed by the NRC,” at <https://www.nrc.gov/reading-rm/doc-collections/cfr/part171/>.

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position for the reporting period. Net position is affected by the changes in two components: (1) Cumulative Results of Operations and (2) Unexpended Appropriations. In FY 2019, the NRC had a decrease in Net Position of \$5.8 million resulting from a decrease in Cumulative Results of Operations of \$21.8 million, offset by an increase of \$16.0 million in Unexpended Appropriations.

The change in Unexpended Appropriations results from appropriations received, net of license fee collections, being more or less than the appropriations used to finance the NRC operations. The increase in FY 2019 Unexpended Appropriations of \$16.0 million resulted from an increase in the beginning balance of \$18.2 million offset by a decrease of \$1.4 million in appropriations received, net of license fees collected, and a decrease of \$0.8 million in appropriations used to finance the NRC operations. The decrease in appropriations received, net of license fees collected, resulted from appropriations received for FY 2019 of \$911.0 million, reduced by current year license fee collections of \$772.2 million, as compared to appropriations received in FY 2018 of \$922.0 million, reduced by FY 2018 license fee collections of \$781.8 million.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) provides information on budgetary resources available to the NRC and their status at the end of the period. In FY 2019, the Total Budgetary Resources of \$964.4 million were available. This was \$10.8 million less than the \$975.2 million available for FY 2018. The major component contributing to the decrease in Total Budgetary Resources resulted from an \$11.0 million decrease in appropriations received, a slight reduction of \$0.3 million in spending authority from offsetting collections, offset by an increase of \$0.5 million in the beginning unobligated balance brought forward, net on October 1.

The SBR accounts for operational activities funded by NRC's budgetary resources during the fiscal year. The NRC's obligations for FY 2019 were \$895.0 million, a decrease of \$39.0 million from the prior year amount of \$934.0 million. The decrease was due to reductions in employee salaries and benefits of \$11.8 million; contract support of \$22.5 million; rent, telecommunications, and utilities of \$10.9 million; offset by an increase of \$6.2 million for property and equipment.

The SBR also accounts for the funds that were not obligated and used for operations during the fiscal year. The balance of unobligated budgetary resources at the end of FY 2019 was \$69.4 million, compared to \$41.1 million for the prior year. The decrease in appropriations received offset against the decrease in current year obligations are the primary contributors resulting in the increase of \$28.3 million in total budgetary resources not obligated at the end of the FY.

Management Assurances, Systems, Controls, and Legal Compliance

Federal Managers’ Financial Integrity Act of 1982

The Financial Managers’ Financial Integrity Act of 1982 (FMFIA or Integrity Act) mandates that Federal agencies establish effective internal control and provide reasonable assurance that the following objectives are being met:

- **Program Management** - Programs are achieving their intended results, and are protected from waste, fraud, abuse, and mismanagement;
- **Resource Management** - Resources are being used consistent with the agency’s mission;
- **IT Systems** - Information systems are authorized and appropriately secured;
- **Laws and Regulations** - Laws and regulations are followed; and
- **Communication** - Reliable and timely information is obtained, maintained, reported, and used for sound decision-making.

The agency’s program, operational, and administrative areas, as well as accounting and financial management, are covered by the Integrity Act. The Integrity Act also requires the NRC Chairman to provide an assurance statement on the adequacy of internal controls and on the conformance of financial systems with Government-wide standards.

Enterprise Risk Management and Programmatic Internal Control

Enterprise Risk Management (ERM) provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges that provides better insight into how to most effectively prioritize resource allocations to ensure successful mission delivery. A principal component of ERM is Internal Control, which the U.S. Government Accountability Office in GAO-14-704G, *Standards for Internal Control in the Federal Government*, defines as “a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.”

OMB Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, provides Federal agencies guidance on how to comply with the Integrity Act and requires Federal managers to effectively manage risks that may impact agencies in meeting their strategic objectives.

The NRC’s [ERM](#) Framework meets OMB requirements. The framework includes the following:

- **Incorporating** ERM and performance management into the agency’s [Internal Control](#) policy document;
- **Leveraging** appropriate agency governance organizations and processes currently in place such as the NRC Internal Control Governance Framework, Quarterly Performance Review meetings, and Executive Committee on Enterprise Risk Management meetings;
- **Standing up** the agency’s Programmatic Senior Assessment Team as the agency evaluation structure for enterprise risks;

Chapter 1 • Management’s Discussion and Analysis

- **Developing and disseminating** ERM and Internal Control awareness training, risk documentation instructions, and a “Risk-Informed Modern Regulator” initiative for NRC management and staff; and
- **Incorporating** ERM into executive decision-making, and management’s evaluation of the NRC’s internal control and reasonable assurance processes.

Under the NRC’s Integrity Act Governance Framework (see Figure 6), reading from left to right: The Chief Financial Officer (CFO) is responsible for ensuring that the agency complies with the FFMIA (Federal Financial Management Improvement Act), and Section 4 of the Integrity Act, “Financial Systems”. The Senior Assessment Team (SAT), chaired by the CFO, is responsible for ensuring that the agency complies with Appendix A, OMB Circular A-123, “Internal Control over Report”. The Executive Committee on Enterprise Risk Management (ECERM), co-chaired by the CFO and the Executive Director for Operations (EDO), is responsible for ensuring that the agency’s internal control over programmatic operations complies with the Integrity Act.

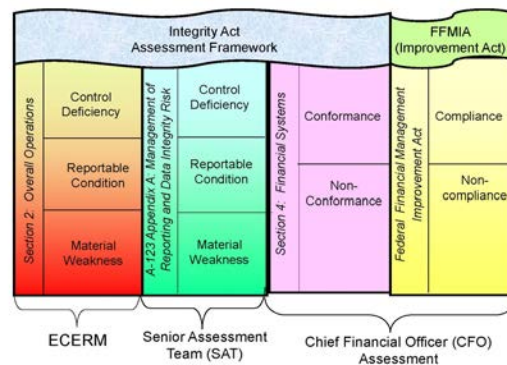


Figure 6 The NRC’s Integrity Act Governance Framework

The other members that comprise the ECERM are senior executives from the Office of the Executive Director for Operations (OEDO), and the Chief Information Officer. The agency’s General Counsel, Inspector General, and the agency’s Internal Control Team Leader serve as advisory members. The other members of the SAT include senior executives from the Office of the Chief Financial Officer (OCFO) as well as the senior officials from the agency’s corporate support product lines, (i.e., the Chief Human Capital Officer, the Chief Information Officer, the Director of the Office of Administration, who oversees the agency’s Division of Acquisitions) and the agency’s Internal Control Team Leader.

The ECERM assessed the agency’s programmatic operations, financial systems, and internal control over reporting; reported to the NRC Chairman that there were no internal control deficiencies or enterprise risks serious enough to require reporting as a material weakness or area of noncompliance; and voted to recommend that the Chairman sign the agency’s FMFIA Statement (see Figure 7).

Integrity Act Results

As required by Section 2 of the Integrity Act and under the guidance established in OMB Circular A-123, all NRC business line leads and corporate support product lines certified that, as of September 30, 2019, there was reasonable assurance that internal control was in place producing intended results. Based on management’s certification of reasonable assurance, the NRC can provide a statement of assurance that its internal control met the objectives of the Integrity Act and conforms to Government-wide standards.

U.S. NUCLEAR REGULATORY COMMISSION
FISCAL YEAR 2019
FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

The U.S. Nuclear Regulatory Commission (NRC) managers are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act of 1982* (Integrity Act). The NRC is able to provide an unmodified statement of assurance that the internal control and financial management systems meet the objectives of the Integrity Act with no material weaknesses.

The NRC conducted its assessment of internal control over programmatic operations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (A-123) guidelines. Based on the results of this evaluation, NRC can provide reasonable assurance that its internal control over programmatic operations is in substantial compliance with applicable laws and guidance, and no material weaknesses were found as of September 30, 2019. Also in accordance with guidance established in A-123, NRC continued to incorporate Enterprise Risk Management (ERM) into the agency's performance management and internal control framework, and can provide assurance on its risk management process of identifying, assessing, and managing risks. The agency has developed a risk profile and found there were no enterprise-wide risks determined to be reportable outside of the agency.

In addition, the NRC conducted its assessment of the effectiveness of internal control over reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of A-123. Based on the results of the evaluation which included an analysis of NRC's Data Quality Plan, the NRC can provide reasonable assurance that its internal control over reporting as of September 30, 2019, was operating effectively, and no material weaknesses were found in the design or operation of the internal control over reporting.

In accordance with guidance established in OMB Circular A-123, Appendix D, the Chief Financial Officer reviewed audit reports and other sources of information, and as of September 30, 2019, can provide reasonable assurance that NRC's financial systems substantially comply with Federal financial system requirements, applicable Federal accounting standards, and the U.S. Department of Treasury standard general ledger at the transaction level, as required by the *Federal Financial Management Improvement Act of 1996*.



Kristine L. Svinicki
Chairman
U.S. Nuclear Regulatory Commission
November 5, 2019

Figure 7 FY 2019 Federal Managers' Financial Integrity Act Statement

Office of Management and Budget Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control

Management of Reporting and Data Integrity Risk (Appendix A)

The NRC adopted a risk based testing plan to assess the effectiveness of its internal control over financial reporting to comply with OMB Circular A-123, Appendix A. Based on the results of the evaluation which included an analysis of NRC’s Data Quality Plan, the NRC can provide reasonable assurance that its internal control over financial reporting as of September 30, 2019, was operating effectively, and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Improving the Management of Government Charge Card Programs (Appendix B)

The Government Charge Card Abuse Prevention Act (Charge Card Act) of 2012 establishes reporting and audit requirement responsibilities for executive branch agencies. The NRC’s Office of Administration has procedures in place for the use of purchase cards. In a process managed by OCFO, the NRC last updated its Travel Charge Card Management Plan in January 2019. The NRC has reviewed the purchase and travel card programs for compliance with the Charge Card Act and can provide reasonable assurance that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices in accordance with OMB Circular A-123, Appendix B.

Requirements for Payment Integrity Improvement (Appendix C)

In FY 2011, the NRC completed an initial risk assessment to determine whether any programs were susceptible to making significant improper payments in accordance with the *Improper Payments Information Act of 2002* (IPIA) as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). The results of that assessment allowed the agency to conduct future risk assessments on a triennial basis. The NRC conducted the latest risk assessment in FY 2017.

The FY 2017 risk assessment did not identify any programs that were susceptible to making significant improper payments. Although the results of the FY 2017 risk assessment identified programs as low risk, the NRC continues to monitor its payment processes, in addition to conducting periodic reviews of key controls for IPIA programs identified by management. The NRC will continue to conduct a risk assessment on a triennial basis, in accordance with IPIA, as amended by IPERA and IPERIA, as well as, OMB guidance. The next NRC IPIA risk assessment will take place in FY 2020. In addition, the NRC will conduct additional risk assessments, as needed, if there are material changes in programs operations or if the NRC establishes new programs.

Chapter 3, *Other Information*, of this report presents additional information in the Payment Integrity section.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA or Improvement Act) requires each agency to implement and maintain systems that comply substantially with:

(1) Federal financial system requirements; (2) applicable Federal accounting standards; and, (3) the standard general ledger at the transaction level. FFMIA requires the Chairman to determine whether the agency’s financial management system complies with FFMIA and to develop remediation plans for systems that do not comply.

Improvement Act Results

The OCFO successfully completed implementation of the electronic billing (eBilling) system and the Commitment Planning Module. The NRC eBilling system is a web-based application available for use by agency licensees. As a result of eBilling, licensees are provided with immediate delivery of NRC invoices, customizable email notifications, the capability to view and analyze invoice details, and the convenience to access Treasury systems to pay invoices. The Commitment Planning Module integrates execution, formulation and acquisition spend planning to institute standardized, streamlined and transparent execution processing and informed decision making both during the year of execution and feeding the next formulation cycle.

The CFO reviewed audit reports and other sources of information and, as of September 30, 2019, can provide reasonable assurance that NRC’s financial systems substantially comply with applicable Federal accounting standards as required by the Improvement Act.

Digital Accountability and Transparency Act (DATA Act) of 2014

The DATA Act aims to establish Governmentwide financial data standards and increase the availability, accuracy, and usefulness of Federal spending information. The DATA Act has the following purposes:

- **Establish Governmentwide data standards** for financial data and provide consistent, reliable, and searchable Governmentwide spending data that are accurately displayed.
- **Expand accountability** of the *Federal Funding Accountability and Transparency Act of 2006* to disclose direct Federal agency expenditures and link Federal contract, loan, and grant spending information to programs.
- **Simplify reporting** for entities receiving Federal funds by streamlining requirements and reducing compliance costs while improving transparency.
- **Improve data quality** submitted to USASpending.gov by holding Federal agencies accountable for the completeness and accuracy of the information submitted.
- **Apply approaches** developed by the Recovery Accountability and Transparency Board for spending across the Federal Government to increase spending transparency and reduce reporting burden.

The DATA Act requires that the OIG audit DATA Act compliance every 2 years. In FY 2018, the NRC closed all recommendations from the initial audit conducted in FY 2017. The results of the OIG audit of FY 2019 first quarter data issued in November 2019 reported that the agency submitted complete and generally accurate data that conformed to OMB and Treasury requirements. However, the OIG audit identified a small percentage of discrepancies with contractual data elements between File C records generated from agency source systems and

File D1 records extracted from the Data Act Broker's government-wide source systems, and provided a recommendation for the NRC to improve its internal control and error detection and reconciliation procedures.

Financial Management Systems Strategies

For FY 2019, the NRC has completed continuous monitoring security related activities for the agency's financial systems. To comply with the U.S. Department of Homeland Security's Identity, Credential, and Access Management program, the financial management systems will continue to support or will support multi-factor authentication. Enabling two-factor login authentication strengthens the NRC's security stance with financial management data while reducing help desk calls, routine systems maintenance, and annual and quarterly cybersecurity costs.

Prompt Payment

The *Prompt Payment Act of 1982*, as amended, requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2019, the NRC paid 98.24 percent of the 5,672 invoices subject to the Prompt Payment Act on time.

Debt Collection

The *Debt Collection Improvement Act of 1996* enhances the ability of the Federal Government to service and collect debts. The agency's goal is to maintain the level of delinquent debt owed to the NRC at year end to less than 1 percent of its annual billings. The NRC met this goal. At the end of FY 2019, delinquent debt was \$3.6 million or less than 1 percent of annual billings. The NRC was able to refer 96.4 percent of all eligible debt over 180 days delinquent to the Treasury for collection and 57.1 percent over 120 days old in accordance with the DATA Act. In addition, the NRC met the collections requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) which requires the agency to recover through fees approximately 90 percent of its budget authority in the current fiscal year.

Biennial Review of User Fees

The *Chief Financial Officers Act of 1990* requires agencies to conduct a biennial review of fees, royalties, rents, and other charges imposed by agencies and to make revisions to cover program and administrative costs incurred. The NRC conducted the following reviews in FY 2019:

- Small Materials and Import and Export Licenses – Completed February 2019
- Freedom of Information Act and Privacy Act – Completed March 2019
- Administrative Public Use of Auditorium (Hourly)/Parking (Monthly/Daily) – Completed April 2019
- U.S. Navy Porting Reviews – Completed June 2019
- Information Access Authorization Program (IAAP) and the Materials Access Authorization Program (MAAP) – Completed September 2019

On May 17, 2019, the NRC issued a final rule in the Federal Register (FR) amending the licensing, inspection, and annual fees charged to its applicants and licensees.

The FY 2019 rule can be found at <https://www.federalregister.gov/documents/2019/05/17/2019-10051/revision-of-fee-schedules-fee-recovery-for-fiscal-year-2019>.

The amendments are necessary for the NRC to implement the OBRA-90, as amended. OBRA-90 requires the NRC to collect fees to offset approximately 90 percent of its appropriation. By law, this excludes amounts appropriated for Waste Incidental to Reprocessing, generic homeland security, Inspector General services for the Defense Nuclear Facilities Safety Board, and advanced reactor regulatory infrastructure. Based on the Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019, the NRC's required fee recovery amount for the FY 2019 budget is \$911.0 million. After accounting for billing adjustments, the total amount to be billed as fees to licensees is approximately \$782.5 million. The NRC issued its Fee Recovery Schedules for FY 2019 in a FR notice dated May 17, 2019, available at <https://www.federalregister.gov/documents/2019/05/17/2019-10051/revision-of-fee-schedules-fee-recovery-for-fiscal-year-2019>.

The FR Notice also advised stakeholders that the Nuclear Energy Innovation and Modernization Act will replace OBRA-90 as the basis for future NRC fee recovery beginning in FY 2021.

Inspector General Act of 1978

The NRC has established and continues to maintain an excellent record in resolving and implementing OIG open audit recommendations. The status of these recommendations can be found at: <http://www.nrc.gov/reading-rm/doc-collections/insp-gen>.

Program Performance Overview

The NRC’s mission is to license and regulate the Nation’s civilian use of radioactive materials to provide reasonable assurance of adequate protection of public health and safety and to promote the common defense and security and to protect the environment. Therefore, the trends for progress on the agency’s strategic goals and objectives are to be at either zero or very low levels. The agency works to prevent or minimize the outcomes tracked by the safety and security performance indicators.

The NRC carries out its safety and security activities through two major programs: Nuclear Reactor Safety, consisting of the Operating Reactors and New Reactors business lines; and, Nuclear Materials and Waste Safety, consisting of the Fuel Facilities, Nuclear Materials Users, Decommissioning and Low-Level Waste, and Spent Fuel Storage and Transportation business lines. The agency accomplishes its mission to provide reasonable assurance of adequate protection for public health and safety through regulatory activities that include licensing, oversight, and rulemaking. The NRC oversees licensees through inspection, assessment, investigation, and enforcement actions. Investigations and enforcement actions are a subset of oversight in cases of suspected or proven instances of noncompliance with safety or security regulations. The NRC’s event response activities prepare for and respond to emergencies involving radioactive materials. The following narrative highlights the agency’s progress during FY 2019 in achieving its Safety and Security goals.

Performance Results

The NRC’s FY 2018-2022 Strategic Plan describes the agency’s mission, goals, and strategies and can be found at <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1614/v7/>. The results of these goals/indicators are reported in this year’s AFR. As noted on the previous page, the agency’s two strategic goals are focused on Safety and Security.

The Safety goal is to: Ensure the safe use of radioactive materials.

The Security goal is to: Ensure the secure use of radioactive materials.

Strategic Goal 1: Ensure the Safe Use of Radioactive Materials

Strategic Objective

Strategic objectives express more specifically the results that are needed to achieve a strategic goal. The safety objective for Goal 1 is: Prevent, mitigate, and respond to accidents and ensure radiation safety.

Minimizing the likelihood of accidents and reducing the consequences of an accident (should one occur) are the key elements for achieving the NRC’s safety goal. The NRC employs defense-in-depth approaches to ensure that multiple layers of defense protect against accidents and their effects to ensure that the risk to the public is acceptably low. In this approach, the agency does not rely solely on preventing accidents but also recognizes that provisions are needed to mitigate the effects of accidents that may occur. The agency must ensure that effective preparedness and response programs are in place if an accident were to occur.

Chapter 1 • Management's Discussion and Analysis

In FY 2019, the NRC achieved its Safety goal strategic objective. The NRC uses five performance indicators to determine whether it has met its Safety goal. The agency met all five performance indicator targets in FY 2019. Table 5 shows the outcomes for the last 5 years (FY 2015-FY 2019). The cost of achieving the agency's Safety goal in FY 2019 was \$893.9 million.



Grey Water Pond at Palo Verde

Chapter 1 • Management’s Discussion and Analysis

Safety Performance Indicators: FY 2015–2019

Table 5 FY 2015–2019 Safety Performance Indicators

Goal–Safety: Ensure the Safe Use of Radioactive Materials

1. Prevent radiation exposures that significantly exceed regulatory limits.

Business Line	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
New Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level Waste	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0
Nuclear Materials Users	≤ 3	1	≤ 3	2	≤ 3	0	≤ 3	1	≤ 3	1

2. Prevent releases of radioactive materials that significantly exceed regulatory limits.

Business Line	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
New Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level Waste	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0
Nuclear Materials Users	0	0	0	0	0	0	0	0	0	0

3. Prevent the occurrence of any inadvertent criticality events.

Business Line	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level Waste	0	0	0	0	0	0	0	0	0	0

4. Prevent accident precursors and reductions of safety margins at commercial nuclear power plants (operating or under construction) that are of high safety significance.

Business Line	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0
New Reactors	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0

5. Prevent accident precursors and reductions of safety margins at nonreactor facilities or during transportation of nuclear materials that are of high safety significance.

Business Line	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Fuel Facilities	0	0	0	1*	0	0	0	0	0	0
Decommissioning and Low-Level Waste	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0

*As referenced in NUREG-0090, Volume 39, “Report to Congress on Abnormal Occurrences, Fiscal Year 2016,” dated May 2, 2017

Chapter 1 • Management's Discussion and Analysis

Safety Objective 1: Prevent, mitigate, and respond to accidents and ensure radiation safety.

Performance Goal 1: Prevent radiation exposures that significantly exceed regulatory limits.

Performance Indicator: Number of radiation exposures that meet or exceed Abnormal Occurrence (AO) criteria I.A.1 (unintended radiation exposure to an adult), I.A.2 (unintended radiation exposure to a minor), or I.A.3 (radiation exposure that has resulted in unintended permanent functional damage to an organ or physiological system).

Discussion: This indicator tracks the effectiveness of the NRC's nuclear safety regulatory programs, in part through the number of significant radiation exposures to the public and occupational workers that exceed AO criteria. This indicator tracks exposures from both nuclear reactors and other uses of nuclear materials, such as hospitals and industrial uses. In FY 2019, one radiation exposure significantly exceeded regulatory limits.

Performance Goal 2: Prevent releases of radioactive materials that significantly exceed regulatory limits.

Performance Indicator: Number of releases of radioactive materials that meet or exceed AO criterion I.B (discharge or dispersal of radioactive material from its intended place of confinement).

Discussion: This indicator tracks the effectiveness of the NRC's nuclear material regulatory programs. Exceeding the applicable regulatory limits is defined as a release of radioactive material that causes a total effective radiation dose equivalent to individual members of the public greater than 0.1 rem in a year, exclusive of dose contributions from background radiation. In FY 2019, there were no releases of this nature.

Performance Goal 3: Prevent the occurrence of any inadvertent criticality events.

Performance Indicator: Number of instances of unintended nuclear chain reactions involving NRC-licensed radioactive materials.

Discussion: This indicator tracks the effectiveness of the NRC's criticality safety regulatory programs through the number of unintended self-sustaining nuclear reactions occurring within a fiscal year. Intended criticality events include the startup of a nuclear power reactor. There were no inadvertent criticality events during FY 2019.

Performance Goal 4: Prevent accident precursors and reductions of safety margins at commercial nuclear power plants (operating or under construction) that are of high safety significance.

Performance Indicator: Number of malfunctions, deficiencies, events, or conditions at commercial nuclear power plants (operating or under construction) that meet or exceed AO criteria II.A-II.E (commercial nuclear power plant licensees).

Discussion: The NRC's Reactor Oversight Process monitors nuclear power plant performance in three areas: (1) reactor safety, (2) radiation safety, and (3) security. Analysis of individual plant performance is based on both licensee-submitted performance indicators and NRC inspection findings, which are independent assessments of licensee performance that the NRC

Chapter 1 • Management's Discussion and Analysis

conducts as the regulatory authority. Each issue is evaluated and assigned one of four categories in order of increasing significance: green, white, yellow, or red. When the rating is higher (more severe), the NRC applies a greater level of oversight. A red finding or performance indicator is the most severe rating and signals a significant reduction in the safety margin in the measured area. The NRC issued no red findings in FY 2019.

Performance Goal 5: Prevent accident precursors and reductions of safety margins at nonreactor facilities or during transportation of nuclear materials that are of high safety significance.

Performance Indicator: Number of malfunctions, deficiencies, events, or conditions at nonreactor facilities or during transportation of nuclear materials that meet or exceed AO criteria III.A or III.B (events at facilities other than nuclear power plants and all transportation events).

Discussion: This indicator tracks the effectiveness of the NRC's regulatory safety programs for nonreactor facilities or during transportation of nuclear materials through the number of instances in which safety margins at nonreactor facilities are at unacceptable levels. No occurrences of this nature took place during FY 2019.

Safety Goal Strategies

The NRC's FY 2018–2022 Strategic Plan describes the five Safety goal strategies at the following link: <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1614/v7/>.

Strategic Goal 2: Ensure the Secure Use of Radioactive Materials

Strategic Objectives

Strategic objectives more specifically express the results that are needed to achieve a strategic goal. The two security objectives for Goal 2 follow in bold text.

1. Ensure protection of nuclear facilities and radioactive materials.

Protecting nuclear facilities and radioactive materials are key elements for achieving the NRC's Security goal. Nuclear facilities and materials are protected against hostile intent by two primary means: (1) control of access to facilities and materials; and (2) accountability controls for radioactive materials. These controls are intended to prevent those with hostile intent from either damaging a nuclear facility in such a way that a significant release of radioactive materials to the environment occurs or obtaining enough radioactive material for malevolent use.

2. Ensure protection of classified and controlled unclassified information.

Protecting classified and controlled unclassified Information is another key contributor to achieving the agency's Security goal. This is accomplished primarily by controlling access to this information to ensure that potential adversaries cannot use it for malevolent purposes, such as sabotage, theft, or diversion of radioactive materials.

The security objectives specify the conditions that must be met for the agency to ensure the secure use of radioactive materials.

Chapter 1 • Management’s Discussion and Analysis

In FY 2019, the NRC achieved its Security goal strategic objectives. The NRC also uses three Security goal performance indicators to determine whether the agency has met its Security goal. The agency met all three performance indicator targets in FY 2019. Table 6 shows the outcomes from FY 2015–FY 2019. The cost of achieving the agency’s Security goal was \$44.4 million in FY 2019.

Security Performance Indicators: FY 2015–2019

Table 6 FY 2015–2019 Security Performance Indicators

Goal – Security: Ensure Secure Use of Radioactive Materials

1. Prevent sabotage, theft, diversion, or loss of risk-significant quantities of radioactive material.

Business Line	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
All Business Lines	0	0	0	0	0	0	0	0	0	1

2. Prevent substantial breakdowns of physical security, cybersecurity, or material control and accountability.

Business Line	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
All Business Lines	≤ 1	0	≤ 1	0	≤ 1	0	≤ 1	0	≤ 1	0

3. Prevent significant unauthorized disclosures of classified or Safeguards Information (SGI).

Business Line	FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
	Target	Actual	Target	Actual	Actual	Actual	Target	Actual	Target	Actual
All Business Lines	0	0	0	0	0	0	0	0	0	0

Security Objective 1: Ensure protection of nuclear facilities and radioactive materials.

Performance Goal 1: Prevent sabotage, theft, diversion, or loss of risk significant quantities of radioactive material.

Performance Indicator: Number of instances of sabotage, theft, diversion, or loss of risk-significant quantities of radioactive material that meet or exceed AO Criteria I.C.1 (stolen, abandoned or unrecovered lost), I.C.2 (radiological sabotage), or I.C.3 (substantiated case of actual theft, diversion, or loss of a formula quantity of SNM or inventory discrepancy)

Discussion: This indicator measures the agency’s effectiveness in preventing sabotage, theft, diversion, or loss of risk-significant quantities of radioactive material through tracking any loss or theft of radioactive nuclear sources that the NRC has determined to be of significant risk. The indicator also measures the agency’s performance in ensuring the proper accounting for radioactive sources of significant risk that could be used for malicious purposes. It also measures whether NRC-licensed facilities maintain adequate protective capabilities to prevent theft or diversion of nuclear material or sabotage that could result in substantial harm to the public health and safety. One incident took place during FY 2019. In April 2019, a theft of material occurred, and the individual was located and the material was secured. Additional information regarding this event (#EN54033) can be found at: <https://www.nrc.gov/reading-rm/doc-collections/event-status/event/2019/20190506en.html#en54033>

Chapter 1 • Management's Discussion and Analysis

Performance Goal 2: Prevent substantial breakdowns of physical security, cybersecurity, or material control and accountability.

Performance Indicator: Number of substantial breakdowns of physical security, cybersecurity, or material control and accountability that meet or exceed AO criterion I.C.4 (substantial breakdown of physical security, cybersecurity, or material control and accountability) or I.C.3 (substantiated case of actual theft, diversion, or loss of a formula quantity of SNM or an inventory discrepancy).

Discussion: This indicator measures the agency's effectiveness in maintaining security by tracking any substantial breakdowns in access control, containment, or accountability systems that significantly weakened the protection against theft, diversion, or sabotage for nuclear materials that the agency has determined to be of significant risk. In FY 2019, there were no incidents of this nature.

Security Objective 2: Ensure protection of classified and controlled unclassified information.

Performance Goal 3: Prevent significant unauthorized disclosures of classified or safeguards information.

Performance Indicator: Number of significant unauthorized disclosures of classified or safeguards information by licensees as defined by AO criterion I.C.5 and by NRC employees or contractors as defined by NRC internal criteria.

Discussion: This indicator includes significant unauthorized disclosures of classified or safeguards information that cause damage to national security or public safety. This indicator reflects whether information that can harm national security (classified information) or cause damage to the public health and safety has been protected sufficiently to prevent its disclosure to terrorist organizations, other nations, or personnel without a need to know. No significant unauthorized disclosures occurred in FY 2019.

Security Goal Strategies

The NRC's FY 2018– 2022 Strategic Plan describes the three Security goal strategies at the following link: <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1614/v7/>.

Chapter 2: Financial Statements and Auditors' Report

A Message from the Chief Financial Officer



As we leave FY 2019, I can confirm that the financial condition of the U.S. Nuclear Regulatory Commission (NRC) is sound. The independent auditor issued both an unmodified opinion on the fiscal year FY 2019 financial statements and an unmodified opinion on our internal controls over financial reporting. Moreover, the auditors concluded that the NRC was in substantial compliance with applicable laws and regulations. Since the passage of the CFO Act of 1990, the NRC has continued to issue sound reports on the status of resources entrusted to the agency.

The implementation of Public Law 115-439, "Nuclear Energy Innovation and Modernization Act" (NEIMA) resulted in some of the most significant changes to our fee and budget processes since the early 1990s. In FY 2019, we transformed the FY 2021 budget formulation process and associated systems to comply with new NEIMA mandates. The mandates required significant business process changes, including identification of anticipated expenditures necessary for completion of requested activities of the Commission, meeting operating power reactors annual fee and corporate support requirements, and a new fee calculation. These changes will be reflected in the FY 2021 Congressional Budget Justification expected to be released publicly in February 2020.

The NRC continued to focus on improving the efficiency and effectiveness of its revenue process. Specifically, the NRC implemented the standardized fee billing validation process, which resulted in a major agency-wide improvement in accountability and internal control. In addition, the NRC improved fee billing transparency and efficiency by creating the eBilling system allowing licensees to view and pay their bills on-line and download data electronically. This was a major breakthrough and is the result of sustained effort and focus. The NRC also established an agency-wide Data Quality Plan to comply with new OMB requirements under A-123 to improve NRC's control environment and to facilitate data analytics.

This AFR illustrates our sound stewardship of NRC resources. As noted in Chapter 1, the NRC has reduced its costs while meeting all of its goals and objectives. Chapter 2 presents the NRC's financial statements and the independent auditor's report. Finally, Chapter 3 presents other relevant information such as the Inspector General's assessment of the most serious management and performance challenges facing the NRC.

The NRC remains committed to its mission of ensuring the safety and security of the Nation's civilian use of radioactive materials in the most effective and efficient manner. The regulation of the Nation's nuclear industries during times of fiscal and regulatory challenges requires us to strategically plan and prepare our workforce to be successful and to continue using sound business practices to accomplish our regulatory mission, keeping the trust of our stakeholders.

A handwritten signature in blue ink, appearing to read 'Maureen E. Wylie', written over a light blue background.

Maureen E. Wylie
Chief Financial Officer
November 1, 2019

Financial Statements

Balance Sheet (IN THOUSANDS)

As of September 30,	2019	2018
Assets:		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 411,871	\$ 386,894
Accounts receivable (Note 3)	5,501	5,680
Advances and prepayments	7,039	9,190
Total intragovernmental	424,411	401,764
Accounts receivable, net (Note 3)	60,902	69,640
Property and equipment, net (Note 4)	55,649	65,073
Other	45	57
Total Assets	\$ 541,007	\$ 536,534
Liabilities:		
Intragovernmental		
Accounts payable	\$ 7,777	\$ 6,211
Other (Note 5)	11,524	5,398
Total intragovernmental	19,301	11,609
Accounts payable	27,671	25,683
Federal employee benefits (Note 6)	4,607	5,259
Other (Note 5)	73,628	72,393
Total Liabilities	125,207	114,944
Net Position:		
Unexpended appropriations	340,983	324,998
Cumulative results of operations (Note 8)	74,817	96,592
Total Net Position	415,800	421,590
Total Liabilities and Net Position	\$ 541,007	\$ 536,534

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

Statement of Net Cost *(IN THOUSANDS)*

For the fiscal years ended September 30,	2019	2018
Nuclear Reactor Safety		
Gross costs	\$ 729,946	\$ 741,875
Less: Earned revenue (Note 10)	(692,962)	(692,947)
Total Net Cost of Nuclear Reactor Safety (Note 9)	36,984	48,928
Nuclear Materials and Waste Safety		
Gross costs	208,364	213,063
Less: Earned revenue (Note 10)	(74,900)	(81,813)
Total Net Cost of Nuclear Materials and Waste Safety (Note 9)	133,464	131,250
Net Cost of Operations	\$ 170,448	\$ 180,178

The accompanying notes to the financial statements are an integral part of these statements

Statement of Changes in Net Position *(IN THOUSANDS)*

For the fiscal years ended September 30,	2019	2018
Unexpended Appropriations:		
Beginning Balance	\$ 324,998	\$ 306,831
Budgetary Financing Sources:		
Appropriations received	138,743	140,171
Appropriations used (Note 11)	(122,758)	(121,936)
Other adjustments	-	(68)
Total Budgetary Financing Sources	15,985	18,167
Total Unexpended Appropriations	\$ 340,983	\$ 324,998
Cumulative Results of Operations:		
Beginning Balance	\$ 96,592	\$ 124,781
Adjustments (Note 8)	(6,692)	(368)
Beginning Balance, as adjusted	89,900	124,413
Budgetary Financing Sources:		
Appropriations used (Note 11)	122,758	121,936
Non-exchange revenue (Note 11)	667	394
Other Financing Sources:		
Imputed financing from costs absorbed by others (Note 11)	32,608	30,421
Other	(667)	(394)
Total Financing Sources	155,366	152,357
Net Cost of Operations	(170,448)	(180,178)
Net Change	(15,082)	(27,821)
Cumulative Results of Operations (Note 8)	\$ 74,817	\$ 96,592
Net Position	\$ 415,800	\$ 421,590

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

Statement of Budgetary Resources (IN THOUSANDS)

For the fiscal years ended September 30,	2019	2018
Budgetary Resources:		
Unobligated balance from prior-year budget authority, net	\$ 49,770	\$ 49,226
Appropriations	910,959	921,928
Spending authority from offsetting collections	3,662	4,004
Total Budgetary Resources	\$ 964,391	\$ 975,158
Memorandum Entry:		
Net adjustments to unobligated balance brought forward Oct 1	\$ 8,626	\$ 10,538
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 12)	\$ 895,020	\$ 934,014
Unobligated balance, end of year:		
Apportioned, unexpired accounts	67,717	39,575
Exempt from apportionment, unexpired accounts	407	431
Unapportioned, unexpired accounts	-	3
Unexpired unobligated balance, end of year	68,124	40,009
Expired unobligated balance, end of year	1,247	1,135
Unobligated balance, end of year (total)	69,371	41,144
Total Status of Budgetary Resources	\$ 964,391	\$ 975,158
Outlays, net:		
Outlays, net	885,983	900,866
Distributed offsetting receipts (-)	(772,216)	(781,825)
Agency Outlays, Net	\$ 113,767	\$ 119,041

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

Notes to the Financial Statements

(All tables are presented in thousands)

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The NRC is an independent regulatory agency of the U.S. Federal Government that the Congress created to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. Its purposes are defined by the *Energy Reorganization Act of 1974*, as amended, along with the *Atomic Energy Act of 1954*, as amended, which provide the foundation for regulating the Nation's civilian use of nuclear materials.

The NRC operates through the execution of its congressionally approved appropriations for Salaries and Expenses (which includes funds derived from the Nuclear Waste Fund (NWF)) and the OIG.

B. Basis of Presentation

These financial statements for FY 2019 and FY 2018 (prior-year) are presented on a comparative basis. They report the financial position and results of operations of the NRC as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. These financial statements were prepared from the books and records of the NRC in conformance with generally accepted accounting principles (GAAP) for Federal entities of the United States and the form and content for entity financial statements specified in OMB Circular A-136. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard setting authority for the Federal government. These statements are different from the financial reports prepared by the NRC in compliance with OMB directives, which are used to monitor and control the NRC's use of budgetary resources.

Presentation of the budget accounts on the Combining Statement of Budgetary Resources shows columns for the no-year Salaries and Expenses appropriation, which includes funding for the Office of the Commission; no-year and 2-year funds aggregated for the OIG, and the Nuclear Facility Fees, which reflects the Distributed Offsetting receipts.

The NRC collects miscellaneous receipts for information requests under the Freedom of Information Act; civil penalties; and interest, administrative, and penalty charges on delinquent debt. All miscellaneous receipts, when collected, are returned to the U.S. Treasury. The NRC has not presented these amounts on a Statement of Custodial Activity as the amounts involved are immaterial and incidental to the agency's operations and mission.

C. Budgets and Budgetary Accounting

Budgetary accounting measures appropriation and consumption of budget spending authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of Federal funds. Under budgetary reporting principles, budgetary resources are used at the time of purchase. Assets and liabilities, which do not use current budgetary resources, are not reported, and only those liabilities for which valid obligations have been established are considered to use budgetary resources.

Congress passed the Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019 that funded the NRC's budget at a level of \$898.3 million for FY 2019. Not more than \$9.5 million of the appropriation was made available for the costs of the Office of the Commission until September 30, 2020. Additionally, Congress enacted a 2-year appropriation of \$12.6 million for the OIG, which is available for obligation by the NRC through September 30, 2020.

In FY 2018, Congress passed the *Consolidated Appropriations Act, 2018* that funded the NRC's budget at a level of \$909.1 million for FY 2018. Not more than \$9.5 million of the appropriation was made available for the costs of the Office of the Commission until September 30, 2019.

Additionally, Congress enacted a 2-year appropriation of \$12.9 million for the OIG, which was available for obligation by the NRC through September 30, 2019.

D. Basis of Accounting

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is also used to record the obligation of funds prior to the accrual-based transaction. The Statement of Budgetary Resources (SBR) presents total budgetary resources available to the NRC, the status of total budgetary resources, and net outlays for the year.

E. Revenues and Other Financing Sources

The NRC is required to offset its appropriations by revenue received during the FY from the assessment of fees. The NRC assesses two types of fees to recover its appropriation:

- Fees assessed to recover the NRC's costs of providing individually identifiable services to specific applicants and licensees under 10 CFR Part 170, *Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services under the Atomic Energy Act of 1954, as Amended*, for licensing, inspection, and other services under the authority of the Independent Offices Appropriation Act of 1952
- Annual fees assessed for nuclear facilities and materials licensees under 10 CFR Part 171, *Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Materials Licenses*

Licensing revenues are recognized on a straight-line basis over the licensing period. The annual licensing period for reactor and materials fees begins October 1 and ends September 30. Annual fees for reactors are invoiced in four quarterly installments, before the end of each quarter. The NRC invoices licensees for materials annual fees in the month the license was originally issued. Inspection fees are recorded as revenues when the services are performed.

For accounting purposes, appropriations are recognized as a financing source (appropriations used) at the time goods and services are received. Periodically during the Fiscal Year (FY), appropriations recognized are reduced by the amount of assessed fees collected during the FY to the extent of new budget authority for the year. Collections that exceed 90 percent of the NRC's appropriation, excluding amounts appropriated for Waste Incidental to Reprocessing, Generic Homeland Security, Regulatory Infrastructure for Advanced Reactor Technologies, International activities, Integrated University Grants program, and OIG services for the Defense Nuclear Facilities Safety Board (DNFSB), are held to offset subsequent years' appropriations. The NRC recognizes appropriated expenses over the useful life of property and equipment as reflected by depreciation and amortization expense.

F. Fund Balance with Treasury

The Treasury processes the NRC's cash receipts and disbursements. The Fund Balance with Treasury is primarily appropriated funds and license fee collections that are available to pay current liabilities and to finance authorized purchase commitments. The Fund Balance with Treasury represents the NRC's right to draw on the U.S. Treasury for allowable expenditures.

G. Accounts Receivable

Accounts receivable consist of amounts that other Federal agencies and the public owe to the NRC. Amounts due from the public are presented net of an allowance for uncollectible accounts. The allowance is determined based on the age of the receivable and allowance rates established from historical experience. Receivables from Federal agencies are expected to be collected; therefore, there is no allowance for uncollectible accounts for Federal agencies.

H. Non-Entity Assets

Non-entity assets consist of miscellaneous fees assessed for Freedom of Information Act requests; civil penalties; and interest, administrative charges, and penalties assessed on delinquent debt due from the public. Once collected, the funds are transferred to the U.S. Treasury.

I. Property and Equipment

Property and equipment consist primarily of typical office furnishings, leasehold improvements, nuclear reactor simulators, and computer hardware and software. The costs of internal use software include the full cost of salaries and benefits for agency personnel involved in software development. The NRC has no real property as the land and buildings in which the NRC operates are leased through the General Services Administration (GSA). The rent approximates the commercial rental rates for similar properties.

Property with a cost of \$50,000 or more per unit and a useful life of 2 years or more is capitalized at cost and depreciated using the straight-line method over the useful life of the asset. Other property items are expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

J. Accounts Payable

The NRC uses an estimation methodology to calculate the accounts payable balance, which represents costs for billed and unbilled goods and services received but unpaid before year-end. The NRC calculates the accounts payable amount using an average based on the historical trend of validated accruals. The estimation methodology is validated quarterly.

K. Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of the end of the FY. These liabilities are not funded from current or prior-year appropriations and assessments, but instead they are funded from future appropriations and assessments.

Liabilities represent the amount of monies or other resources that are likely to be paid by the NRC as a result of a transaction or event that has already occurred. The NRC cannot pay Liabilities without an appropriation. Liabilities for which an appropriation has not been enacted are classified as "Liabilities Not Covered by Budgetary Resources" and fall into the following three categories:

- **Intragovernmental.** The NRC records a liability to the U.S. Department of Labor (DOL) for Federal Employees Compensation Act (FECA) benefits paid by the DOL on behalf of the NRC. The NRC also accrued a liability to GSA for Broker Commission Credits (BCC) received by the NRC and annual step rent increases on the occupancy agreements for rent of NRC office space. The NRC amortizes the liability on a straight-line basis and paid to GSA over the life of the occupancy agreements.
- **Federal Employee Benefits.** Federal employee benefits represent the actuarial liability for estimated future FECA disability benefits. The DOL generates the future workers' compensation estimate from an application of actuarial procedures developed to estimate the liability for FECA, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases.
- **Other.** This category includes the amount of accrued annual leave earned by the NRC employees, but not yet taken; and contingent liabilities which have the probable likelihood of an adverse outcome.

L. Contingencies

Contingent liabilities are those for which the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. Accounting treatment of the contingency depends on if the likely outcome is considered probable, reasonably possible, or remote.

A contingency is considered:

- probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. This type of contingency is recorded in the financial statements as a contingent liability (included in Other Liabilities) and as an expense. It should be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.
- reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. This type of contingency is disclosed in the notes to the financial statements (Note 17) if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred.
- remote when the chance of the future event or events occurring is slight. This type of contingency is not recognized as a liability and as an expense in the financial statements, nor is it disclosed in the notes when the chance of the future event or events occurring is remote.

M. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent that current or prior-year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

N. Retirement Plans

The NRC employees belong to either the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS).

The NRC does not report on its financial statements FERS and CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the U.S. Office of Personnel Management (OPM). The portion of the current and estimated future outlays for FERS and CSRS not paid by the NRC is included in NRC's financial statements as an imputed financing source in the Statement of Changes in Net Position and as program costs on the Statement of Net Cost.

The NRC employees make mandatory contributions to their retirement plans through payroll deductions as required by law. For employees belonging to FERS and receiving an appointment before January 1, 2013, the NRC withheld 0.8 percent of base pay earnings and made an employer contribution of 13.7 percent in 2019 and 2018. In accordance with *Public Law 112-96, Section 5001 of the Middle Class Tax Relief and Job Creation Act of 2012*, employees hired after January 1, 2013, as Federal Employees Retirement System - Revised Annuity Employees (FERS-RAE) must pay 3.1 percent of their salary to retirement contributions with 11.9 percent in 2019 and 2018 for employer matching contributions. For employees hired after January 1, 2014, as Federal Employees Retirement System - Revised Annuity Employees (FERS-RAE) must pay 4.4 percent of their salary to retirement contributions with 11.9 percent in 2019 and 2018 for employer matching contributions. The sum is transferred to the Federal Employees Retirement

Fund. For employees covered by CSRS, the NRC withholds 7 percent of base pay earnings. The NRC matched this withholding with a 7 percent contribution in 2019 and 2018.

The Thrift Savings Plan is a retirement savings and investment plan for employees belonging to either FERS or CSRS. The maximum percentage of base pay that an employee participating in FERS or CSRS may contribute is unlimited, but it is subject to the maximum contribution of \$19,000 in 2019 and \$18,500 in 2018. For employees participating in FERS, the NRC automatically contributes 1 percent of base pay to the employee's account and matches contributions up to an additional 4 percent. For employees participating in CSRS, the NRC does match the contribution. The sum of the employees' and the NRC's contributions is transferred to the Federal Retirement Thrift Investment Board.

O. Leases

The NRC has two types of leases: capital leases and operating leases (Note 7):

- Capital leases: Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. Capital leases are reported in the Balance Sheet as an asset under Property and Equipment and as a liability under Other Liabilities. If at its inception, a lease meets one or more of the following four criteria, the lessee should classify the lease as a capital lease:
 1. The lease transfers the ownership of the property to the lessee by the end of the lease term.
 2. The lease contains an option to purchase the leased property at a bargain price.
 3. The lease term is equal or greater than 75 percent of the estimated economic life of the leased property.
 4. The present value of rental or other minimum lease payments, excluding that portion of the payments representing executor cost, equals or exceeds 90 percent of the fair value of the leased property.

The NRC's capital leases are for personal property consisting of reproduction equipment that is installed at the NRC Headquarters.

- Operating leases: The FASAB defines an operating lease as a lease in which the Federal entity does not assume the risks of ownership of the property, plant, and equipment (PP&E). It is an agreement conveying the right to use property for a limited time in exchange for periodic rental payments.

Operating leases at the NRC consist of real property leases with the GSA. The leases are for the NRC's Headquarters, regional offices, and Technical Training Center (TTC). The GSA charges the NRC lease rates that approximate commercial rates for comparable space.

P. Pricing Policy

The NRC provides nuclear reactor and materials licensing and inspection services to the public and other Government entities. In accordance with OMB Circular A-25, "Transmittal Memorandum #1, User Charges," and the *Independent Offices Appropriation Act of 1952*, the

NRC assesses fees under 10 CFR Part 170 for licensing and inspection activities to recover the full cost of providing individually identifiable services.

The NRC's policy is to recover the full cost of goods and services provided to other Government entities where the services performed are not part of the agency's statutory mission and the NRC has not received appropriations for those services. Fees for reimbursable work are assessed at the 10 CFR Part 170 rate with minor exceptions for programs that are nominal activities of the NRC.

Q. Net Position

The NRC's net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent (1) appropriated spending authority that is unobligated and has not been withdrawn by the U.S. Treasury, and (2) unliquidated obligations and expenditures not yet disbursed. Cumulative results of operations represent the excess of financing sources over expenses since inception.

R. Use of Management Estimates

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

S. Transfers of Authority

In prior years, the NRC was a party to non-expenditure transfers of funds, as a receiving entity, from the U.S. Agency for International Development. The transfers were for the international development of nuclear safety and regulatory authorities in other countries. Transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds to another agency. NRC completed its participation in this project and had residual unobligated funds of \$68,076.04 remaining from these transfers, which were rescinded in FY 2018.

T. Statement of Net Cost

The programs as presented on the Statement of Net Cost are based on the annual performance budget and are described as follows:

The Nuclear Reactor Safety program encompasses all the NRC efforts to ensure that civilian nuclear power reactor facilities and research and test reactors are licensed and operated in a manner that adequately protects public health and safety, and the environment, and protects against radiological sabotage and theft or diversion of special nuclear materials. The Nuclear Reactor Safety program consist of the following activities: operating reactors and new reactors.

The Nuclear Materials and Waste Safety program encompasses all the NRC efforts to protect the public health and safety and the environment and ensures the secure use and management of radioactive materials. The Nuclear Materials and Waste Safety program consist of the following activities: fuel facilities, nuclear materials users, decommissioning and low-level waste, spent fuel storage and transportation, and a high-level waste repository.

For intragovernmental gross costs and revenue, the buyers and sellers are Federal entities. For earned revenues from the public, the buyers of the goods or services are non-Federal entities.

Note 2 – Fund Balance with Treasury

As of September 30,	2019	2018
Fund Balances:		
Appropriated funds	\$ 411,438	\$ 386,433
Nuclear Waste Fund	433	461
Other fund types	–	–
Total	\$ 411,871	\$ 386,894
Status of Fund Balance with Treasury:		
Unobligated balance		
Available - Appropriated funds	\$ 68,124	\$ 40,006
Unavailable		
Unapportioned, unexpired accounts	–	3
Expired accounts	1,247	1,135
Obligated balance not yet disbursed	342,500	345,750
Total	\$ 411,871	\$ 386,894

The Fund Balance with Treasury consists of the unobligated and obligated budgetary account balances, including NWF activity. The NWF unobligated balance was \$0.4 million as of September 30, 2019 and 2018.

Other fund types in the Fund Balance with Treasury represent license fee collections used to offset the NRC current year budget authority, miscellaneous collections, and adjustments that will offset revenue in the following FY.

Note 3 – Accounts Receivable

As of September 30,	2019	2018
Intragovernmental:		
Fee receivables and reimbursements	\$ 5,501	\$ 5,680
Receivables with the Public:		
Materials and facilities fees-billed	\$ 4,026	\$ 6,150
Materials and facilities fees-unbilled	58,622	65,508
Other	671	790
Total Receivables with the Public	63,319	72,448
Less: Allowance for uncollectible accounts	(2,417)	(2,808)
Total Receivables with the Public, Net	\$ 60,902	\$ 69,640
Total Accounts Receivable	\$ 68,820	\$ 78,128
Less: Allowance for uncollectible accounts	(2,417)	(2,808)
Total Accounts Receivable, Net	\$ 66,403	\$ 75,320

Note 4 – Property and Equipment, Net

As of September 30,				2019	2018
Fixed Assets Class	Service Years	Acquisition Value	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Equipment	5-8	\$ 9,364	\$ (7,851)	\$ 1,513	\$ 962
Leased equipment	5-8	924	(924)	–	105
IT software	5	78,715	(64,940)	13,775	18,392
IT software under development	–	1,403	–	1,403	–
Leasehold improvements	20	78,119	(39,948)	38,171	45,232
Leasehold improvements in progress	–	787	–	787	382
Total		\$ 169,312	\$ (113,663)	\$ 55,649	\$ 65,073

In accordance with SFFAS No. 44, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use," the NRC repairs or replaces capital assets as required and does not recognize impairment losses.

Note 5 – Other Liabilities

As of September 30,	2019	2018
Intragovernmental:		
Liability to the U.S. Treasury General Fund for misc. receipts	\$ 14	\$ 30
Liability for advances from other agencies	10	18
Accrued workers' compensation	970	1,045
Accrued unemployment compensation	9	–
Employee benefit contributions	4,596	4,305
Other liabilities	5,925	–
Total Intragovernmental Other Liabilities	\$ 11,524	\$ 5,398
Other Liabilities:		
Accrued annual leave	\$ 42,004	\$ 42,476
Accrued salaries and benefits	16,553	15,598
Employer Contributions & Payroll Taxes Payable	746	688
Contract holdbacks, advances, capital lease liability, and other	815	2,495
Contingent liabilities	–	–
Grants payable	13,510	11,136
Total Other Liabilities	\$ 73,628	\$ 72,393
Total Intragovernmental and Other Liabilities	\$ 85,152	\$ 77,791

Other Liabilities represents the accrual of BCC received by the NRC and the sum of annual step rent increases paid to GSA for rent of NRC office space. The credits received by the NRC and the step rent increases are amortized on a straight-line basis over the life of the occupancy agreements.

Other liabilities are current except for the \$5.9 million accrual for BCC and annual step rent increases on the existing occupancy agreements with GSA.

Note 6 – Liabilities Not Covered by Budgetary Resources

As of September 30,	2019	2018
Intragovernmental:		
FECA paid by DOL	\$ 970	\$ 1,045
Accrued unemployment compensation	9	–
Federal Employee Benefits:		
Future FECA	4,607	5,259
Other:		
Accrued annual leave	42,004	42,476
Contingent liabilities	–	–
Other liabilities	5,925	–
Total Liabilities Not Covered by Budgetary Resources	53,515	48,780
Total Liabilities Covered by Budgetary Resources	71,692	66,164
Total Liabilities	\$ 125,207	\$ 114,944

Liabilities Not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of September 30, 2019, and 2018. These liabilities are not funded from current or prior-year appropriations and assessments, but rather they should be funded from future appropriations and assessments. Accordingly, future funding requirements have been recognized for the expenses that will be paid from future appropriations.

The projected annual benefit payments for FECA are discounted to present value. For FY 2019, projected annual payments were discounted to present value based on the OMB's interest rate assumptions, which were interpolated to reflect the average duration in years for income payments and medical payments. The interest rate assumptions used for FY 2019 discounting were 2.716 percent in year 1 and year 2 for wage benefits, and 2.379 percent in year 1 and year 2 for medical benefits.

Note 7 – Leases

As of September 30,	2019	2018
Assets Under Capital Leases:		
Copiers and booklet maker	\$ 924	\$ 1,318
Accumulated depreciation	(924)	(1,213)
Net Assets Under Capital Leases	\$ –	\$ 105

Future Lease Payments Due:

As of September 30,	Fiscal Year		Capital	Operating	2019	2018
2018			\$ –	\$ –	\$ –	\$ –
2019			–	–	–	31,269
2020			–	45,318	45,318	37,922
2021			–	43,974	43,974	36,469
2022			–	42,538	42,538	34,999
2023 and thereafter			–	287,286	287,286	249,780
Total Lease Liability			–	419,116	419,116	390,439
Subtract: Imputed Interest			–	–	–	–
Total Future Lease Payments			\$ –	\$ 419,116	\$ 419,116	\$ 390,439

The Capital Lease Liability of \$175 thousand as of September 30, 2018 for reproduction equipment is included in Other Liabilities (Note 5). For Future Lease Payments, the NRC calculated the Capital Lease Liability as of September 30, 2018 and subtracted the imputed interest to arrive at the Total Future Lease Payments. The reproduction equipment is generally depreciated over 5 years using the straight-line method with no salvage value. The lease agreement ended in the first quarter of FY 2019.

The land and buildings in which the NRC operates are leased through GSA. The NRC Headquarters complex consists of three office buildings and a warehouse located in Rockville, MD, with one of the headquarters office buildings jointly leased with the U.S. Food and Drug Administration (FDA). The NRC has four regional offices that are located in King of Prussia, PA, Atlanta, GA, Lisle, IL, and Arlington, TX. In addition, the NRC operates and maintains the TTC located in Chattanooga, TN.

In the Three White Flint North (3WFN) office building, the NRC occupies 110,109 useable square feet (34.08% of the building) and the NRC is no longer the primary tenant. The FDA occupies the other floors. Future plans to reduce the NRC footprint call for the NRC to release two floors of 3WFN in early FY 2020. The lease bill for 3WFN will be approximately \$8.0 million less per year. The NRC will not recognize savings for these floors until another Federal agency leases the space.

The NRC leases for land and buildings do not have renewal options or contingent rental restrictions. The joint lease for the 3WFN office building with the FDA and the leases for the four regional office buildings have escalation clauses. The leases for the two remaining headquarters office buildings, the warehouse, and the TTC do not have escalation clauses.

Note 8 – Cumulative Results of Operations

As of September 30,	2019	2018
Liabilities not covered by budgetary resources (Note 6)	\$ (53,515)	\$ (48,780)
Investment in property and equipment, net (Note 4)	55,649	65,073
Contributions from foreign cooperative research agreements	6,070	5,245
Nuclear Waste Fund	436	461
Office of the Commission (financed by fees)	–	–
Accounts receivable - fees	63,920	74,256
Other	2,257	337
Cumulative Results of Operations	\$ 74,817	\$ 96,592

A prior period adjustment (PPA) of \$6.7 million was recorded in FY 2019 to the beginning Cumulative Results of Operations. The PPA represents \$0.8 million for prior year amortization expense recorded on Leasehold Improvement projects and \$5.9 million to establish a liability to GSA for broker commission credits received by the NRC on occupancy agreements for rent of office space and the sum of step rent increases paid to GSA for rent of NRC office space. The step rent increases, net of the credits received by the NRC, are amortized on a straight-line basis over the life of the occupancy agreements.

Note 9 – Statement of Net Cost

For the fiscal years ended September 30,	2019	2018
Nuclear Reactor Safety:		
Intragovernmental gross costs	\$ 208,573	\$ 210,872
Less: Intragovernmental earned revenue	(49,153)	(48,845)
Intragovernmental net costs	159,420	162,027
Gross costs with the public	521,373	531,003
Less: Earned revenues from the public	(643,809)	(644,102)
Net costs with the public	(122,436)	(113,099)
Total Net Cost of Nuclear Reactor Safety	\$ 36,984	\$ 48,928
Nuclear Materials and Waste Safety:		
Intragovernmental gross costs	\$ 57,961	\$ 59,148
Less: Intragovernmental earned revenue	(5,639)	(6,180)
Intragovernmental net costs	52,322	52,968
Gross costs with the public	150,403	153,915
Less: Earned revenues from the public	(69,261)	(75,633)
Net costs with the public	81,142	78,282
Total Net Cost of Nuclear Materials and Waste Safety	\$ 133,464	\$ 131,250

Earned revenues or exchange revenues arise when an entity provides goods and services to the public or another Government entity for a price. The NRC's revenues are primarily for services provided for inspections, fees for licensing, and reimbursable work.

Note 10 – Exchange Revenues

For the fiscal years ended September 30,	2019	2018
Fees for licensing, inspection, and other services	\$ 762,148	\$ 769,185
Revenue from reimbursable work	5,714	5,575
Total Exchange Revenues	\$ 767,862	\$ 774,760

Earned revenues or exchange revenues arise when an entity provides goods and services to the public or another Government entity for a price. The NRC's revenues are primarily for services provided for inspections, fees for licensing, and reimbursable work.

Note 11 – Financing Sources Other Than Exchange Revenue

For the fiscal years ended September 30,	2019	2018
Appropriations Used		
Collections are used to reduce the fiscal year's appropriations:		
Funds consumed	\$ 895,002	\$ 903,906
Less: Collection of fees assessed	(772,216)	(781,825)
Less: Nuclear Waste Fund Expense	(28)	(145)
Less: Office of the Commission (financed by fees)	–	–
Total Appropriations Used	\$ 122,758	\$ 121,936

Funds consumed include \$34.7 million and \$33.0 million through September 30, 2019, and 2018, respectively, of available funds from prior years. Current year funds consumed were \$860.3 million and \$870.9 million through September 30, 2019 and 2018, respectively.

For the fiscal years ended September 30,	2019	2018
Non-Exchange Revenue		
Civil penalties	\$ 413	\$ 282
Miscellaneous receipts	254	112
Non-Exchange Revenue	667	394
Contra-Revenue	(667)	(394)
Total Non-Exchange Revenue, Net of Funds Returned to the U.S. Treasury General Fund	\$ –	\$ –

For the fiscal years ended September 30,	2019	2018
Imputed Financing		
Civil Service Retirement System	\$ 3,649	\$ 4,391
Federal Employees Retirement System	8,777	6,367
Federal Employee Health Benefit	18,810	19,582
Federal Employee Group Life Insurance	78	81
Judgments/Awards	1,294	–
Total Imputed Financing	\$ 32,608	\$ 30,421

Note 12 – Total Obligations Incurred

For the fiscal years ended September 30,	2019	2018
Direct Obligations		
Category A	\$ 891,493	\$ 927,959
Exempt from Apportionment	28	101
Total Direct Obligations	891,521	928,060
Reimbursable Obligations	3,499	5,954
Total Obligations Incurred	\$ 895,020	\$ 934,014

Category A obligations consist of the NRC appropriations only. Obligations exempt from apportionment represent funds derived from the NWF.

Note 13 – Undelivered Orders at the End of the Period

For the fiscal years ended September 30,	2019	2018
Undelivered Orders - Unpaid		
Salaries and Expenses	\$ 271,894	\$ 283,929
Inspector General	2,279	1,576
Nuclear Waste Fund	26	30
Total Undelivered Orders - Unpaid	\$ 274,199	\$ 285,535
Undelivered Orders - Paid		
Salaries and Expenses	\$ 6,364	\$ 8,738
Inspector General	685	619
Nuclear Waste Fund	–	–
Total Undelivered Orders - Paid	7,049	9,357
Total Undelivered Orders	\$ 281,248	\$ 294,892

Note 14 – Nuclear Waste Fund

For FY 2019 and FY 2018, the NRC's budget did not include funds from the NWF. The funding provided to the NRC before FY 2014 and carried forward to subsequent years was for the purpose of performing activities associated with the DOE's application for a high-level waste repository at Yucca Mountain, NV.

The SFFAS 43 "Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds," lists three defining criteria for funds from dedicated collections.

- A statute committing the Federal government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal government by a non-federal source only for designated activities, benefits or purposes;
- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal government's general revenues.

In 1982, Congress passed the Nuclear Waste Policy Act of 1982 (Public Law 97-425) establishing the NWF to be administered by the DOE (42 U.S.C. 10222). For the NRC, the NWF transfer is a source of financing from other than non-Federal sources. The NRC collects no revenue on behalf of the NWF and has no administrative control over it. Furthermore, the Treasury has no separate fund symbol for the NWF under the NRC's agency location code. The receipt and expenditure of NWF funding is reported to the U.S. Treasury under the NRC's primary Salaries and Expenses Treasury Account Symbol (X0200).

As a result, the NWF is not a fund from dedicated collections from the NRC's perspective. However, to provide additional information to the users of these financial statements, the table below presents enhanced disclosure of the fund.

For the fiscal years ended September 30,	2019	2018
Appropriations Received	\$ -	\$ -
Expended Appropriations	\$ 28	\$ 145
Obligations Incurred	\$ 28	\$ 101
Unobligated Balances (includes recoveries of prior-year obligations)	\$ 407	\$ 431

Note 15 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

SFFAS 7, "Accounting for Revenue and Other Financing Sources" and Concepts for Reconciling Budgetary and Financial Accounting," dated May 10, 1996, and OMB Circular A-136 require the NRC to reconcile the budgetary resources reported on the SBR to the actual budgetary resources presented in the President's Budget and explain any material differences.

The NRC does not have any material differences between the budgetary resources reported on the SBR for FY 2018 and the FY 2018 actuals in the proposed President's Budget for FY 2020. The reconciliation was based on actual numbers for FY 2018 because the Budget of the United States (also known as the President's Budget) was not published at the time that these financial statements were issued.

The FY 2019 actual budgetary resources numbers will be available in the FY 2021 President's Budget which is expected to be published in 2020, and will be available on the OMB Web site <http://www.whitehouse.gov/omb> and through the U.S. Government Publishing Office.

Note 16 – Reconciliation of Net Cost of Operations to Budgetary Resources

For the fiscal year ended September 30, 2019			
	Intra-governmental	With the Public	
Net Cost of Operations	\$ 211,742	\$ (41,294)	\$ 170,448
Components of the Net Cost That Are Not Part of Net Outlays			
Property, plant, and equipment depreciation	—	(12,107)	(12,107)
	—	(52)	(52)
Property, plant, and equipment disposal & revaluation	—	1,403	1,403
Other- ADP Software Cost Capitalization	—	—	—
Subtotal	—	(10,756)	(10,756)
Increase/(decrease) in assets:			
Accounts receivable	(178)	(8,723)	(8,901)
Other assets	(2,150)	(12)	(2,162)
Subtotal	(2,328)	(8,735)	(11,063)
(Increase)/decrease in liabilities:			
Accounts payable	(1,952)	(10)	(1,962)
Salaries and benefits	(291)	(1,012)	(1,303)
Other liabilities	(5,207)	(1,808)	(7,015)
Subtotal	(7,450)	(2,830)	(10,280)
Other Financing sources:			
Federal employee retirement benefit cost paid by OPM and imputed to the agency	(31,314)	—	(31,314)
Other imputed financing — Judgement Fund with Treasury	(1,294)	—	(1,294)
Subtotal	(32,608)	—	(32,608)
Total Components if Net Cost That Are Not Part of Net Outlays	\$ (42,386)	\$ (22,321)	(64,707)
Components of Net Outlays That Are Not Part of Net Cost			
Acquisition of capital assets	1,099	980	2,079
Other Timing Differences	—	—	—
Prior Period Adjustment	—	5,947	5,947
Total Components of Net Outlays That Are Not Part of Net Cost	1,099	6,927	8,026
Net Outlays	\$ 170,455	\$ (56,688)	\$ 113,767

Note 17 – Contingencies

The NRC is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the NRC's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the NRC.

Probable Likelihood of an Adverse Outcome

As of September 30, 2019 and 2018, the NRC was not involved in a case in which the likelihood of loss is probable.

Reasonably Possible Likelihood of an Adverse Outcome

As of September 30, 2019, the NRC was involved in a case with the likelihood of an adverse outcome being reasonably possible, with the upper limit of the expected loss being \$300. As of September 30, 2018, the NRC was not involved in any case with the likelihood of an adverse outcome being reasonably possible.

Note 18 – Net Adjustments to Unobligated Balance Brought Forward October 1

There were no material adjustments to correct the unobligated balance brought forward, October 1 for FY 2019.

Note 19 – Financial Statements to Reclassified Financial Statements

For the period ending September 30, 2019			
NRC Financial Statement		Line Items Used to Prepare the Government-wide Balance sheet	
Assets		Assets	
Intra-Governmental Assets		Intra-Governmental Assets	
FBWT	\$ 411,871	\$ 411,871	FBWT
Accounts Receivable	5,501	5,501	Accounts Receivable
<i>Total Accounts Receivable</i>	5,501	5,501	<i>Total Reclassified A/R</i>
Other	7,039	7,039	Advances to Others and Prepayments
<i>Total Other</i>	7,039	7,039	<i>Total Reclassified Other</i>
Total Intra-Governmental Assets	424,411	424,411	Total Intra-Governmental Assets
Accounts Receivable, Net	60,902	60,902	Accounts and Taxes Receivable, Net
General PP&E, Net	55,649	55,649	PP&E, Net
Other	45	45	Other Assets
Total Assets	\$ 541,007	\$ 541,007	Total Assets
Liabilities		Liabilities	
Intra-Governmental Liabilities		Intra-Governmental Liabilities	
Accounts Payable	\$ 7,777	\$ 13,702	Accounts Payable
<i>Total Accounts Payable</i>	7,777	13,702	<i>Total Reclassified Accounts Payable</i>
Other - Custodial Liability	14	14	Liability to GF for Custodial and Other Non-Entity Assets
Other - Miscellaneous Liabilities	11,510	4,396	Benefit Program Contributions Payable
		10	Advances from Other & Deferred
		1,179	Other Liabilities
<i>Total Other - Miscellaneous Liabilities</i>	11,510	5,585	<i>Total Reclassified Other - Miscellaneous Liabilities</i>
Total Intra-Governmental Liabilities	19,301	19,301	Total Intra-Governmental Liabilities
Accounts Payable	27,671	27,671	Accounts Payable
Federal Employee and Veteran Benefits	4,607	5,353	Federal Employee and Veteran Benefits Payable
Miscellaneous Liabilities	73,628	72,882	Other Liabilities
Total Liabilities	\$ 125,207	\$ 125,207	Total Liabilities

Chapter 2 • Financial Statements and Auditors' Report

Net Position		Net Position	
Unexpended Appropriations - Funds from Dedicated Collections	340,983	415,800	Net Position - Funds from Dedicated Collections
Cumulative Results of Operations - Funds from Dedicated Collections	74,817		
Total Net Position	415,800	415,800	Total Net Position
Total Liabilities & Net Position	\$ 541,007	\$ 541,007	Total Liabilities & Net Position

Statement of Net Cost to Reclassified Statement of Net Cost

For the period ending September 30, 2019

NRC Financial Statement		Line Items Used to Prepare the Government-wide SNC	
		Non-Federal Costs	
		\$ 671,777	Non-Federal Gross Cost
		671,777	Total Non-Federal Costs
		Intragovernmental Costs	
Gross Costs	\$ 938,310	82,824	Benefit Program Costs
		32,608	Imputed Costs
		124,531	Buy/Sell Costs
		1,099	Purchase of Assets
		(1,099)	Purchase of Assets Offset
		26,570	Other Expenses (w/o Reciprocals)
		266,533	Total Intragovernmental Costs
<i>Total Gross Costs</i>	938,310	938,310	<i>Total Reclassified Gross Costs</i>
		Non-Federal Earned Revenue	
Earned Revenue	767,862	713,070	Non-Federal Earned Revenue
		713,070	Total Non-Federal Revenue
		54,792	Buy/Sell Revenue
		54,792	Total Intragovernmental Earned
<i>Total Earned Revenue</i>	767,862	767,862	<i>Total Reclassified Earned Revenue</i>
Net Cost	\$ 170,448	\$ 170,448	Net Cost

Chapter 2 • Financial Statements and Auditors' Report

For the period ending September 30, 2019			
NRC Financial Statement	Line Items Used to Prepare the Government-wide SCNP		
Unexpended Appropriation			
Unexpended Appropriations, Beginning Balance	\$ 324,998	\$ 324,998	Net Position, Beginning of Period
Corrections of Errors	-	-	Correction of Errors - years Preceding the Prior Year
<i>Total Corrections of Errors</i>	-	-	<i>Total Reclassified Corrections of Errors</i>
Appropriations Received	138,743	138,743	Appropriations Received as Adjusted
Appropriations Used	(122,758)	(122,758)	Appropriations Used (Federal)
Total Unexpended Appropriations	\$ 340,983	\$ 340,983	Total Unexpended Appropriations
Cumulative Results of Operations			
Cumulative Results, Beginning Balance	\$ 96,592	\$ 96,592	Net Position, Beginning of Period
Appropriations Used	122,758	122,758	Appropriations Used
Correction of Errors	(6,692)	(6,692)	Correction of Errors - Years Preceding the Prior Year
Non-Exchange Revenues	667		Non-Federal Non-Exchange Revenues
		667	Other Taxes and Receipts
		667	Total Non-Federal Non-Exchange Revenues
<i>Total Non-Exchange Revenues</i>	<i>667</i>	<i>667</i>	<i>Total Reclassified Non-Exchange Revenues</i>
Transfers In/Out w/o Reimbursement - Budgetary	-	785,206	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		(785,206)	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		-	<i>Total Reclassified Transfers In/Out w/o Reimbursement - Budgetary (Federal)</i>

Chapter 2 • Financial Statements and Auditors' Report

<i>Total Transfers-In/Out w/o Reimbursement - Budgetary</i>	-			<i>- Total Reclassified Transfers-In/Out w/o Reimbursement – Budgetary</i>
				<i>Intragovernmental Other</i>
Other	(667)			(627) Accrual of Collections Yet to be Transferred to a TAS Other than the General Fund
				(40) Other Budgetary Financing Sources
				(667) <i>Total Intragovernmental Other</i>
<i>Total Other</i>	(667)			(667) <i>Total Reclassified Other</i>
Imputed Financing	32,608			32,608 Imputed Financing Sources (Federal)
Total Financing Sources	155,366			155,366 Total Financing Sources
Net Cost of Operations	(170,448)			(170,448) Net Cost of Operations
Ending Balance - Cumulative Results of Operations	74,817			74,817 Net Position - Ending Balance
Total Net Position	\$ 415,800			\$ 415,800 Total Net Position

Required Supplementary Information

Deferred Maintenance and Repairs for General Property, Plant, and Equipment

Information on deferred maintenance and repairs (DM&R) is required under SFFAS 42, "Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32," dated April 25, 2012.

SFFAS 42 defines DM&R as "maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period." Maintenance and repairs (M&R) are defined as activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance, replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. M&R, as distinguished from capital improvements, excludes activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

DM&R should include funded and unfunded M&R activities that have been delayed to a future period. DM&R on inactive or excess general PP&E should be included to the extent that it is required to maintain those items in acceptable condition. The NRC evaluated DM&R activities for leased facilities, the multiple components of the agency information technology (IT) infrastructure, and individual capital asset purchases with a cost equal to or greater than \$50,000. The NRC did not include noncapitalized PP&E with a cost of less than \$50,000, which are deemed immaterial.

Deferred Maintenance and Repairs for the NRC Facilities, Other Structures, and Capital Equipment

For the NRC's leased facilities and capital equipment purchases, the NRC typically does not have any DM&R. The NRC had no DM&R for facilities, other structures, and capital equipment as of September 30, 2019, and 2018.

Defining and Implementing Maintenance and Repair Policies in Practice

For the NRC Headquarters facilities, the agency uses the GSA guidelines for maintenance activities along with industry best practices to determine the preventive maintenance activities to perform and the schedule for those activities. For the building structures and systems, the maintenance contractor performs all required periodic maintenance to keep the systems and buildings in a good state of repair. The contractor is held to a 98 percent scheduled completion rate, with all the preventive maintenance completed within a reasonable time. When equipment reaches the end of its useful life, it is generally replaced with like-kind or upgraded equipment. For any type of an emergent failure to facilities, the NRC would request additional funding, as needed, for repairs or replacement to structures and equipment.

For the regional offices, the building management (lessor) is responsible for performing all required periodic maintenance to keep the systems and buildings in a good state of repair. Generally, the regional leases contain the fixed assets, including equipment purchased to support the operations of the agency's leased space, such as diesel generators and chillers for the Incident Response Center, the local area network, and power cooling. Equipment requiring repair results in a service repair call. For those instances where equipment is purchased to support the NRC regional operations, maintenance contracts are put in place to provide periodic service and maintenance on the equipment. When equipment reaches the end of its useful life, it is generally replaced with like-kind or with upgraded equipment. For any type of an emergent failure, the NRC would request additional funding, as needed, for repairs or replacement of equipment.

The TTC facility and associated systems are leased and maintained by the lessor. This includes any emergent repairs that may occur, as well as any scheduled maintenance. Assets within the TTC are predominantly maintained by facilities personnel or in some cases, such as for simulator systems, contractor personnel perform all required emergent and periodic maintenance to keep the simulator systems in a good state of repair. When equipment reaches the end of its useful life, it is replaced with like-kind or upgraded equipment.

Ranking and Prioritization of Maintenance and Repair Activities

Personnel safety is a top priority at the NRC leased facilities. Maintenance activity, such as for fire alarms and emergency exits, is given top priority. If a preventative maintenance activity must be deferred, which is typically only for 2 to 4 weeks, the impact to personnel safety and building functionality is considered during the review. Other M&R activities are executed as required so that there is no disruption to the NRC operations and the TTC training schedules.

Factors Considered in Determining Acceptable Condition

The NRC's Facilities Management Branch at the headquarters facilities perform the daily inspections and maintenance of the buildings and major systems. The NRC internally reviews planned maintenance activity records and historical logs of M&R to monitor condition information for equipment. Based on the information gathered, the NRC will determine whether planning for replacement or upgrade is needed. Additionally, the GSA conducts onsite inspections every 3 to 5 years at the headquarters facilities to assess the overall condition of the buildings and to determine when major systems and components need to be scheduled for replacement. For the TTC and regional offices, the NRC has a Facilities Management staff person onsite to work with the GSA to manage the buildings with support from the lessors. As a result, the GSA performs more frequent onsite inspections of the facilities. The NRC works in close coordination with the GSA to ensure that M&R activities are performed on a timely basis for all NRC-occupied facilities.

Deferred Maintenance and Repairs for Information Technology Infrastructure and Systems

There was no DM&R for IT Infrastructure and Systems as of September 30, 2019. The DM&R includes the video teleconference and voicemail systems. The voicemail for Regions 2, 3, and 4 is close to completion, with Regions 1 and the TTC still awaiting upgrades. The video teleconference will require incremental DM&R as the agency encounters units that have passed the obsolete state. The NRC had \$0.5 million in DM&R for IT infrastructure and systems as of September 30, 2018.

The NRC IT infrastructure is a network of multiple equipment, software, and service components, taken as a whole, which provides the critical communication network that allows the NRC to accomplish its mission. The NRC IT infrastructure encompasses the following:

- End-user systems and support and end-user hardware includes desktop, laptop, and handheld devices; peripherals (local printers, shared printers); software (personal computer operating systems, office automation suites, messaging, and groupware), and hardware and software for help desks. Also included are network operations command centers, wire closets, and cable management. For regional offices, this includes regional end-user support similar to that provided by the Customer Support Center at the NRC Headquarters, which includes contract support and Federal full-time equivalents.
- Telecommunications services includes data networks and telecommunications (including wireless, multimedia, and local and long-distance telephone); hardware and software operations; licenses; maintenance; and backup, continuity of operations, and disaster recovery. For regional offices, this includes local telecommunications, which includes contract support and Federal full-time equivalents.
- Production operations include mainframes and servers (including Web hosting, but not Web content development and management); hardware and software operations; licenses; maintenance; and backup, continuity of operations, and disaster recovery. Also included resources related to carrying out Homeland Security Presidential Directive-12, "Policy for a Common Identification Standard for Federal Employees and Contractors," dated August 27, 2004, which requires all Federal Executive departments and agencies to implement a Government-wide standard for secure and reliable forms of identification for access to Federal facilities and information systems.

The NRC relies on the asset project and program managers to execute the maintenance budget and to establish and modify the M&R schedule as needed. Ranking factors that may impact the M&R schedule include personnel safety, age of the asset, scheduled replacement date, budget constraints, and unforeseen or unexpected events.

Additionally, whether computer-off-the-shelf or internally developed software for IT systems, the NRC relies on the project and program managers to establish a M&R budget and schedule. Minor repairs, enhancements, and upgrades are completed internally through the regular M&R operations process. For major upgrades and replacement systems, the project manager must submit a request to perform the work to the appropriate IT governance boards for their approval.

Defining and Implementing Maintenance and Repair Policies in Practice

All of the NRC IT infrastructure M&R activities are performed under various contracts which includes leasing of servers, computers, printers, and software and provides provisions for periodic monitoring, maintenance, and repairs. Replacement of miscellaneous equipment components and software is scheduled as needed when the equipment reaches the end of its useful life and before the equipment and software become obsolete. Desktops and laptops are upgraded on a 3-year rolling schedule so that they do not become obsolete.

Ranking and Prioritization of Maintenance and Repair Activities

The NRC program managers determine the requirements for ranking, scheduling, and performing IT infrastructure M&R activities and include them in the contractor statement of work. For the critical IT infrastructure and support services (ITISS) contract, the main ranking factor is the age of the asset (e.g., desktop, laptop, printer), followed by cost and budget constraints. However, when applicable, personnel safety is considered and is the highest priority.

Factors Considered in Determining Acceptable Condition

In determining acceptable condition, the NRC mainly considers the asset's age, remaining useful life, and compatibility with current and required software.

Combining Statement of Budgetary Resources (IN THOUSANDS)

For the fiscal year ended September 30, 2019	Salaries and Expenses	Office of the Inspector General	Nuclear Facility Fees	Total
Budgetary Resources:				
Unobligated balance from prior-year budget authority, net	\$ 46,760	\$ 3,010	\$ –	\$ 49,770
Appropriations	898,350	12,609	–	910,959
Spending authority from offsetting collections	3,662	–	–	3,662
Total Budgetary Resources	\$ 948,772	\$ 15,619	\$ –	\$ 964,391
Memorandum Entry:				
Net adjustments to unobligated balance brought forward October 1	\$ 8,579	\$ 47	\$ –	\$ 8,626
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 12)	\$ 882,673	\$ 12,347	\$ –	\$ 895,020
Unobligated balance, end of period:				
Apportioned, unexpired accounts	65,557	2,160	–	67,717
Exempt from apportionment, unexpired accounts	407	–	–	407
Unapportioned, unexpired accounts	–	–	–	–
Unexpired unobligated balance, end of year	65,964	2,160	–	68,124
Expired unobligated balance, end of year	136	1,111	–	1,247
Unobligated balance, end of year	66,100	3,271	–	69,371
Total Status of Budgetary Resources	\$ 948,773	\$ 15,618	\$ –	\$ 964,391
Outlays Net:				
Outlays, net	874,413	11,570	–	885,983
Distributed offsetting receipts	–	–	(772,216)	(772,216)
Agency Outlays, Net	\$ 874,413	\$ 11,570	\$(772,216)	\$ 113,767
For the fiscal year ended September 30, 2018	Salaries and Expenses	Office of the Inspector General	Nuclear Facility Fees	Total
Budgetary Resources:				
Unobligated balance from prior-year budget authority, net	\$ 45,684	\$ 3,542	\$ –	\$ 49,226
Appropriations	909,069	12,859	–	921,928
Spending authority from offsetting collections	4,004	–	–	4,004
Total Budgetary Resources	\$ 958,757	\$ 16,401	\$ –	\$ 975,158
Memorandum Entry:				
Net adjustments to unobligated balance brought forward October 1	\$ 9,494	\$ 204	\$ –	\$ 9,698
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 12)	\$ 920,576	\$ 13,438	\$ –	\$ 934,014
Unobligated balance, end of period:				
Apportioned, unexpired accounts	37,645	1,930	–	39,575
Exempt from apportionment, unexpired accounts	431	–	–	431
Unapportioned, unexpired accounts	–	3	–	3
Unexpired unobligated balance, end of year	38,076	1,933	–	40,009
Expired unobligated balance, end of year	105	1,030	–	1,135
Unobligated balance, end of year	38,181	2,963	–	41,144
Total Status of Budgetary Resources	\$ 958,757	\$ 16,401	\$ –	\$ 975,158
Outlays Net:				
Outlays, net	888,324	12,542	–	900,866
Distributed offsetting receipts	–	–	(781,825)	(781,825)
Agency Outlays, Net	\$ 888,324	\$ 12,542	\$(781,825)	\$ 119,041

Inspector General's Letter Transmitting Independent Auditors' Report

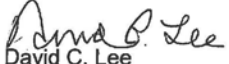


**UNITED STATES
NUCLEAR REGULATORY COMMISSION**
WASHINGTON, D.C. 20555-0001

OFFICE OF THE
INSPECTOR GENERAL

November 15, 2019

MEMORANDUM TO: Chairman Svinicki

FROM: 
David C. Lee
Deputy Inspector General

SUBJECT: RESULTS OF THE AUDIT OF THE UNITED STATES
NUCLEAR REGULATORY COMMISSION'S FINANCIAL
STATEMENTS FOR FISCAL YEAR 2019 (OIG-20-A-04)

The *Chief Financial Officers Act of 1990*, as amended (*CFO Act*), requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the United States Nuclear Regulatory Commission's (NRC) financial statements in accordance with applicable standards. In compliance with this requirement, the Office of the Inspector General (OIG) retained CliftonLarsonAllen (CLA) to conduct this annual audit. Transmitted with this memorandum is CLA's audit report. CLA examined NRC's Fiscal Year (FY) 2019 Agency Financial Report, which includes financial statements for FY 2019. CLA's audit report contains the following reports:

- Opinion on the Financial Statements.
- Opinion on Internal Control over Financial Reporting.
- Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements.

Objective of a Financial Statement Audit

The objective of a financial statement audit is to determine whether the audited entity's financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

CLA's audit included, among other things, obtaining an understanding of NRC and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; and testing relevant internal

controls over financial reporting. Because of inherent limitations in internal controls, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of any internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

FY 2019 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion.

Internal Control over Financial Reporting

- Unmodified opinion.

Compliance with Laws and Regulations

- No instances of noncompliance noted.

OIG Oversight of CLA's Performance

To fulfill our responsibilities under the *CFO Act* and related legislation for ensuring the quality of the audit work performed, we monitored CLA's audit of NRC's FY 2019 financial statements by:

- Reviewing CLA's audit approach and planning.
- Evaluating the qualifications and independence of CLA's auditors.
- Monitoring audit progress at key points.
- Examining the working papers related to planning and performing the audit and assessing NRC's internal controls.
- Reviewing CLA's audit report to ensure compliance with Government Auditing Standards and Office of Management and Budget Bulletin No. 19-03.
- Coordinating the issuance of the audit report.
- Performing other procedures deemed necessary.

CLA is responsible for the attached auditor's report, dated November 13, 2019, and the conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight,

as differentiated from an audit in conformance with Government Auditing Standards, was not intended to enable us to express an opinion, and accordingly we do not express an opinion on:

- NRC's financial statements.
- Effectiveness of NRC's internal control over financial reporting.
- NRC's compliance with laws, regulations, contracts, and grant agreements.

However, our monitoring review, as described above, disclosed no instances where CLA did not comply, in all material respects, with applicable auditing standards.

Meeting with the Chief Financial Officer

At the exit conference on November 14, 2019, representatives of the Office of the Chief Financial Officer, OIG, and CLA discussed the results of the audit.

Comments of the Chief Financial Officer

In her response, the Chief Financial Officer agreed with the report. The full text of her response follows this report.

We appreciate NRC staff's cooperation and continued interest in improving financial management within NRC.

Attachment: As stated

cc: Commissioner J. Baran
Commissioner A. Caputo
Commissioner D. Wright
M. Doane, OEDO
M. Wylie, OCFO
J. Jolicoeur, OEDO
S. Miotla, OEDO
EDO_ACS_Distribution
RidsEDO MailCenter Resource
RidsOCFOMailCenter Resource
OIG Liaison Resource

Independent Auditors' Report



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

To: Inspector General
United States Nuclear Regulatory Commission

Chairman
United States Nuclear Regulatory Commission

In our audit of the fiscal year 2019 financial statements of the United States Nuclear Regulatory Commission (NRC), we found

- NRC's financial statements as of and for the fiscal year ended September 30, 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- NRC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019; and
- No reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more details (1) our report on the financial statements and on internal control over financial reporting, required supplementary information (RSI)¹, and other information (OI)² included in the financial statements; (2) our report on compliance with laws, regulations, contracts, and grants agreements; and (3) agency comments.

Report on the financial statements and on Internal Control over Financial Reporting

In accordance with our contract with NRC's Office of Inspector General, we have audited NRC's financial statements. NRC's financial statements comprise of the balance sheet as of September 30, 2019; the related statement of net cost, changes in net position, and budgetary resources for the fiscal year ended; and the related notes to the financial statements. We also audited NRC's internal control over financial reporting as of September 30, 2019, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA).

We conducted our audits in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB 19-03). We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinions.

¹ The RSI consists of Management's Discussion and Analysis (MD&A) and the Combined Statement of Budgetary Resources, which are included with the financial statements.

² Other Information consists of information included with the financial statements, other than RSI and the auditors' report.



INDEPENDENT AUDITORS' REPORT, CONTINUED

Management's Responsibility

NRC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) maintaining an effective internal control over financial reporting, including 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; (5) evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and (6) its assessment included in the MD&A about the effectiveness of internal control over financial reporting as of September 30, 2019.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on NRC's internal control over financial reporting based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures to RSI and OI included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness³ exists. The procedures selected depend on the auditor's judgement, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also includes obtaining an understanding of internal control over financial reporting, and evaluating and testing the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered NRC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. Our audits also included performing such other procedures as we considered necessary in the circumstances.

³ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion on Financial Statements

In our opinion, NRC's financial statements present fairly, in all material respects, NRC's financial position as of September 30, 2019, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Opinion on Internal Control over Financial Reporting

In our opinion, NRC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019, based on criteria established under FMFIA.

During our 2019 audit, we identified deficiencies in NRC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies⁴. Nonetheless, these deficiencies warrant NRC's management attention. We have communicated these matters to NRC management and, where appropriate, will report on them separately.

⁴ 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Fiscal year 2018 financial statements

The accompanying fiscal year 2018 financial statements of NRC were audited by other auditors whose report thereon dated November 7, 2018, expressed an unmodified opinion on the financial statements and internal control over financial reporting.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

NRC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on NRC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

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

In connection with our audits of NRC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards or OMB 19-03.

Management's Responsibility

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to NRC that have a direct effect on the determination of material amounts and disclosures in NRC's financial statements, and perform certain other limited procedures. Also, Section 803(b) of Federal Financial Management Improvement Act (FFMIA) requires the auditor to report whether the reporting entity's financial management systems comply substantially with Section 803(a) three requirements, which are (1) federal financial management systems requirements; (2) applicable federal accounting standards; and (3) the U.S. Government Standard General Ledger (USSGL) at the transaction level. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to NRC.

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

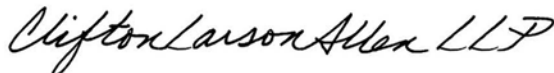
Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2019 that would be reportable under U.S. generally accepted government auditing standards. Moreover, the results of our tests disclosed no instances in which the NRC's financial management systems did not substantially comply with the three requirements in Section 803(a) of FFMIA. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to NRC. Accordingly, we do not express such an opinion.

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

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

NRC Management's Comments

NRC management, in its response to the discussion draft report we provided for comment, stated that it was in agreement with the draft report. The complete text of NRC's response is reprinted in the Agency Financial Report.



CliftonLarsonAllen LLP

Arlington, Virginia
November 13, 2019

Management's Response to the Independent Auditors' Report



CHIEF FINANCIAL
OFFICER

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

November 13, 2019

MEMORANDUM TO: Brett M. Baker
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Maureen E. Wylie */RA/*
Chief Financial Officer

SUBJECT: AUDIT OF THE FISCAL YEAR 2019 FINANCIAL STATEMENTS

We appreciate the collaborative relationship between the Office of the Inspector General, the auditors, and the Office of the Chief Financial Officer in supporting our continuing effort to improve financial reporting. We have reviewed the Independent Auditor's Report of the Agency's fiscal year 2019 financial statements and are in agreement with it.

cc: M. Doane, EDO
C. Haney, AO/OEDO
D. Jackson, DAO/OEDO
J. Jolicoeur, OEDO
S. Miotla, OEDO

Chapter 3: Other Information

Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the NRC



Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission in Fiscal Year 2020

OIG-20-A-01

October 29, 2019



All publicly available OIG Reports (including this report) are accessible through NRC's website at

<http://www.nrc.gov/reading-rm/doc-collections/insp-gen>

AT A GLANCE

October 29, 2019

WHY WE DID THIS REPORT The *Reports Consolidation Act of 2001* (Public Law 106-531) requires us to annually update our assessment of NRC's most serious management and performance challenges facing the agency and the agency's progress in addressing those challenges.

WHAT WE FOUND The Nuclear Regulatory Commission (NRC) is viewed as the world leader among nuclear regulatory bodies as it licenses and regulates the Nation's civilian use of radioactive materials to provide reasonable assurance of adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. The NRC's proposed FY 2020 budget is \$921.1 million, including 3,062 full-time equivalent employees located in five primary locations in the United States. Beyond its nuclear safety and security mission, as a Federal agency, NRC must be a responsible steward of taxpayer dollars and expend its budgeted funds properly.

This year we are introducing a new design for the Management Challenges report, in which we use a single-page format to identify each challenge, actions taken by the agency, and work left to do. Based on feedback from the agency and our desire to improve the specificity and clarity of the challenges we believe should receive the NRC's attention, we have modified the challenge areas identified in our FY 2019 Management Challenges report and have identified the following 7 areas representing more focused and actionable challenges.

1. NRC and Agreement State Coordination on Oversight of Materials and Waste
2. Continuous Improvement Opportunities for Information Technology (IT) and Information Management (includes internal IT security)
3. Management and Transparency of Financial and Acquisitions Operations
4. Strategic Workforce Planning
5. Strengthening Oversight of External Security
6. Readiness for Advanced Reactor Technologies
7. Strengthening Risk Informed Oversight

Effective responses to these challenges will continue to position NRC to work towards the effective and efficient execution of its mission, achievement of its strategic goals, and to achieve the highest level of accountability over taxpayer dollars.

AGENCY RESPONSE TO MANAGEMENT CHALLENGES FOR FY 2019 NRC has worked to respond to a number of OIG report recommendations through the year and is engaging in agency-wide transformation efforts to prepare for the immediate, near term and future regulatory landscape. The agency is seeking to become leaner and more efficient by re-organizing and recombining the Offices of New Reactors and Nuclear Reactor Regulation. NRC leadership's input to OIG for management challenges has noted its own assessment of key challenges for the agency.

FOR FURTHER INFORMATION, CONTACT US AT:

U.S. Nuclear Regulatory Commission
Office of the Inspector General, Mail Stop O5-E13, 11555 Rockville Pike, Rockville, MD 20852
Telephone: 301-415-5930 Fax: 301-415-5091
To view posted Inspector General audit reports, click [here](#).

Introduction

From the Deputy Inspector General: I am pleased to present our assessment of the most significant management and performance challenges facing the NRC in Fiscal Year (FY) 2020.

The *Reports Consolidation Act of 2001* requires us to annually update our assessment of NRC's "... most serious management and performance challenges facing the agency ... and the agency's progress in addressing those challenges." In this report, we summarize what we consider the most critical management and performance challenges to NRC, and we assess the agency's progress in addressing those challenges.

NRC leads the world as an innovative agency dedicated to effective regulation of nuclear materials while ensuring public health and safety and protection of the environment. Beyond its licensing and regulatory missions, as a Federal agency, NRC must be a responsible steward of taxpayer dollars and distribute scarce research funds properly.

About the Inspector General:

In accordance with the 1988 amendment to the *Inspector General Act of 1978*, the NRC's Office of the Inspector General (OIG) was established on April 15, 1989, as an independent and objective unit to conduct and supervise audits and conduct investigations relating to NRC's programs and operations. The purpose of OIG's audits and investigations is to prevent and detect fraud, waste, abuse, and mismanagement, and promote economy, efficiency, and effectiveness in NRC programs and operations. In addition, OIG reviews existing and proposed regulations, legislation, and directives, and provides comments, as appropriate, regarding any significant concerns. The Inspector General serves under the general supervision of the NRC Chairman but operates with personnel, contracting, and budget authority independent of the NRC. The IG keeps the Chairman and the Congress fully and currently informed about problems, recommends corrective actions, and monitors NRC's progress in implementing such actions.

About the NRC:

The NRC's mission is to license and regulate the Nation's civilian use of radioactive materials to protect public health and safety, promote the common defense and security, and protect the environment. The NRC's vision is to carry out the mission as a trusted, independent, transparent, and effective nuclear regulator. The NRC's two strategic goals, Safety and Security, are to ensure the safe and secure use of radioactive materials.

The NRC is headed by a group of up to five Commissioners appointed by the President and confirmed by the Senate for five-year terms. One of them is designated by the President to be the Chairman and official spokesperson of the Commission. The Commission formulates policies and regulations governing nuclear reactor and materials safety, issues orders to licensees, and adjudicates legal matters brought before it. The Executive Director for Operations (EDO) carries out the policies and decisions of the Commission and directs the activities of the program offices. The offices reporting to

the EDO strive to ensure the commercial use of nuclear materials in the United States is safely conducted. As part of the regulatory process, the four regional offices conduct inspection, enforcement, and emergency response programs for licensees within their regions.

The NRC's FY 2018–2022 Strategic Plan describes the agency's mission, vision, principles of good regulation, along with strategic goals, objectives, and strategies. The Safety strategic goal is to Ensure the Safe Use of Radioactive Materials. The Security strategic goal is to Ensure the Secure Use of Radioactive Materials.

The NRC carries out its safety and security activities through two major programs: Nuclear Reactor Safety, consisting of the Operating Reactors and New Reactors business lines; and, Nuclear Materials and Waste Safety, consisting of the Fuel Facilities, Nuclear Materials Users, Decommissioning and Low-Level Waste, Spent Fuel Storage and Transportation, and High Level Waste business lines. The agency accomplishes its mission to provide reasonable assurance of adequate protection for public health and safety through regulatory activities that include licensing, oversight, and rulemaking. The NRC's event response activities prepare for and respond to emergencies involving radioactive materials. The following narrative highlights the agency's progress during FY 2018 in achieving its Safety and Security goals.

NRC has taken significant action to mitigate challenges faced in various areas. Some examples are listed below.

- Agreement State Procedure SA-10, "Oversight of the National Materials Program" was issued on May 21, 2019. This procedure is intended to address long standing communication and coordination challenges between the NRC and the States.
- Agreement State and NRC materials program performance, as measured by the Integrated Materials Performance Evaluation Program (IMPEP), has been consistently strong.
- A working group established by the office of Nuclear Materials Safety and Safeguards (NMSS) to re-evaluate the scope and roles and responsibilities of the National Materials Program completed its review and made various program improvement recommendations.
- The staff established technical controls to monitor the NRC network for unauthorized access to reduce the risk of unauthorized transactions, changes to data, audit logs and configurations.

NRC has also made significant progress in a number of areas. For example,

- NRC conducted a major computer refresh program.
- The agency proactively assessed the security state of systems through NRC's IT security continuous monitoring program.
- In October 2018, NRC set in motion the Futures Assessment effort as a way of ensuring that the NRC continues to effectively meet its mission in the future, 2030 and beyond. The Futures Assessment report factored in the U.S. nuclear power demand and level of global nuclear reactor innovation. The impacts of potential future scenarios were explored for each of the NRC's business lines, including new and operating reactors, nuclear materials, spent fuel storage and transport, and fuel facilities and reprocessing. The report also explores implications for various functions in the NRC, such as event response, rulemaking, licensing, research, stakeholder relations, human resources, financial management, administrative services, and information technology.
- In June 2019, the agency conducted an "NRC Futures Jam", which was a multi-day collaborative agency-wide discussion in a virtual environment covering future scenarios such as

Increasing Agility, Enhancing Strategy, Governance, and Culture, Preparing for Human Capital Changes, Increasing Efficiency through Technology, and Engaging with Stakeholders. NRC management have indicated they are processing all the ideas received and formulating plans and strategies informed by this input.

Additionally, the cybersecurity area presents a myriad of potential and unknown risks that cannot be fully anticipated and will, therefore, continue to test NRC's ability to respond and mitigate threats. In light of the ever-evolving nature of cybersecurity risks, it is important for NRC to consider information technology and information management a management priority.

Other significant regulatory activities during the first half of FY 2019 included proposed changes to the NRC's regulations for licensing, inspection, special project, and annual fees that the agency would charge applicants and licensees for FY 2019. The Commission also affirmed a final rule for mitigating beyond-design basis events at U.S. reactors based on lessons learned from the March 2011 accident at Japan's Fukushima Dai-ichi plant. The rule makes generically applicable the orders that the NRC issued in March 2012 and requires most U.S. nuclear power plants to comply with its requirements within 2 years and 30 days of the rule's publication in the Federal Register.

Other Noteworthy NRC Activities:

In late September 2018, the *Nuclear Energy Innovation Capabilities Act of 2017* was signed into law. The Act requires the U.S. Department of Energy (DOE) and the NRC to enter into a memorandum of understanding (MOU) on specific topics related to advanced reactors and authorizes the agencies to enter into an MOU on additional advanced reactor topics. The NRC staff has been working with DOE to develop an MOU to implement provisions of the Act.

On October 17, 2018, the Radiation Source Protection and Security Task Force submitted its fourth report to the President and Congress as required by the *Energy Policy Act of 2005*. The task force, chaired by NRC, is comprised of staff from 14 Federal agencies and one state organization with broad authority over all aspects of radioactive source control, including regulatory, security, intelligence, and international activities. The task force report indicated that substantial progress has been made since the events of September 11, 2001, to enhance the protection of radioactive sources from terrorist threats, and that there are no significant gaps in the area of source protection and security that are not already being addressed through continued attention by appropriate task force agencies.

In November 2018, the NRC released its FY 2018 financial report, providing audited financial statements of the agency's management of resources from October 1, 2017, through September 30, 2018. The report documents continued reductions in the NRC's budget, reflecting adjustments for the agency's workload and the implementation of efficiencies that reduce the cost of operations.

In January 2019, the *Nuclear Energy Innovation and Modernization Act (NEIMA)* was signed into law. The Act includes provisions on a variety of topics related to the NRC, such as the annual budget request, fees, reports to Congress, performance metrics and milestone schedules for "requested activities of the Commission," and the licensing process for commercial advanced reactors and research and test reactors. NRC stated the agency is progressing in each area to ensure timely implementation of NEIMA's requirements and submitted the first set of congressional reports required by the Act in April 2019.

In March 2019, about 3,000 people from the United States and 33 other countries attended the NRC's 31st annual Regulatory Information Conference, which focused on innovation and transformation. Technical sessions featured discussions of significant domestic and international issues such as cybersecurity, risk-informed analysis, advanced and small modular reactors, spent fuel research activities, recent reactor material issues, and the Reactor Oversight Process.

Finally, from October 2018 through March 2019, the agency conducted more than 500 public meetings, in the Washington, DC area and in States and communities with NRC-licensed or proposed facilities, to address a full range of NRC issues.

Challenges for FY 2020

This year, we have identified seven areas representing challenges NRC must address to better accomplish its mission. We have compiled this list based on our audit, evaluation and investigative work; general knowledge of the agency's operations; and evaluative reports of others, including the U.S. Government Accountability Office (GAO) and input from NRC management. We identify management challenges as those that meet at least one of the following criteria:

1. The issue involves an operation that is critical to the NRC Mission or an NRC Strategic Goal.
2. There is a risk of fraud, waste, or abuse of NRC or other Government assets.
3. The issue involves strategic alliances with other agencies, the Office of Management and Budget, the Administration, Congress, or the public.
4. The issue involves risk of a legal or regulatory requirement not being met.

The following list represents seven areas of the most critical management and performance challenges for the NRC in FY 2020. It is followed by more detailed discussion of each challenge in the new single page format.

1. NRC and Agreement State Coordination on Oversight of Materials and Waste
2. Continuous Improvement Opportunities for Information Technology and Information Management (includes internal IT security)
3. Management and Transparency of Financial and Acquisitions Operations
4. Strategic Workforce Planning
5. Strengthening Oversight of External Security
6. Readiness for Advanced Reactor Technologies
7. Strengthening Risk Informed Oversight

Challenge 1: *NRC and Agreement State Coordination on Oversight of Materials and Waste*

Why is this a serious management and performance challenge?

This challenge involves sustained, high level coordination between NRC and 39 Agreement States to ensure a consistent understanding and implementation of regulations associated with oversight of materials and waste.

NRC is responsible for maintaining an established regulatory framework for the safe and secure use of nuclear materials; medical, industrial, and academic applications; uranium recovery activities; and high-level and low-level radioactive waste. Part of NRC's regulatory framework includes Agreement States. These are states that have entered into an agreement with NRC to regulate certain radioactive materials and limited quantities of special nuclear material. The State must demonstrate that its regulatory program is adequate to protect public health and safety, and the environment and is compatible with NRC's program. Currently, with the 2019 addition of Vermont, there are 39 Agreement States. Together, the broad collective effort of the NRC and Agreement States to carry out their respective regulatory programs is called the National Materials Program (NMP).

To ensure a consistent understanding of regulatory functions, NRC routinely provides training courses for Agreement State personnel. These courses serve an important role in supporting the Agreement State program within the larger construct of the National Materials Program. Many of the training courses are part of formal qualification programs for license reviewers and inspectors and NRC funds the costs associated with Agreement State personnel to attend the training, including travel. Recently, OIG did a series of three audits focused on the effectiveness and efficiency of the National Materials Program (NMP) framework including NRC's process for managing Agreement State training and funding. These audits identified opportunities for improvement with the efficiency and effectiveness of NRC's oversight of the NMP, as well as the internal NRC processes associated with providing and funding Agreement State training.

Completed Actions

- Staff issued State Agreement (SA)-10, Joint Oversight of the National Materials Program.
- The State of Vermont was approved as the 39th Agreement State, effective September 30, 2019.

Ongoing Actions

- NRC is continuing to review State requests to be admitted into the Agreement State Program.
- NRC and Agreement States are working cooperatively to evaluate the recommendations proposed by the NMP Working Group to improve communications, risk inform NMP activities, develop training, and explore the role of Agreement States in addressing technical and regulatory issues.



Looking Ahead: OIG will conduct audits related to oversight of materials and waste in FY 2020 including an audit of NRC's Integrated Materials Performance Evaluation Program (IMPEP) reviews, as well as of NRC's Material Control and Accounting Inspection Program for Special Nuclear Material.

Challenge 2: *Continuous Improvement Opportunities for Information Technology and Information Management (includes internal IT security)*

Why is this a serious management and performance challenge? Technology continues to advance rapidly. The challenge is supporting a future-ready workforce equipped with modern tools, technologies, skills, and knowledge necessary to meet both current and future mission needs.

NRC must continue to meet the regulatory and statutory Federal mandates for Information Technology/Information Management (IT/IM). The responsibility of the NRC's IT/IM program is to maintain and enhance services and infrastructure to enable the mission. This goal reflects the NRC's commitment to openness and is essential for effective agency operations. NRC manages information and employs information technology (IT) to enhance information access and strengthen physical security and agency performance in carrying out its mission. NRC must continue to use robust, proactive measures to protect its infrastructure – the buildings, personnel, and information – from both internal and external threats. Moreover, as the nature of the threat continues to evolve, NRC faces challenges with oversight of the protection of operating facilities and facilities undergoing decommissioning, the use of nuclear materials, sharing of sensitive information, emergency preparedness and incident response. The biggest challenge to IT in the future is security. Security could negatively impact connectivity to public networks. Key internal security oversight challenges for NRC include the following:

- Increasing numbers, types, and sophistication of cyber threats highlight the need to reinforce the security over NRC's information systems. For example, advanced persistent threats where an adversary that possesses sophisticated levels of expertise and significant resources can attack using multiple means such as cyber, physical, or deception to achieve its objectives, pose increasing risks.
- Directing agency-wide information resource planning to help the agency select and manage information technology, information management, and information technology security resources to provide maximum value.
- Executing the insider threat prevention and detection program for detecting, deterring, and mitigating insider threats to address protection of classified and safeguards information from exploitation, compromise, or unauthorized disclosure.
- Managing risk-based information security strategies to protect against sophisticated cyber-attacks.
- Executing the *Federal Information Security Modernization Act of 2014*, to strengthen security of computer networks.

Completed Actions

- NRC implemented corrective actions responsive to OIG recommendations from prior FISMA evaluations.

Ongoing Actions

- NRC is continuing to strengthen their IT workforce skills and knowledge. In addition, efforts are underway to implement the Information Technology Acquisition Reform Act which promotes Federal IT modernization.

Looking Ahead: Continuing efforts to analyze the security over NRC's network and the ability of agency systems to allow staff to improve the efficiency of their work.

Challenge 3: *Management and Transparency of Financial and Acquisitions Operations*

Why is this a serious management and performance challenge?

Sound financial management is vital for Federal agencies to accomplish their missions in an effective and efficient manner. Moreover, strong acquisition management increases the likelihood the agency is hiring the right contractors for the assigned tasks and that contracting actions are being monitored in accordance with regulations.

NRC is required by the *Omnibus Budget Reconciliation Act of 1990* to collect fees totaling approximately 90 percent of its annual budget authority. NRC is required to establish a schedule of charges that fairly and equitably assesses the fees to license holders and license applicants. In recent years, NRC has been reducing its budget and full-time equivalents because of ongoing changes in the nuclear industry. To improve efficiency, NRC has initiated projects to improve its fee calculation process and fee billing structure. To maintain transparency, NRC must continue to implement solid internal controls over financial management and reporting. Sound acquisitions practices are also an important aspect of NRC operations. The agency has continued to promote sound acquisition award practices, improvements in the management of contracts and timely closeout of contracting actions. In addition, the agency must continue to administer their grants program in accordance with the prescribed Federal regulations.

Key financial and acquisition challenges include the following:

- Developing and implementing the agency's budget in accordance with Federal laws, regulations, and guidelines.
- Maintaining a fee structure in accordance with laws and regulations and that is fair to agency licensees.
- Improving controls over license fee billing.
- Maintaining effective controls over financial reporting, contracts, and grants.
- Improving agency guidance for decommissioning programs.
- Continue exploring ways to improve the award, management and timely closeout of acquisition actions.

Completed Actions

- NRC made improvements to their improper payment identification and reporting practices.
- NRC completed the implementing corrective actions related to previous OIG audits affecting the agency's contracting function.

Ongoing Actions

- NRC continues to make improvements to its fee billing process.
- In accordance with Federal internal control guidelines, NRC continues to spearhead various internal control efforts that involve agency management and promote sound financial management.



Looking ahead: OIG is continuing efforts to analyze the agency's financial and budgeting information, in addition to identifying needed improvements to the agency's contract administration actions.

CHALLENGE 4: *Strategic Workforce Planning*

Why is this a serious management and performance challenge?

Strategic workforce planning is critical to the NRC because it will help to maintain a focus on longer-term workforce development and organizational goals.

NRC's enhanced Strategic Workforce Planning (SWP) is a structured and data-driven process. The SWP process develops short- and long-term strategies and action plans that enable the NRC to recruit, retain and develop a skilled and diverse workforce with the competencies, and agility to address emerging needs and workload fluctuations. Office and regional directors with their management and in partnership with the Office of the Executive Director for Operations (OEDO) and the Office of Chief Human Capital Officer implement the SWP process and execute the strategies generated. The SWP process takes place on an annual cycle to develop strategies to address workforce needs in both budget execution year +1 and budget execution year +5.

The NRC's proposed FY 2020 budget is \$921.1 million, including 3,062 full-time equivalents. To support the agency's technical staff, NRC provides corporate support services such as contract support and multiple human resource programs. While NRC has implemented multiple programs to support agency staff, NRC continues to operate in a Federal Government environment of reduced full-time equivalents with only a recent small increase in the budget request for FY 2020. Because of this, the agency needs to have an appropriate balance between administrative functions and technical needs. In addition, NRC must be able to effectively recruit, train, and transfer knowledge to new hires, if applicable. This includes maintaining up-to-date guidance to effectively transfer knowledge and train current staff. NRC continued its Project Aim efforts with the purpose of, among other things, identifying inefficiencies in work processes, and right-sizing the agency to retain skill sets needed to accomplish the agency's mission.

Completed Actions

- In response to Recommendation 1 of *OIG Audit of NRC's Cyber Security Inspections at Nuclear Power Plants*, OIG-19-A-13, NRC has completed pilot SWP efforts and has developed insights from the SWP process to inform their development of strategies for strengthening the work force.
- The planned merger of the Office of Nuclear Reactor Regulation (NRR) and the Office of New Reactors (NRO) was effective October 13, 2019.

Ongoing Actions

- NRC is building competency models to improve qualifications programs, build employee skill sets, enable employees to move between roles as workloads shift, and to help them in their career planning.
- OEDO and Regions I-IV are developing strategies to sustain a robust cyber security inspection workforce informed by the insights drawn from the SWP process.



Looking Ahead: OIG will initiate an audit of NRC's Knowledge Management Program in FY 2020.

Challenge 5: *Strengthening Oversight of External Security*

Why is this a serious management and performance challenge?

At NRC, force-on-force and cyber security are two dynamic security inspection program areas that are in a state of flux. More specifically, 2018 signaled changes for the commercial power reactor force-on-force program.

In 2018, the Commission voted to modify the power reactor force-on-force inspection program to include one NRC-conducted force-on-force exercise and an enhanced NRC inspection of a licensee-conducted annual force-on-force exercise. In 2019, the staff submitted a framework that incorporates the approved changes into the force-on-force inspection program. This framework is being reviewed by the Commission. The years 2018 and 2019 marked NRC's first inspections of the full implementation of licensee cyber security programs at nuclear power plants. These inspections, along with a series of stakeholder engagements, culminated in a staff led assessment of the cyber security inspection program.

NRC staff is in the process of completing an assessment report to evaluate the cyber security inspection program for nuclear power plants based on the lessons learned and stakeholder engagements from throughout the year. Additionally, the Commission continues to deliberate the final rule and regulatory guidance for cyber security inspections at fuel cycle facilities. In total, present and forthcoming regulatory and programmatic changes to these security inspection programs will test NRC's ability to be an effective, efficient, and risk informed regulator.

Completed Actions

- NRC approved modifications to the operating reactor force-on-force inspection program to include one NRC-conducted force-on-force exercise and an enhanced NRC inspection of a licensee-conducted annual force-on-force exercise.
- NRC assessed the power reactor cyber security program based on feedback from various stakeholders and inspection findings.
- NRC revised the inspection procedure for the fuel cycle facility force-on-force program to complete target set area inspections

Ongoing Actions

- NRC is reviewing revised baseline security inspection program framework that implements force-on-force inspection program changes.
- NRC is conducting the remaining inspections of the full implementation of licensee cyber security programs at nuclear power plants.
- NRC is completing an assessment report and developing an action plan to implement cyber security inspection program assessment changes and enhancements.
- NRC is developing a cyber security rule and implementation guidance for fuel cycle facilities.
- NRC is developing a procedure to ensure that classified information is handled and secured properly during force-on-force inspections for Category I fuel facilities.



Looking Ahead: OIG will continue to monitor issues to identify risk areas associated with NRC's oversight of operating reactors and conduct audits and/or investigations that lead to NRC program improvements.

Challenge 6: *Readiness for Advanced Reactor Technologies*

Why is this a serious management and performance challenge?

Industry development of new technologies to extend the life of existing reactors, combined with Congressional support for development of new reactor and fuel technologies, will require NRC to adapt existing licensing processes and capabilities.

Unfavorable electric power market conditions have effectively slowed construction of new commercial nuclear power plants in the United States, as evidenced by the sudden cancellation in July 2017 of the V.C. Summer construction project. In addition, two nuclear power plants closed during 2019 for economic reasons, and several more plants face certain or potential closure by 2025 due to economic and policy factors. Nevertheless, some domestic utilities have expressed interest in alternative reactor designs, which could produce electricity at lower cost with greater scalability than current operating reactors. Domestic utilities are developing technologies that can extend the operating lifetimes of existing reactors, and Congress has passed legislation designed to facilitate research, development, and licensing of new reactor technologies. The technical complexity of these initiatives, combined with their experimental nature, has challenged NRC to adapt its regulatory processes to accommodate technologies that cannot be readily assessed using existing approaches.

Completed Actions

- NRC staff completed an early site permit safety review for the small modular reactor at Clinch River, TN.
- NRC updated the branch technical position addressing software common cause failure in digital instrumentation and controls.

Ongoing Actions

- NRC will partner with the Department of Energy to support the *Nuclear Energy Innovation Capabilities Act*.
- Staff will assess pilot results from accident tolerant fuel lead test assemblies.
- NRC will address congressional interest in generic environmental impact statements for advanced nuclear reactors.
- Staff will draft new language for emergency preparedness rules governing advanced reactors.



Looking Ahead: OIG will continue to monitor developments in this area through the course of the year, to inform its audit planning work.

Challenge 7: *Strengthening Risk Informed Oversight*

Why is this a serious management and performance challenge?

NRC's increasing emphasis on risk informed regulation necessitates guidance changes, as well as efforts to raise staff awareness of these changes and ensure regulatory consistency. NRC must also engage external stakeholders to ensure transparency of resulting changes to the Reactor Oversight Process.


It has been NRC policy since 1995 to inform regulatory activities with risk insights, thereby balancing deterministic engineering judgement with quantitative analysis based on operating experience. The agency has placed increasing emphasis on this policy in recent years as risk analysis models have become more sophisticated, and as nuclear power licensees have increasingly used probabilistic safety risk assessment to support changes to their license conditions. Nevertheless, NRC and the nuclear industry have methodological differences in their respective approaches to probabilistic risk assessment, and agency staff sometimes disagree on the use of risk analysis in regulatory actions such as license amendments and inspection findings. In light of these challenges, agency management has prioritized updates to existing guidance and procedures, as well as staff training on risk informed decision-making in the regulatory environment.

Completed Actions

- NRC's Office of Nuclear Reactor Regulation completed its Risk-Informed Decision-making Action Plan and issued internal guidance (LIC-206) to support risk-informed licensing.
- NRC revised RG 1.174, "An Approach for Using Probabilistic Risk Assessment in Risk-Informed Decisions on Plant-Specific Changes to The Licensing Basis."
- NRC developed and presented a new course for NRC managers, "Perspectives on Risk-Informed Decision-making for NRC Managers."

Ongoing Actions

- NRC is updating position-specific qualification requirements to include the newly developed "Risk-Informed Thinking Workshop" for reactor program staff.
- NRC is evaluating improvements to the realism of fire probabilistic risk assessment models.
- NRC is developing a graded approach for using risk information more broadly in operating reactor licensing reviews.
- NRC regional offices are developing Risk-Informed Decision-making action plans

 Looking Ahead: OIG will continue the assessment of NRC's Surveillance Test Inspection activities, which was initiated in the fourth quarter of FY 2019.

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Office of the Inspector General
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Mail Stop O5-E13
11555 Rockville Pike
Rockville, MD 20852

COMMENTS AND SUGGESTIONS

If you wish to provide comments on this report, please email OIG using this [link](#).

In addition, if you have suggestions for future OIG audits, please provide them using this [link](#).

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit for FY 2019						
Audit Opinion	Unmodified					
Restatement	No					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance	
None	0	0	0	0	0	
Total Material Weaknesses	0	0	0	0	0	
Summary of Management Assurances for FY 2019						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal systems conform to financial management system requirements					
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Non-conformances	0	0	0	0	0	0
Compliance with Section 803 (a) of the <i>Federal Financial Management Improvement Act</i> (FFMIA)						
	Agency			Auditor		
1. Federal Financial Management Systems Requirements	No Lack of Compliance Noted			No Lack of Compliance Noted		
2. Applicable Federal Accounting Standards	No Lack of Compliance Noted			No Lack of Compliance Noted		
3. United States Standard General Ledger at the Transaction Level	No Lack of Compliance Noted			No Lack of Compliance Noted		

Payment Integrity

Risk Assessment

The NRC is required to complete risk assessments to determine whether any programs were susceptible to making significant improper payments in accordance with IPIA as amended by IPERA and IPERIA. At this time, only intragovernmental transactions are exempt from IPERIA requirements.

The NRC performed a risk assessment as of September 30, 2017. Management identified commercial payments, grant payments, employee payments, payroll, and Government charge cards as potential areas to include in the IPIA risk assessment. In FY 2017, the NRC reviewed FY 2016 disbursements of selected programs to determine the appropriate threshold to conduct a risk assessment and possible testing. For FY 2016, total commercial payments were \$207.1 million; total grants payments were \$17.5 million; total employee payments were \$15.7 million; and total payroll payments were \$476.0 million. The NRC did not conduct a risk assessment over its purchase cards (total disbursements of \$3.3 million) and travel cards (total disbursements of \$4.6 million) since disbursement totals for each were below \$10.0 million. Conducting a risk assessment over those two programs would not produce an error rate that would meet the minimum threshold set by the OMB (\$10.0 million and 1.5 percent of total program payments).

For the programs selected for testing, as part of the qualitative and quantitative risk assessment, the NRC used its best judgment to select samples from each program under review, based on the universe of payments, which were reconciled to the general ledger. This sample was not meant to be statistically valid, as testing was performed to support the risk assessment process versus conducting full IPIA testing for high-risk programs. The testing was further refined through the identification of select attributes for each program to determine whether the right recipient received the right payment amount for the right goods or services at the right time.

The results of the FY 2017 risk assessment did not identify any programs that were susceptible to making significant improper payments. Although the results of the FY 2017 risk assessment identified programs as low risk, the NRC continued to monitor its payment processes, in addition to conducting periodic reviews of key controls for IPIA programs identified by management. The NRC will continue to conduct risk assessments on a triennial basis, in accordance with the IPIA, as amended by IPERA and IPERIA, as well as, OMB guidance. The next IPIA risk assessment will take place in FY 2020. In addition, the NRC will conduct risk assessments, as needed, if there are material changes in the way programs operate or if the agency establishes new programs. More detailed information on improper payments can be found at <https://paymentaccuracy.gov>.

Recapture of Improper Payments Reporting

As noted above, the NRC conducted a risk assessment in FY 2017 and discovered no improper payments. Based on the limited number of improper payments at the NRC and the substantial cost of conducting recapture audits, the agency determined that recovery or recapture audits are not cost effective. The NRC conducts risk assessments every 3 years as required by IPERIA.

Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

The NRC uses the Treasury’s Do Not Pay automated tools to monitor and reduce improper payments. This process has not resulted in the capture of any improper payments. Instead, the NRC captures improper payments through the agency’s internal controls. The NRC uses the Federal Awardees Performance and Integrity Information System and other data systems such as the System for Award Management and financial reports to establish whether a contractor has the integrity and business ethics to receive a Federal contract and is otherwise responsible, which is consistent with applicable statutes and regulations.

To date, the NRC awards grants only to educational institutions and other entities, not individuals. The NRC uses the System for Award Management and other data systems to ensure that only responsible and otherwise eligible applicants receive the NRC grants. The agency uses the same monitoring practices for both grantees and commercial vendors. The NRC reviews for debarments and suspensions as part of the pre-award risk review for eligibility and takes appropriate action internally to debar and suspend grant recipients, as appropriate. The NRC continues to follow the lead of the Office of Federal Procurement Policy on award recipients and continues to implement any changes directed by the policy. The NRC will also continue to use Do Not Pay to review and monitor improper payments.

Overpayment Recaptures without Recapture Audit Programs (\$ in millions)

Results for FY 2019	Overpayments Recaptured Outside of Payment Recapture Audits	
	Amount Identified	Amount Recaptured
Program or Activity		
Nuclear Regulatory Commission – 31000001	\$1.889*	\$0.039
Total	\$1.889	\$0.039

*This includes \$1.818 million in overpayments that was discovered in October 2019. NRC is currently working to recapture this entire amount.

Fraud Reduction Report

Historically, the NRC has had appropriate processes and control mechanisms in place to mitigate the low level of fraud risk within the NRC operations. As a result, the NRC did not implement any additional financial or administrative controls as a result of the Fraud Reduction and Data Analytics Act. The NRC has determined that the agency is at low risk of fraud for many reasons, including the following:

- The NRC uses the U.S. Department of the Interior to manage its payroll and does not make any entitlement payments.
- Grants at the NRC represent less than 1.5 percent of the overall NRC program.
- Over the past few fiscal years, there have been no instances of fraud identified through internal nor external reviews.

Chapter 3 • Other Information

The NRC mitigates fraud risk through existing activities such as the following:

- Pursuant to the requirements established in OMB Circular A-123, NRC has implemented an Enterprise Risk Management (ERM) Framework. Through this framework, the NRC conducts quarterly enterprise risk assessments, including an assessment of fraud risk within the NRC operational activities. In FY 2013, OCFO's Internal Control Team updated the agency's Internal Control Framework, which included conducting facilitated risk assessments with each of the NRC's business lines to identify programmatic and cross-cutting risks. The cross-cutting risks identified during these risk assessments became the initial baseline ERM risks. As part of the ERM Framework, beginning in FY 2017, the agency transformed its quarterly performance review process into its current ERM risk analysis process.
- NRC's Internal Control Program, as required by the Integrity Act, includes Internal Control Planning where the Business Line Internal Control Plans are formally and independently reviewed by OCFO's Internal Control Team on a quarterly basis. At a summary level, this review centers on the relatively high-risk areas including those that have recently been affected by changes or are perceived to have the potential for fraud, waste, or abuse.
- The NRC consistently adheres to the requirements of OMB Circular A-123, Appendix A (reporting processes), Appendix B (purchase cards), and triennial implementation of Appendix C (improper payments). As the NRC has previously determined and documented that it is at low risk of improper payments, it performs a risk assessment every 3 years to determine whether there is sufficient risk to apply additional IPERIA requirements. The FY 2017 risk assessment confirmed that the NRC remains at low risk with regard to improper payments, including those that would arise from fraud.
- The NRC uses analytical tools to monitor and manage the NRC's issued travel charge cards, including an automated comparison of travel charges against the eTravel System, a creditworthiness check that will result in reduced credit limits for those with lower credit scores, and the analysis of Merchant Category Codes so that the NRC travel cards may not be used at inappropriate locations.
- The NRC's operational units conduct self-assessments and a variety of other reviews to measure their effectiveness and efficiency and validate that fraud, waste, and abuse are minimized.

Reduce the Footprint

Combined Reduce the Footprint Baseline Comparison

	FY 2018 Baseline	FY 2019	Change (FY 2018 Baseline – 2019)
Square Footage (square feet in millions)	1.134*	1.084*	(0.050)

*This total includes the NRC Technical Training Center, which was not included in last year's report.

Reporting of Operations & Maintenance Costs – Owned and Direct Lease Buildings

	FY 2015 Reported Cost	FY 2019	Change (FY 2015 Baseline – 2019)
Operation and Maintenance Costs (\$ in millions)	N/A*	N/A*	N/A*

*The NRC does not directly lease or own any space, but instead it has occupancy agreements with GSA.

The NRC's end of fiscal year (FY) 2019 office and warehouse portfolio of properties comprise a total of 1,084,376 usable square feet (USF), which represents a reduction of approximately 50,000 USF from FY 2018. NRC's space reduction strategy is to release a total of approximately 231 thousand USF of office and warehouse space (including FY 2019 reductions), at its Rockville, MD, headquarters and four regional office locations, reducing the portfolio to approximately 848 thousand USF (78.5 percent of the FY 2015 Reduce the Footprint Baseline). Once complete the reductions are anticipated to save the agency \$8.3 million in annual rent and related costs. The reductions will be achieved by right sizing, consolidating in place, and where appropriate transitioning to a more efficient open space build out. NRC does not own or lease real property, and therefore does not report expenses on owned and direct lease facilities. The agency does however have delegated authority to operate and maintain two of its office locations in Rockville, MD, and has achieved a \$1.2 million reduction (savings) in annual operating costs when comparing FY 2015 to FY 2018 expense reporting on delegated buildings (from \$7.3 million to \$6.1 million).

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Office Target (Net USF Reduction)	87,000	51,000	30,000	15,000	0

Civil Monetary Penalty Adjustment for Inflation

On November 2, 2015, the *Federal Civil Penalties Inflation Adjustment Act of 1990* was amended by the *Federal Civil Penalties Inflation Adjustment and Improvements Act of 2015* (Sec. 701, Pub. L. 114-74, 129 Stat. 599). This act requires that the head of each agency annually adjust for inflation the amounts of any civil monetary penalties assessed under statutes enforced by that agency.

As displayed in the table below, the NRC annually adjusts two civil penalty amounts for inflation, most recently on February 7, 2019. With respect to civil penalties for violations of the *Atomic Energy Act of 1954*, as amended, the NRC codifies the maximum civil penalty amount at 10 CFR 2.205, "Civil Penalties," although individual penalties are assessed based on the class of licensee and severity of violation in accordance with the NRC Enforcement Policy (available at <https://www.nrc.gov/docs/ML1912/ML19123A129.pdf>). With respect to monetary penalties under the *Program Fraud Civil Remedies Act*, the NRC codifies the maximum penalty amount at 10 CFR 13.3, "Basis for Civil Penalties and Assessments."

Penalty (Name of Penalty)	Statutory Authority	Year Enacted	Date of Current Adjustment ¹	Current Penalty Level	Location for Penalty Update Details
Maximum civil penalty for violations of the <i>Atomic Energy Act</i>	<i>Atomic Energy Act of 1954</i> , as amended (42 U.S.C. 2282)	1980	February 2019	\$298,211	Federal Register; 84 FR 2433 (February 7, 2019) ¹
Fraudulent false claims and statements	<i>Program Fraud Civil Remedies Act</i> (31 U.S.C. 3802)	1986	February 2019	\$11,463	Federal Register; 84 FR 2433 (February 7, 2019) ¹

¹ Publication of the NRC's final rule implementing the FY 2019 adjustments was delayed by the unavailability of the Office of the Federal Register during the government shutdown.

Grants Oversight & New Efficiency (GONE) Act Requirements

Category	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	12	7	-
Number of Grants/Cooperative Agreements with Undisbursed Dollar Balances	22	5	-
Total Amount of Undisbursed Balances	\$130,371.69	\$114,956.34	\$0.00

The NRC has 46 grants that expired before September 30, 2017, all of which are in the process of being closed out. Delays in grant closeouts occurred primarily during FY 2018 and FY 2019 as a result of allocating resources to higher priority operational activities. Additionally, during the third quarter of FY 2018, an upgrade of the agency’s acquisition system that focused on grants functionality resulted in some limitations that further delayed the closeout efforts. The NRC is creating a grants closeout plan that will include: measurable metrics for deobligation of funds and procedures for identifying and closing expired grants. Adherence to this plan will help to decrease the amount of older grants that have not yet been closed.

Acronyms and Abbreviations

Acronym	
3WFN	Three White Flint North
10 CFR	Title 10 of the Code of Federal Regulations
AFR	Agency Financial Report
AO	Abnormal occurrence
BCC	Broker Commission Credits
CFO	Chief Financial Officer
CFR	<i>Code of Federal Regulations</i>
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
DM&R	Deferred maintenance and repairs
DNFSB	Defense Nuclear Facilities Safety Board
DOE	U.S. Department of Energy
DOL	U.S. Department of Labor
ECERM	Executive Committee on Enterprise Risk Management
EDO	Executive Director of Operations
ERM	Enterprise Risk Management
FASAB	Federal Accounting Standards Advisory Board
FDA	U.S. Food and Drug Administration
FECA	Federal Employees Compensation Act of 1993
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Federal Register
FTE	Full-time equivalent
FY	Fiscal year
GAAP	Generally accepted accounting principles
GAO	U.S. Government Accountability Office
GONE	Grants Oversight & New Efficiency Act of 2016
GSA	U.S. General Services Administration
IMPEP	Integrated Materials Performance Evaluation Program
IPERA	Improper Payments Elimination and Recovery Act of 2010

Chapter 3 • Other Information

Acronym	
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
IT	Information technology
IT/IM	Information Technology/Information Management
ITISS	IT infrastructure and support services
MOX	Mixed-oxide fuel
NEIMA	Nuclear Energy Innovation and Modernization Act
NMP	National Materials Program
NMSS	Office of Nuclear Material Safety and Safeguards
NRC	U.S. Nuclear Regulatory Commission
NRO	Office of New Reactors
NRR	Office of Nuclear Reactor Regulation
NUREG	Nuclear Regulatory Commission document identifier
NWF	Nuclear Waste Fund
OBRA-90	Omnibus Budget Reconciliation Act of 1990
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PP&E	Property, plant, and equipment
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SFI	Safeguards Information
SWP	Strategic Workforce Planning
Treasury	U.S. Department of the Treasury
TTC	Technical Training Center
UF ₆	Uranium hexafluoride
UO ₂	Uranium dioxide
U.S.C.	United States Code
USF	Usable square feet

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