

# Fiscal Year 2021 Agency Financial Report



## Defense Nuclear Facilities Safety Board



January 31, 2022

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## Chapter 1 Management Discussion and Analysis

### 1.1 Message from the Chair



I am pleased to submit the Agency Financial Report (AFR) for the Defense Nuclear Facilities Safety Board (Board or DNFSB) for Fiscal Year (FY) 2021. The report presents the FY 2021 performance accomplishments, as well as key financial and high-level performance information on our resource utilization. The Board's mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy in her role as operator and regulator of Department of Energy (DOE) defense nuclear facilities, and to ensure adequate protection of public health and safety at such defense nuclear facilities. The Board is required by statute to review and evaluate the content and implementation of standards relating to the design, construction, operation, and decommissioning of DOE defense nuclear facilities, and to review the design of new DOE defense nuclear facilities.

In FY 2021, the Board hired a new Executive Director of Operations (EDO) and created an Office of the EDO to provide centralized, strategic leadership in its nuclear safety oversight operations. The Office of the EDO is responsible for Board operations, external affairs, and equal employment opportunity.

The Board continues to examine safety of the Savannah River Site Tritium Facilities after DOE rejected Recommendation 2019-2. The Board held a hearing on July 13, 2021, to focus on proposed activities and continuing risk. In FY 2021, the Board reaffirmed Recommendation 2020-1, which has now been accepted by the Secretary of Energy.

The Board is committed to ensuring the appropriate use of public resources in its trust. I am pleased to report that, based on Federal Managers Financial Integrity Act (FMFIA) assessments and the recommendation from our Executive Committee on Internal Controls, I have concluded (as required by Office of Management and Budget (OMB) Circular A-136) that DNFSB is in compliance with FMFIA, with no material weakness in the Board's internal controls, and that the financial and performance data published in this report are complete and reliable. The FY 2021 AFR includes the results of the independent audit of the DNFSB's FY 2021 financial statements, which I am pleased to note is an unmodified opinion. The audit includes a material weakness determination over internal financial controls. The Board will continue to take actions to strengthen its financial controls.

The Board remains committed to its nuclear safety mission at our nation's defense nuclear facilities. I am proud to lead our dedicated employees whose standard of excellence in carrying out this important mission mirrors the best of American excellence, values, and ideals.

A handwritten signature in cursive script that reads "Joyce L. Connery".

Joyce Connery, Chair  
January 31, 2022

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## 1.2 Overview

This *Agency Financial Report* (AFR) summarizes the Defense Nuclear Facilities Safety Board's (Board or DNFSB) oversight activities and associated resource expenditures for the period from October 1, 2020, through September 30, 2021, (Fiscal Year (FY) 2021). This report was prepared pursuant to the requirements of the Accountability of Tax Dollars Act of 2002 and the Office of Management and Budget (OMB) Circular A-136, which provide instructions on the preparation of an AFR. In line with past practices, the Board has separated its financial and performance reporting. This document is the Board's FY 2021 AFR. The Board's FY 2021 *Annual Performance Report* (APR) will be published with the Board's FY 2023 *Congressional Budget Justification* in February 2022 and will align with the Board's FY 2021 *Annual Report to Congress*.

The Board's performance objectives for FY 2022 and FY 2023 will be included in its FY 2023 *Budget Request to the Congress* in accordance with the requirements of OMB Circular A-11.

Agencies are also required to develop performance budgets with annual performance objectives that show progress toward achievement of the goals and objectives in their strategic plans. The Board's performance objectives for FY 2022 and FY 2023, as well as its accomplishments, will be included in its FY 2023 *Budget Request to the Congress* in accordance with the requirements of OMB Circular A-11. The Board's *Thirty First Annual Report to Congress*, published March 9, 2021, highlighted the Board's achievements from Calendar Year 2020. It is available through the following link:

<https://www.dnfsb.gov/sites/default/files/document/23061/2021-100-009%2C%2031st%20Annual%20Report%20to%20Congress%20ARCHIVE.pdf>

As a steward of government resources, DNFSB prepares its AFR every fiscal year to convey its financial position and performance results to taxpayers. It demonstrates commitments to the DNFSB mission, accountability, and stewardship over resources entrusted to DNFSB by Congress, the President of the United States, and the public. The report includes the following sections:

- **Message from the Chair**
- **Management's Discussion and Analysis** - A narrative composed of the overview, mission, and organization of DNFSB, a high-level discussion of performance goals and objectives; an analysis of the financial statements; an analysis of systems, controls, and legal compliance; and forward-looking information.
- **Financial Section** - This section includes the report of the independent auditors, principal financial statements and associated notes. Additionally, the Financial Section is composed of the message from the general manager and message from the chief financial officer.

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- **Other Information** – The final section includes the inspector general’s assessment of management and performance challenges. Additionally, it includes the summary of the financial statements audit and management assurance.

### 1.2.1 Mission

Under the Atomic Energy Act of 1954, as amended, the Board is charged with providing independent safety oversight of the Department of Energy’s (DOE) defense nuclear facilities complex—a complex that has served to design, manufacture, test, maintain, and decommission nuclear weapons, as well as other national security priorities. The act mandates that the Board reviews the content and implementation of DOE standards, facility and system designs, and events and practices at DOE defense nuclear facilities to provide independent analysis, advice, and recommendations to inform the Secretary of Energy in providing adequate protection of public health and safety at DOE defense nuclear facilities.



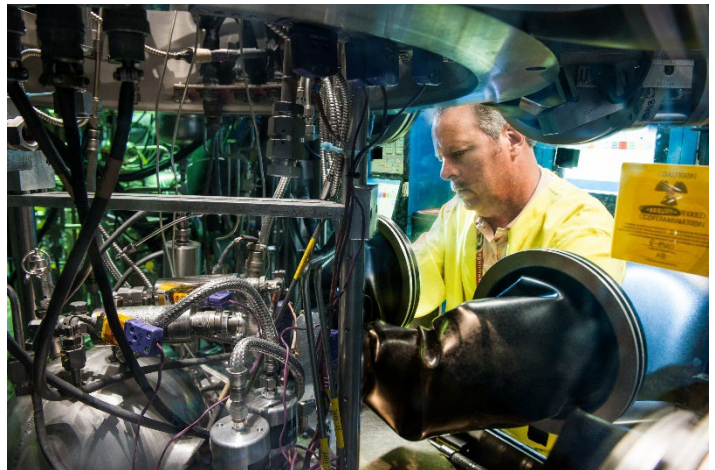
Low level waste disposal operations at the Nevada National Security Site

Congress established the Board in 1988 as an independent federal agency within the executive branch of government, answerable to the President and subject to congressional oversight and direction. Five Board members, appointed by the President and subject to confirmation by the Senate, are required to be “respected experts in the field of nuclear safety with a demonstrated competence and knowledge relevant to the independent investigative and oversight functions of the Board.” The Board is a collegial agency, meaning that its actions are determined by the Board as a whole. The Board’s Chair serves as the chief executive officer and spokesperson, performing these functions subject to Board policies.

The Board’s essential mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in their role as operator and regulator of DOE defense nuclear facilities, on providing adequate protection of public health and safety. As noted above, the Board’s jurisdiction covers DOE’s “defense nuclear facilities” – a term defined in the Atomic Energy Act of 1954, as amended. The Board only is concerned with facilities operated by DOE that are: (1) covered by the Atomic Energy Act; and (2) have a function related to national defense. The phrase “defense nuclear facilities” thus excludes two major classes of government-regulated nuclear facilities: DOE’s nuclear projects that are civilian in purpose, and commercial nuclear facilities regulated by the Nuclear Regulatory Commission (NRC). The Board’s oversight jurisdiction also does not extend to the U.S. Navy’s nuclear propulsion program or to environmental hazards regulated by other federal and state agencies. (The table on page 7 lists the major sites that the Board oversees.)

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The Board’s oversight mission covers all phases in the life of a defense nuclear facility: design, construction, operation, and decommissioning. Congress granted the Board a suite of statutory tools to carry out its mission. Principal among these is the formal Board recommendation issued to the Secretary. The statute requires the Secretary to either accept or reject the Board’s recommendation, and in the case of an acceptance, to write and execute an implementation plan. This process all takes place on the public record. In cases involving an “imminent or severe threat” to public health and safety, the statute requires the Board to also send its recommendation to the President, who makes the final decision on actions to be taken. In addition to recommendations, the Board is empowered to hold public hearings (and subpoena witnesses, if necessary), conduct investigations, obtain information and documents needed for the Board’s work from DOE and its contractors, and review and comment on DOE requirements and standards affecting safety at defense nuclear facilities. DOE is required by law to grant the Board “prompt and unfettered access to such facilities, personnel, and information as the Board considers necessary to carry out its responsibilities.” Finally, the statute authorizes the Board to seek assistance from other federal agencies (such as NRC) and from organizations outside the government (such as the National Academies of Sciences, Engineering, and Medicine), as needed.



Workers conducting tritium operations at the Savannah River Site Tritium Facilities in South Carolina

### 1.2.2 The Board’s Legislative Mandate

The Board’s specific functions are delineated in its enabling statute at 42 United States Code (USC) § 2286a(b):

*The Board shall review and evaluate the content and implementation of the standards relating to the design, construction, operation, and decommissioning of defense nuclear facilities of the Department of Energy (including all applicable Department of Energy orders, regulations, and requirements) at each Department of Energy defense nuclear facility. The Board shall recommend to the Secretary of Energy those specific measures that should be adopted to ensure that public health and safety are adequately protected. The Board shall include in its recommendations any necessary changes in the content and implementation of such standards, as well as matters on which additional data or additional research are needed.*

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*The Board shall investigate any event or practice at a Department of Energy defense nuclear facility that the Board determines has adversely affected, or may adversely affect, public health and safety.*

*The Board shall have access to and may systematically analyze design and operational data, including safety analysis reports, from any Department of Energy defense nuclear facility.*

*The Board shall review the design of a new Department of Energy defense nuclear facility before construction of such facility begins and shall recommend to the Secretary, within a reasonable time, such modifications of the design as the Board considers necessary to ensure adequate protection of public health and safety. During the construction of any such facility, the Board shall periodically review and monitor the construction and shall submit to the Secretary, within a reasonable time, such recommendations relating to the construction of that facility as the Board considers necessary to ensure adequate protection of public health and safety. An action of the Board, or a failure to act, under this paragraph may not delay or prevent the Secretary of Energy from carrying out the construction of such a facility.*

*The Board shall make such recommendations to the Secretary of Energy with respect to Department of Energy defense nuclear facilities, including operations of such facilities, standards, and research needs, as the Board determines are necessary to ensure adequate protection of public health and safety. In making its recommendations, the Board shall consider, and specifically assess, risk (whenever sufficient data exists), and the technical and economic feasibility of implementing the recommended measures.*

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**1.2.3 Major DOE Sites Subject to Board Jurisdiction**

Site	Location	Operations	Website
Hanford Site	Richland, Washington	Management and treatment of radioactive wastes; facility decommissioning	<a href="http://www.hanford.gov">http://www.hanford.gov</a>
Idaho National Laboratory	45 miles west of Idaho Falls, Idaho	Storage and processing of radioactive waste	<a href="http://www.inl.gov">http://www.inl.gov</a>
Lawrence Livermore National Laboratory	Livermore, California	Research to support the nuclear weapons arsenal	<a href="https://www.llnl.gov">https://www.llnl.gov</a>
Los Alamos National Laboratory	Los Alamos, New Mexico	Research to support the nuclear weapons arsenal; manufacturing of nuclear weapon components; disposition of legacy transuranic waste	<a href="http://www.lanl.gov">http://www.lanl.gov</a>
Nevada National Security Site	65 miles northwest of Las Vegas, Nevada	Disposition of damaged nuclear weapons; critical and subcritical experiments; waste management	<a href="http://www.nnss.gov">http://www.nnss.gov</a>
Oak Ridge National Laboratory	Oak Ridge, Tennessee	Energy research; treatment and disposal of radioactive wastes	<a href="http://www.ornl.gov">http://www.ornl.gov</a>
Pantex Plant	17 miles northeast of Amarillo, Texas	Maintenance of the US nuclear stockpile	<a href="http://www.pantex.com">http://www.pantex.com</a>
Sandia National Laboratories	Albuquerque, New Mexico	Nuclear research; support for the weapons stockpile maintenance program	<a href="http://www.sandia.gov">http://www.sandia.gov</a>
Savannah River Site	Aiken, South Carolina	Tritium extraction, recycling, and storage; management and treatment of radioactive wastes; nuclear materials storage and disposition; research and development	<a href="http://www.srs.gov">http://www.srs.gov</a>
Waste Isolation Pilot Plant	26 miles east of Carlsbad, New Mexico	Disposal of transuranic waste in underground repository	<a href="http://www.wipp.energy.gov/">http://www.wipp.energy.gov/</a>



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Y-12 National Security Complex	Oak Ridge, Tennessee	Manufacturing and surveillance of nuclear weapons components; processing of weapons-grade uranium	<a href="http://www.y12.doe.gov/">http://www.y12.doe.gov/</a>
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## 1.2.4 Achieving our Vision and Mission

### Mission

The mission of the Board shall be to provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of Secretary as operator and regulator of the defense nuclear facilities of the Department of Energy, in providing adequate protection of public health and safety at such defense nuclear facilities, including with respect to the health and safety of employees and contractors at such facilities.

### Vision

To secure a safe future for the American people through proven technical excellence and transparency that inspires public confidence as the defense nuclear enterprise evolves.

### Values

- **Integrity**
  - Interactions among DNFSB staff members are open, honest, and sincere.
  - Relationships are based on openness and trust.
  - All aspects of work exhibit the highest ethical standards.
  - Individuals take personal responsibility for actions.
  - Personnel are accountable to each other for the highest standards of behavior.
  - Commitments are clearly defined and fulfilled.
  
- **Respect**
  - Personnel treat each other with mutual respect.
  - Diverse points of view are valued and respected.
  - Everyone is treated fairly and given an opportunity to contribute.
  - Different opinions on issues are heard and respected.
  - The Board's decisions are heard and respected.
  
- **Excellence**
  - Personnel exhibit a passion for success, both individual and collective.
  - Personnel strive to be the best in achieving DNFSB's goals.

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- Excellence is a daily pursuit in all aspects of performance.
- **Independence**
  - DNFSB’s mission is not compromised by the influence of others—it relies on the facts as presented and the highest level of professional judgment.
  - Independence does not imply isolation, DNFSB seeks all facts and opinions openly, and weighs them before arriving at conclusions.
  - DNFSB bases its decisions on objective, unbiased assessments of all information, and fully documents its conclusions.
  - DNFSB performs its duties publicly and transparently.

**1.2.5 FY 2022 – 2026 Strategic Plan**

The Board published an updated FY 2022–2026 agency strategic plan that established the goals and objectives below.

**Strategic Goal 1**

Provide proactive and independent safety oversight of DOE’s defense nuclear complex.

<i>Strategic Objective 1.1</i>	<i>Strategic Objective 1.2</i>	<i>Strategic Objective 1.3</i>
Complete timely, high-quality safety reviews that identify and analyze safety issues and best practices, and search for similar challenges complex-wide.	Develop and issue advice and recommendations designed to ensure safety and employ best practices within the defense nuclear complex.	Provide robust field oversight of facilities and projects across the defense nuclear complex.

**Strategic Goal 2**

Enhance transparency of ongoing DOE initiatives and the state of safety within the defense nuclear complex.

<i>Strategic Objective 2.1</i>	<i>Strategic Objective 2.2</i>
Proactively sustain sound working relationships with relevant governmental and non-governmental entities.	Improve timely dissemination of information about the Board’s priorities and conclusions regarding the state of safety at defense nuclear facilities.

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**Strategic Goal 3**

Develop and maintain an outstanding workforce to achieve DNFSB's mission.

<i>Strategic Objective 3.1</i>	<i>Strategic Objective 3.2</i>
Cultivate an agile workforce with the skills necessary to meet the mission.	Use professional development and training to accomplish the mission efficiently and effectively.

**Strategic Goal 4**

Maximize DNFSB's performance by pursuing excellence in DNFSB's culture and operations.

<i>Strategic Objective 4.1</i>	<i>Strategic Objective 4.2</i>	<i>Strategic Objective 4.3</i>
Pursue efficiency through continuous improvement of internal policies and procedures through testing and evaluation.	Establish and maintain a culture that encourages teamwork and innovation across DNFSB in accordance with core values.	Strengthen operational performance by modernizing DNFSB processes and associated infrastructure.

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**1.2.6 Organizational Structure**

The five-member Board leads DNFSB in accomplishing its mission and determines actions regarding the safety aspects of the design, construction, operation, and decommissioning of DOE's defense nuclear facilities.



**CHAIR**  
Ms. Joyce L. Connery



**VICE CHAIR**  
Mr. Thomas A Summers



**Board Member**  
Ms. Jessie Hill Roberson

**Board Member**  
Vacant

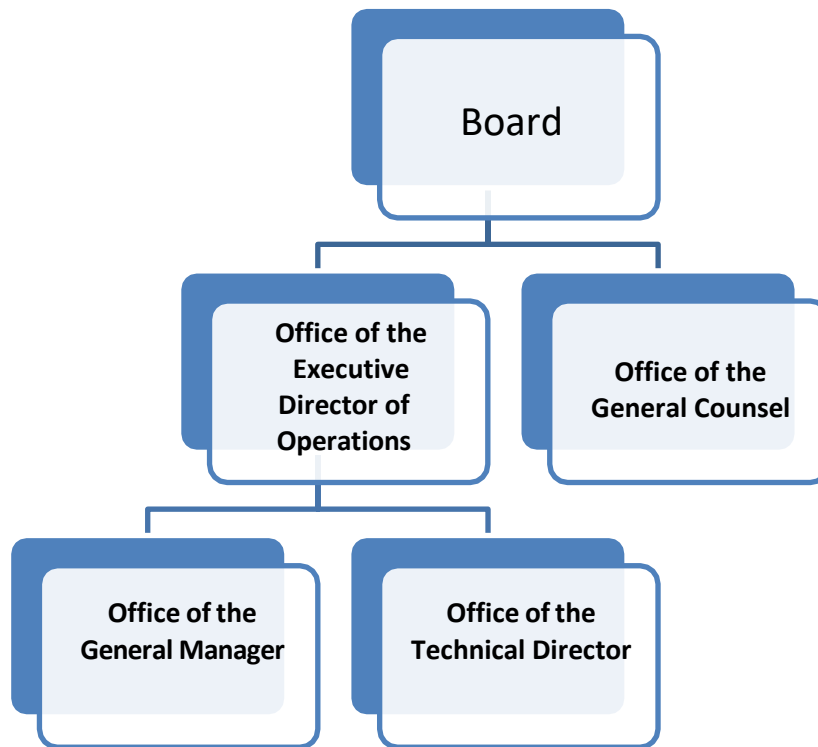
**Board Member**  
Vacant

**1.2.7 Organizational Chart**

The Board is statutorily capped at 130 federal full-time equivalent (FTE) employees with a minimum 110 FTE and is currently arranged in four offices under the five-member Board. The Office of the Executive Director of Operations (OEDO) was established in FY 2021 and oversees DNFSB's administrative and technical operations, provides direct support to the Board, directs external affairs, and leads DNFSB's Equal Employment Opportunity program, among other duties. Most agency FTEs are assigned to the Office of the Technical Director (OTD), which carries out the safety oversight mission of the Board. The Office of the General Manager (OGM) is responsible for the major administrative functions of DNFSB, such as human resources, information technology, contracting, and finance. The Office of General

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Counsel manages DNFSB’s compliance with all legal requirements and provides direct legal support to the Board, as well as to DNFSB’s other offices.



### **1.3 Performance Goals, Objectives, and Results**

Regular information sharing among the Board’s matrixed technical staff supports the interrelationship of all strategic goals. The Board’s technical staff has been organized specifically to achieve DNFSB’s performance goals and to execute its strategic plan and annual performance plans. Using a matrix form of organization, the Board avoids the need to establish layers of middle management that divert staff resources from performing health and safety reviews. The Board uses the interrelated technical groups staffed with technical specialists having the education, expertise, and experience commensurate with their designated oversight assignments. Depending on the urgency of an issue, the Board’s flexibility enables reassignment of resources among groups as necessary. Details and further discussion will be published in the *FY 2021 Annual Performance Report* to be issued with the President’s FY 2022 budget.

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## **1.4 Analysis of the Financial Statements**

### **1.4.1 Limitation of the Financial Statements**

The principal financial statements are prepared to report on the financial position and operating results of the Board, pursuant to requirements as stated in 31 USC § 3515(b), financial statements of agencies, and Public Law 107-289, the Accountability of Tax Dollars Act of 2002. The statements are prepared from the books and records of the Board in accordance with federal generally accepted accounting principles (GAAP) and the formats prescribed by 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. DNFSB's financial statements and accompanying notes disclosures comprise the following:

- Balance sheet,
- Statements of net cost,
- Statements of changes in net position, and
- Statements of budgetary resources.

### **1.4.2 Summary of Financial Results, Position, and Condition**

The Board uses an economies-of-scale strategy for obtaining needed administrative support services, in that its goal is a proportionate saving of cost gained from any increase in level of productivity. The Board negotiated interagency agreements with the U.S. Department of Agriculture's (USDA) National Finance Center for personnel and payroll services, and with USDA's Pegasys Financial Management Services (PFMS) team for accounting services on a fee-for-service basis. PFMS prepares the Board's financial statements in accordance with the accounting standards codified in the *Statements of Federal Financial Accounting Standards* (SFFAS) and OMB Circular A-136, *Financial Reporting Requirements*. DNFSB staff have reviewed the statements sufficiently to provide reasonable assurance they are consistent with the accounting data maintained by the Board.

### **1.4.3 Coronavirus Disease 2019 Response Fund**

The World Health Organization reported a novel strain of coronavirus in December 2019, and officially declared COVID-19 to be a pandemic on March 11, 2020. In response to the impacts of COVID-19, the President of the United States signed multiple bills into law to assist with preventing the spread of the virus and to mitigate the negative economic impacts. One such law was the CARES Act (HR 748-240; Public Law 116-136; signed March 27, 2020). CARES Act provides for emergency appropriations for coronavirus health response and agency operations. Several agencies received various levels of funding to provide support in combating coronavirus. DNFSB did not receive any supplemental funding for COVID-19 in FY 2021.

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**1.4.4 Relevance of Balances and Amounts in the Principal Financial Statements**

**1.4.4.1 Balance Sheet**

The balance sheet reports the amounts of future economic benefits owned or managed by DNFSB (assets) against the amounts owed (liabilities) and the amounts that comprise the differences (net position).

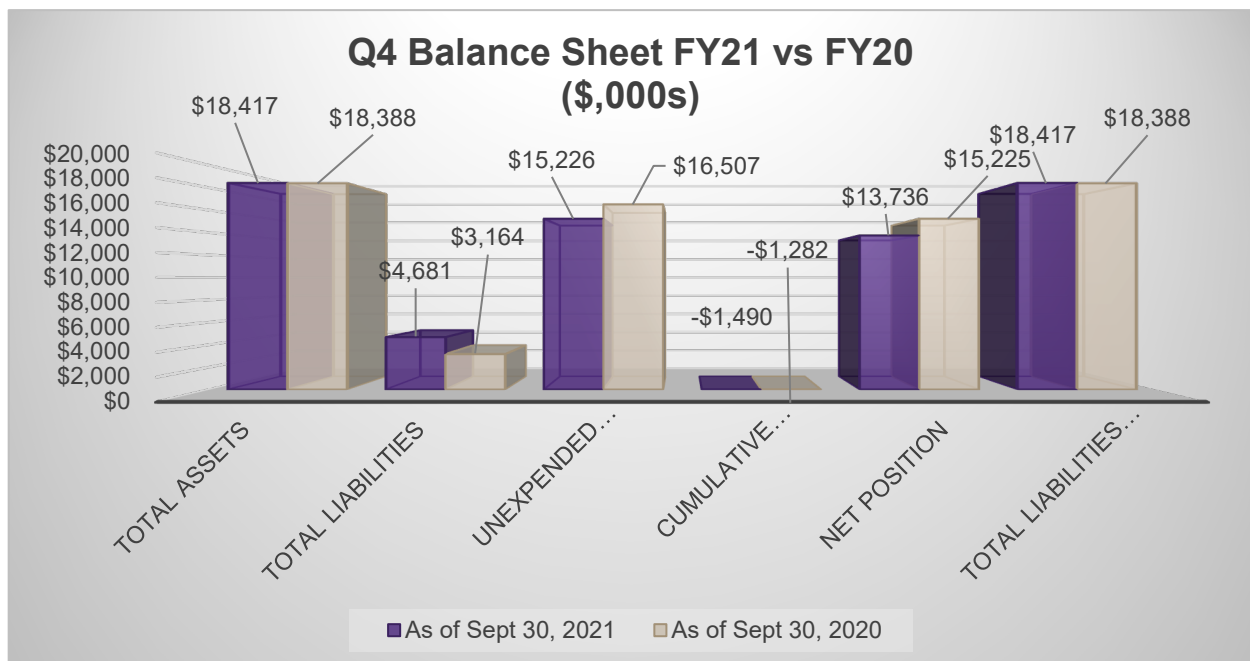
**Table 1** below lists the major balance sheet components, displayed in simplified form.

**Table 1 - Balance Sheets**

Simplified Balance Sheets (Whole Dollars)		
Line Item	As of 9/30/2021	As of 9/30/2020
<b>Total Assets</b>	<b>\$ 18,416,517</b>	<b>\$ 18,388,470</b>
<b>Total Liabilities</b>	<b>\$4,680,530</b>	<b>\$ 3,163,959</b>
<i>Unexpended Appropriations - All Other Funds (Consolidated)</i>	<i>\$15,225,721</i>	<i>\$16,506,626</i>
<i>Cumulative Results of Operations - All Other Funds (Consolidated Totals)</i>	<i>\$(1,489,735)</i>	<i>\$(1,282,115)</i>
<b>Net Position</b>	<b>\$ 13,735,987</b>	<b>\$ 15,224,511</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 18,416,517</b>	<b>\$ 18,388,470</b>

Figure 1 below summarizes the Board’s balance sheet, with details discussed in this section.

**FIGURE 1 - QUARTER 4 COMPARATIVE BALANCE SHEET**



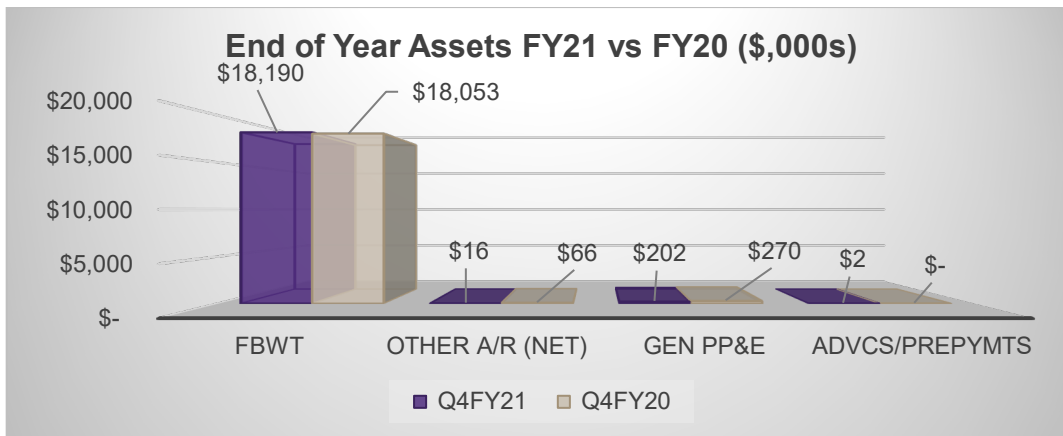
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**Assets**

Fund balance with Treasury (FBwT) makes up the majority of the Board’s assets (98.8 percent), in addition to small amounts allocated to general property, plant, and equipment (PP&E) (1.1 percent), accounts receivable (0.09 percent), and advances and prepayments (0.01 percent). FBwT represents appropriated funds maintained at the U.S. Treasury to pay for current liabilities and to finance authorized purchases.

Figure 2 below summarizes DNFSB’s assets. As of the fourth quarter (Q4) of FY 2021, FBwT has a balance of \$18.190 million, a 0.8 percent increase compared to the FY 2020 FBwT balance of \$18.053 million. The increase was primarily due to additional unobligated funds brought forward from the prior year (FY 2020), and reduced travel costs in FY 2021.

**FIGURE 2 - QUARTER 4 COMPARATIVE ASSETS**



**Liabilities**

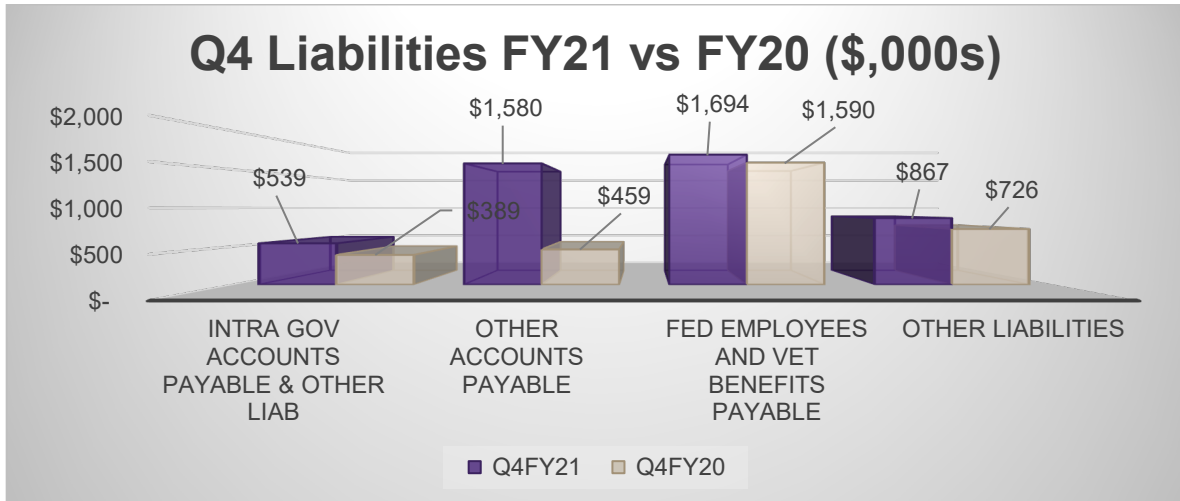
At the end of Q4 FY 2021, Intragovernmental accounts payable comprised 11.5 percent of total liabilities, compared to 12.3 percent in FY 2020. Other accounts payable comprised 33.8 percent in FY 2021, compared to 14.5 percent in FY 2020. Federal Employees and Veterans Benefits Payables comprised 36.2 percent in FY 2021 compared to 50.3% in FY 2020. Other Liabilities comprised the remaining 18.5 percent compared to 22.9 percent in FY 2020.

Figure 3 below summarizes DNFSB’s liabilities as of Q4 FY 2021. A detailed breakdown in Note 6 of the financial statements explains intragovernmental accounts payable increased primarily due to increases in liabilities with the Government Services Administration (GSA) and the Department of Defense (DOD). The increase in other accounts payable was primarily due to several large contracts accrued at year-end: Agil3 Technologies, Eagle Integrated Services, Merlin International, Microsoft, RiVidium and SHI International.



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**FIGURE 3 - QUARTER 4 COMPARATIVE LIABILITIES**

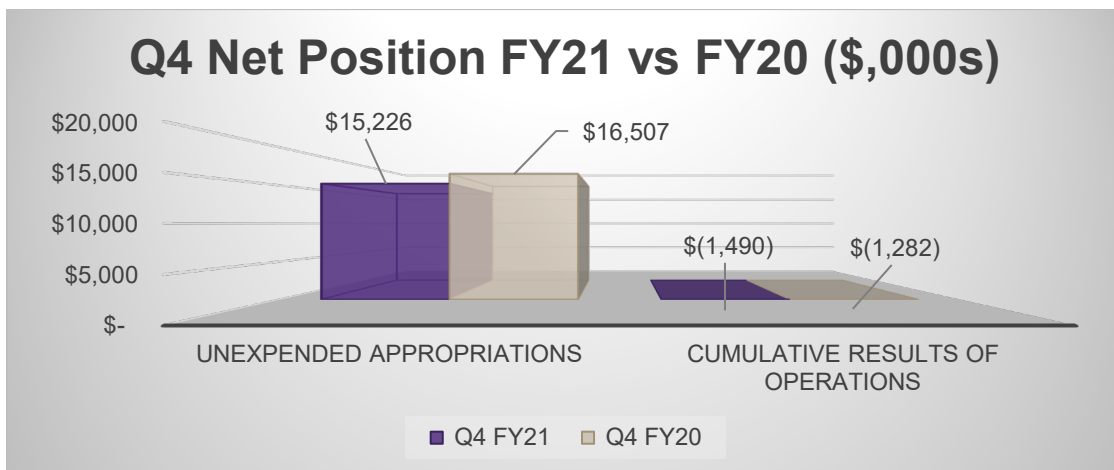


**Net Position**

Net position Figure 4 below summarizes DNFBSB’s net position as of Q4 FY 2021. Net position on the simplified balance sheet is analogous to equity on private sector balance sheets, with the exception that it does not measure financial success for the Board.

Net position is calculated as unexpended appropriations plus Cumulative Results of Operations (CRO). As of Q4 FY 2021, DNFBSB’s unexpended appropriations was \$15.2 million compared to the Q4 FY 2020 balance of \$16.5 million, a decrease of 7.8 percent. This was primarily due to a decrease in unpaid obligations.

**FIGURE 4 - QUARTER 4 COMPARATIVE NET POSITION**



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**1.4.4.2 Statements of Net Cost**

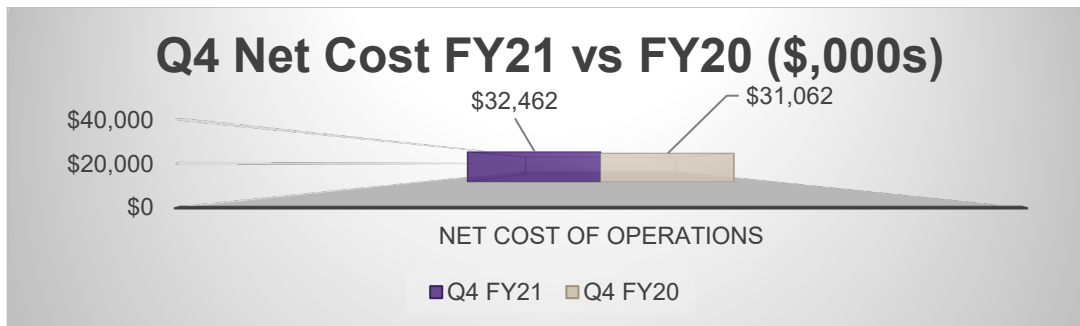
The simplified statements of net cost represent the net cost of operations of DNFSB supported by appropriations. The simplified statements of net cost, as shown in Table 2 below, lists the comparative net cost of operations of Q4 FY 2021 and Q4 FY 2020. The Board’s Q4 FY 2021 net cost of operations was \$32.4 million, an increase of 4.5 percent from the Q4 FY 2020 net cost of \$31.06 million. The increase was primarily due to an increase in costs for personnel compensation, personnel benefits, and rent, communications, and utilities.

**Table 2 – Simplified Statements of Net Cost**

Simplified Statements of Net Cost Whole Dollars		
Line Item	As of Sept 30, 2021	As of Sept 30, 2020
Net Cost of Operations	\$32,462,324	\$ 31,061,671

Figure 5 below summarizes DNFSB’s net position as of Q4 FY 2021.

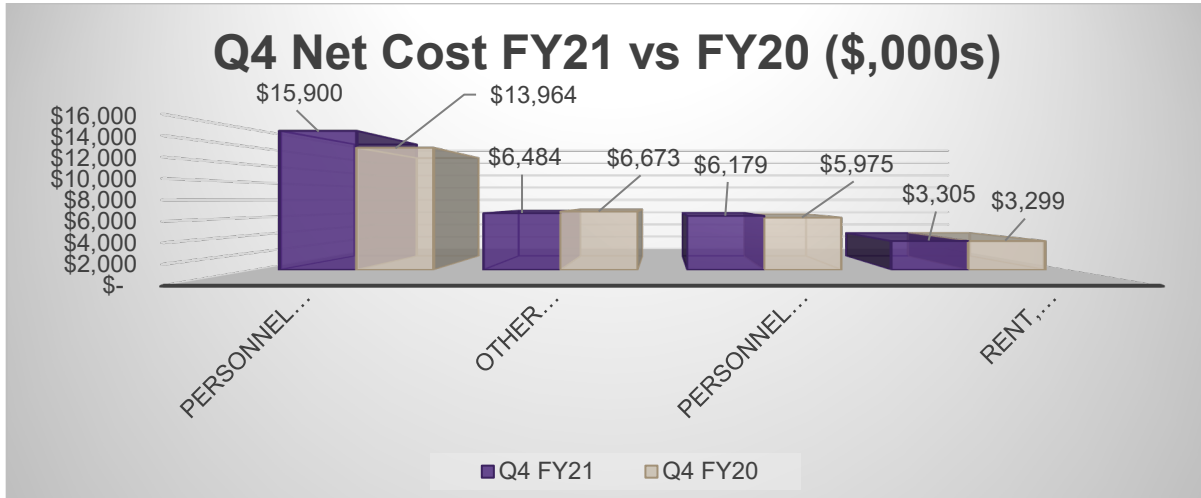
**FIGURE 5 - QUARTER 4 COMPARATIVE NET COST**



As detailed in Note 9, the Board’s gross costs comprise program costs and net costs of operations. Figure 6 below shows a comparison of the four most material expenditures: personnel compensation comprised 49 percent of total expenditures; other contractual services comprised 20 percent of total expenditures; personnel benefits comprised 19 percent of total expenditures; and rent, communications, and utilities comprised 10 percent of total expenditures.

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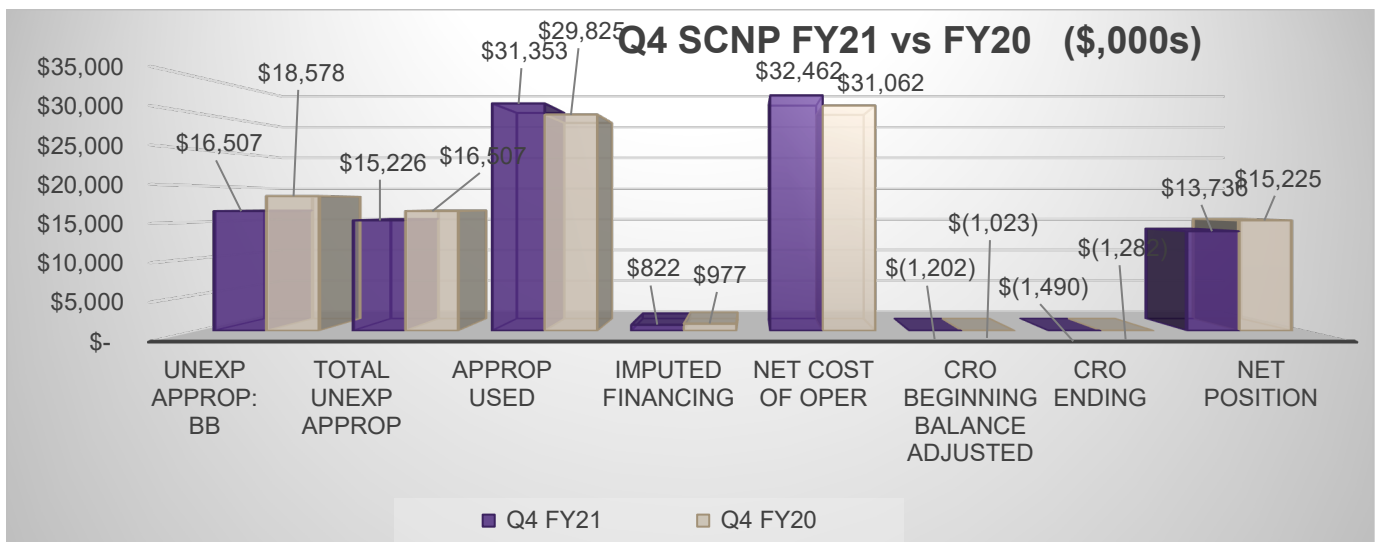
**FIGURE 6 - QUARTER 4 COMPARATIVE EXPENDITURES FOR MOST MATERIAL LINE ITEMS**



**1.4.4.3 Statements of Changes in Net Position (SCNP)**

SCNP represents the total net position, which is comprised of unexpended appropriation and CRO. DNFSB’s net position for Q4 FY 2021 totaled \$13.7 million. Figure 7 summarizes the change in DNFSB’s net position as of Q4 FY 2021, which decreased by \$1.5 million, or 10 percent, compared to Q4 FY 2020. DNFSB unexpended appropriations decreased by \$1.3 million. This was primarily due to a decrease in unpaid obligations. Imputed Financing decreased by \$0.16 million or 16 percent. CRO increased by \$0.21 million or 16 percent.

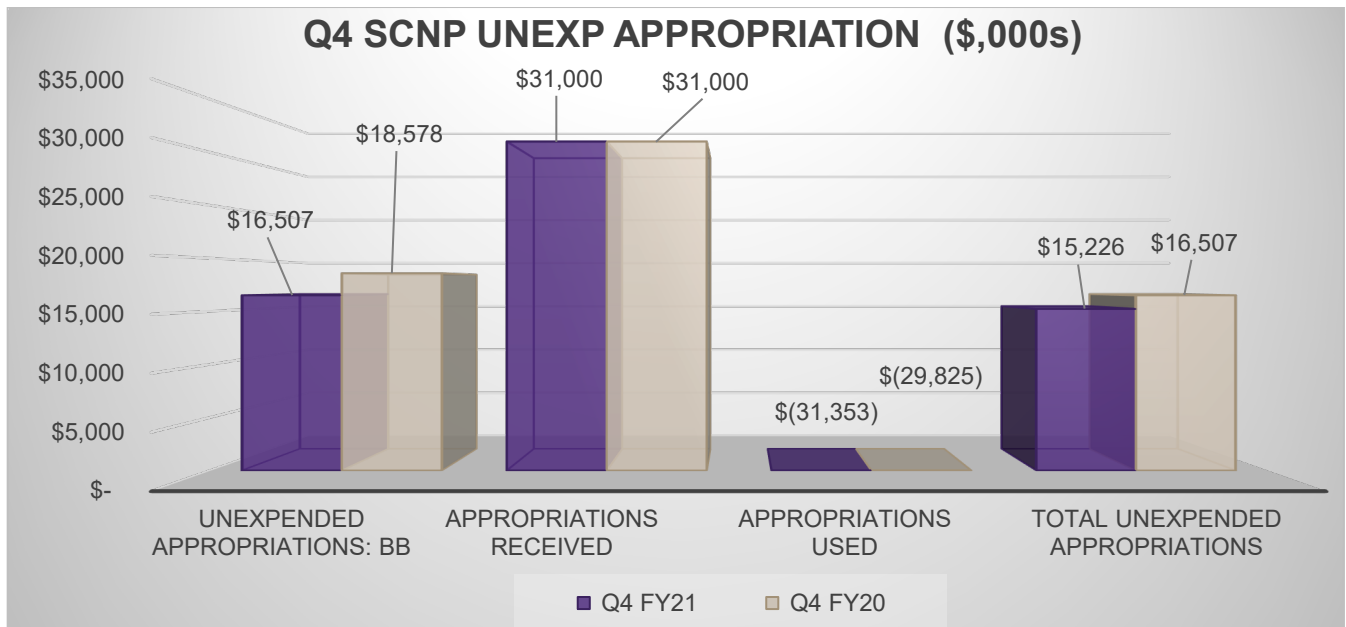
**FIGURE 7 – QUARTER 4 COMPARATIVE STATEMENT OF CHANGES IN NET POSITION**



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Figure 8 summarizes unexpended appropriations compared to prior year funds. The Board used \$31.3 million of its appropriations by the end of Q4 FY 2021, compared to \$29.8 million by the end of Q4 FY 2020, an increase of \$1.5 million. Higher expenditures were due mainly to increased personnel and other services costs. The Board received \$31 million in appropriations in both FY 2021 and FY 2020, and Q4 FY 2021 Total Unexpended Appropriations decreased by \$1.3 million.

**FIGURE 8 – QUARTER 4 COMPARATIVE SCNP UNEXPENDED APPROPRIATIONS**



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**1.4.4.4 Statements of Budgetary Resources (SBR)**

SBR provides information on budgetary funding available to DNFSB. Resources consist primarily of funds received from appropriations from Congress for the current fiscal year and unobligated balances from prior fiscal years. The simplified SBR is divided into four sections summarized in Table 3 below: budgetary resources, status of budgetary resources, unobligated balance, and outlays.

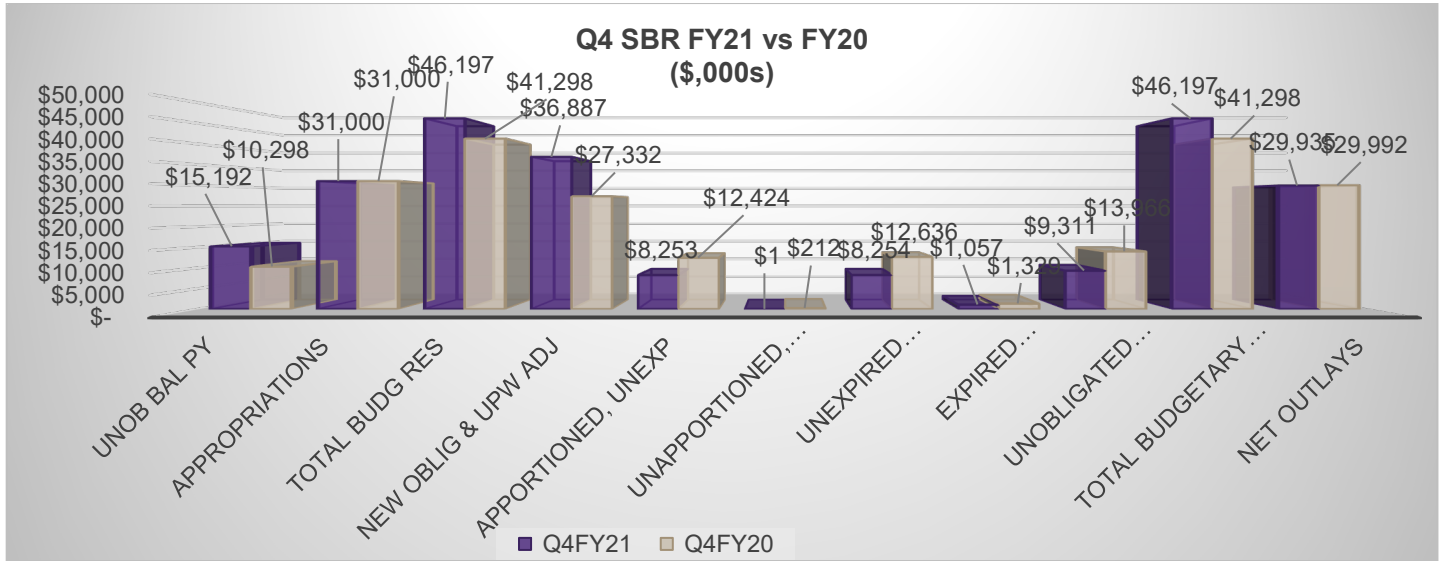
**Table 3 –Simplified Statements of Budgetary Resources**

<b>Simplified Statements of Budgetary Resources, Whole Dollars</b>		
<i>Line Item</i>	<i>Q4 FY 2021</i>	<i>Q4 FY 2020</i>
<b><i>Budgetary Resources</i></b>		
<i>Unobligated balance from prior year budget authority</i>	<i>\$ 15,191,549</i>	<i>\$ 10,297,821</i>
<i>Appropriations</i>	<i>\$31,000,000</i>	<i>\$31,000,000</i>
<i>Spending Authority from Offsetting Collection (discretionary and mandatory)</i>	<i>\$5,893</i>	
<b><i>Total Budgetary Resources</i></b>	<b><i>\$ 46,197,442</i></b>	<b><i>\$ 41,297,821</i></b>
<b><i>Status of Budgetary Resources</i></b>		
<i>New obligations and upward adjustments (total)</i>	<i>\$ 36,886,866</i>	<i>\$ 27,332,199</i>
<b><i>Unobligated balance, end of year:</i></b>		
<i>Apportioned, unexpired account</i>	<i>\$ 8,253,449</i>	<i>\$ 12,423,990</i>
<i>Unapportioned, unexpired accounts</i>	<i>\$ 613</i>	<i>\$ 212,485</i>
<i>Unexpired unobligated balance, end of year</i>	<i>\$ 8,254,062</i>	<i>\$ 12,636,474</i>
<i>Expired unobligated balance, end of year</i>	<i>\$ 1,056,513</i>	<i>\$ 1,329,147</i>
<i>Unobligated balance, end of year (total)</i>	<i>\$ 9,310,576</i>	<i>\$ 13,965,622</i>
<b><i>Total Budgetary Resources</i></b>	<b><i>\$ 46,197,442</i></b>	<b><i>\$ 41,297,821</i></b>
<b><i>Outlays, Net (Total)</i></b>		
	<b><i>\$ 29,934,948</i></b>	<b><i>\$ 29,991,735</i></b>

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Figure 9 below summarizes the Board's Q4 FY 2021 SBR compared to Q4 FY 2020 funds.

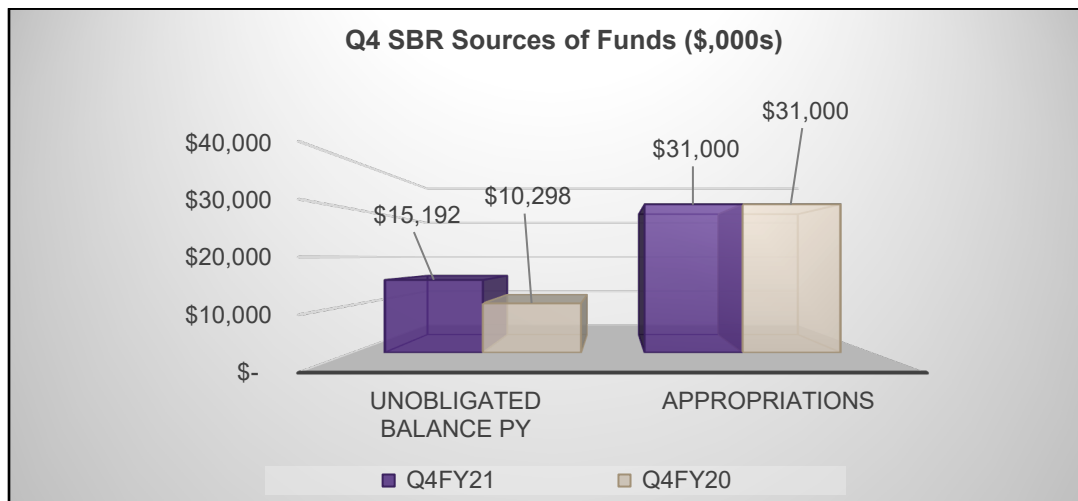
**FIGURE 9 – QUARTER 4 COMPARATIVE SBR**



**Budgetary Resources – Sources of Funds**

Budgetary resources disclose the sources of all funds available to cover obligations during the period. These sources are divided into unobligated balances from prior years, and new appropriations received during the year. As summarized in Figure 10 below, for Q4 FY 2021, prior year unobligated balances were \$15.2 million, a 47.5 percent increase compared to \$10.3 million in Q4 FY 2020. New appropriations received were the same for both years at \$31 million.

**FIGURE 10 – QUARTER 4 SBR Sources of Funds**

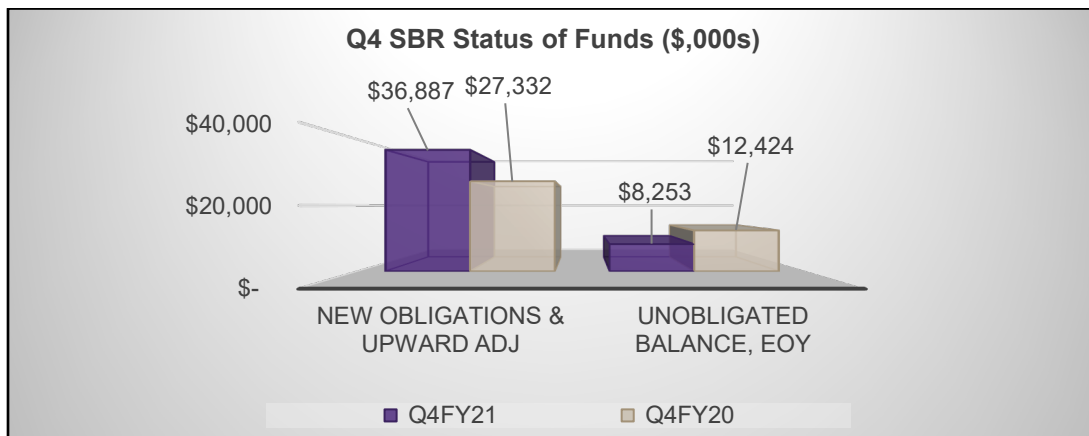


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**Budgetary Resources – Status of Funds**

Budgetary resources also disclose the source of the Board’s funds used during the year, which are either obligated or unobligated. If funds are not obligated as of the end of a reporting period, it would be due to funds being unexpired and not yet obligated, or to prior period funds brought forward as unobligated and unexpired. Figure 11 below summarizes the Board’s status of funds as of Q4 FY 2021. New obligations and upward adjustments were \$9.6 million more, a 35 percent increase from Q4 FY 2020, due primarily to increases for obligations related to other services, acquisition of assets, and direct-hire personnel. The unobligated balance at end of Q4 FY 2021 was \$4.7 million less, a 33 percent decrease due to an increase in obligations.

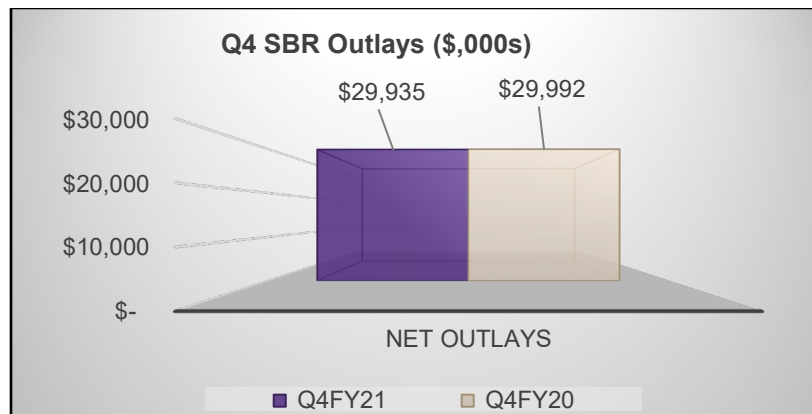
**Figure 11 – QUARTER 4 SBR Status of Funds**



**Budgetary Resources – Outlays (Net)**

Figure 12 below summarizes the Board’s net outlays for Q4 FY 2021 vs Q4 FY 2020. Net outlays were almost equal for the two years, with only a slight decrease of \$0.06 million in FY 2021 due to a decrease in outlays for travel.

**Figure 12 – QUARTER 4 SBR Outlays**



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**1.4.5 Overall Financial Condition and Financial Management**

As of September 30, 2021, the financial condition of the Board was satisfactory with sufficient funds to meet program needs, and the Board exercised adequate control of the funds needed to conduct its health and safety oversight mission and ensure obligations did not exceed budget authority.

No financial management issues have arisen as of September 30, 2021, nor are there any anticipated financial risks expected to occur during FY 2022.

**1.5 Summary of Analysis of Systems, Controls, and Legal Compliance**

The Board is required to comply with the Federal Managers Financial Integrity Act (FMFIA) of 1982, as well as other management information, initiatives, and issues. FMFIA requires that agencies establish controls that provide reasonable assurance of the following:

- (1) Obligations and costs comply with applicable law,
- (2) Assets are safeguarded from waste, loss, unauthorized use, or misappropriation, and
- (3) Revenues and expenditures are properly recorded and accounted for.

Additionally, FMFIA requires the Board's Chair to provide an assurance statement on the adequacy of internal controls. A summary of management assurances can be found in Appendix B.

The Board's internal control program includes the organization, policy, and procedures that help managers achieve intended results and safeguard the integrity of their programs. The Board evaluated its internal control program for the fiscal year ending September 30, 2021. Each of the Board's office directors (as well as each line manager) prepares an annual assurance assertion that identifies any control weaknesses requiring the attention of the Board's Executive Committee on Internal Control (ECIC). In addition to managers' knowledge of daily operations, these assertions are based on internal control activities such as internal and contractor assessments of work processes directed by ECIC, as well as other activities such as financial statements audits and Office of Inspector General (OIG) audits and reports.

ECIC consisted of the general manager, technical director, general counsel, and one Board member. In FY 2021, the newly appointed EDO also participated in ECIC. OIG participated as an observer. ECIC met to review the reasonable assurance assertions provided by the office directors and the reported internal control deficiencies. The results of that review are described in the *FMFIA Statement of Assurance*, Section 1.5.1, below.



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**1.5.1 FMFIA Statement of Assurance**

**DEFENSE NUCLEAR FACILITIES SAFETY BOARD**

**1.5.1 FMFIA Statement of Assurance**

Statement of Assurance (FMFIA)

The Defense Nuclear Facilities Safety Board's (DNFSB) management is responsible for managing risks and maintaining effective internal controls to meet the objective of Section 2 of the Federal Managers' Financial Integrity Act (FMFIA). DNFSB conducted its assessment of risk and internal control in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, DNFSB can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2021.

The Office of the Inspector General's independent audit resulted in an unmodified opinion of DNFSB's Fiscal Year 2021 financial statements. Although the audit finds that a material weakness exists in our internal controls, we disagree that the risks identified rise to the level of a material weakness. While our financial systems comply with Federal financial system requirements, DNFSB will continue mitigating and eliminating internal financial controls risks. The DNFSB will also reevaluate and improve its internal controls related to contracting, agency records, personnel security background investigations, cybersecurity, hiring selections, and enterprise financial management automation.

On October 21, 2021, our Executive Committee for Internal Controls (ECIC) identified unanimously that no material weaknesses or aggregate deficiencies that may constitute a material weakness exist within the DNFSB internal controls as of September 30, 2021. The ECIC examined the line manager assurance assertions, and even considering the identified risks, the ECIC recommended, and I assert an unmodified statement of assurance.



Joyce Connery  
Chair

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### **1.5.2 Financial Management Systems Strategy and Framework**

The Board's financial management systems strategy is to contract with USDA Pegasys PFMS for provision of U.S. Standard General Ledger compliant accounting and financial reporting services that comply with all federal financial systems requirements. At the same time, the OGM records all obligations and outlays on the Symplicity Financial Tracking System website, which serves as an independent check on the accuracy and completeness of transaction records in PFMS. The combination of PFMS and Symplicity Financial Tracking System provides high-quality, current, and accessible accounting data that provide effective controls over budget execution and reporting and a solid historical basis for budget projections. OGM reports regularly to the Board on budget status and trends.

Because the Board contracts for and obtains accounting services from a federal shared services provider, USDA PFMS, and thus does not operate a financial management system, the Board does not provide a management assurance related to FFMIA § 4 or Section 803(a) of the Federal Financial Management Improvement Act. PFMS is part of USDA's Office of the Chief Financial Officer (OCFO). OCFO/PFMS issued a system and organization controls (SOC) or SOC 1 report on July 28, 2021. It contained the independent service auditor's report on USDA's PFMS organization and stated that the USDA PFMS controls operated effectively to provide reasonable assurance that the control objectives stated in USDA's description of controls were achieved throughout the period July 1, 2020, to June 30, 2021, and customer agency controls assumed in the design of USDA's controls operated effectively through that period. PFMS updated the independent service auditor's report on September 30, 2021, to the effect that PFMS was not aware of any material changes to its controls that would adversely affect the auditor's opinion that was communicated in the USDA SOC 1 report referenced above.

### **1.5.3 Analysis of Legal Compliance**

#### **1.5.3.1 Digital Accountability and Transparency Act of 2014 (DATA Act)**

The DATA Act expands on federal awards reporting reforms that began with the Federal Funding Accountability and Transparency Act of 2006. The purpose of the DATA Act is to improve the quality and transparency of the federal government's award data. Lawmakers have directed Treasury and OMB to create government-wide standards for reporting spending data associated with federal awards. The law also requires that this data be channeled to a central, public database so that it can be easily accessed and tracked throughout an award's full lifespan.

Treasury has provided a Data Act broker system for agencies to upload, validate, and use to publish their federal spending transparency data. The basic strategy for improving the contract list is to compare all contract actions in the Federal Procurement Data System (FPDS) with obligation transactions in the agencies' accounting systems to assure that every contract obligation that should be in FPDS is in FPDS and that FPDS obligation data are consistent with the obligation transactions in the accounting system. During FY 2021, the Board certified all its DATA Act reports that were due. The Board continues to strengthen and improve internal controls over DATA Act business processes to ensure accurate, complete, and timely submissions.

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**1.5.3.2 Federal Information Security Modernization Act (FISMA)**

FISMA requires an annual independent evaluation of an agency's information security program and practices to determine their effectiveness. OIG's FY 2021 independent FISMA evaluation rated the Board's system effective overall but noted several recommendations to strengthen DNFSB's information security risk management framework for consistency with FISMA. To implement the report's recommendations, the Board is updating policies and information system contingency plans for compliance with its information security program.

**1.5.4 Government Accountability Office (GAO) Investigations and Reports**

In accordance with OMB Circular A-50, *Audit Follow-up*, ensuring prompt and proper resolution and implementation of audit recommendations is important to Board management.

An October 2020 GAO report, *NUCLEAR SAFETY: DOE and the Safety Board Should Collaborate to Develop a Written Agreement to Enhance Oversight*, (GAO-21-141), included a specific recommendation for Board action (Recommendation 2) that requires the Board and DOE to collaborate to develop a written agreement that outlines how DOE will provide the Board access to information and clarify procedures for regular interactions between DOE and the Board to ensure the adequacy of safety protections at DOE's defense nuclear facilities. In April 2021, DNFSB concurred with the recommendation and provided GAO and the appropriate congressional committees a written update on progress DNFSB and DOE have made on developing a memorandum of understanding (MOU) to implement Recommendation 2. DNFSB will also provide another update to GAO and its congressional committees once the MOU is finalized.

**1.5.5 Compliance with the Inspector General Act of 1978**

The Board is required to file a report annually under the Inspector General Act of 1978, Pub. L. 95-452, Oct. 12, 1978, 92 Stat. 1101, codified as 5 USC Appendix 3. The statute mandates that the report:

- (A) States whether there has been established in the federal entity an office that meets the requirements of this section;
- (B) Specifies the actions taken by the federal entity otherwise to ensure that audits are conducted of its programs and operations in accordance with the standards for audit of governmental organizations, programs, activities, and functions issued by the Comptroller General of the United States, and includes a list of each audit report completed by a federal or non-federal auditor during the reporting period and a summary of any particularly significant findings; and
- (C) Summarizes any matters relating to the personnel, programs, and operations of the federal entity referred to prosecutorial authorities, including a summary description of any preliminary investigation conducted by or at the request of the federal entity concerning these matters, and the prosecutions and convictions which have resulted.

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The Board reports as follows for FY 2021:

- (A) 42 USC § 2286k provides that the NRC inspector general serve as inspector general for the Board.
- (B) OIG conducted six assessments on Board programs in FY 2021: (1) *Audit of the DNFSB's Fiscal Year (FY) 2020 Compliance with Improper Payment Laws* (DNFSB-21-A-06); (2) *Office of the Inspector General 2021 DNFSB's Safety Culture and Climate Survey* (DNFSB-21-A-05), (3) *Independent Evaluation of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2020 dated March 25<sup>th</sup>, 2021* (DNFSB-21-A-04), (4) *Results of the Audit of the Defense Nuclear Facilities Safety Board's Financial Statements for Fiscal Year 2020 dated December 21<sup>st</sup>, 2020* (DNFSB-21-A-03), (5) *Audit of the DNFSB's Compliance with Executive Order 13950, "Combating Race and Sex Stereotyping"* (DNFSB-21-A-02), and (6) *Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Defense Nuclear Facilities Safety Board in Fiscal Year 2021* (DNFSB-21-A-01).
- (C) OIG initiated in FY 2021 but has not yet completed the following audits: (1) *Independent Evaluation of DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014*; (2) *Audit of DNFSB's Compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act)*; (3) *Audit of the Defense Nuclear Facilities Safety Board's Financial Statements*; and (4) *Audit of DNFSB's Process Planning and Implementing Oversight Activities*. OIG issued *The Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the DNFSB in FY2022* (DNFSB-22-A-01).

With regard to prior year audits, the Board is implementing corrective actions in response to recommendations from the (1) *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2019* (DNFSB-20-A-05) and 2020 (DNFSB-21-A-04); (2) *Audit of DNFSB's Compliance with the DATA Act*, (DNFSB-20-A-02); (3) *Audit of DNFSB's Human Resources Program*, (DNFSB-20-A-04); and (4) *Results of the Audit of the DNFSB's Financial Statements for FY 2020*, DNFSB-21-A-03. The Board fully implemented and closed all recommendations from (1) *Audit of DNFSB's IACTS and Its Related Processes*, (DNFSB-19-A-02); (2) *Independent Evaluation of DNFSB's Potential Compromise of Systems (Social Engineering)*, (DNFSB-20-A-07); and closed 1 of 3 remaining recommendations from the *Audit of DNFSB's Telework Program*, (DNFSB-17-A-06).

- (D) In FY 2021, the Board did not refer any matters to prosecutorial authorities.

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**1.6 Forward-Looking Information, Future Challenges**

DNFSB continues to hire staff to meet the 110 FTE floor to ensure that it can fully accomplish the nuclear safety oversight mission entrusted to it. In FY 2022, the Board will examine ways to improve the reliability of its financial reporting through an enterprise financial management system and contract writing and tracking system.

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**1.7 Other Management Information**

**1.7.1 Payment Integrity**

The Board is deemed to not be susceptible to significant improper payments since the functional payment areas are limited to traveler reimbursement, commercial vendors for supplies and services, and the payroll electronic funds transfer payments. The Board does not administer any entitlement, grant, or loan programs. OIG conducted an audit to assess DNFSB's compliance with the Payment Integrity Information Act of 2019 (PIIA) and report any material weaknesses in internal control. OIG found DNFSB is generally compliant with PIIA and did not identify any material weaknesses in internal control during this audit.

During FY 2021, the National Finance Center (for payroll) and USDA (for all other payments) made total payments of approximately \$31.8 million on the Board's behalf. To help assure accurate payments the finance staff records all voucher payment requests in its Symplicity Financial Tracking System before sending them to USDA for payment. USDA reports back monthly on all payments that it has made, and the finance staff compares the tracking system payments and invoices with the USDA payment reports and notifies USDA of all differences, including improper payments.

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**General Manager's Letter**  
**Auditors' Report and Financial Statements**

**2.1 Message from the General Manager**



I am pleased to report that the Board's FY 2021 financial statements received an unmodified opinion from its independent auditors, the Board's sixteenth consecutive "clean" opinion since its FY2004 financial statements were initially audited pursuant to the Accountability of Tax Dollars Act of 2002. FY 2021 marked the fifteenth consecutive year that the Board's unmodified opinion was coupled with no instances of non-compliance with laws and regulations.

The financial statements that follow were prepared and audited as part of this AFR. The Board has "contracts" (through interagency agreements) with USDA to act as its accounting services provider. The Board's financial staff worked diligently with its USDA accountants in preparing our FY 2021 financial statements and providing the necessary supporting documentation to its auditors, and credit should be given to both those organizations for achieving these accomplishments.

Compliance with Laws and Regulations

The auditors tested the Board's compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 21-04, *Audit Requirements for Federal Financial Statements*. For the fifteenth consecutive year, the auditors found no instances of non-compliance with such laws or regulations.

Internal Controls

In planning and performing the financial statements audit, the independent auditors considered the Board's internal control over financial reporting by obtaining an understanding of the Board's internal controls, determining if internal controls had been placed in operation, assessing controls risks, and performing tests of controls. Testing of internal controls was limited to those controls necessary to achieve objectives described in OMB Bulletin 21-04. The independent public accountant auditors identified a material weakness related to internal controls over financial reporting based on an aggregation of risks in their findings. We do not agree with the basis for all of the findings or even in aggregate, that the risks amount to a determination of a material weakness.

As described in section 1.5 above, the Board's ECIC did not identify any material weaknesses but did identify risks and controls that can be strengthened through corrective actions in FY 2022. The Board will be engaging in several broad efforts to update policies and procedures in FY 2022, exploring enterprise-wide systems for financial management, contracting, and records management,

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and updating the ECIC structure to align with the addition of an executive director of operations. These efforts will serve to strengthen the Board's overall system of financial and programmatic controls to reduce risks to the achievement of its statutory mission.

The OIG's financial report is included in its entirety in this chapter.



for James Biggins

James Biggins  
General Manager

January 31, 2022



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**2.1.1 Message from the Chief Financial Officer**



It is my privilege to join the General Manager in presenting the Board’s AFR for Fiscal Year (FY) 2021. This FY 2021 AFR provides financial data and high-level performance goals and objectives to demonstrate our continued commitment to be responsible stewards of public funds. This report also fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, FMFIA, and the Government Management Reform Act. I would like to thank the division of budget and finance’s (DBF) personnel for their diligence and excellent work in compiling this report, as well as staff from other offices who partnered with DBF to ensure Board-wide financial accountability and transparency.

The external auditors reported that the FY 2021 financial statements of DNFSB present fairly, in all material respects, the financial position of the agency as of September 30, 2021, in accordance with accounting principles generally accepted in the United States of America. (Delays with the receipt and validation of DNFSB’s Q4 FY 2021 financial statements and footnotes, which are needed for inclusion in the AFR, caused publication delays.)

FY 2021 was a year of significant achievement as we were able to activate and standardize critical budget, finance, and accounting processes; identify and implement key controls; and resolve self-identified deficiencies from our internal control testing.

In FY 2022, DNFSB will continue to strengthen key internal controls over financial reporting to address the findings noted in the FY 2021 audit. We are committed to ensuring transparency of financial data, timely review, and resolution of intragovernmental transactions with other agencies, timely DATA ACT reporting, and progress for implementation of an Enterprise Resource Planning system. DNFSB remains steadfast and committed to making greater financial management improvements in FY 2022.

***Omolola Fawole***

Dr. Omolola Fawole  
Chief Financial Officer

January 26, 2022

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**2.2 FY 2021 Auditor's Report**



**MEMORANDUM**

DATE: January 31, 2022

TO: Chair Joyce L. Connery

FROM: The Hon. Robert J. Feitel Robert J. Feitel  
Inspector General Feitel

SUBJECT: RESULTS OF THE AUDIT OF THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2021 (DNFSB-22-A-05)

Digitally signed by Robert J. Feitel  
Date: 2022.01.31 09:26:43 -0500

The *Accountability for Tax Dollars Act of 2002* (ATDA) requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the Defense Nuclear Facilities Safety Board's (DNFSB) financial statements in accordance with applicable standards. In compliance with this requirement, the Office of the Inspector General (OIG) contracted with Grant Thornton to conduct this annual audit. Transmitted with this memorandum is Grant Thornton's audit report. Grant Thornton examined the DNFSB's Fiscal Year (FY) 2021 Agency Financial Report, which includes financial statements for FY 2021. Grant Thornton's audit report contains the following:

- Opinion on the Financial Statements;
- Opinion on Internal Control over Financial Reporting; and,
- 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.

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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.

Grant Thornton's audit included, among other things, obtaining an understanding of the DNFSB 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. Additionally, 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 due to deterioration in the degree of compliance with the policies or procedures.

**FY 2021 Audit Results**

The results are as follows:

Financial Statements

- Unmodified opinion

Internal Control over Financial Reporting

- Adverse opinion

Compliance with Laws and Regulations

- No instances of noncompliance noted.

**The OIG Oversight of Grant Thornton's Performance**

To fulfill our responsibilities under the ATDA and related legislation for ensuring the quality of the audit work performed, we monitored Grant Thornton's audit of the DNFSB's FY 2021 financial statements by:

- Reviewing Grant Thornton's audit approach and planning;
- Evaluating the qualifications and independence of Grant Thornton's auditors;
- Monitoring audit progress at key points;
- Examining the working papers related to planning and performing the audit and assessing the DNFSB's internal controls;

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- Reviewing Grant Thornton’s audit report to ensure compliance with Government Auditing Standards and Office of Management and Budget Bulletin No. 21-04;
- Coordinating the issuance of the audit report; and,
- Performing other procedures deemed necessary.

Grant Thornton is responsible for the attached auditor’s report, dated January 27, 2022, and the conclusions expressed therein. The 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:

- The DNFSB’s financial statements;
- Effectiveness of the DNFSB’s internal control over financial reporting; and,
- The DNFSB’s compliance with laws, regulations, contracts, and grant agreements.

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

**Meeting with the General Manager**

At the exit conference on January 21, 2022, representatives of the DNFSB, the OIG, and Grant Thornton discussed the results of the audit.

**Comments of the General Manager**

In his response, the General Manager did not fully agree with the report. The full text of his response follows this report.

**The DNFSB’s Financial Statements**

The DNFSB’s audited FY 2021 financial statements can be found in the agency’s financial report.

We appreciate the DNFSB staff’s cooperation.

Attachment: As stated

cc: Vice Chair Summers  
Board Member Roberson  
J. Biggins, General Manager  
O. Fawole, Chief Financial Officer

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**GRANT THORNTON LLP**  
1000 Wilson Boulevard, 14<sup>th</sup> Floor  
Arlington, VA 222091

**D** +1 703 847 7500  
**F** +1 703 848 9580

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Joyce L. Connery, Chair  
Defense Nuclear Facilities Safety Board

Hon. Robert J. Feitel, Inspector General  
United States Nuclear Regulatory Commission

**Report on the financial statements and internal control over financial reporting**

We have audited the accompanying financial statements of the Defense Nuclear Facilities Safety Board (DNFSB) (the "Agency"), which comprise the balance sheet as of September 30, 2021, and the related statements of net cost, changes in net position, and the statement of budgetary resources for the year then ended, and the related notes to the financial statements.

We also have audited the internal control over financial reporting of the Defense Nuclear Facilities Safety Board as of September 30, 2021, based on criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act or "FMFIA") and in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

**Management's responsibility for the financial statements and internal control over financial reporting**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA and its assessment about the effectiveness of internal control over financial reporting as of September 30, 2021, included in the accompanying Management's Report on Internal Control over Financial Reporting.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements and an opinion on the entity's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget ("OMB") Bulletin 21-04, *Audit*

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*Requirements for Federal Financial Statements.* Those standards and OMB Bulletin 21-04 require that we plan and perform the audit 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.

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered the Agency'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.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our financial statement audit opinion and adverse audit opinion on internal control over financial reporting.

**Definition and inherent limitations of internal control over financial reporting**

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting provides reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are

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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. Also, projections of any assessment of effectiveness to future periods are 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Opinion on the financial statements**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Defense Nuclear Facilities Safety Board as of September 30, 2021, and its net cost, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for adverse opinion on internal control over financial reporting**

The following material weakness has been identified and included in the accompanying schedule of findings as Item I. Lack of Appropriate Management Controls over Financial Reporting.

We considered the material weakness identified above in determining the nature, timing, and extent of audit procedures applied in our audit of the 2021 financial statements, and our adverse opinion on internal control over financial reporting does not affect our opinion on the financial statements.

**Adverse opinion on internal control over financial reporting**

In our opinion, because of the effect of the material weakness described in the Basis for adverse opinion, we also identified deficiencies in the Agency's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant management's attention. We have communicated these matters to management and, where appropriate, will report on them separately.

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**Other matters**

*2020 Financial Statements*

The financial statements and internal control of the Defense Nuclear Facilities Safety Board as of and for the year ended September 30, 2020 were audited by other auditors. Those auditors' report, dated December 16, 2020, expressed an unmodified opinion on those 2020 financial statements and an unmodified opinion on internal control.

*Required supplementary information*

Accounting principles generally accepted in the United States of America require that the information in Management's Discussion and Analysis and the schedule of budgetary resources be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*, which consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management is responsible for preparing, measuring, and presenting the required supplementary information in accordance with accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The *Table of Contents*, *Message from the Chair*, *Message from the General Manager*, *Message from the Chief Financial Officer*, *Inspector General's Letter Transmitting Independent Auditor's Report*, *Management's Response to Independent Auditor's Report* and *Other Information* sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Management is responsible for preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the basic financial statements and the required supplementary information. We read the other information in order to identify material inconsistencies, if any, with the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Report on compliance with laws, regulations, contracts, and grant agreements and other matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance



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with certain provisions of laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below, in accordance with *Government Auditing Standards*. Noncompliance may occur that is not detected by these tests.

**Management's responsibility**

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Agency.

**Auditor's responsibility**

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements, and perform certain other limited procedures. We did not test compliance with all laws, regulations, contracts, and grant agreements.

**Results of our tests of compliance with laws, regulations, contracts, and grant agreements**

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Agency. Accordingly, we do not express such an opinion.

**Agency's response to findings**

The Agency's response to our findings, which is described in the accompanying "Management's Response to Findings and Recommendations", was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Agency's response.

**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 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 *Government Auditing Standards* in considering compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Arlington, Virginia  
January 27, 2022

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**Schedule of Findings**

**I. Material Weakness - Lack of Appropriate Management Controls over Financial Reporting**

**Criteria:**

In accordance with OMB Circular A-123 *Management's Responsibility for Internal Control*, issued under the authority of FMFIA and the Government Performance and Results Modernization Act, management is responsible for establishing and maintaining internal controls to achieve reliable financial reporting. According to the U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* ("Green Book"), management is responsible for implementing and evaluating its internal control system, including internal controls, to meet reporting objectives related to the preparation of reports for use by the Agency, its stakeholders, or other external parties.

According to GAO's Green Book, management should design control activities over the information technology infrastructure to support the completeness, accuracy, and validity of information processing. When appropriately designed and implemented, Segregation of Duties (SOD) and logical access controls protect systems from unauthorized use. Logical access controls/SOD controls require users to authenticate themselves while limiting the data and other resources that authenticated users can access and actions they can execute.

The following control weaknesses were noted related to the Agency's financial reporting process, which when considered in combination result in the reasonable possibility that a material misstatement of the DNFSB's financial statements will not be prevented or detected and corrected on a timely basis:

**1. Reviews of the Service Organization Controls Reports**

**Condition:**

We inquired with DNFSB management regarding its process for reviewing the National Finance Center's (NFC) Service Organization Controls (SOC 1) Report over its Payroll and Personnel Systems. We noted the DNFSB does not have a process implemented to receive and review the SOC 1 report on an annual basis. Therefore, the DNFSB does not assess the SOC 1 report to identify control deficiencies or to determine whether the DNFSB has relevant Complementary User Entity Controls (CUECs) in place. Additionally, we inquired with DNFSB management regarding its process for reviewing the United States Department of Agriculture (USDA) SOC 1 report for the financial reporting services provided. We noted the DNFSB performs a review of the SOC 1 report and has implemented CUECs to address risks related to this relationship; however not all of the CUECs are effective to achieve the objective of the control and management does not retain evidence supporting its review of the SOC 1 report.

**Cause:**

The DNFSB did not identify the review of the NFC's SOC 1 report as a necessary control to ensure the DNFSB's payroll related risks are mitigated. Additionally, the

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DNFSB did not design its review process for the USDA SOC 1 report to retain evidence of the reviews and approvals performed by management. Furthermore, some of the controls identified as CUECs were not effective.

***Effect:***

Management's lack of monitoring of the processes performed by the NFC may result in DNFSB management failing to identify unmitigated risks within its information system and implementing its own controls in response to those risks, e.g., CUECs. Additionally, by not documenting the review of the SOC 1 report, or ensuring all CUECs are effective, there is a higher risk that misstatements will not be prevented or detected.

**2. Information Technology Access and Segregation of Duties**

***Condition:***

Symlicity<sup>1</sup> is used by DNFSB management to track financial transactions for comparison with the information recorded by the USDA within the DNFSB's general ledger system (Pegasys). We noted the DNFSB did not have comprehensive defined segregation of duties and access controls in place for users with access to the Agency's financial information. More specifically, seven (7) out of seven (7) DNFSB users with access to Symlicity were granted "super user" roles to the application allowing them unrestricted access to view and update the financial data. These users' activity was not logged or reviewed. Additionally, the users' access was not reviewed or recertified for continued appropriateness on a defined frequency.

***Cause:***

The DNFSB has not developed and implemented formal policies and procedures for controlling access to the Agency's Symlicity system.

***Effect:***

Failure to define and implement policies and procedures around user access provisioning, recertification, and segregation of duties constraints for user roles in the Symlicity system may allow users to maintain inappropriate access. This inappropriate access increases the risk that unauthorized changes could be intentionally or unintentionally made to the data maintained for reconciliation to the general ledger system (Pegasys).

**3. Management Lacks Proper Review of Property**

***Condition:***

As part of our walkthroughs over financial reporting and property, we noted that management's review of internal controls over the quarter 3 financial statements and the Capitalized Property Listing did not identify the acquisition cost of a significant property addition, which occurred in a prior year, and was omitted from the General Property, Plant, and Equipment, Net balance. Additionally, we noted the related accumulated depreciation was recognized for the asset acquired and netted against the remaining General Property, Plant, and Equipment assets, while the acquisition costs were not reflected. Per further inquiry, the cost of the asset was not recorded

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<sup>1</sup> Symlicity is an external fee for service application used by DNFSB to perform reconciliations and identify potential accounting adjustments

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since its acquisition in FY 2018. Furthermore, after inspection of the internal control over monthly depreciation calculations and related support provided, we noted the omission was identified and brought to management's attention as early as May 2021, but management did not resolve the issue in a timely manner. Per inspection of the September capital asset listing and September 30, 2021 balance reported for General Property, Plant, and Equipment on DNFSB's financial statements, the date placed in service was modified and the asset was fully depreciated as of the end of Fiscal Year 2021. The effect of this change was accurately reflected in the balance of General Property, Plant, and Equipment as of September 30, 2021.

**Cause:**

DNFSB management's review process did not detect and correct the potential misstatement within their financial statements in a timely manner. Additionally, DNFSB management communicated that the acquisition cost was not finalized, although, as stated in the condition, the related accumulated depreciation was reported.

**Effect:**

The omitted acquisition cost resulted in an understatement of the General Property, Plant and Equipment, Net balance reported on the DNFSB's financial statements by the amount of the acquisition cost; and an overstatement of Gross Costs in the reporting period the asset was acquired. The omission effectively created a negative asset balance. Although the balance was corrected as of September 30, 2021, if not remediated, this internal control deficiency could lead to additional misstatements of the General Property, Plant, and Equipment, Net balance in future fiscal years.

**4. Lack of Payroll Reconciliation**

**Condition:**

Per inquiry with DNFSB Finance Team, we noted that for FY 2021, the DNFSB did not have a reconciliation process in place that compares the payroll information provided by the NFC to the payroll expenses recorded as a component of the DNFSB's Gross Costs within the general ledger. Although management stated there was no reconciliation of payroll expenses in response to our inquiry, it was noted that DNFSB management reviews the employee listings for names and position titles, and also reconciles the disbursements for payroll to the SF-224 report. However, there is no reconciliation in place comparing the payroll information provided by NFC to the data feeding the general ledger account ultimately informing the Gross Costs line item on the Statement of Net Cost.

**Cause:**

While reconciliation controls over payroll are in place, the DNFSB reconciliations are not sufficiently designed to address the risks associated with the completeness and accuracy of payroll expense transactions.

**Effect:**

Payroll expenses represent a significant portion (averaging 65-75%) of the Gross Costs and liabilities reported on the DNFSB's financial statements. Lack of a payroll reconciliation performed between data provided by the NFC, and the expenses

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recorded in the DNFSB's general ledger, can result in an increased risk that the payroll related Gross Costs are not properly stated in the financial statements.

**5. Imputed Financing Estimates and Lack of Documentation**

***Condition:***

The DNFSB's Imputed Costs consists of both employee benefits and office space utilized but not paid for by the DNFSB. Through inspection of documentation provided by DNFSB Management related to Imputed Costs, we identified that the benefits portion of Imputed costs reported in FYs 2020 and 2021 were derived by calculating the change between the prior two fiscal years and then adding the difference to the prior year total to arrive at the current year amount. The FY 2021 rent component was calculated utilizing approximately 2% (based on the prior two years projected rent rate increases).

Therefore, the updated FY 2021 Office of Personnel Management (OPM) Cost benefit factors for FY 2021 occupancy and price per square foot data were not considered when determining the amount of Imputed Costs to report in the DNFSB's financial statements. The DNFSB could not provide additional documentation or explanations on the methodology utilized.

The DNFSB does not maintain the information to properly determine the imputed costs balance at year-end. This information is currently only held with their service provider (NFC). Additionally, DNFSB management does not perform an adequate review of the calculation prepared by the accountant to identify errors.

***Cause:***

The DNFSB has not developed formal policies and procedures detailing how to properly calculate Imputed Costs.

***Effect:***

Without consideration for updated guidance and cost factors provided by the OPM for changes in staffing levels, basic pay, and benefits elections impacting the calculation of the benefits portion of Imputed Costs, or consideration of occupancy and rent increases impacting the rent component of Imputed Costs, there is an increased risk that imputed financing/costs are materially misstated within the DNFSB's Financial Statements.

**6. Unfunded Leave Liability**

***Condition:***

As part of our audit procedures, we obtained the leave liability report as of September 30, 2021, from the NFC, which represents the amount the DNFSB would have to pay to each employee based on their unused leave. We compared the amount of \$1,652,564 reported in the leave liability report, which reflects the most accurate and relevant source for this liability, to the amount recorded by the DNFSB of \$1,477,520. The resulting difference is \$175,044.

***Cause:***

Management did not consider the leave liability report to determine the amount of the unfunded leave liability with an appropriate amount of precision as of September 30, 2021.

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**Effect:**

Management's process to determine the estimate for the unfunded leave liability resulted in a misstatement, as it did not account for all possible factors that could cause a change to the balance such as employees using more or less leave during the year. As of September 30, 2021, we determined the unfunded leave liability balance included on the federal employee and veterans benefits payable line of the Balance Sheet and gross costs on the Statement of Net Costs to be understated by \$175,044.

**7. Financial Statement Preparation**

**Condition:**

Through testing of the year-end financial statements, we noted the following conditions:

- The draft Balance Sheet was presented following the new Balance Sheet Template from the most recent OMB Circular A-136, however the balances reported for Liabilities were not presented comparatively between FY 2020 and FY 2021 as required per the circular;
- The draft Statement of Changes in Net Position for FY 2021 included misstatements in the beginning and ending balances for Unexpended Appropriations and Cumulative Results of Operations;
- The draft Liabilities Not Covered by Budgetary Resources note did not adequately identify and describe the specific liabilities not covered by budgetary resources, or accurately show the comparative balances for FY 2020 and FY 2021;
- The draft Other Liabilities note did not accurately show the comparative balances for FY 2020 and FY 2021;
- The draft Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the US Government note did not adequately explain the differences identified within the note; and
- The draft Reconciliation of Net Cost to Outlays note did not explain the purpose, nature, and significant line items in the reconciliation.

**Cause:**

The DNFSB does not have appropriate processes or controls in place, including monitoring of its service organization, to prevent, or detect and correct, misstatements to draft financial statements or related note disclosures, including deviations from the OMB A-136 requirements on a timely basis.

**Effect:**

If not corrected, the conditions noted above would have resulted in deviations from the requirements of OMB A-136 and misstated financial statement line items and related note disclosures.

**Recommendations**

DNFSB management should consider taking all necessary actions to establish an appropriate internal control structure including the following:

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**1. Reviews of the Service Organization Controls Reports**

We recommend the DNFSB implements policies and procedures to perform monitoring of the NFC, including obtaining and reviewing the SOC 1 report and appropriately implementing CUECs, as needed. Management should maintain evidence of its review of the USDA SOC 1 report and ensure all CUECs are implemented and operate effectively.

**2. Information Technology Access and Segregation of Duties**

We recommend the DNFSB defines and implements access and segregation of duties controls to:

- 2 a. Provision and periodically recertify user access to Symlicity,
- 2 b. Segregate the duties of users with access to the financial data in Symlicity.

**3. Management Lacks Proper Review of Property**

- 3 a. We recommend that DNFSB management implements a process to perform a more detailed review of the General Property, Plant, and Equipment, Net balance on their financial statements, as well as further develops controls to ensure the accuracy and completeness of the asset related financial data.
- 3 b. We recommend that DNFSB management implements a process to ensure that acquisition costs are reported at the time the asset is placed in service and capitalization has started, especially if there is a significant impact to the reported balance.

**4. Lack of Payroll Reconciliation**

We recommend DNFSB management implements and documents monitoring controls to ensure all payroll related expenses from the pay files are properly and accurately recorded in the general ledger.

**5. Imputed Financing Estimates and Lack of Documentation**

We recommend the DNFSB implements policies, procedures, and controls to ensure calculated imputed costs are reasonable and supportable.

**6. Unfunded Leave Liability**

We recommend DNFSB management utilizes information more directly relevant to the line item, as available, such as on the leave liability report, in order to determine the unfunded leave liability amount to be recorded as of year-end.

**7. Financial Statement Preparation**

DNFSB management should enhance its review control processes and monitoring over the compilation and preparation of the DNFSB's year-end financial statements to prevent and/or timely detect errors to their financial statements and the related note disclosures. The reviews of the financial statements and related note disclosures should be completed considering the latest requirements of OMB A-136.

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**Status of Prior Year Findings**

The financial statements and internal control of the Defense Nuclear Facilities Safety Board as of and for the year ended September 30, 2020 were audited by other auditors. Those auditors' report, dated December 16, 2020, expressed an unmodified opinion on those 2020 financial statements and an unmodified opinion on internal control over financial reporting.

FY 2020 Significant Deficiency	FY 2020 Recommendations	Current Status
<p>1. Notes to the financial statements were not prepared as part of the June 30, 2020 (interim) reporting.</p> <p>2. The June 30, 2020 Fund Balance with Treasury Governmentwide Accounting (GWA) to general ledger reconciliation was not prepared.</p> <p>3. The June 30, 2020 capitalized assets to general ledger reconciliation was not performed adequately as it was missing the Fiscal Year 2019 and FY 2020 Property Plant and Equipment (PP&amp;E) additions.</p> <p>4. The September 30, 2020 capitalized assets to general ledger reconciliation included all PP&amp;E additions but did not include depreciation expense or accumulated depreciation for FY20 additions.</p> <p>5. The September 30, 2020 financial statements and notes provided by DNFSB were not adequately reviewed by DNFSB on a timely basis as the financial statements did not properly account for prior year audit adjustments, had footing and rounding errors, and other errors which the prior year auditor communicated to DNFSB and DNFSB corrected. Furthermore, there were multiple versions of the financials provided and the agency financial report (AFR) was not provided until December 2, 2020 which delayed the audit.</p>	<p>1. Develop a plan to improve the financial reporting controls and process, including identifying and training back up staff, so that financial statements and the related notes are properly prepared and reviewed at interim and year-end on a timely basis; and</p> <p>2. Prepare and review all key financial statement reconciliations on a monthly basis.</p>	<p>1. Condition #1 will not be recurring for FY 2021 as the DNFSB is not a significant entity per OMB A-136, or subject to the Chief Financial Officer's Act of 1990 and not required to prepare notes on their interim statements.</p> <p>2. Condition #2 will not be recurring for FY 2021 as the GWA to general ledger reconciliation is the responsibility of DNFSB's service provider, USDA, and per our evaluation of the SOC 1, this control was tested without exception by the service auditors.</p> <p>3. Conditions #3 &amp; 4 were not fully remediated in the current year. From our attempts to reconcile the capital property listing to the General Property, Plant and Equipment, net as of June 30 and September 30, 2021 we noted unidentified and unresolved errors that were included in the material weakness.</p> <p>4. Condition #5 will be recurring as a result of errors we identified from our initial inspection of the September 30, 2021 financial statements and notes.</p>



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**Grant Thornton response to agency response to findings**

The Agency's response to our findings, which is described in the accompanying "Management's Response to Findings and Recommendations", was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Agency's response. The comments and rationale provided by management did not impact our final conclusions including the severity of the findings presented. We evaluated the additional context provided by the DNFSB in *DNFSB Comments on the 2021 Financial Statement Audit* and the attached *Comments on OIG Discussion Draft Report* below. Our audit report was drafted in accordance with professional standards as described in the Report of Independent Certified Accountants, above. Certain Notice of Findings and Recommendations (NFRs) presented to management are not included in our report as they were not evaluated to meet the criteria to include in the Schedule of Findings, either individually or in aggregate with other findings, and will be included in a separate letter to management.

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Management's Response to Findings and Recommendations

**DEFENSE NUCLEAR FACILITIES  
SAFETY BOARD**

Washington, DC 20004-2901



**DNFSB COMMENTS ON THE  
2021 FINANCIAL STATEMENT AUDIT**

We are pleased to have completed another annual independent review of our financial statements and internal financial controls. The independence of the review is essential to determine the integrity of our financial reporting and provide insights to risks in our internal financial controls in an effort to prevent and detect waste, fraud, or abuse of the financial resources entrusted to our agency. We agree with the conclusion of an unmodified “clean” audit opinion of our financial statements. While the audit confirmed for us risks in our internal financial controls, it also highlighted the difference we experience in managing a micro agency as compared to a CFO Act agency. Where larger agencies have the staff, formality, and sophistication to implement their multitude of financial controls over their larger budgets, our small budget requires a manual reconciliation of our ledgers, heavy reliance on outside service providers, and informal staff communications as part of our financial system controls. In some instances, the audit finds that our lack of sophistication is a deficiency that in aggregate the audit determines is a material weakness. However, the application of a large agency standard to a micro agency fails to recognize that when you know the name of every person in the agency and can walk down the hall to coordinate on any issue without writing a memo to file, the small size of the agency is also a strength and a control itself and provides the senior leadership visibility into all issues, large and small.

The attached specific comments on the draft audit report provide the key disagreements with the audit and its findings. What the comments do not include is the tremendous burden experienced during this audit compared to previous years. The tally of “provided by client” items, questions, and follow up requests this year was double that of prior years. Reliance on our service providers to generate requested reports contributed to part of the auditor’s delay of completion of this audit, but we do not believe justified extension into the second quarter of the subsequent fiscal year. Despite these procedural difficulties our financial management staff maintained their professionalism and focus to support the extensive effort behind this audit.

January 26, 2022

James Biggins  
General Manager

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**DEFENSE NUCLEAR FACILITIES SAFETY BOARD (DNFSB)**

Comments on OIG Discussion Draft Report:

**Independent Auditor’s Report of the Defense Nuclear  
Facilities Safety Board (DNFSB) FY 2021 Financial  
Statements**

	Page	Reviewer	Comment	Rationale
1.	3	Division of Budget and Finance	Suggest including the terminology that DNFSB received unmodified “clean” audit opinion in the <b>opinion on the financial statements</b> paragraph.	To add more clarity to the audit report
2.	3	Division of Budget and Finance	DNFSB disagrees with the term "material weakness" in the Basis for adverse opinion session. We have proven and confirmed that management reviewed various reports and responded to emails. We disagree with the auditors stance that an email response confirming receipt is insufficient to prove review. DNFSB has a small staff who meet regularly to discuss items, and may not necessarily confirm every action on email.  This finding should be withdrawn.	To align audit report to factual information
3.	7	Division of Budget and Finance	We don’t necessarily agree that we need to segregate duties for user roles because DNFSB is a small agency with limited staff. There is a mechanism in Symplicity to track who enters information in the system. While others have access, we can verify that only two staff enter information. The system can track and produce a report of changes made to data. The finding assumes that not all of our small staff need their access and presumes that we have a large enough number of staff to differentiate between roles.  This portion of the finding should be withdrawn.	To align audit report to factual information
4.	8	Division of Budget and Finance	We agree with the finding related to the resolution of this issue, but as the auditors note, the omission of the cost from the General Property, Plant, and Equipment, net balance of this property addition occurred in FY 2018. This reflects an internal control deficiency at that time but not necessarily justifying the recommendation	To align audit report to factual information

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			<p>for a new internal control to ensure that acquisition costs are reported at the time the asset is placed in service and capitalization has started.</p> <p>The part of the finding related to the 2018 internal control weakness should be withdrawn.</p>	
5.	6-10	Division of Budget and Finance	<p>Please update NFRs 1-9 with the language in the signed NFRs that was agreed to by management and auditors. The CONDITION, CAUSE, EFFECT and RECOMMENDATION for each NFR needs to be updated including the additional two NFRs not included in the current report.</p>	To align audit report to signed NFRS.
6.	10	Division of Budget and Finance	<p>DNFSB disagrees with the Financial Statements Preparation finding. The financial statements and other documents sent to the auditors ahead of the completion of the audit process are DRAFT documents not FINAL. DNFSB has worked with the auditors to consider their proposed changes and corrections, but providing draft documents to the auditors for review should not result in a finding, nor is it inconsistent with any accounting standard. Rather, providing draft documents is a normal part of the audit process. If changes to a draft document merit a finding, the process would result in a finding every fiscal year.</p> <p>This finding should be withdrawn.</p>	To align audit report to factual information
7.	3	General Manager	<p>Because the auditors determine a material weakness in the internal financial controls that is based in part on incorrect conclusions regarding the agency internal controls, the determination should be withdrawn. Separately, the degree of the risks identified do not amount to a material weakness, and at most, in aggregate, amount to a significant deficiency pursuant to the applicable definitions. Therefore, the determination of a material weakness should be withdrawn.</p> <p>The determination of the material weakness should be withdrawn and the identified risks should be reclassified at a lower risk level.</p>	<p>To align the audit conclusion with the definition of material weakness.</p> <p>The facts behind the risk conclusions/findings do not support the degree of auditor judgment exercised to determine a material weakness based on an aggregation of risks.</p>

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**2.1 FY 2021 Financial Statements and Notes**

**2.1.1 Financial Statements –**

**Defense Nuclear Facilities Safety Board  
BALANCE SHEETS**

As Of September 30, 2021 and 2020

		2021	2020
<b>Assets:</b>			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 18,190,282.48	\$ 18,053,089.07
Accounts Receivable [, net]	(Note 3)	5,893.12	
Total Intragovernmental		18,196,175.60	18,053,089.07
Other than Intragovernmental:			
Accounts Receivable [, net]	(Note 3)	15,992.33	65,716.00
General Property[,Plant,] and Equipment, Net	(Note 4)	202,479.36	269,665.42
Advances and Prepayments		1,869.67	
Total Other than Intragovernmental		220,341.36	335,381.42
<b>Total Assets</b>		<b>\$ 18,416,516.96</b>	<b>\$ 18,388,470.49</b>
<b>Liabilities:</b>			
Intragovernmental:			
Accounts Payable	(Note 6)	479,252.64	339,418.74
Other Liabilities	(Note 7)	59,844.33	49,238.15
Total Intragovernmental		\$ 539,096.97	\$ 388,656.89
Other than Intragovernmental:			
Accounts Payable		1,580,277.71	459,098.22
Federal Employee and Veterans Benefits Payable		1,693,752.61	1,590,345.13
Other Liabilities	(Note 7)	867,403.00	725,858.94
Total Other than Intragovernmental		4,141,433.32	2,775,302.29
<b>Total Liabilities</b>		<b>\$ 4,680,530.29</b>	<b>\$ 3,163,959.18</b>
<b>Net Position:</b>			
Unexpended Appropriations - Funds from Other than Dedicated Collections		15,225,721.47	16,506,626.38
Total Unexpended Appropriations (Combined or Consolidated)		15,225,721.47	16,506,626.38
Cumulative Results of Operations - Funds from Other than Dedicated Collections		(1,489,734.80)	(1,282,115.07)
Total Cumulative Results of Operations (Combined or Consolidated)		(1,489,734.80)	(1,282,115.07)
<b>Total Net Position</b>		<b>\$ 13,735,986.67</b>	<b>\$ 15,224,511.31</b>
<b>Total Liabilities and Net Position</b>		<b>\$ 18,416,516.96</b>	<b>\$ 18,388,470.49</b>

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**Defense Nuclear Facilities Safety Board**  
**STATEMENTS OF NET COST**

For The Years Ended September 30, 2021 and 2020

	2021	2020
Gross Program Costs:	(Note 9)	
DNFSB:		
Gross Costs	\$ 32,468,218.22	\$ 31,061,671.12
Less: Earned Revenue	5,893.12	
Net Program Costs	32,462,325.10	31,061,671.12
Net Cost of Operations	\$ 32,462,325.10	\$ 31,061,671.12

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**Defense Nuclear Facilities Safety Board**  
**STATEMENT OF CHANGES IN NET POSITION**  
**For the Year Ended September 30, 2021**

FY 2021 (CY)

	<b>Funds from Other than Dedicated Collections (Consolidated Totals)</b>	<b>Consolidated Total</b>
	<b>Totals)</b>	<b>Total</b>
Unexpended Appropriations:		
Beginning Balance	\$ 16,506,626.38	\$ 16,506,626.38
Beginning balance, as adjusted	16,506,626.38	16,506,626.38
Appropriations received	31,000,000.00	31,000,000.00
Other Adjustments	(927,858.28)	(927,858.28)
Appropriations Used	(31,353,046.63)	(31,353,046.63)
Net Change in Unexpended Appropriations	(1,280,904.91)	(1,280,904.91)
Total Unexpended Appropriations: Ending	\$ 15,225,721.47	\$ 15,225,721.47
Cumulative Results from Operations:		
Beginning Balances	\$ (1,282,115.07)	\$ (1,282,115.07)
Adjustments:		
Corrections of errors	80,043.98	80,043.98
Beginning balance, as adjusted	(1,202,071.09)	(1,202,071.09)
Appropriations Used	31,353,046.63	31,353,046.63
Imputed Financing	821,614.76	821,614.76
Net Cost of Operations	32,462,325.10	32,462,325.10
Net Change in Cumulative Results of Operations	(287,663.71)	(287,663.71)
Cumulative Results of Operations: Ending	\$ (1,489,734.80)	\$ (1,489,734.80)
Net Position	\$ 13,735,986.67	\$ 13,735,986.67

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**Defense Nuclear Facilities Safety Board**  
**STATEMENT OF CHANGES IN NET POSITION**  
**For the Year Ended September 30, 2020**

FY 2020 (PY)

	<b>Funds from Other than Dedicated Collections (Consolidated Totals)</b>	<b>Consolidated Total</b>
<b>Unexpended Appropriations:</b>		
Beginning Balance	\$ 18,577,918.00	\$ 18,577,918.00
Beginning balance, as adjusted	18,577,918.00	18,577,918.00
Appropriations received	31,000,000.00	31,000,000.00
Other Adjustments	(3,245,975.12)	(3,245,975.12)
Appropriations Used	(29,825,316.50)	(29,825,316.50)
Net Change in Unexpended Appropriations	(2,071,291.62)	(2,071,291.62)
Total Unexpended Appropriations: Ending	\$ 16,506,626.38	\$ 16,506,626.38
<b>Cumulative Results from Operations</b>		
Beginning Balances	\$ (1,023,035.41)	\$ (1,023,035.41)
Beginning balance, as adjusted	(1,023,035.41)	(1,023,035.41)
Other Adjustments		
Appropriations Used	29,825,316.50	29,825,316.50
Imputed Financing	977,274.96	977,274.96
Net Cost of Operations	31,061,671.12	31,061,671.12
Net Change in Cumulative Results of Operations	(259,079.66)	(259,079.66)
Cumulative Results of Operations: Ending	(1,282,115.07)	(1,282,115.07)
Net Position	\$ 15,224,511.31	\$ 15,224,511.31



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**Defense Nuclear Facilities Safety Board**  
 STATEMENTS OF BUDGETARY RESOURCES

For The Years Ended September 30, 2021 and 2020

	2021 Budgetary	2020 Budgetary
<b>Budgetary resources</b>		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 10)	\$ 15,191,548.63	\$ 10,297,820.84
Appropriations (discretionary and mandatory)	31,000,000.00	31,000,000.00
Spending authority from offsetting collections (discretionary and mandatory)	5,893.12	
Total budgetary resources	\$ 46,197,441.75	\$ 41,297,820.84
<b>Status of budgetary resources</b>		
New obligations and upward adjustments (total)	\$ 36,886,865.88	\$ 27,332,198.95
Unobligated balance, end of year:		
Apportioned, unexpired account	8,253,449.22	12,423,989.82
Unapportioned, unexpired accounts	613.23	212,484.58
Unexpired unobligated balance, end of year	8,254,062.45	12,636,474.40
Expired unobligated balance, end of year	1,056,513.42	1,329,147.49
Unobligated balance, end of year (total)	9,310,575.87	13,965,621.89
Total budgetary resources	\$ 46,197,441.75	\$ 41,297,820.84
<b>Outlays, Net</b>		
Outlays, net (total) (discretionary and mandatory)	\$ 29,934,948.31	\$ 29,991,735.34
Agency outlays, net (discretionary and mandatory)	\$ 29,934,948.31	\$ 29,991,735.34

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**2.1.2 Financial Statement Notes – DNFSB General Fund**

**2.1.2.1 Note 1 – Summary of Significant Accounting Policies**

**2.1.2.1.1 (a) Reporting Entity**

The Board is an independent federal government agency with responsibility for overseeing DOE defense nuclear facilities located throughout the United States. The Board is directed by a Chair and four other members appointed by the President. The Board’s mission as described by the Atomic Energy Act of 1954, as amended, is to “provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of the Secretary as operator and regulator of the defense nuclear facilities of the DOE, in providing adequate protection of public health and safety at such defense nuclear facilities.”

**2.1.2.1.2 (b) Basis of Presentation**

These financial statements have been prepared from the Board’s accounting records in accordance with GAAP as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and OMB Circular A-136, *Financial Reporting Requirements*. GAAP for federal entities is the hierarchy of accounting principles prescribed in the American Institute of Certified Public Accountants’ (AICPA) Statement on Auditing Standards No. 91, *Federal GAAP Hierarchy*.

Circular A-136 requires agencies to prepare principal statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The Balance Sheet presents amounts of future economic benefits owned or managed by the Board (assets), amounts owed by the Board (liabilities), and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the Board’s operations and the Statement of Budgetary Resources reports how budgetary resources were made available during the period and their status at the end of the period.

The format of the balance sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this report to see how the amounts shown on the balance sheet are reflected on the government-wide balance sheet, thereby supporting the preparation and audit of the *Financial Report of the United States Government*. The presentation of the FY 2020 balance sheet was modified to be consistent with the FY 2021 presentation.

**2.1.2.1.3 (c) Classified Activities**

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

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**2.1.2.1.4 (d) Basis of Accounting**

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**2.1.2.1.5 (e) Revenues and Other Financing Sources**

The Board receives funding needed to support its activities through annual congressional appropriations. FY 2021 and FY 2020 appropriated funds are available for obligation until September 30, 2022, and September 30, 2021, respectively (i.e., two-year funds). None of the appropriations is a “funds from dedicated collections” fund. An imputed financing source is recognized to offset costs incurred by the Board and funded by another federal source (see Note 1(j)). DNFSB revenue is generally recognized when goods have been delivered or services have been rendered.

**2.1.2.1.6 (f) Assets and Liabilities**

Intra-governmental assets and liabilities arise from transactions between the Board and other federal entities.

Funds with the Treasury compose the majority of assets on the Board’s balance sheet. Other assets result from activity with non-federal sources.

Liabilities represent amounts that are likely to be paid by the Board as a result of transactions that have already occurred. The accounts payable portion of liabilities consist of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses received but not yet paid.

Liabilities covered by budgetary or other resources are those liabilities of the Board for which Congress has appropriated funds, or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding.

**2.1.2.1.7 (g) Fund Balance with Treasury**

The U.S. Treasury processes the Board’s receipts and disbursements. Funds with the U.S. Treasury are cash balances from appropriations as of the fiscal year-end from which

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the Board is authorized to make expenditures and pay liabilities resulting from operational activity.

**2.1.2.1.8 (h) Property, Plant, and Equipment**

PP&E consists of capitalized equipment, furniture and fixtures, and software. There are no restrictions on the use or convertibility of property, plant, or equipment.

The Board capitalizes PP&E with a useful life of at least two years and individually costing more than \$10,000 (\$25,000 for leasehold improvements). Bulk purchases of lesser value items are capitalized when the cost is \$25,000 or greater.

Assets are depreciated on a straight-line basis over the estimated useful life of the property. Information technology equipment and software are depreciated over a useful life of three years. All other equipment is depreciated over a five-year useful life. Furniture and fixtures are depreciated over a seven-year useful life and leasehold improvements over a ten-year useful life.

The Board owns no land and leases its office space via GSA. The lease costs approximate commercial lease rates for similar properties.

**2.1.2.1.9 (i) Annual, Sick, and Other Leave**

Annual leave is recognized as an expense and a liability as it is earned; the liability is reduced as leave is taken. The accrued leave liability is principally long-term in nature. Sick leave and other types of leave are expensed as leave is taken.

**2.1.2.1.10 (j) Federal Employee Benefits**

The Board recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render service to the Board. The pension expense recognized in the financial statement equals the current service cost for the Board's employees for the accounting period less the amount contributed by the employees. The Office of Personnel Management (OPM), the administrator of the plan, supplies the Board with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense represents the amount being financed directly by OPM. This amount is considered imputed financing to the Board.

The Board recognizes a current-period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are still working. The Board accounts for and reports this expense in a manner similar to that used for pensions, with the exception that employees and the Board do not make current contributions to fund these future benefits.

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Federal employee benefit costs paid by OPM and imputed to the Board are reported as a resource on the statement of changes in net position.

**2.1.2.1.11 (k) Contingencies**

The Board has no material pending claims or lawsuits against it. Management believes that losses from other claims or lawsuits, not yet known to management, are possible, but would not likely be material to the fair presentation of the Board's financial statements. Thus, there is no provision for such losses in its statements. The Board has not entered into any contractual arrangements which may require future financial obligations.

**2.1.2.2 Note 2 – Funds Balance with the U.S. Treasury**

The Board's funds with the U.S. Treasury consist only of appropriated funds. The status of these funds as of September 30, 2021 and 2020 are as follows:

A. Fund Balance with Treasury	<u>2021</u>	<u>2020</u>
General Fund	\$ 18,190,282.48	\$ 18,053,089.07
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	8,253,449.22	12,424,132.74
b) Unavailable	1,057,126.65	1,541,489.15
2) Obligated Balance not yet Disbursed	8,879,706.61	4,087,467.18
Total	<u>\$ 18,190,282.48</u>	<u>\$ 18,053,089.07</u>

**2.1.2.3 Note 3 – Accounts Receivable, Net**

Intragovernmental Accounts Receivable represents a cost transfer between the Board's appropriations. Other than Intragovernmental Accounts Receivable represents the accounts receivable from current employees. The Board has historically collected receivables due and thus has not established an allowance for uncollectible accounts. The direct write-off method would be used for any uncollectible receivables.

	<u>2021</u>	<u>2020</u>
Intragovernmental Accounts Receivable	\$ 5,893.12	\$ -
Other than Intragovernmental Accounts Receivable	15,992.33	65,716.00
Total Accounts Receivable, Net	<u>\$ 21,885.45</u>	<u>\$ 65,716.00</u>

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**2.1.2.4 Note 4 - Property, Plant and Equipment, (PPE) Net**

The Board's total cost, accumulated depreciation, and net book value for PPE for the years ending September 30, 2021, and 2020 are as follows. The Board does not estimate for any PPE costs.

<b>2021</b>	<b>Equipment</b>	<b>Furniture &amp; Fixtures</b>	<b>Software</b>	<b>Software in Development</b>	<b>Total</b>
<b>Cost</b>	1,427,792.34	116,832.25	356,658.21	-	1,901,282.80
<b>Accum. Depr.</b>	(1,225,312.98)	(116,832.25)	(356,658.21)	-	(1,698,803.44)
<b>Net Book Value</b>	202,479.36	-	-	-	202,479.36

<b>2020</b>	<b>Equipment</b>	<b>Furniture &amp; Fixtures</b>	<b>Software</b>	<b>Software in Development</b>	<b>Total</b>
<b>Cost</b>	1,226,563.41	116,832.25	356,658.21	-	1,700,053.87
<b>Accum. Depr.</b>	(967,459.49)	(106,270.75)	(356,658.21)	-	(1,430,388.45)
<b>Net Book Value</b>	259,103.92	10,561.50	-	-	269,665.42

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

Liabilities not covered by budgetary resources require future congressional action, whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit). The composition of liabilities not covered by budgetary resources as of September 30, 2021, and 2020 is as follows:

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	2021	2020
Unfunded Leave	1,652,563.61	1,555,960.49
Total Other than Intragovernmental Liabilities Not Covered by Budgetary Resources	\$ 1,652,563.61	\$ 1,555,960.49
Total Liabilities Not Covered by Budgetary Resources	\$ 1,652,563.61	\$ 1,555,960.49
Total Liabilities Covered by Budgetary Resources	3,027,966.68	1,607,998.69
Total Liabilities	\$ 4,680,530.29	\$ 3,163,959.18

The Unfunded Leave represents the amount recorded for unpaid leave earned that an employee is entitled to upon separation and that will be funded by future year's budgetary resources.

**2.1.2.6 Note 6 - Intragovernmental Accounts Payable**

Intragovernmental liabilities arise from transactions with other federal entities. The DNFSB item relates to a cost transfer between appropriations. Employer Contributions and Payroll Taxes Payable are the amounts owed to OPM and Treasury for Federal Employees Health Benefits (FEHBP), Federal Employees' Group Life Insurance Program (FEGSIP), Federal Insurance Contributions Act (FICA), Federal Employees Retirement System (FERS), and Civil Service Retirement System (CSRS) contributions

	2021	2020
Debt to Other Federal Agencies		
(1) GSA	107,797.64	34,582.41
(2) Department of Homeland Security	135,508.69	135,508.69
(3) Department of Defense	36,381.00	17,900.00
(4) DNFSB	5,893.12	-
Employer Contributions and Payroll Taxes Payable	193,672.19	151,427.64
Total Intragovernmental Accounts Payable	\$ 479,252.64	\$ 339,418.74

**2.1.2.7 Note 7 – Other Liabilities**

As of September 30, 2021, and 2020, the amounts reported on the Balance Sheet as Other Liabilities (both Intragovernmental and Other than Intragovernmental) are current liabilities. The Intragovernmental Other Liabilities consist of the Employer Contributions and Payroll Taxes Payable – Non-Reciprocal amounts. The Other than Intragovernmental Other Liabilities consist of the Accrued Funded Payroll and Leave.

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	2021	2020
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (Non-Reciprocal)	\$ 59,844.33	\$ 49,238.15
Total Intragovernmental	59,844.33	49,238.15
Other than Intragovernmental		
Accrued Funded Payroll & Leave	867,403.00	725,858.94
Total Other than Intragovernmental	867,403.00	725,858.94
Total Other Liabilities	\$ 927,247.33	\$ 775,097.09

**2.1.2.8 Note 8 – Leases**

The Board has not entered into any existing capital leases and thus has incurred no liability resulting from such leases. The Board has also not directly entered into any operating leases but does have an occupancy agreement with GSA for its headquarters space (GSA has an operating lease with the building owner, the costs of which are billed to the Board. The occupancy agreement is cancellable with four months written notice, without penalty to the Board.) Annual lease costs for office space for FY 2021 and FY 2020 amounted to \$2,916,575.46, and \$2,923,380.02, respectively. The Board entered into a new 10-year occupancy agreement effective March 8, 2016, which is due to expire on March 7, 2026. Estimated future lease payments under the terms of the occupancy agreement are as follows:

Fiscal Year Ending September 30	Payment
2022	\$3,128,686.15
2023	\$3,177,177.19
2024	\$3,227,119.58
2025	\$3,278,556.80
2026 (thru March 7, 2026)	\$1,282,444.42
<b>Total Estimated Future Lease Payments</b>	<b>\$14,093,984.14</b>

**2.1.2.9 Note 9 – Inter-Entity Costs**

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Board are recognized as imputed cost and are offset by imputed revenue. The amounts of Imputed Costs and Financing Sources were \$821,614.76 for FY 2021 and \$977,274.96 for FY 2020. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgement Fund. However, unreimbursed costs of goods and services



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other than those identified above are not included in our financial statements.

The portion of the Board's program costs related to Intragovernmental Costs and Other than Intragovernmental Costs are shown as follows. Intragovernmental Costs are costs incurred from exchange transactions with other federal entities (e.g., building lease payments to GSA). Other than Intragovernmental Costs are incurred from exchange transactions with non-federal entities (i.e., all other program costs).

	Intragovernmental Costs	Other than Intragovernmental Costs	Total Program Costs
FY 2021	\$9,675,957.14	\$22,792,261.08	\$32,468,218.22
FY 2020	\$9,146,338.18	\$21,915,332.94	\$31,061,671.12

The Board's program costs/net cost of operations by OMB Object Class (OC) are as follows:

OC	Description	FY 2021	FY 2020
11	Personnel Compensation	\$15,900,344.67	\$13,963,643.90
12	Personnel Benefits	\$6,178,534.02	\$5,975,214.90
21	Travel & Transportation of Persons	\$175,115.97	\$303,495.86
22	Transportation of Things	\$2,033.60	\$26,100.66
23	Rent, Communications, & Utilities	\$3,304,600.26	\$3,299,313.48
24	Printing & Reproduction	\$3,427.83	\$8,852.85
25	Other Contractual Services	\$6,483,802.97	\$6,672,875.39
26	Supplies & Materials	\$147,207.48	\$210,744.50
31	Acquisition of Assets	\$273,151.42	\$601,429.58
	Total	\$32,468,218.22	\$31,061,671.12

**2.1.2.10 Note 10 – Net Adjustments to Unobligated Balance Brought Forward, October 1**

During the years ended September 30, 2021, and 2020, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2020, and 2019. These adjustments include, among other things, upward adjustments to undelivered and delivered orders that were obligated in a prior fiscal year. The adjustments during the years ended September 30, 2021, and 2020 are presented below.

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	2021	2020
Unobligated balance, brought forward from prior year	\$ 13,965,621.89	\$ 12,577,620.43
Adjustments made during the current year		
Recoveries of prior year unpaid obligations	1,875,419.33	943,295.46
Recoveries of prior year paid obligations	278,365.69	22,880.07
Balance withdrawn to Treasury (expiring fund)	(927,858.28)	(3,245,975.12)
Unobligated balance brought from prior year budget authority	\$ 15,191,548.63	\$ 10,297,820.84

**2.1.2.11 Note 11 – Apportionment Categories of New Obligations and Upward Adjustments: Direct vs. Reimbursable Obligations**

The Board is subject to apportionment. All obligations are incurred under Category A (budgetary resources are distributed by fiscal year quarter) amounts apportioned on the latest Standard Form (SF)-132, *Apportionment and Reapportionment Schedule*.

	FY 2021	FY 2020
<b>Direct</b>		
<b>Category A</b>	36,886,865.88	27,332,198.95
<b>New Obligations</b>	36,720,918.54	26,869,430.38
<b>Upward Adjustments</b>	165,947.34	462,768.57

**2.1.2.12 Note 12 – Undelivered Orders at the End of the Period**

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

The amount of DNFSB's undelivered orders was \$5,859,502.72 and \$2,479,468.49 as of September 30, 2021, and 2020, respectively.

	2021	2020
Federal Undelivered Orders	210,195.01	508,850.20
Non-Federal Undelivered Orders	5,649,307.71	1,970,618.29
<b>Total Federal/Non-Federal Undelivered Orders</b>	<b>\$ 5,859,502.72</b>	<b>\$ 2,479,468.49</b>
Paid Undelivered Orders - Federal	-	-
Paid Undelivered Orders - Non-Federal	1,869.67	-
Unpaid Undelivered Orders - Federal	210,195.01	508,850.20
Unpaid Undelivered Orders - Non-Federal	5,647,438.04	1,970,618.29
<b>Total Paid/Unpaid Undelivered Orders</b>	<b>\$ 5,859,502.72</b>	<b>\$ 2,479,468.49</b>
<b>Total Undelivered Orders</b>	<b>\$ 5,859,502.72</b>	<b>\$ 2,479,468.49</b>

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**2.1.2.13 Note 13 – Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government**

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources, and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2021 actual budgetary execution information is scheduled for publication in February 2022, which will be available through OMB’s website at <http://www.whitehouse.gov/omb>. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2020 SBR and the related President’s Budget reflected the following:

FY 2020	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Statement of Budgetary Resources	\$41,297,820.84	\$27,332,198.95	\$29,991,735.34
Difference 1 - Expired unobligated balances	-\$1,329,147.49		
Difference 2 - Rounding (+/-)	\$31,326.65	-\$332,198.95	\$1,008,264.66
Budget of the US Government	<u>\$40,000,000.00</u>	<u>\$27,000,000.00</u>	<u>\$31,000,000.00</u>

The difference between the Statement of Budgetary Resources and the *Budget of the United States Government* are due to rounding and also expired unobligated balances being reported in the Statement of Budget Resources but not in the *Budget of the United States Government*. The *Budget of the United Statement Government* is rounded to millions.

**2.1.2.14 Note 14 – Reconciliation of Net Cost to Outlays**

Reconciliation of net costs to net outlays budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government’s financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurring of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The reconciliation explains the relationship between the net cost of operations and net outlays by

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presenting (1) components of net cost that are not part of budgetary outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities, other financing sources); and (2) components of budget outlays that are not part of net cost (e.g. acquisition of capital assets); and (3) other temporary timing difference (e.g. prior period adjustments due to correction of error).

The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

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**NOTE 14 – RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)**

	<u>FY 2021</u>		
	Intragovernmental	Other than Intragovernmental	Total
<b>Net Operating Cost (SNC)</b>	<u>9,670,064.02</u>	<u>22,792,261.08</u>	<u>32,462,325.10</u>
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>			
Property, plant, and equipment depreciation		(147,230.04)	(147,230.04)
<b>Increase/(Decrease) in Assets not affecting Budget Outlays:</b>			
Accounts receivable	5,893.12	(49,723.67)	(43,830.55)
Other assets		1,869.67	1,869.67
<b>(Increase)/Decrease in Liabilities not affecting Budget Outlays:</b>			
Accounts payable	(97,589.35)	(1,121,179.49)	(1,218,768.84)
Other liabilities (accrued funded payroll and leave and employer contributions and payroll taxes payable)	(52,850.73)	(148,348.42)	(201,199.15)
Federal employee and veteran benefits payable (unfunded leave)		(96,603.12)	(96,603.12)
<b>Other financing sources</b>			
Imputed Cost	(821,614.76)		(821,614.76)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<u>(966,161.72)</u>	<u>(1,561,215.07)</u>	<u>(2,527,376.79)</u>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of capital assets		80,043.98	80,043.98
<b>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>		<u>80,043.98</u>	<u>80,043.98</u>
<b>Other Temporary Timing Differences (prior period adjustment)</b>		<u>(80,043.98)</u>	<u>(80,043.98)</u>
<b>Net Outlays (Calculated Total)</b>	<u>8,703,902.30</u>	<u>21,231,046.01</u>	<u>29,934,948.31</u>
<b>Budgetary Agency Outlays, net (SBR Line 4210)</b>			<u>29,934,948.31</u>

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**NOTE 14 – RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)**

**FY 2020**


	Intragovernmental	With the Public	Total
<b>Net Operating Cost (SNC)</b>	9,146,338.18	21,915,332.94	<b>31,061,671.12</b>
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>			
Property, plant, and equipment depreciation		(121,650.28)	(121,650.28)
<b>Increase/(Decrease) in Assets not affecting Budget Outlays:</b>			
Accounts receivable	-	44,598.78	44,598.78
<b>Liabilities not affecting Budget Outlays:</b>			
Accounts payable	269,981.39	99,476.95	369,458.34
Salaries and benefits	(64,517.85)	(200,057.65)	(264,575.50)
unfunded FECA, actuarial FECA)	-	(402,310.96)	(402,310.96)
<b>Other financing sources</b>			
Federal employee retirement benefit costs	(977,274.96)		(977,274.96)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<b>(771,811.42)</b>	<b>(579,943.16)</b>	<b>(1,351,754.58)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of capital assets	-	281,818.80	281,818.80
<b>Total Components of the Budgetary O</b>	<b>-</b>	<b>281,818.80</b>	<b>281,818.80</b>
<b>Net Outlays (Calculated Total)</b>	<b>8,374,526.76</b>	<b>21,617,208.58</b>	<b>29,991,735.34</b>
<b>Related Amounts on the Statement of Budgetary Resources</b>			
Outlays, net (SBR Line 4190)			29,991,735.34
Agency Outlays, Net (SBR Line 4210)			<b>29,991,735.34</b>

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**Chapter 3 – Appendices**

**3.1 Appendix A - Inspector General’s Assessment of Management and Performance Challenges**

October 12, 2021 DNFSB-22-A-01



**Inspector General’s Assessment of the  
Most Serious Management and  
Performance Challenges Facing the  
Defense Nuclear Facilities Safety Board  
in Fiscal Year 2022**



*Los Alamos National Laboratory (from lanl.gov)*

All publicly available OIG Reports (including this report) are accessible through NRC’s website:  
<https://www.nrc.gov/reading-rm/doc-collections/insp-gen>

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## At a glance

### WHY WE DID THIS REPORT

The Reports Consolidation Act of 2000 (Public Law 106-531) requires us to annually update our assessment of the Defense Nuclear Facilities Safety Board's (DNFSB) most serious management and performance challenges facing the agency and the agency's progress in addressing those challenges.

### WHAT WE FOUND

The DNFSB is an independent oversight organization within the Executive Branch created by Congress in 1988. The DNFSB is considered a critical oversight agency as it performs its mission to provide independent analysis, advice, and recommendations to the Secretary of Energy regarding the adequate protection of public health and safety at defense nuclear facilities in the U.S. Department of Energy (DOE). In its most recent congressional budget request, the Board proposed a funding level of \$31,000,000 and 115 full-time equivalents (FTEs) to carry out its mission in FY 2022. This request reflects a return to the agency's FY 2020 appropriation level of \$31,000,000. The DNFSB is continuing its effort to hire up from the current staff of 103 to the congressionally-mandated staffing floor of 110 in FY 2022.

This report presents each challenge we have identified, actions taken by the DNFSB, and continuing agency work applicable to the challenge. After consideration of agency input and Office of the Inspector General (OIG) reviews and audits, we have developed five key actionable challenges the DNFSB must continue to address in FY 2022:

1. Managing a productive organizational culture and climate;
2. Ensuring the safe and effective acquisition and management of mission-specific infrastructure, including cyber, physical and personnel security, and data;
3. Ensuring a systematic safety focus in the DNFSB's technical oversight and reviews;
4. Using the COVID-19 lessons learned to strengthen the DNFSB's readiness to respond to future mission-affecting disruptions; and,
5. Managing the DNFSB's efforts to elevate its visibility and influence and to assess and improve its relationship with the DOE.

By addressing these challenges, the DNFSB can execute its mission, advance toward its strategic goals, and maintain the highest level of accountability over taxpayer dollars.

### AGENCY RESPONSE TO MANAGEMENT CHALLENGES FOR FY 2021

In FY 2021, the DNFSB implemented and closed out OIG recommendations from the audit of the DNFSB's COVID-19 Re-Entry Plan (DNFSB-20-A-08), the audit of DNFSB's Issue and Commitment Tracking System (IACS) and Related Processes (DNFSB-19-A-02), the Independent Evaluation of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2019 (DNFSB-20-A-05), and the Independent Evaluation of DNFSB's Potential Compromise of Systems (Social Engineering) (DNFSB-20-A-07).



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## Introduction

### FROM THE INSPECTOR GENERAL

I am pleased to present our assessment of the most significant management and performance challenges facing the Defense Nuclear Facilities Safety Board (DNFSB) in FY 2022.

The Reports Consolidation Act of 2000 requires us to annually update our assessment of the DNFSB'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 the DNFSB, and we assess the agency's progress in addressing those challenges.

### ABOUT THE INSPECTOR GENERAL

In accordance with the Inspector General Act's Amendment of 1988, the OIG was established on April 15, 1989, as an independent and objective unit to conduct and supervise audits and conduct investigations pertaining to the Nuclear Regulatory Commission. Pursuant to the Consolidated Appropriations Act for Fiscal Year 2014 (H.R. 3547), the OIG of the Nuclear Regulatory Commission was assigned to also serve as the DNFSB's Inspector General. The purpose of the OIG's audits and investigations is to prevent and detect fraud, waste, abuse, and mismanagement, and promote economy, efficiency, and effectiveness in DNFSB programs and operations. In addition, the OIG reviews existing and proposed regulations, legislation, and directives, and provides comments, as appropriate, regarding any significant concerns. The Inspector General keeps the DNFSB Chairman and Congress current about problems, recommends corrective actions, and monitors the DNFSB's progress in implementing such actions.



Robert J. Feitel,  
NRC and DNFSB  
Inspector General

### ABOUT THE BOARD MEMBERS

The DNFSB's decision-making body is legislated to be composed of five Board members, including a chairperson.

On January 21, 2021, President Biden appointed Ms. Joyce Connery as the DNFSB Chair. Ms. Connery has been a member of the Board since August 2015, and was reconfirmed by the Senate on July 2, 2020, for a term expiring October 18, 2024. Ms. Connery began her career at the national laboratories, first serving in Kazakhstan working on the shutdown of the BN-350 fast breeder reactor and then returning to Washington, DC, to work in the Office of International Safety in the DOE's National Nuclear Security Administration (NNSA). She has served in several capacities at the DOE, including as the senior policy advisor to the Deputy Secretary of Energy, and two tours with the National Security Council. From February 2008 through May 2010, she worked in the areas of nonproliferation and nuclear security, and from January 2012 through July 2015, she served as Director for Nuclear Energy Policy within the Office of International Economics.

On September 13, 2020, Mr. Thomas A. Summers, began serving as the DNFSB Acting Chair until Ms. Connery's subsequent appointment. Mr. Summers, of Rochester, Pennsylvania, was confirmed by the Senate on July 2, 2020, for service through October 18, 2025, and was appointed as vice-chairman on August 17, 2020. He previously served as Senior Advisor to the Deputy Administrator and as the Deputy for Research, Development, Test, & Evaluation in the Office of Defense Programs at the DOE's

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National Nuclear Security Administration. He is a retired U.S. Air Force colonel with more than three decades of active duty in a variety of command, teaching, military staff, and scientific positions.

The third member of the Board is Ms. Jessie Hill Roberson, who has more than 30 years of experience in the nuclear field in the public and private sectors. She has managed field operations at several DOE nuclear plants and has served as Assistant Secretary of Energy for the Environmental Management Program in Washington, DC, where she had leadership responsibilities including operations, safety, financial, and policy matters across the DOE's Defense Nuclear Complex. Ms. Roberson has also served in management roles at several commercial nuclear facilities with responsibilities including plant engineering, regulations/licensing and compliance, nuclear operations, public interface, and emergency management. Ms. Roberson was confirmed by the Senate on July 2, 2020, for a term expiring on October 18, 2023.

Thus, as of the close of FY 2021, the Board is composed of three respected experts in the field of nuclear safety with demonstrated competence and knowledge relevant to its independent investigative and oversight functions.

### ABOUT THE DNFSB

The DNFSB, an independent oversight organization within the Executive Branch, was created by Congress in September 1988 in response to growing concerns about the level of health and safety protection that the DOE was providing the public and workers at defense nuclear facilities. In doing so, Congress sought to provide the general public with added assurance that the DOE's defense nuclear facilities are being safely designed, constructed, operated, and decommissioned.

According to 42 U.S.C. § 2286a(a), the mission of the Board "shall be to provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of the Secretary as operator and regulator of the defense nuclear facilities of the DOE, in providing adequate protection of public health and safety at such defense nuclear facilities, including with respect to the health and safety of employees and contractors at such facilities." A notable addition to the mission statement was issued in the January 2020 version of 42 U.S.C. § 2286a(a) as amended by the National Defense Authorization Act (NDAA) for Fiscal Year 2020 (Pub. L. No. 116-92, December 20, 2019); that is, the last phrase, "...including with respect to the health and safety of employees and contractors at such facilities." This phrase reflects Congress' intent to ensure the Board and all stakeholders understand the DNFSB's mission clearly encompasses the health and safety of workers as well as the public. This clarification had not yet been incorporated in the Board's advertised mission statement on its website, a key point of interface with the public, as of late August 2021.



DNFSB Headquarters, Washington DC

In addition to evaluating the content and implementation of health and safety standards, the DNFSB reviews other requirements relating to the design, construction, operation, and decommissioning of the DOE's defense nuclear facilities. Beyond its regulatory oversight mission, as a federal agency, the DNFSB must be a responsible steward of taxpayer dollars.

The DNFSB's enabling legislation authorized a staff of up to 130 personnel in FY 2018. The Board's most recent congressional budget request identified a budget of \$31,000,000 and 115 FTEs necessary to carry out its mission in FY 2022. This request reflects a return to the agency's FY 2020 appropriation

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level of \$31,000,000. The DNFSB is continuing its effort to hire up from the current staff of 103 to at least the congressionally mandated staffing floor of 110 in FY 2022. The DNFSB also reported it will be executing an aggressive staffing plan focused on hiring highly skilled engineers, scientists, and professionals to support the agency's mission. The Board's FY 2022 budget request underscores the significant proportion of its budget that funds the staff technical expertise necessary to conduct its work, with 68 percent of its budget allocated for salaries and benefits. The Board additionally noted these hiring levels will significantly reduce the carryover funding in FY 2022.

On May 17, 2021, the DNFSB Technical Director issued a planning memo to guide the Office of the Technical Director work plan for FY 2022. The goal of this planning effort was to identify and optimize a set of work and oversight activities that are in line with the Board's policies, priorities, and strategic plan. Planning was scheduled to be completed by September 2021 for a final Board review of the FY 2022 work plan. As of the first week of August 2021, the DNFSB technical staff had listed 117 items on the work plan and had completed 27 FY 2021 reviews, of which 16 had been carried over from the prior year. There have been 26 reviews cancelled and 24 added during FY 2021. A dozen of the new/emergent items added during FY 2021 were "deep dive" reviews or pandemic assessments of each of the facilities for which the DNFSB has oversight responsibility. This type of review requires significant DNFSB staff resources to conduct, and then present results to the Board. Ten of these deep dive and pandemic reviews number among the staff's completed FY 2021 work.

There are 52 active reviews that may carry over into FY 2022 for various reasons discussed below, but at least 19 more reviews, and potentially as many as 38, were projected by the Technical Director to be completed by the end of FY 2021. In accordance with its work planning process, any remaining uncompleted active reviews would be automatically carried over into FY 2022.

The Office of the Technical Director noted that carry-over work and cancellations are due to several factors, including changes to DOE schedules, pandemic limitations such as travel restrictions, emergent higher priority work, and resource limitations, especially when the workload called for certain more technically specialized staff than were available.

#### CLOSURE OF OIG AUDIT RECOMMENDATIONS TO THE BOARD

As of August 2021, the DNFSB closed seven OIG audit recommendations from four audit reports during FY 2021. Closing a recommendation means the Board has not only decided on an acceptable course of action to fulfill the intent of the recommendation, but also has documented its completion of the necessary work. Closure of the final recommendations supports closure of the associated reports, which were:

- Audit of the DNFSB COVID-19 Re-Entry Plan (DNFSB-20-A-08);
- Independent Evaluation of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2019 (DNFSB-20-A-05);
- Audit of the DNFSB's Issue and Commitment Tracking System (IACS) and Its Related Processes (DNFSB-19-A-02); and,
- Independent Evaluation of DNFSB's Potential Compromise of Systems (Social Engineering), (DNFSB-20-A-07).

Along with the work to close OIG audit recommendations, the DNFSB made some progress in its plans to strengthen the organization's ability to execute its mission. The Board's 2020 annual report to Congress stated the DNFSB "continued to implement recommendations from a November 2018 report of the National Academy of Public Administration (NAPA) to improve agency operations and mission effectiveness."

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### POLICY AND STRATEGY

The Board reported in its 2021 Annual Report to Congress that it has developed a plan to review and update its internal policies in light of various developments over the last few years, such as the creation of the Executive Director of Operations (EDO) position, various congressional directions, interface issues with the DOE, and the NAPA report. This plan commenced in 2020 with the issuance of two new policy statements.

The first policy statement established the Board's expectations for collegiality among individual Board members in terms of policy setting and execution, maintenance of a quorum, and decision making on delegations of authorities assigned to the Board. This policy statement was responsive to several recommendations in the NAPA report regarding Board member relationships and collegiality.

The second policy statement established the Board's expectations regarding access to DOE facilities, personnel, and information to carry out its statutory responsibilities. This policy statement also helps implement statutory changes in the FY 2020 NDAA, and anticipates a new Memorandum of Understanding (MOU) that will establish procedures for information access with the DOE.

In December 2019, the Board had approved a comprehensive revision to its 2018–2022 strategic plan as recommended by NAPA. The revised plan established goals and objectives aimed at providing "high quality advice on the safety of the DOE defense nuclear complex efficiently, effectively, and transparently." Additionally, the plan was intended to "cultivate a multitalented, dynamic staff that embodies the Board's core values, focuses on the mission, and continuously hones its skills through training and development."

The Board's revised Strategic Plan notes the following strategic goals:

- Goal 1— Provide proactive and independent safety oversight of the defense nuclear complex;
- Goal 2— Enhance transparency of ongoing agency initiatives and state of safety within the defense nuclear complex;
- Goal 3— Develop and maintain an outstanding workforce to achieve the agency's mission; and,
- Goal 4— Maximize the DNFSB's performance by pursuing excellence in our agency culture and operations.

### CULTURE AND CLIMATE

Previous OIG audit work and the NAPA report identified instances wherein the efficiency and effectiveness of DNFSB processes had been impeded by its unsupportive culture and climate. Both organizations' reports recommended ways to address these culture and climate deficiencies, especially in areas of hiring practices and succession planning.

Feedback from DNFSB staff and management indicated mixed success in FY 2021 in the Board's ability to follow through and fully implement the NAPA recommendations, and lack of action on some NAPA and OIG recommendations. The DNFSB has, however, sought to track and pursue completion of most of the recommendations, acknowledging that some involve longer-term efforts to improve the agency's culture, collegiality, and relationships with the DOE.

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At the direction of Congress, the Board established and filled the Senior Executive Service level EDO position. On December 23, 2020, Mr. Summers announced that Mr. Joel Spangenberg had been selected as the DNFSB's EDO, effective January 4, 2021. The OIG received feedback from DNFSB staff and management during FY 2021 that pointed to some early challenges in establishing the roles, responsibilities, and authorities of this new position.

In April 2021, the DNFSB revised Directives Program D-21.1, which provides the framework of the directives and supplementary documents that support the Board's and its staff's activities subject to strategic plans, applicable statutes, regulations, Executive Orders, and Board policies. This revision was issued to delegate the approval of agency directives from the Chair to the EDO. DNFSB staff members are in the process of updating the agency's directives and supplementary documents.

#### WORKING RELATIONSHIP WITH THE DOE

In response to the challenges for access to meetings and information posed by the DOE's Order 140.1, Interface with the Defense Nuclear Facilities Safety Board, the Board reported that it improved communications with the DOE across all organizational levels through a series of ongoing and routine meetings. The DOE in turn revised Order 140.1 in response to many of the Board's interface concerns.

The Board stated in its June 30, 2021 report to Congress that the DNFSB has not experienced instances of denial of access by the NNSA or the DOE in the prior 6 months. In its prior reports in February and July 2020, the Board noted access to deliberations of the Nuclear Explosives Safety panel at the Pantex nuclear weapons facility had been denied to the DNFSB staff, and the DNFSB had encountered delays in receipt of information. The June 30, 2021 report did not mention any issues with delays in timely receipt of requested information.

There is a continued need to restore a more productive and positive working relationship between the DNFSB and the DOE. For example, the DOE issued a revised final rule update to 10 C.F.R. Part 830, Nuclear Safety Management, Associated Orders and Standards, and Implementation Thereof, in October 2020. This action was taken despite the DNFSB's February 21, 2020 Recommendation 2020-1, Nuclear Safety Requirements, in which the Board had warned the proposed change would "fundamentally undermine" the important nuclear safety processes established in the rule.

The Board's recommendation was intended to strengthen the DOE's regulatory framework, including the proposed changes to regulations in 10 C.F.R. 830, Nuclear Safety Management, as well as relevant DOE orders and standards. The Board received the DOE's response, which rejected most of the recommendations, on June 11, 2020. A key DNFSB concern involved the combination of a lack of an aging management plan for DOE facilities, and the proposed elimination of specific hazard category definitions from status as federal regulations. Such a deletion could allow contractors to increase radiological hazards present in older buildings without fully understanding the capability of facility safety structures, systems, and components to control the higher level of risk.

On October 22, 2020, the Board issued a letter on the formation of a joint working group with the DOE to develop an MOU intended to improve communication and transparency and to better define key interface points between the two agencies. The work to fully develop the MOU with the DOE has continued through FY 2021, experiencing some delays due to DOE and Board internal staff and management reviews and deliberations. Overall, the Board has reported to Congress that it is encouraged by these efforts, but acknowledges more work is needed to restore the Board's long-standing productive relationship with the DOE.

In April 2021, the Board's Policy Statement on Recommendations [2021-300-019] was issued to establish its policy on the development of recommendations to the Secretary of Energy for ensuring adequate protection of public health and safety, the execution of and the Board's oversight of the

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DOE's response to and implementation of recommendations, and the Board's closure of recommendations.

Given the DOE's response to Recommendation 2020-1 and the DOE's completion of the rulemaking for 10 C.F.R. Part 830, the Board made the following revisions to Recommendation 2020-1 and, as revised, reaffirmed the recommendation to Secretary of Energy Jennifer Granholm in a letter dated June 1, 2021:

- Modified sub-recommendations related to facility hazard categorization to reflect the DOE's actions in the final rulemaking and the results of a subsequent Board review of the DOE's hazard categorization standards;
- Combined sub-recommendations on causal analysis reviews. This sub-recommendation was also revised to reflect the DOE's actions in final rulemaking to remove the annual approval requirement; and,
- Modified remaining sub-recommendations to reflect the DOE's completion of rulemaking, to incorporate additional relevant Board correspondence issued since the original recommendation was transmitted, and to provide additional clarity on the intent of the sub-recommendations.

In a September 8, 2021 letter to Board Chair Connery, Secretary of Energy Granholm reversed the DOE's prior rejection of Recommendation 2020-1 and indicated the DOE would review the rule changes in light of the DNFSB recommendation and undertake an independent review of current safety basis development processes.

#### COVID-19 PANDEMIC

The DNFSB reported that its operations were adjusted and adapted to allow maximum telework while continuing to prioritize the safety of employees during the pandemic. The OIG issued DNFSB-20-A-08, Audit of the DNFSB COVID-19 Re-Entry Plan, in September 2020, which reviewed the Board's documentation of actions in response to a single audit recommendation to develop and implement an employee re-entry plan that is in accordance with federal guidance and best practices. The OIG found the response to be satisfactory and closed this audit recommendation on February 4, 2021.

The DNFSB submitted its Workplace Reentry Plan to the Office of Management and Budget in July 2021. During the voluntary return to the workplace phased time periods, the Board noted the Office of the General Manager will confirm workplace readiness and restart operational support activities that were deferred during the maximum telework period.

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**DNFSB FY 2021 CHALLENGES**

There are five ongoing actionable challenges the DNFSB must continue to address in FY 2022:

1. Managing a productive organizational culture and climate;
2. Ensuring the safe and effective acquisition and management of mission-specific infrastructure, including cyber, physical and personnel security, and data;
3. Ensuring a systematic safety focus in the DNFSB's technical oversight and reviews;
4. Using the COVID-19 lessons learned to strengthen the DNFSB's readiness to respond to future mission-affecting disruptions; and,
5. Managing the DNFSB's efforts to elevate its visibility and influence and to assess and improve its relationship with the DOE.

This report presents each challenge we have identified, along with the actions taken by the DNFSB and the Board's continuing work applicable to the challenge. By addressing these challenges, the DNFSB can not only execute its mission more efficiently and effectively, but also achieve progress toward its strategic goals and maintain the highest level of accountability over taxpayer dollars.



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## Challenge 1: Managing a Productive Organizational Culture and Climate

### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

This has been a longstanding, systemic challenge for staff and senior leadership that has adversely affected the DNFSB's ability to fulfill its mission.

### CHALLENGE SYNOPSIS

The DNFSB has experienced significant challenges that have affected its work culture and climate. Over the past several years, the DNFSB's high employee turnover, inadequate succession planning, major reorganizations, and internal communication issues were further compounded by issues involving a lack of collegiality among the Board members themselves. These challenges negatively affected trust and employee engagement throughout the agency.

Previous OIG audit work and a report by the NAPA identified instances wherein the efficiency and effectiveness of DNFSB processes had been impeded by its unsupportive culture and climate. Both reports provided numerous recommendations to help address these culture and climate deficiencies, especially in the areas of hiring practices and succession planning.

In FY 2021, the OIG initiated a review of the DNFSB's Safety Culture and Climate Survey, which was administered in January 2021 and its final report issued that April. The survey found the DNFSB made significant progress since its last Safety Culture and Climate Survey in 2015. The historical comparison from 2015 to 2021 showed improvements across every category, with statistically significant increases in 6 out of the 12 comparable categories. The largest improvements compared to 2015 were in the categories of leadership, ethics and professionalism, change management, and diversity. This could be attributed, in large part, to the change in senior leadership and Board members in recent years.

### ONGOING ACTIONS

The DNFSB created its first Diversity, Equity, and Inclusion Strategic Plan covering FY 2021 through 2025. One of the strategic goals is to cultivate a culture that encourages collaboration, flexibility, and fairness to enable individuals to contribute to their full potential and improve retention.

DNFSB staff members are working to address all six recommendations from the OIG's Audit of the DNFSB's Human Resources Program.

### COMPLETED ACTIONS

The DNFSB created a policy statement establishing its expectations of collegiality for individual Board members in terms of policy setting and execution, maintenance of a quorum, and decision making on delegations of authorities assigned to the Board. This policy statement was responsive to several recommendations in the NAPA report regarding Board member relationships and collegiality.

The DNFSB hired an EDO in January 2021 to supervise all Board technical and administrative employees, and perform other duties formerly carried out exclusively by the Chair. This action was also in response to the NAPA report.



Looking ahead: The OIG will continue to monitor developments in this area, especially the DNFSB's implementation of the OIG's and NAPA's prior recommendations.

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## Challenge 2: Ensuring the Safe and Effective Acquisition and Management of Mission-Specific Infrastructure, Including Cyber, Physical and Personnel Security, and Data

### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Centralized administrative functions in corporate support services will enable DNFSB management and staff to carry out the agency mission and operate efficiently and effectively. Furthermore, cybersecurity threats are constantly evolving and physical security over internal infrastructure is a continuing challenge for all federal entities.

### CHALLENGE SYNOPSIS

The DNFSB must continue to use robust, proactive measures to protect its infrastructure—buildings, personnel, and information—from both internal and external threats. Criminals and foreign intelligence organizations pose continuous external threats, while trusted insiders who could maliciously or unintentionally compromise the security of facilities and information systems pose internal threats. Information security presents unique challenges by virtue of the imperative to balance information safeguards while helping legitimate users access information. Cybersecurity threats are constantly evolving and may take advantage of current trends such as the COVID-19 pandemic. DNFSB employees shifted to mandatory telework because of the pandemic and as a result, cybersecurity vulnerabilities increased.

The DNFSB should continue exploring ways to improve its administrative functions. To support the technical staff, the DNFSB provides corporate support services, such as contract and human resources support, financial reporting, and information technology services. Although the DNFSB has established these administrative functions to support agency staff, there is ongoing concern about employee morale, recruiting new hires, and retention. Over the years, one significant area of concern has been the provision of human resources support to the agency. As of June 2021, the DNFSB requested 115 FTEs to carry out its mission for FY 2022. The DNFSB must continue to effectively recruit new hires, strengthen performance management, and increase employee engagement and retention. This concern includes such functions as employee recognition and training new and current staff. These investments enable the staff to do mission-critical work more efficiently and effectively.

### ONGOING ACTIONS

The DNFSB continues to implement OIG recommendations from past Federal Information Security Management Act (FISMA) reports.

The DNFSB continues to make enhancements to its physical and cybersecurity infrastructure.

The DNFSB is pursuing hiring actions to achieve a staffing level of 110 to 115 employees in FY 2022.

The DNFSB continues to implement up-to-date platforms, systems, and software with interoperability, where possible.

### COMPLETED ACTIONS

The DNFSB made efforts to strengthen the skills and qualifications of its IT staff.

The DNFSB appointed a Manager of Board Operations and will centralize internal and external Board operations and communications.

The DNFSB created a fully electronic onboarding plan in response to the COVID-19 pandemic.

The DNFSB hired a number of management positions, including the Executive Director of Operations, Chief Financial Officer, Chief Information Officer, and Director of Operation Services.



Looking ahead: The OIG will continue to monitor the DNFSB's Human Resources systems and work with the Board in conducting future audits and evaluations that will enhance security over DNFSB internal infrastructure.

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### Challenge 3: Ensuring a Systematic Safety Focus in the DNFSB's Technical Oversight and Reviews

#### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

The Board's mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy in providing adequate protection of public health and safety related to defense nuclear facilities. The best way to ensure adequate protection and increase public confidence in the safety of nuclear weapons and waste is to maintain an independent safety oversight process.

#### CHALLENGE SYNOPSIS

When DNFSB technical staff evaluate safety at DOE facilities, they must employ specific analyses of many unique processes and hazards. The DOE's nuclear weapons program is technically challenging and hazardous. Complex operations critical to national defense include assembly and disassembly of nuclear weapons, fabrication of plutonium pits and weapon secondary assemblies, production and recycling of tritium, nuclear criticality experiments, and experiments to characterize special nuclear materials under extreme conditions.

Key technical program challenges for the Board include:

- Ensuring that operations are conducted in a manner that is accountable and transparent, and that directs the Board's resources toward oversight of the most significant potential safety risks in the DOE's defense nuclear complex;
- Maintaining open and effective communication with the DOE that enables problem solving through mutual understanding of safety issues that require action as well as factors that may constrain action to address safety issues;
- Ensuring that internal controls are fully understood and implemented; and,
- Continuing to attract, develop, and sustain a staff that earns the respect and confidence of the public and the DOE through its expertise in the field of nuclear safety and performance of its oversight functions.

#### ONGOING ACTIONS

The DNFSB has hired several new technical staff and senior management personnel over the past year. The agency continues to work toward hiring the congressionally mandated floor of 110 employees.

The DNFSB continues to apply lessons learned to improve its work planning process, such that the Board's resources are directed at the most significant potential safety risks in the DOE's defense nuclear complex.

#### COMPLETED ACTIONS

The DNFSB issued a technical report expressing its concerns on transuranic waste storage, handling, and processing across Los Alamos National Laboratory facilities. This report required a response from DOE within 120 days.

The DNFSB held a hearing on Tritium that brought DOE senior management online to discuss the adequate protection of co-located workers.



Looking ahead: The OIG will continue to monitor developments in this area throughout the year to inform its audit planning work.

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## Challenge 4: Using the COVID-19 Lessons Learned to Strengthen the DNFSB's Readiness to Respond to Future Mission-Affecting Disruptions

### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

During the COVID-19 pandemic, unprecedented actions were needed to allow the DNFSB's management and staff to continue to accomplish the agency mission and operate effectively. The lessons learned from COVID-19 are critical to the DNFSB's readiness for any other mission-affecting disruptions that may occur in the future.

### CHALLENGE SYNOPSIS

On March 13, 2020, the President of the United States declared a national emergency associated with the COVID-19 outbreak. Soon thereafter, the Office of Management and Budget issued mandatory telework orders to federal employees, resulting in implementation of the DNFSB Continuity of Operations Plan (COOP) for COVID-19 Pandemic Response. This agency guidance directed most of its employees to work from home with agency-issued laptop computers to minimize "concerns for safety" leave claims or other disruptions to agency business. By June 2020, DNFSB staff began to return to headquarters, starting with Office Directors and a "skeleton" support staff to be present at headquarters twice a week. One month later, the DNFSB required more staff to return to headquarters.

On June 15, 2020, the DNFSB Inspector General received a letter from Congress requesting the examination of the DNFSB's plans and procedures for returning employees to federal offices in the wake of the COVID-19 pandemic. The final IG report, issued in September 2020, found that the DNFSB's plan for returning employees to work was not prepared in full accordance with governmentwide guidance and agreed-upon best practices for safe, healthy, and effective office re-openings. The report recommended that the DNFSB "develop and implement an employee re-entry plan that is in accordance with federal guidance and best practices."

### ONGOING ACTIONS

The DNFSB is providing Pandemic Response and Recovery Training as a part of new employee onboarding training.

The DNFSB is supporting maximum flexibility on the use of telework during the pandemic.

### COMPLETED ACTIONS

The DNFSB developed a Pandemic Response and Recovery Plan.

In February 2021, the DNFSB implemented and closed out the OIG's recommendation from the audit of the DNFSB's COVID-19 Re-Entry Plan (DNFSB-20-A-08).



Looking ahead: The OIG will continue to monitor the DNFSB's actions to ensure technology is proactively upgraded in the remote work environment and effectively procured for timely installation of needed technology that functions properly.

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## Challenge 5: Managing the DNFSB's Efforts to Elevate its Visibility and Influence and to Assess and Improve its Relationship with the DOE

### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

The need for continued cooperation from the DOE is extremely important in light of the DNFSB's mission, and the controversy surrounding DOE Order 140.1 and the agency's rejections of two DNFSB recommendations in FY 2020.

### CHALLENGE SYNOPSIS

In its 30th Annual Report to Congress, the Board noted a decline in its relationship with the DOE. One reason for this decline was the DOE's publication of DOE Order 140.1, Interface with the Defense Nuclear Facilities Safety Board, which was issued in May 2018 without formal input from the Board. The order codified a major policy shift and introduced significant changes to the DOE's interface with the Board, including restrictions placed on the Board's access to information that diminished the Board's ability to effectively perform its statutory mandate.

The NDAA for Fiscal Year 2020 amended the Atomic Energy Act of 1954 to clarify the Board's jurisdiction and the DOE's responsibilities for granting the Board access to information, facilities, and personnel. This revision to the Atomic Energy Act resolved many of the problems that the DOE's implementation of DOE Order 140.1 had on the ability of the Board to perform its mission.

While the Board is encouraged by the DOE's revision to Order 140.1 and the progress made on a joint MOU, more work is needed to fully restore the Board's long-standing productive relationship with the DOE.

### ONGOING ACTIONS

The DNFSB-DOE working group continues to meet and work on developing and finalizing the MOU.

The Board received a letter from Secretary of Energy Granholm dated September 8, 2021, indicating the DOE would accept DNFSB Recommendation 2020-1, commit to a regulatory analysis to assess the need for rule changes, and update its June 11, 2020 responses with the intention of meeting safety improvement objectives of DNFSB's recommendation.

### COMPLETED ACTIONS

In October 2020, the DNFSB staff and the DOE signed a charter that established a working group to develop an MOU that will provide the foundation to improve communication and transparency between the two agencies.

In April 2021, the Board issued a policy statement to establish its policy on the development of recommendations to the Secretary of Energy for ensuring adequate protection of public health and safety, the execution of and the Board's oversight of the DOE's response to and implementation of recommendations, and the Board's closure of recommendations.



Looking ahead: The OIG will continue to monitor developments in this area throughout the year to inform its audit planning work.

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**3.2 Appendix B – Summary of Financial Statement Audit and Management Assurances**

Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	N/A	N/A	0

Summary of MANAGEMENT ASSURANCES<sup>2</sup>

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Audit Opinion	Adverse				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	1	N/A	N/A	1

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	1	0	N/A	1

End of AFR

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<sup>2</sup> The Board does not provide a management assurance related to FFMIA § 4 or Section 803(a) of the Federal Financial Management Improvement Act as it obtains accounting service from a federal service provider and thus does not operate a financial management system.