

# Fiscal Year 2022 Agency Financial Report



## Defense Nuclear Facilities Safety Board



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# Chapter 1

## Management's 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) 2022. The report presents the FY 2022 performance accomplishments, as well as key financial and high-level performance information on our resource utilization. The mission of the Board 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 Department of Energy (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. 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.

The Office of the Executive Director of Operations (OEDO) continues to provide centralized, strategic leadership in its nuclear safety oversight operations. The OEDO is responsible for Board operations, external affairs, and equal employment opportunity. Over the past year, the DNFSB has hired 25 individuals, exceeding the minimum 110 full-time equivalent (FTE) staffing requirement established by Congress. The DNFSB continues to hire additional staff towards its statutory ceiling of 130 FTE in an effort to maintain effective nuclear safety oversight of the growing defense nuclear complex.

The Board continues to examine safety risks across the complex, focusing on risks at the Savannah River Site, complex-wide risks resulting from aging infrastructure, and emergency preparedness and response. The Board initiated preparations in FY 2022 and will hold a hearing in early FY 2023 at Los Alamos regarding the safety posture at PF-4. In FY 2021, the Board reaffirmed Recommendation 2020-1, which was accepted by the Secretary of Energy, and the Board is monitoring the Secretary's Implementation Plan.

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 2022 AFR includes the results of the independent audit of the DNFSB's FY 2022 financial statements, which I am pleased to note is an unmodified opinion.

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.

*Joyce L. Connery*  
Joyce Connery  
Chair

November 30, 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, 2021, through September 30, 2022, (Fiscal Year (FY) 2022). 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 2022 AFR. The Board's FY 2022 *Annual Performance Report* (APR) will be published with the Board's FY 2024 *Congressional Budget Justification* in February 2023 and will align with the Board's FY 2022 *Annual Report to Congress*.

The Board's performance objectives for FY 2022 and FY 2023 will be included in its FY 2024 *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 2024 *Budget Request to the Congress* in accordance with the requirements of OMB Circular A-11. The Board's 32<sup>nd</sup> *Annual Report to Congress*, published April 22, 2022, highlighted the Board's achievements from Calendar Year 2021. It is available through the following link:

<https://www.dnfsb.gov/sites/default/files/document/25561/32nd%20Annual%20Report%20to%20Congress%20%5B2022-100-018%5D.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 acting 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 statement audit and management assurance.

### 1.2.1 Mission

Under the Atomic Energy Act (AEA), 42 U.S.C. § 2286 *et seq.*, 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.



Workers transporting waste packages to the underground disposal area in the Waste Isolation Pilot Plant, New Mexico.

Congress established the Board in 1988 as an independent establishment in 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 typically 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.

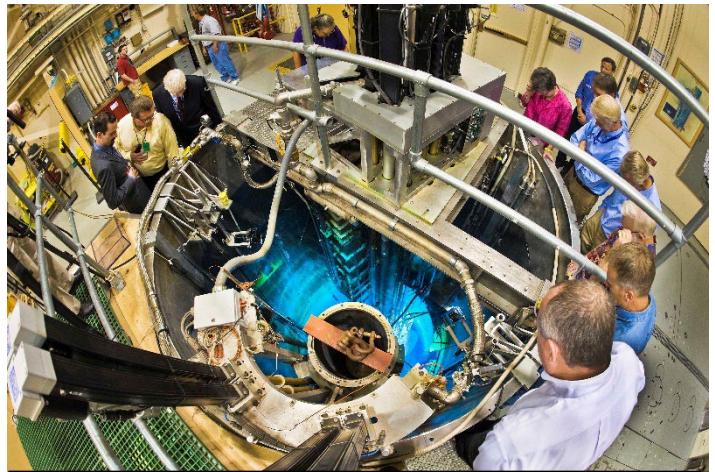
The Board’s mission, as written in the legislation, is “to provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of the Secretary as operator and regulator of the defense nuclear facilities of the DOE, in providing adequate protection of public health and safety at such defense nuclear facilities, including with respect to the health and safety of employees and contractors at such facilities.” 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 is only 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



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and state agencies. The table on page 7 lists the major sites that the Board oversees.

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 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, and to the Secretary of Defense for information. 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.



The Annular Core Research Reactor at Sandia National Laboratories in New Mexico.

### 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 and Livermore, California	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>
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 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.

### **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.
  - 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.

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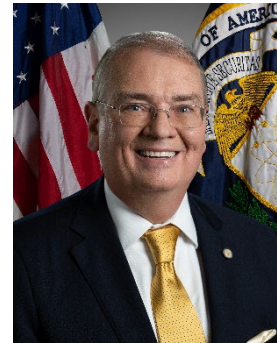
- DNFSB bases its decisions on objective, unbiased assessments of all information, and fully documents its conclusions.
- DNFSB performs its duties publicly and transparently.

### 1.2.5 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 H. Roberson

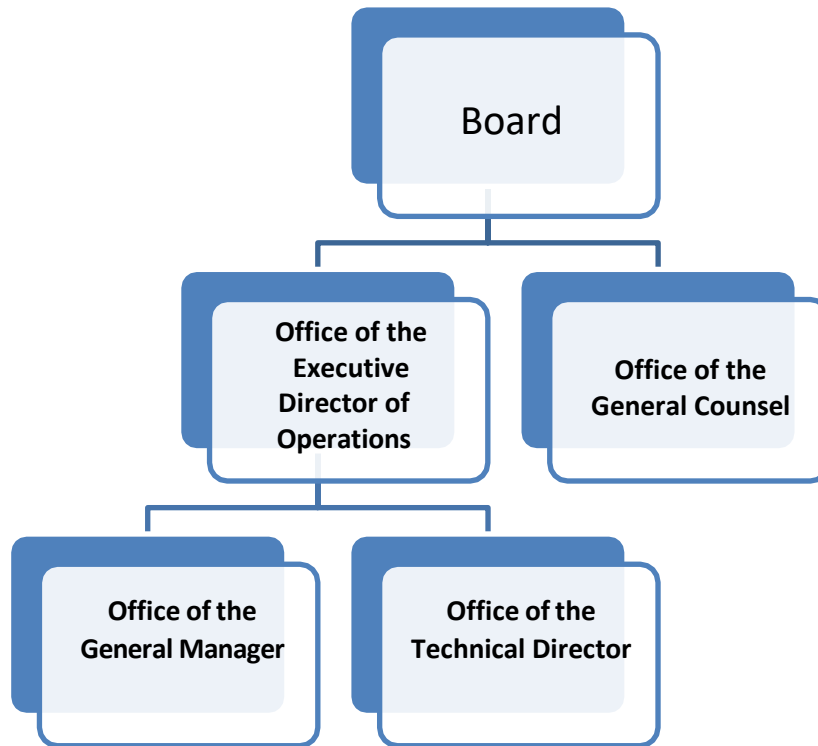
**Board Member**  
Vacant

**Board Member**  
Vacant

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**1.2.6 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) 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 of the 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 Counsel (OGC) manages DNFSB’s compliance with 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**

Continuous information sharing among the Board’s matrixed technical staff supports the interrelationship of all strategic goals. The Board’s 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

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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 2022 Annual Performance Report* to be issued with the President’s FY 2024 budget.

**FY 2022 – 2026 Strategic Plan and Accomplishments**

In FY 2022, the Board amended its strategic plan. As part of this initiative, the agency included diversity, equity, inclusion, and accessibility. As was done in FY 2021, the Board will measure its results through appropriate quantitative and qualitative benchmarks and outcomes. The COVID-19 pandemic continued during this performance cycle. This impacted goals and measures. In many instances, the Board adopted new approaches to accomplish its objectives.

**Strategic Goal 1:** Provide proactive and independent safety oversight of the 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.

**Accomplishments**

The DNFSB began a principal review, Implementation of Aging Management Programs for Safety Systems and Supporting Infrastructure, during the third quarter of FY2022. The primary objective of the review is to evaluate the implementation of aging management programs at defense nuclear facilities located at Pantex Plant, Los Alamos National Laboratory (LANL), Y-12 National Security Complex, Savannah River Site, and Hanford Site. During FY 2022, DNFSB completed nine safety reviews focused on DOE Environmental Management (DOE-EM) defense nuclear facilities, 14 safety reviews focused on National Nuclear Security Administration (NNSA) defense nuclear facilities, six cross-cutting safety reviews, and four safety reviews focused on defense nuclear projects.

During FY 2022, the Board communicated a total of 22 letters with staff reports or technical enclosures to the Secretary of Energy, each of which provided a detailed basis for identified safety issues. Four of the reports contained complex-wide or cross-cutting safety issues.

During FY 2022, Resident Inspector (RI) positions were covered approximately 90 percent of the time through permanent, detail, and temporary coverage. This is a major improvement from the 75 percent reported in FY 2021. The RIs conducted eight focus area reviews in FY 2022

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looking for commonalities across the complex. Topics included alarm management, emergency preparedness, technical procedures, maintenance, supply chain impacts, and other safety topics.

**Strategic Goal 2:** Enhance transparency of ongoing agency 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.

**Accomplishments**

A Memorandum of Understanding between the Board and the DOE was issued. DNFSB staff engaged at the senior staff level with the DOE. This engagement took the form of recurring meetings focused on open/developing safety issues and targeted meetings focused on emergent issues that required timely engagement to ensure common understanding between organizations.

DNFSB reached out quarterly or more regularly to offer briefings to key congressional stakeholders. Staff hosted eight briefings with congressional staff and committees. These briefings were to the staffs of the House and Senate Armed Services Committees and the House and Senate Appropriations Committees. DNFSB outreach to the oversight and appropriations committees resulted in the full Congressional support of the requested DNFSB budget.

DNFSB conducted outreach and met with eight interest groups during FY 2022. Board Members and staff held discussions with Tewa Women United, Honor Our Pueblo Existence, Concerned Citizens for Nuclear Safety, Breath of My Heart Birthplace, Nuclear Safety Advocates Group, Nuclear Watch New Mexico, Los Alamos Study Group, and SRS Watch. DNFSB staff also met with staff from the Nuclear Regulatory Commission Office of the Inspector General during staff site visits. DNFSB staff also responded to inquiries related to activities at various DOE sites.

Reports to Congress were published to the Board's public website within four weeks greater than 90 percent of the time. RI weekly reports and Cognizant Engineer monthly reports were published to the Board's public website within four weeks greater than 90 percent of the time. Only thirteen out of 325 reports in FY 2022 were posted to the public website after four weeks from finalization of the report. DNFSB issued 10 press releases in FY 2022 to include two joint press releases with the DOE regarding the finalization of a Memorandum of Understanding between the agencies.



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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>	<i>Strategic Objective 3.3</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.	Ensure the agency recruits from a diverse, qualified group of potential applicants to secure and maintain a high-performing workforce drawn from all segments of U.S. society.

**Accomplishments**

DNFSB’s Division of Human Resources (DHR) developed a detailed outline of a proposed Agency Human Capital Plan, incorporating sections on succession planning, workforce development, career pathing, and valuing diverse talents. The Office of the General Manager (OGM) secured a vendor to support the drafting and completion of the plan by FY 2023. Completion is expected by the second quarter of FY 2023. DHR developed a comprehensive statement of work to procure services to design and deliver an integrated training and development program for DNFSB Senior Executive Service, General Schedule, and Excepted Service Employees. The program will include executive coaching, the development of leadership competencies, succession planning, mentoring, and a defined process of attaining the next level in a career path, as appropriate.

DNFSB successfully onboarded 25 employees in FY 2022. The agency established a multi-year staffing plan that identifies positions that will be lost due to attrition and new positions that will position the DNFSB to fully execute the mission. The multi-year staffing plan aligns with the DNFSB’s current work plan and five-year budget outlook to ensure staffing will meet mission needs.

In FY 2022, development plans were mandatory for all DNFSB staff, including new hires. Over 90 percent of staff had development plans in place by July 31, 2022. DNFSB efforts for training and development for career pathing continue to progress. An initial development plan for DNFSB staff will be included with the DNFSB Human Capital Plan that is targeted for completion in the second quarter of FY2023. A more comprehensive plan will be established by the fourth quarter of FY 2024.

DNFSB conducted in-person recruiting at the Rochester Institute of Technology (RIT) and RIT’s National Technical Institute for the Deaf in effort to recruit qualified candidates who have disabilities. DNFSB also conducted Schedule A hiring authority training for all hiring managers to increase awareness and use of hiring pipelines for persons with disabilities.

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**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>
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.
<i>Strategic Objective 4.3</i>	<i>Strategic Objective 4.4</i>
Strengthen operational performance by modernizing DNFSB processes and associated infrastructure.	Conduct ongoing communications to reinforce the commitment of all employees to diversity, equity, inclusion, and accessibility.

**Accomplishments**

DNFSB staff updated three Directives and four Operating Procedures, as well as issued four Notices and one Instruction during FY 2022.

DNFSB’s core values are integrated into the two-day new employee orientation. The performance process integrates DNFSB’s Agency Workforce Fund Plan (AWFP), which aligns the strategic goals and core values (integrity, respect, excellence, and independence) with all employee performance plans.

Significant progress was made with improving the security of the DNFSB’s IT Infrastructure and employee issued equipment. The DNFSB also transitioned to a new timekeeping system without any pay disruptions. DNFSB identified and selected an enterprise resource planning system as well as an automated human resource system that will manage the day-to-day DNFSB business activities and streamline human resources functions.

A new Equal Employment Opportunity Directive and Operating Procedure were drafted and will be completed in FY 2023.

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

### **1.4.1 Overall Financial Condition and Financial Management**

As of September 30, 2022, 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, 2022, nor are there any anticipated financial risks expected to occur during FY 2023.

### **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 costs 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 Services (PFS) team for accounting services on a fee-for-service basis. PFS 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 that they are consistent with the accounting data maintained by the Board. DNFSB's financial statements and accompanying note disclosures comprise the following:

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

### **1.4.3 Relevance of Balances and Amounts in the Principal Financial Statements**

#### **1.4.3.1 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.

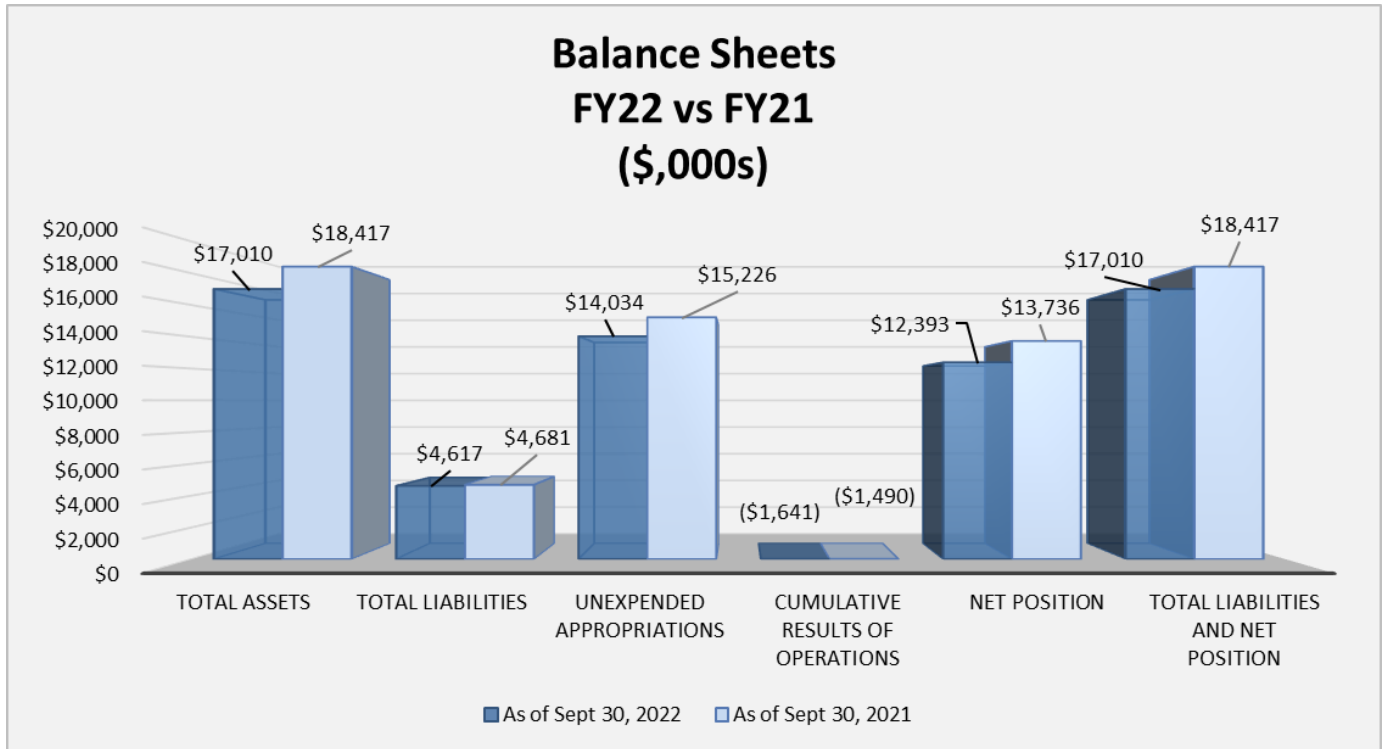
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**Table 1 - Balance Sheets**

<b>Simplified Balance Sheets (Whole Dollars)</b>		
<i>Line Item</i>	<i>As of Sept 30, 2022</i>	<i>As of Sept 30, 2021</i>
<b>Total Assets</b>	<b>\$17,009,657</b>	<b>\$18,416,517</b>
<b>Total Liabilities</b>	<b>\$4,616,618</b>	<b>\$4,680,530</b>
<i>Unexpended Appropriations - All Other Funds (Consolidated)</i>	<i>\$14,034,432</i>	<i>\$15,225,721</i>
<i>Cumulative Results of Operations - All Other Funds (Consolidated Totals)</i>	<i>(\$1,641,393)</i>	<i>(\$1,489,735)</i>
<b>Net Position</b>	<b>\$12,393,039</b>	<b>\$13,735,987</b>
<b>Total Liabilities and Net Position</b>	<b>\$17,009,657</b>	<b>\$18,416,517</b>

Figure 1 below summarizes the Board’s balance sheets as of Sept 30, 2022 (FY 2022) and Sept 30, 2021 (FY 2021).

**FIGURE 1 - COMPARATIVE BALANCE SHEETS**



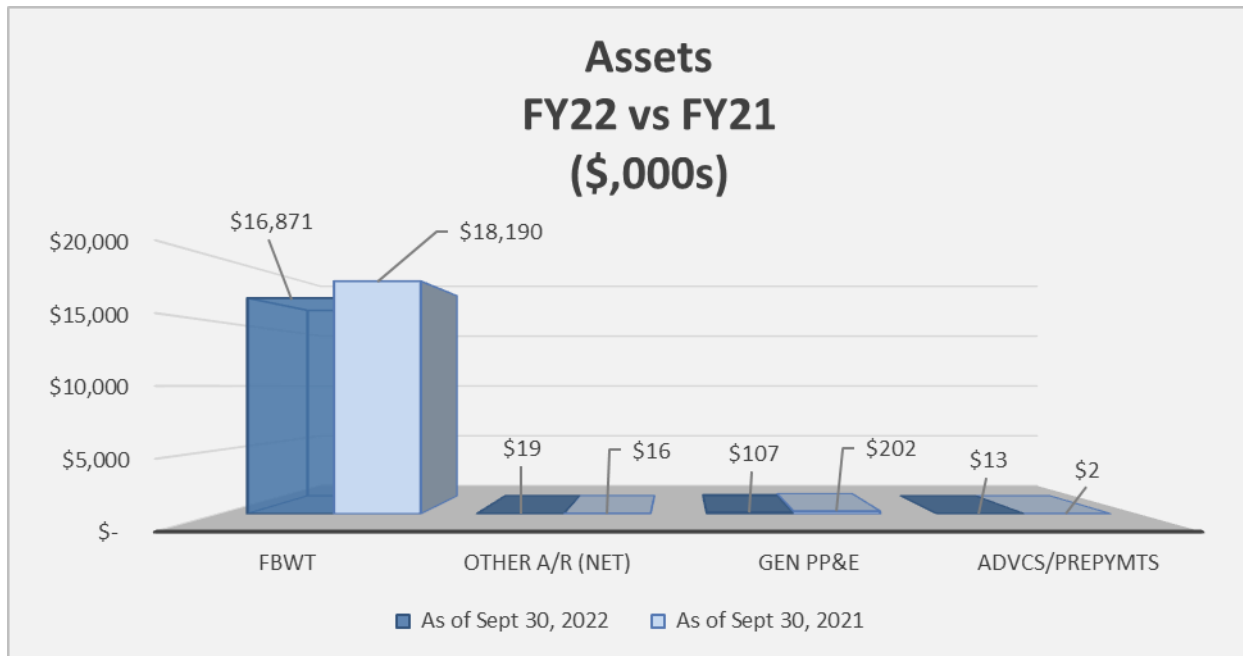
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**Assets**

Fund Balance with Treasury (FBWT) makes up the majority of the Board’s assets (99.18 percent), in addition to small amounts allocated to general property, plant, and equipment (PP&E) (0.63 percent), accounts receivable (0.11 percent), and advances and prepayments (0.07 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 Sept 30, 2022, FBWT had a balance of \$16.87 million, a 7.25 percent decrease compared to the Sept 30, 2021, FBWT balance of \$18.19 million. The decrease was primarily due to more expenditures for salary/benefits for additional employees hired in FY 2022; operational travel post-pandemic; and new contracts awarded in FY 2022.

**FIGURE 2 - COMPARATIVE ASSETS**



**Liabilities**

At the end of FY 2022, total intragovernmental liabilities comprised 7.70 percent of total liabilities, compared to 11.52 percent in FY 2021. Other than intragovernmental accounts payable comprised 32.11 percent in FY 2022, compared to 33.76 percent in FY 2021. Federal Employees and Veterans Benefits Payables comprised 38.14 percent in FY 2022 compared to 36.19 percent in FY 2021. Other Liabilities comprised the remaining 22.04 percent compared to 18.53 percent in FY 2021.

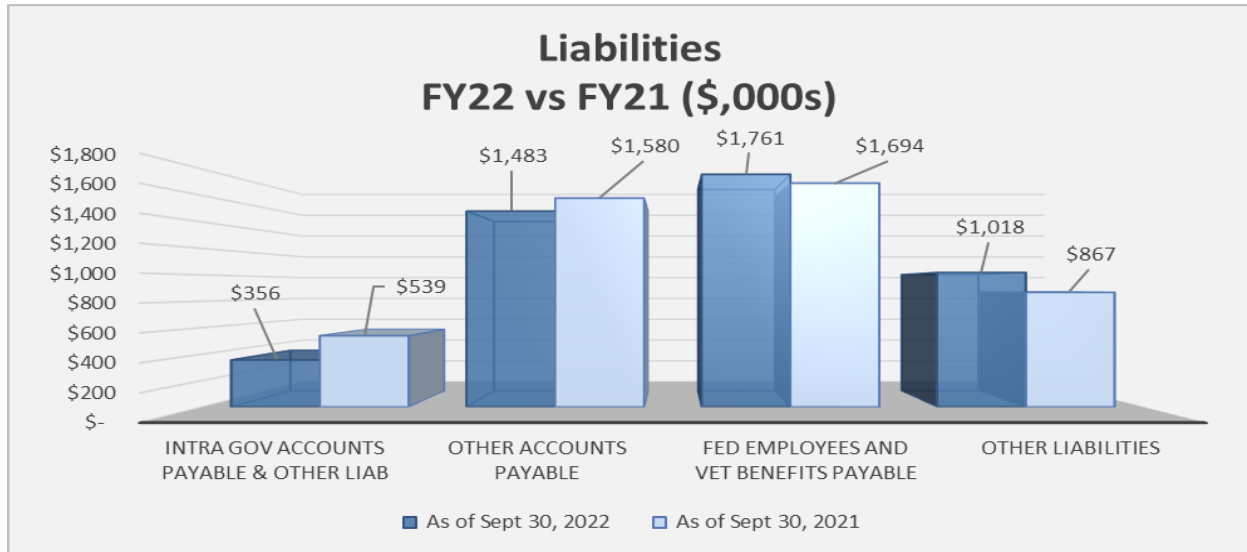
Figure 3 below summarizes DNFSB’s liabilities as of Sept 20, 2022. A detailed breakdown in Note 6 of the financial statements shows intragovernmental accounts payable decreased in FY  
MANAGEMENT’S DISCUSSION, AND ANALYSIS



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2022 due to more timely processing of payments to other federal agencies before fiscal year end compared to FY 2021. Similarly, there was a decrease in other accounts payable due to improved timeliness of contract payments.

**FIGURE 3 - COMPARATIVE LIABILITIES**



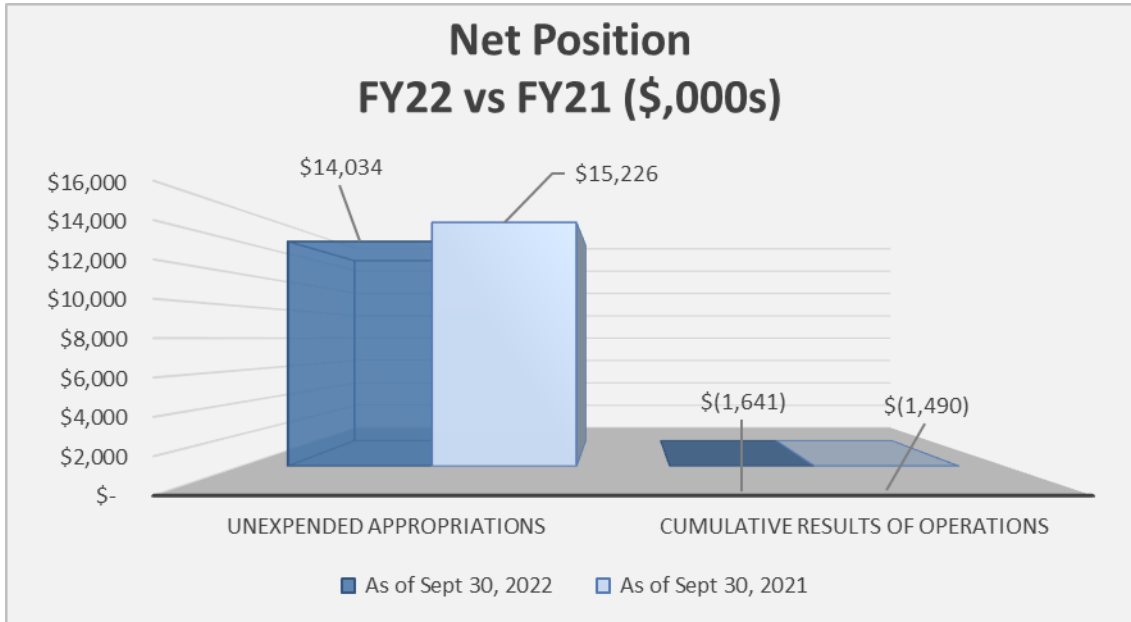
**Net Position**

Figure 4 below summarizes DNFSB’s net position as of Sept 30, 2022, and 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). At the end of FY 2022, DNFSB’s unexpended appropriations were \$14.03 million compared to the FY 2021 balance of \$15.23 million, a decrease of 7.82 percent. This was primarily due to higher utilization of appropriations to fund increases in staffing levels, operation travel, and execution of new contracts awarded in FY 2022.

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**FIGURE 4 - COMPARATIVE NET POSITION**



**1.4.3.2 Statement of Net Cost**

The simplified statements of net cost represent the net cost of operations supported by appropriations. The simplified statements of net cost, as shown in Table 2 below, list the comparative net cost of operations for the years ended Sept 30, 2022 and Sept 30, 2021. The Board’s FY 2022 net cost of operations was \$38.24 million, an increase of 17.79 percent from the FY 2021 net cost of \$32.46 million. Higher staffing levels in FY 2022 led to an increase in costs for personnel compensation, personnel benefits, and training, while operational travel increased due to covid restrictions being lifted. New contractual services and increased contractor costs also contributed to the increase in net costs in FY 2022.

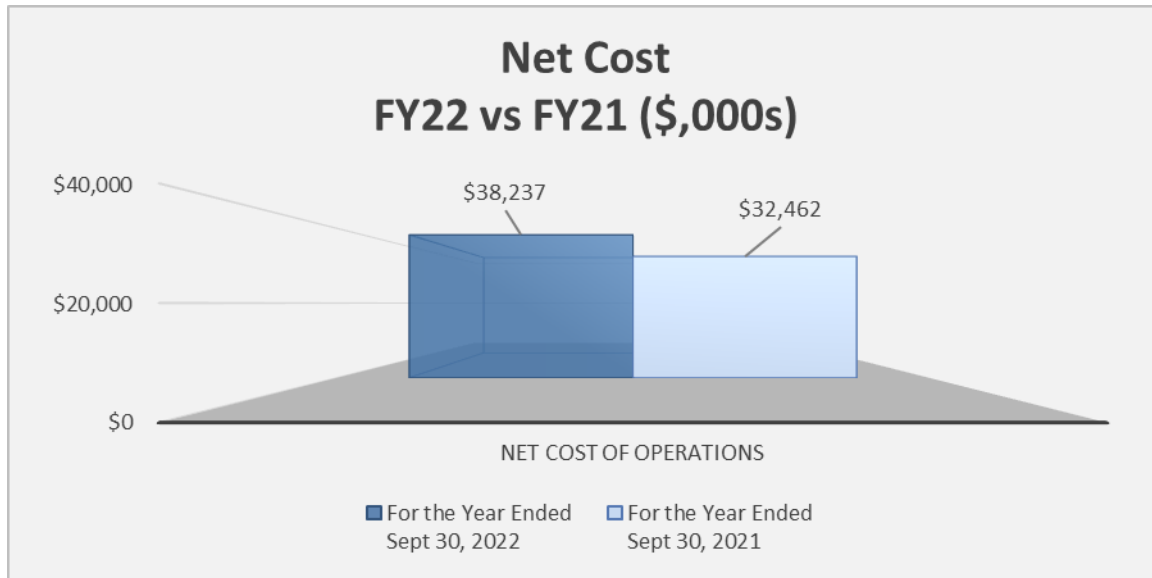
**Table 2 – Simplified Statements of Net Cost**

<b>Simplified Statements of Net Cost (Whole Dollars)</b>		
<i>Line Item</i>	<i>For the Year Ended Sept 30, 2022</i>	<i>For the Year Ended Sept 30, 2021</i>
<i>Net Cost of Operations</i>	\$38,236,534	\$32,462,325

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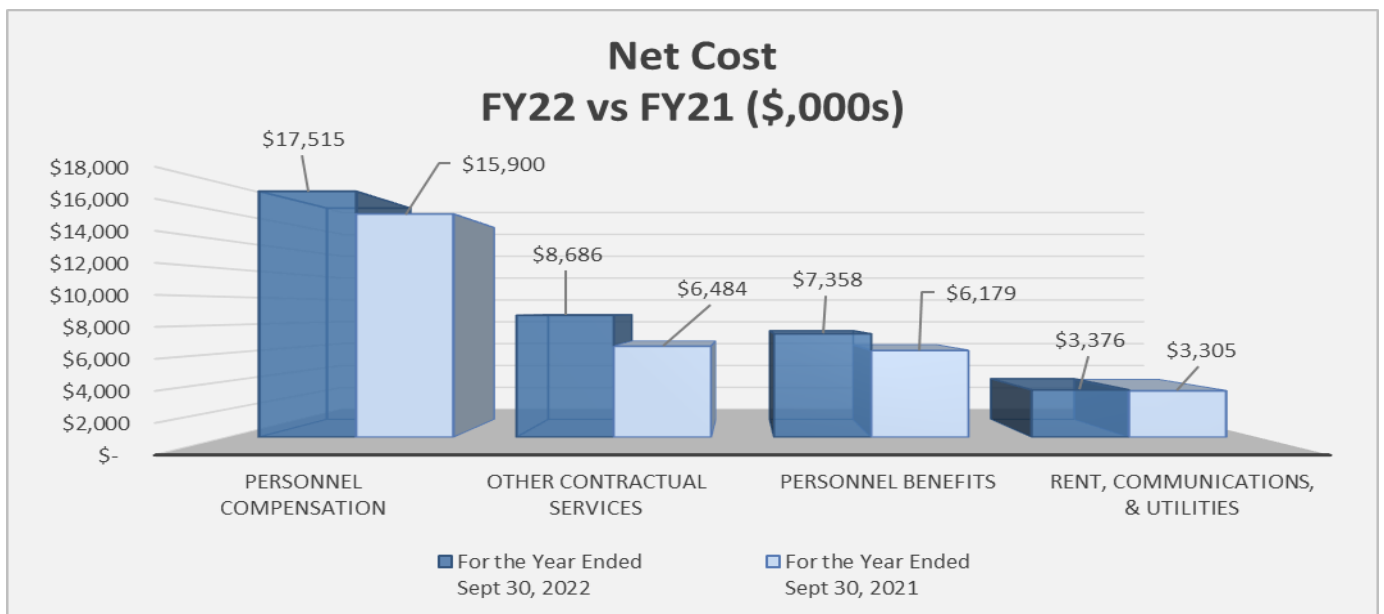
Figure 5 below summarizes DNFSB’s net cost of operations for FY 2022 and FY 2021.

**FIGURE 5 - 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 45.81 percent of total expenditures; other contractual services comprised 22.72 percent of total expenditures; personnel benefits comprised 19.24 percent of total expenditures; and rent, communications, and utilities comprised 8.83 percent of total expenditures.

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



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**1.4.3.3 Statement of Changes in Net Position (SCNP)**

SCNP represents the total net position, which is comprised of unexpended appropriation and cumulative results of operations. DNFSB’s net position for FY 2022 totaled \$12.39 million. Figure 7 below summarizes the change in DNFSB’s net position for FY 2022, which decreased by \$1.34 million, or 9.78 percent, compared to FY 2021. Unexpended appropriations decreased by \$1.19 million. This was primarily due to more expenditures for salary/benefits for additional employees hired in FY 2022; operational travel post-pandemic; and new contracts awarded in FY 2022. Imputed Financing increased by \$0.14 million or 16.42 percent. CRO increased by \$0.15 million or 10.18 percent.

**FIGURE 7 – COMPARATIVE STATEMENTS OF CHANGES IN NET POSITION**

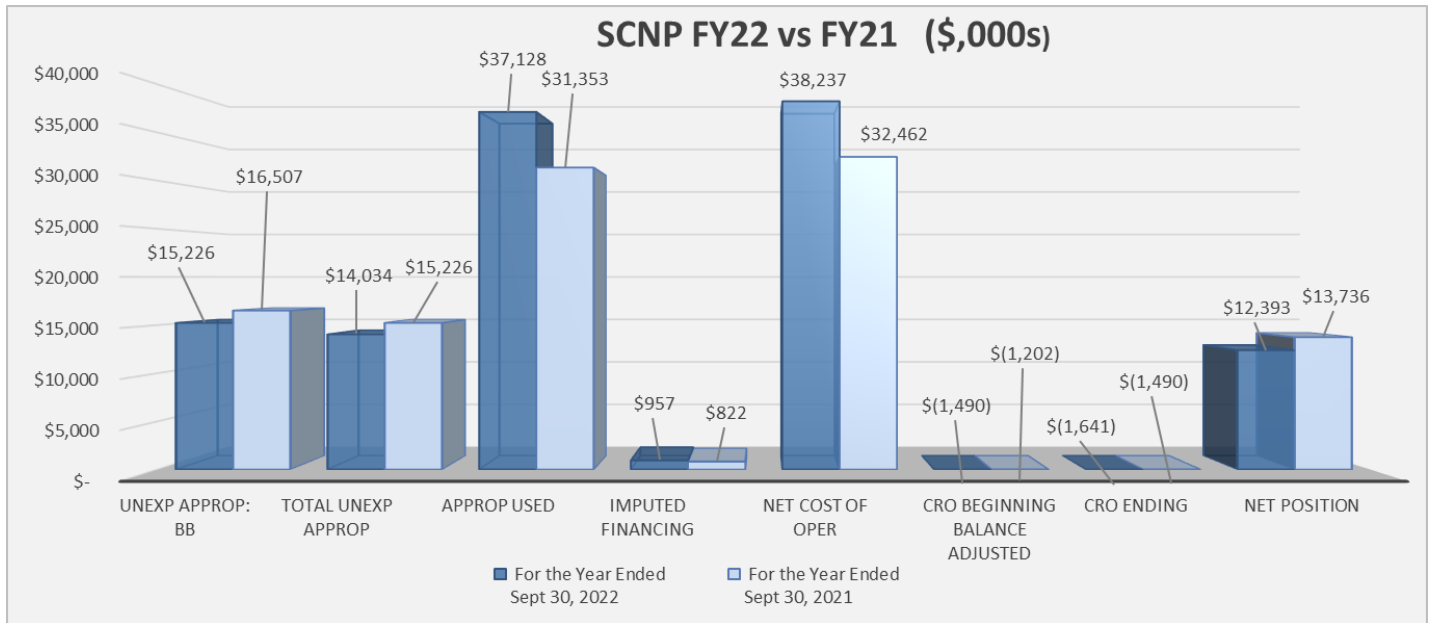
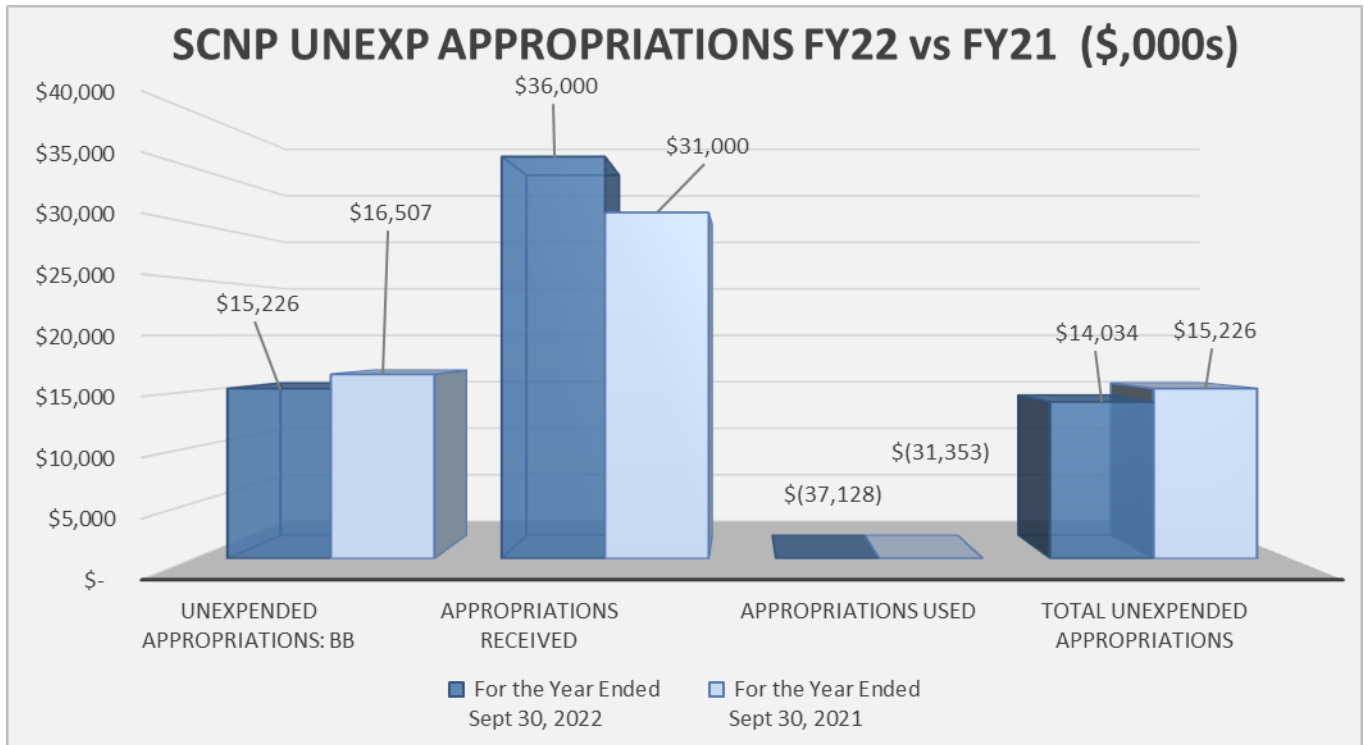


Figure 8 summarizes unexpended appropriations compared to prior year funds. The Board used \$37.13 million of its appropriations by the end of FY 2022, compared to \$31.35 million by the end of FY 2021, an increase of \$5.78 million. Higher expenditures were due mainly to increased personnel and other services costs. The Board received \$36 million in appropriations in FY 2022 and \$31 million in FY 2021. FY 2022 Total Unexpended Appropriations decreased by \$1.19 million.

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**FIGURE 8 – COMPARATIVE SCNP UNEXPENDED APPROPRIATIONS**





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**1.4.3.4 Statement 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.

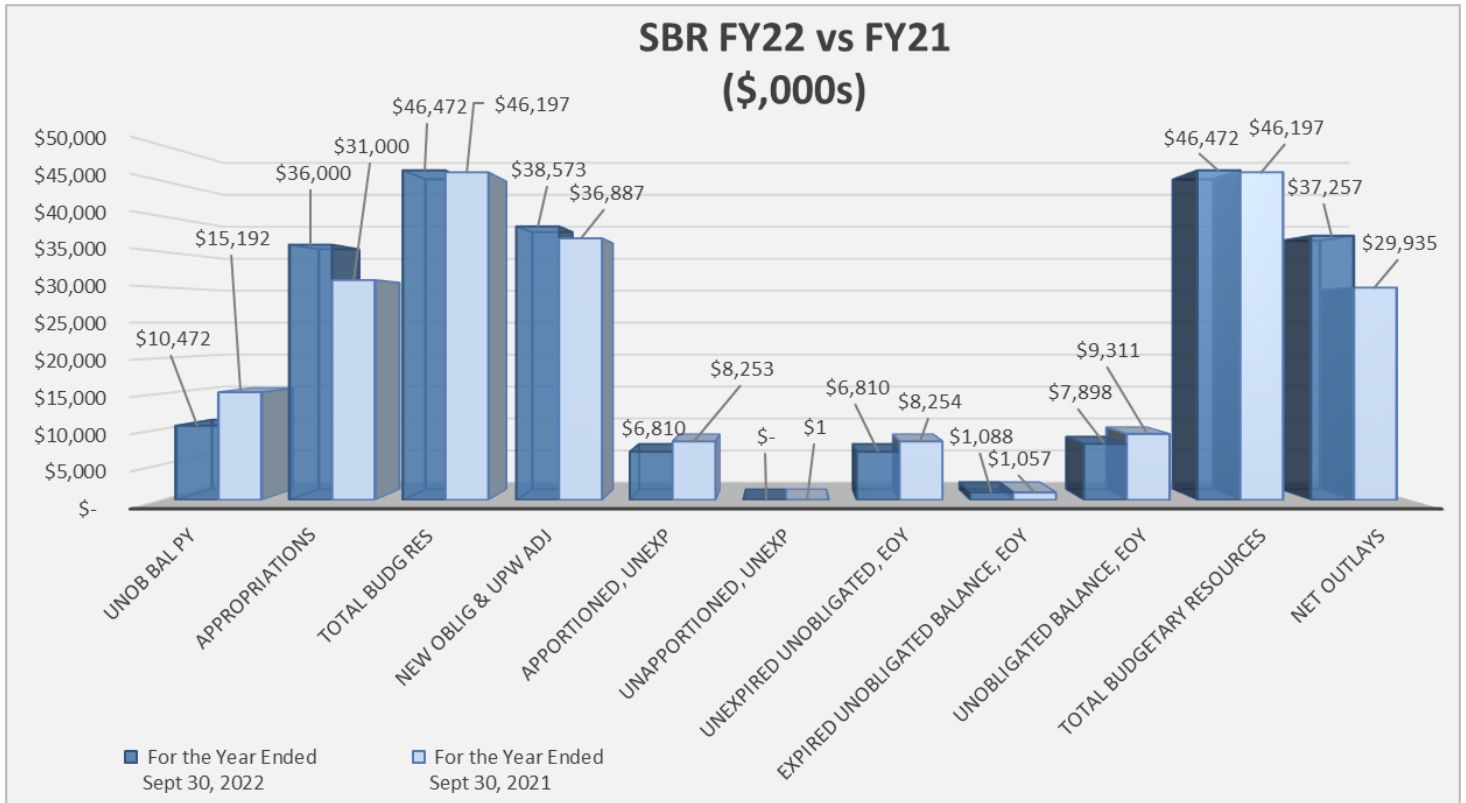
**Table 3 –Simplified Statements of Budgetary Resources**

<b>Simplified Statements of Budgetary Resources (Whole Dollars)</b>		
<i>Line Item</i>	<i>For the Year Ended Sept 30, 2022</i>	<i>For the Year Ended Sept 30, 2021</i>
<b><i>Budgetary resources:</i></b>		
<i>Unobligated balance from prior year budget authority</i>	\$ 10,471,892	\$ 15,191,549
<i>Appropriations (discretionary and mandatory)</i>	\$ 36,000,000	\$ 31,000,000
<i>Spending Authority from Offsetting Collection (discretionary and mandatory)</i>	\$ -	\$ 5,893
<b><i>Total Budgetary Resources</i></b>	<b>\$ 46,471,892</b>	<b>\$ 46,197,442</b>
<b><i>Status of Budgetary Resources:</i></b>		
<i>New obligations and upward adjustments (total)</i>	\$ 38,573,395	\$ 36,886,866
<b><i>Unobligated Balance, end of year:</i></b>		
<i>Apportioned, unexpired account</i>	\$ 6,810,133	\$ 8,253,449
<i>Unapportioned, unexpired accounts</i>	\$ -	\$ 613
<i>Unexpired unobligated balance, end of year</i>	\$ 6,810,133	\$ 8,254,062
<i>Expired unobligated balance, end of year</i>	\$ 1,088,363	\$ 1,056,513
<i>Unobligated balance, end of year (total)</i>	\$ 7,898,496	\$ 9,310,576
<b><i>Total Budgetary Resources</i></b>	<b>\$ 46,471,892</b>	<b>\$ 46,197,442</b>
<b><i>Outlays, Net (Total)</i></b>	<b>\$ 37,256,668</b>	<b>\$ 29,934,948</b>

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Figure 9 below summarizes the Board’s FY 2022 SBR compared to FY 2021.

**FIGURE 9 – COMPARATIVE SBR**

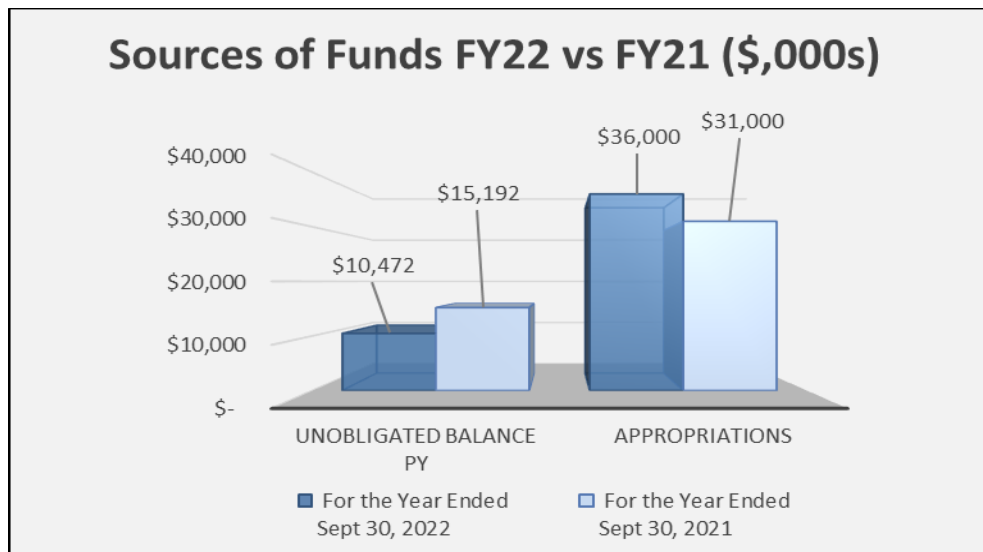


**Budgetary Resources – Sources of Funds**

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 FY 2022, the prior year unobligated balance was \$10.47 million, a 31.07 percent decrease compared to \$15.19 million in FY 2021. New appropriations received were \$36 million in FY2022 and \$31 million in FY2021, an increase of 16.13 percent.

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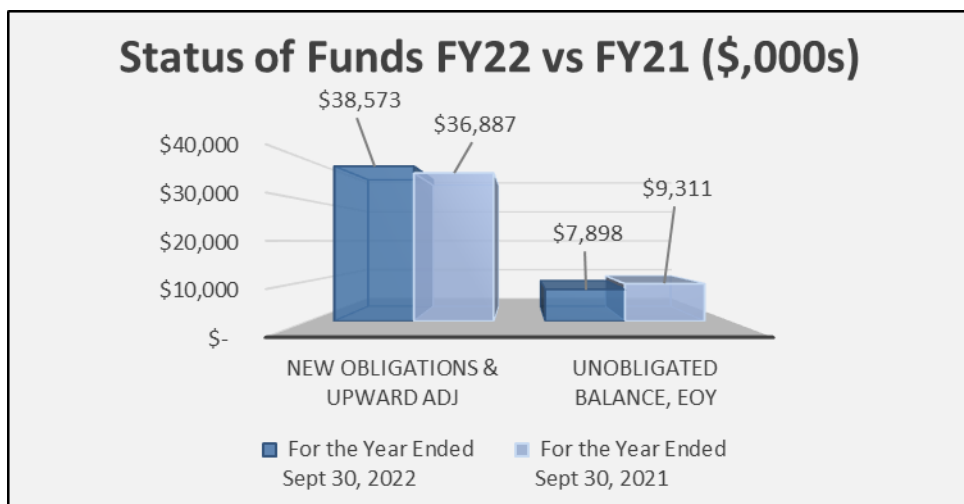
**FIGURE 10 – COMPARATIVE SBR - SOURCES OF FUNDS**



**Budgetary Resources – Status of Funds**

Budgetary resources also disclose the status of the Board’s funds used during the year, which are either obligated or unobligated. The Board receives new two-year appropriations each year, which allows for the funds to be used in the current and the following fiscal year. Any remaining unobligated funds from the prior fiscal year are available for use in the current fiscal year. Figure 11 below summarizes the Board’s status of funds for FY 2022. New obligations and upward adjustments were \$1.69 million more, a 4.57 percent increase from FY 2021, due primarily to increases in obligations related to other services and direct-hire personnel. The unobligated balance at end of FY 2022 was \$1.41 million less; a 15.17 percent decrease due to an increase in the use of appropriations.

**Figure 11 – COMPARATIVE SBR - STATUS OF FUNDS**

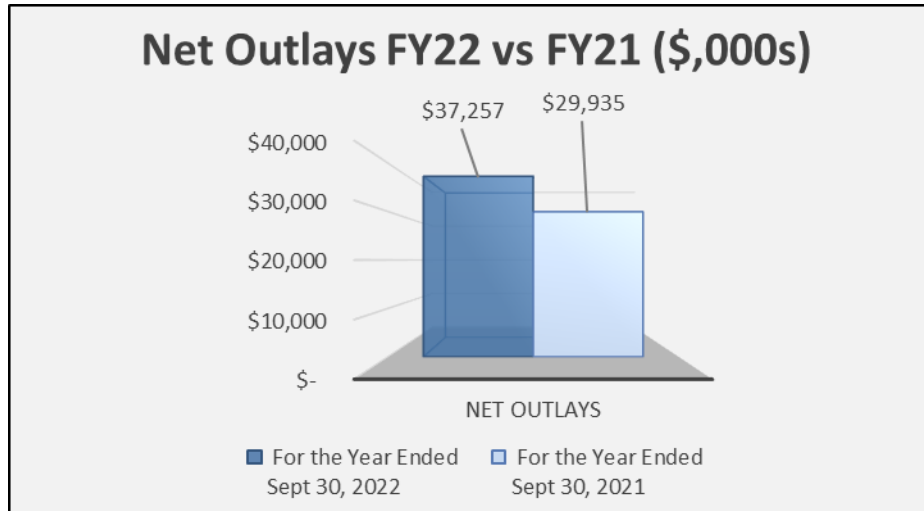


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**Budgetary Resources – Outlays (Net)**

Figure 12 below summarizes the Board’s net outlays for FY 2022 vs FY 2021. Net outlays increased by \$7.32 million (24.46 percent) in FY 2022 due to an increase in expenditures for salaries/benefits, new contracts awarded and operational travel.

**Figure 12 – COMPARATIVE SBR - NET OUTLAYS**



**1.4.4 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 or FY2022.

**1.4.5 Limitation of the Financial Statements**

The principal financial statements are prepared to report on the financial position, financial condition 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 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 records. The financial statements should be read with the realization that they are for a component of the U.S. government.

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**1.5 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, 2022. 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 the ECIC, as well as other activities such as financial statement audits and Office of Inspector General (OIG) audits and reports.

ECIC consists of the executive director of operations, general manager, technical director, and general counsel. OIG participates 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**

21 October 2022

MEMORANDUM FOR RECORD

**SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for Fiscal Year 2022**

As the Chair of the Defense Nuclear Facilities Safety Board's (DNFSB), I recognize DNFSB is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. The DNFSB conducted its assessment of risk and internal control in accordance with the Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" and the Green Book, GAO-14-704G, "Standards for Internal Control in the Federal Government." 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, 2022.

On September 30, 2022, our Executive Committee for Internal Controls (ECIC) identified that no material weaknesses or aggregate deficiencies that may constitute a material weakness exist within the DNFSB internal controls as of September 30, 2022. Despite some risks, control deficiencies, and/or weaknesses identified through line manager assurance assertions, the ECIC recommended an unmodified statement of assurance.

The DNFSB is hereby reporting that no Anti-Deficiency Act (ADA) violation has been discovered/ identified during our assessments of the applicable processes.

If there are any questions regarding this Statement of Assurance for FY 2022, my point of contact is Mr. James Biggins. He can be reached at [jamesb@dnfsb.gov](mailto:jamesb@dnfsb.gov).

**JOYCE  
CONNERY**

Joyce Connery  
Chair

Digitally signed by JOYCE  
CONNERY  
Date: 2022.10.24  
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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 Financial Services (PFS) 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 DNFSB, OGM records all obligations and outlays in the Symplicity Financial Tracking System tool, which serves as an independent check on the accuracy and completeness of transactions recorded by PFS. The combination of PFS and Symplicity Financial Tracking System provides high-quality, current, and accessible accounting data; 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 PFS, and 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. PFS is part of USDA's Office of the Chief Financial Officer (OCFO). OCFO/PFS issued a system and organization controls (SOC) or SOC 1 type 2 report on September 7, 2022. It contained the independent service auditor's report on USDA's PFS organization and stated that the USDA PFS 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, 2021, to June 30, 2022, and customer agency controls assumed in the design of USDA's controls operated effectively through that period. PFS issued a memorandum on October 3, 2022, stating PFS 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 U.S. 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.

U.S. 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 ensure complete and accurate obligation data in both systems. During FY 2022, the Board submitted and certified all its DATA Act reports in accordance with the reporting schedule established by the U.S. Treasury DATA Act Program Management Office. Additionally, the Board implemented a monthly reconciliation process to validate obligations and outlays recorded in the accounting system and FPDS, to allow for timely identification and correction of differences. Data accuracy was significantly improved by ensuring

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compliant data elements are consistently recorded in the accounting system and on contract documents. These process improvements facilitated compliant DATA Act reporting and resolution of two audit findings. The Board continues to strengthen and improve internal controls over DATA Act business processes to ensure accurate, complete, and timely submissions.

### **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 2022 independent FISMA evaluation rated the Board did not have an effective information security program and provided 11 new 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 February 2022, DNFSB and DOE signed a memorandum of understanding (MOU), implementing Recommendation 2. DNFSB notified GAO and its congressional committees when the MOU was 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

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investigation conducted by or at the request of the federal entity concerning these matters, and the prosecutions and convictions which have resulted.

The Board reports as follows for FY 2022:

- (A) 42 USC § 2286k provides that the NRC inspector general serve as inspector general for the Board.
- (B) OIG conducted seven assessments on Board programs in FY 2022: (1) *Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Defense Nuclear Facilities Safety Board in Fiscal Year 2022* (DNFSB-22-A-01); (2) *Audit of the DNFSB's Compliance Under the Digital Accountability and Transparency Act of 2014* (DNFSB-22-A-02); (3) *Audit of the Defense Nuclear Facilities Safety Board's Process for Planning and Implementing Oversight Activities* (DNFSB-22-A-03); (4) *Independent Evaluation of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2021* (DNFSB-22-A-04); (5) *Audit of the Defense Nuclear Facilities Safety Board's Financial Statements for Fiscal Year 2021* (DNFSB-22-A-05); (6) *Audit of the DNFSB's Fiscal Year (FY) 2021 Compliance with Improper Payment Laws* (DNFSB-11-A-06); and (7) *Audit of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2022* (DNFSB-22-A-07).
- (C) OIG initiated the following audit in FY 2022: *Audit of the Defense Nuclear Facilities Safety Board's Financial Statements*. The audit was completed in FY 2023.
- (D) With regard to prior year audits, the Board is implementing corrective actions in response to recommendations from the (1) *Audit of DNFSB's Human Resources Program*, (DNFSB-20-A-04); (2) *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2019* (DNFSB-20-A-05); and (3) *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2020* (DNFSB-21-A-04). The Board fully implemented and closed all recommendations from (1) *Audit of DNFSB's Telework Program* (DNFSB-17-A-06); (2) *Audit of DNFSB's Compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act)* (DNFSB-20-A-02); (3) *Results of the Audit of the DNFSB's Financial Statements for FY 2020* (DNFSB-21-A-03); and (4) *Audit of the DNFSB's Compliance Under the Digital Accountability and Transparency Act of 2014* (DNFSB-22-A-02). DNFSB also closed two recommendations from the *Audit of the Defense Nuclear Facilities Safety Board's Financial Statements for Fiscal Year 2021* (DNFSB-22-A-05) and three recommendations from the *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2019* (DNFSB-20-A-05).
- (E) In FY 2022, the Board did not refer any matters to prosecutorial authorities.

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**1.6 Forward-Looking Information**

The DNFSB faces an increasing challenge to continue oversight at defense nuclear facilities within the defense nuclear complex as the complex grows in size and complexity. New facilities and process lines are being added to support DOE mission objectives while existing facilities face aging infrastructure and management challenges. The DNFSB has added new staff. As the DNFSB budget increases, it will be able to continue hiring to approach its statutory personnel ceiling of 130 FTE. As costs continue to increase year-to-year, The DNFSB will need a corresponding budget increase to sustain a steady state of nuclear safety oversight activities. The DNFSB will face both a challenge recruiting the highly specialized technical staff and increasing operational support. Upward trends in telework and remote work may minimize the need for additional physical workspace at the DNFSB headquarters office but require additional information technology support and rely heavily on electronic communication solutions. The agency has engaged in multi-year budget planning, development of a comprehensive human capital strategy, and enhancements to its information technology infrastructure and systems to mitigate agency operational risks and maintain a sound financial position.

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**Chapter 2**  
**Financial Section**

**2.1 Message from the Acting General Manager**



I am pleased to report that the Board’s FY 2022 financial statements received an unmodified opinion from its independent auditors, the Board’s seventeenth consecutive “clean” opinion since its FY 2004 financial statements were initially audited pursuant to the Accountability of Tax Dollars Act of 2002. FY 2022 marked the sixteenth 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 2022 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 22-01, *Audit Requirements for Federal Financial Statements*. For the sixteenth 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 22-01. The independent auditor determined the DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022.

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 2023. The Board will be engaging in several broad efforts to update policies and procedures in FY 2023, exploring enterprise-wide systems for financial management, contracting, human resources and records management, 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.

*Toni Reddish*  
Toni Reddish  
Acting General Manager

November 30, 2022

FY 2022  
DEFENSE NUCLEAR FACILITIES SAFETY BOARD  
Agency Financial Report

**2.2 Message from the Chief Financial Officer**



I am privileged to join the Chair and the Acting General Manager in presenting the Board's AFR for FY 2022. The AFR provides financial data and high-level performance goals and objectives to demonstrate our continued commitment to being responsible stewards of public funds. This report also fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act of 1990, the FMFIA of 1982, the Government Management Reform Act, and the Accountability for Tax Dollars Act. I want to thank the Division of Budget and Finance's (DBF) personnel for their diligence and excellent work compiling this report. Many thanks to the staff from the Office of the General Manager, Office of the Executive Director of Operations, Office of the Technical Director, and the Office of the General Council, who partnered with DBF to ensure Board-wide financial accountability and transparency.

I am pleased to report that the Board's FY 2022 financial statements received an unmodified opinion. The independent auditor noted that the FY 2022 financial statements of DNFSB present fairly, in all material respects, the Agency's financial position as of September 30, 2022, in accordance with accounting principles generally accepted in the United States of America. Delays with the receipt and validation of DNFSB's FY 2022 financial statements and footnotes, which are needed for inclusion in the AFR, caused publication delays.

FY 2022 was a year of significant achievement as we standardized and implemented critical budget, finance, accounting, and DATA Act reporting processes. As a result, all prior year Financial Statement audit findings were approved for closure by the Office of the Inspector General. In FY 2022, the Board developed and implemented a 3-tier reconciliation process to trace every transaction from inception to Governmentwide Treasury Account Symbol reporting. Furthermore, the Board partnered with the General Services Administration (GSA) to launch the Commercial Platforms Program to modernize and streamline its buying experience through the government purchase card program, eradicate shipping and handling, and other costs generally charged to the Board when procuring supplies.

In FY 2023, DNFSB will continue strengthening key internal controls over financial reporting. We are committed to ensuring transparency of financial data; timely review and resolution of intragovernmental transactions with other federal agencies; accurate, complete, and timely DATA Act reporting; full implementation of G-invoicing and selection of an Enterprise Resource Planning system to automate and integrate the Agency's Human Resources, Contracting, and Finance process. DNFSB remains steadfast and committed to making greater financial management improvements in FY 2023.

***Omolola Fawole***

Dr. Omolola Fawole  
Chief Financial Officer  
Director of the Division of Budget and Finance

November 30, 2022



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**2.3 FY 2022 Auditor's Report**



**MEMORANDUM**

**DATE:** November 30, 2022

**TO:** Joyce L. Connery  
Chair

**FROM:** 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 2022 (DNFSB-23-A-02)

Digitally signed by Robert J. Feitel  
Date: 2022.11.30 14:33:20 -05'00'

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 CliftonLarsonAllen (CLA) to conduct this annual audit. Transmitted with this memorandum is CLA's audit report. CLA examined the DNFSB's fiscal year (FY) 2022 Agency Financial Report, which includes financial statements for FY 2022. CLA'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. 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

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significant estimates made by management, as well as evaluating the overall financial statement presentation.

CLA's audit included, among other things, obtaining an understanding of the DNFSB and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control; 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 2022 Audit Results**

The results are as follows:

#### Financial Statements

- Unmodified opinion

#### Internal Control over Financial Reporting

- Unmodified opinion

#### Compliance with Laws and Regulations

- No instances of noncompliance noted

### **The OIG Oversight of CLA's Performance**

To fulfill our responsibilities under the ATDA and related legislation for ensuring the quality of the audit work performed, we monitored CLA's audit of the DNFSB's FY 2022 financial statements by:

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

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- Reviewing CLA's audit report to ensure compliance with Government Auditing Standards and Office of Management and Budget Bulletin No. 22-01;
- Coordinating the issuance of the audit report; and,
- Performing other procedures deemed necessary.

CLA is responsible for the attached auditor's report, dated November 30, 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 CLA did not comply, in all material respects, with applicable auditing standards.

### **Meeting with the General Manager**

At the exit conference on November 28, 2022, representatives of the DNFSB, the OIG, and CLA discussed the results of the audit.

### **Comments of the General Manager**

In his response, the General Manager agreed with the report. The full text of his response follows this report.

### **The DNFSB's Financial Statements**

The DNFSB's audited FY 2022 financial statements can be found in the agency's financial report.

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

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Attachment:  
As stated

cc: Vice Chair Summers  
Board Member Roberson  
J. Biggins, General Manager  
C. Roscetti, Acting Executive Director of Operations  
O. Fawole, Chief Financial Officer

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CliftonLarsonAllen LLP  
CLAconnect.com

**Independent Auditors' Report**

Inspector General  
United States Nuclear Regulatory Commission and Defense Nuclear Facilities Safety Board

Chair  
Defense Nuclear Facilities Safety Board

In our audit of the fiscal year (FY) 2022 financial statements of the Defense Nuclear Facilities Safety Board (DNFSB), we found:

- The DNFSB's financial statements as of and for the FY ended September 30, 2022, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles (GAAP);
- The DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022; and,
- No reportable noncompliance for FY 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, which includes an other-matter paragraph, required supplementary information (RSI),<sup>1</sup> and other information<sup>2</sup> included in the Agency Financial Report (AFR); (2) our report on compliance with laws, regulations, contracts, and grant agreements and other matters; and, (3) the DNFSB's response to our audit conclusions.

**Report on the Audit of the Financial Statements and on Internal Control Over Financial Reporting**

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying financial statements of the DNFSB, which comprise the balance sheet as of September 30, 2022; the related statements of net cost, changes in net position, and budgetary resources for the FY then ended; and the related notes to the financial statements. In our opinion, the DNFSB's financial statements referred to above present fairly, in all material respects, the DNFSB's financial position as of September 30, 2022, and its net cost of operations, changes in net position, and budgetary resources for the FY then ended in accordance with U.S. GAAP.

We also have audited the DNFSB's internal control over financial reporting as of September 30, 2022, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In our opinion, the DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, based on criteria established under FMFIA.

<sup>1</sup> The RSI consists of Management's Discussion and Analysis which is included with the financial statements.

<sup>2</sup> Other information consists of information included with the financial statements, other than the RSI and the auditors' report.



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**Independent Auditors' Report (Continued)**

During our FY 2022 audit, we identified deficiencies in the DNFSB's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.<sup>3</sup> Nonetheless, these deficiencies warrant the DNFSB management's attention. We have communicated these matters to the DNFSB management and, where appropriate, will report on them separately.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 22-01). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of the DNFSB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

The financial statements of the DNFSB for the year ended September 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on January 27, 2022.

Responsibilities of Management for the Financial Statements and Internal Control Over Financial Reporting

The DNFSB management is responsible for (1) the preparation and fair presentation of the financial statements in accordance with U.S. GAAP; (2) preparing, measuring, and presenting the RSI in accordance with U.S. GAAP; (3) preparing and presenting other information included in the AFR, ensuring the consistency of that information with the audited financial statements and the RSI; (4) designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (5) assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and, (6) its assessment about the effectiveness of internal control over financial reporting as of September 30, 2022, included in the FMFIA Statement of Assurance in the Management's Discussion and Analysis (MD&A) section of the AFR.

Auditors' Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditors' report that includes our opinions.

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<sup>3</sup> 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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**Independent Auditors' Report (Continued)**

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with *Government Auditing Standards* will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances;
- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered the DNFSB's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and,
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the financial statements audit.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that even if the control operates as designed the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate



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**Independent Auditors' Report (Continued)**

as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Required Supplementary Information

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

Other Information

The DNFSB's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. The DNFSB management is responsible for the other information included in the AFR. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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**Independent Auditors' Report (Continued)**

**Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters**

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for FY 2022 that would be reportable 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 DNFSB. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for Tests of Compliance section below.

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

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

Auditors' Responsibilities for Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

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

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

**Status of Prior Year's Control Deficiencies and Noncompliance Issues**

We have reviewed the status of the DNFSB's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated January 27, 2022. The status of prior year findings is presented in Exhibit A.

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**Independent Auditors' Report (Continued)**

**The DNFSB's Response to Audit Conclusions**

*Government Auditing Standards* require the auditor to perform limited procedures on the DNFSB's response to the audit conclusions identified in our report and described in Exhibit B. The DNFSB's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on the response.

**CliftonLarsonAllen LLP**



Greenbelt, Maryland  
November 30, 2022

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**Independent Auditors' Report (Continued)**  
**Exhibit A**  
**Status of Prior Year Findings and Recommendations**

Prior Findings and Type	Recommendations	Current Status
Lack of Appropriate Management Controls over Financial Reporting (Material Weakness)	<p>The DNFSB management should consider taking all necessary actions to establish an appropriate internal control structure including the following:</p> <ol style="list-style-type: none"> <li>1. Reviews of the Service Organization Controls Report.</li> <li>2. Information Technology Access and Segregation of Duties.</li> <li>3. Management Lacks Proper Review of Property.</li> <li>4. Lack of Payroll Reconciliation.</li> <li>5. Imputed Financing Estimates and Lack of Documentation.</li> <li>6. Unfunded Leave Liability.</li> <li>7. Financial Statement Preparation.</li> </ol>	<p>Modified Repeat of prior year recommendation 7 as a management letter comment.</p> <p>Prior year recommendations 1 - 6 were cleared in FY 2022.</p>



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**Independent Auditors' Report (Continued)**  
**Exhibit B**  
**DNFSB's Response to Audit Findings and Recommendations**

**DEFENSE NUCLEAR FACILITIES  
SAFETY BOARD**  
Washington, DC 20004-2901



November 28, 2022

Hruta Virkar, CPA  
Assistant Inspector General for Audits  
Office of the Inspector General  
U.S. Nuclear Regulatory Commission

RE: DNFSB Comments on the 2022 Financial Statement Audit

Dear Ms. Virkar,

Thank you for the opportunity to provide agency comments on the Independent Auditor's Report on the Defense Nuclear Facilities Safety Board (DNFSB) FY 2022 Financial Statements. We are pleased to have completed another annual independent audit of our financial statements and internal financial controls. This independent review is an essential element in maintaining the integrity of our financial reporting, safeguarding taxpayer dollars, and avoiding waste, fraud, abuse, or mismanagement of agency resources.

The DNFSB team led by the efforts of our Chief Financial Officer has made great strides over the past year to resolve previously identified deficiencies and weaknesses. I believe these efforts are reflected in the clean audit report this year. We will continue to work on improving our systems and processes going forward. Our DNFSB Board Members have reviewed the report and support our agency efforts to continue to present our financial statements fairly in all material respects, maintain effective internal financial controls, and remain compliant with applicable laws and regulations.

We appreciate the work of the Office of the Inspector General and its contractor in the thoroughness and responsiveness your team demonstrated in the conduct of this audit.

Sincerely,

  
James Biggins  
General Manager

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**2.4 FY 2022 Financial Statements and Notes**

**2.1.1 Financial Statements – DNFSB General Fund**

**Defense Nuclear Facilities Safety Board  
BALANCE SHEETS**

As Of September 30, 2022 and 2021

		2022	2021
<b>Assets:</b>			
<b>Intragovernmental:</b>			
Fund Balance With Treasury	(Note 2)	\$ 16,870,692.35	\$ 18,190,282.48
Accounts Receivable, net	(Note 3)	-	5,893.12
<b>Total Intragovernmental</b>		<b>16,870,692.35</b>	<b>18,196,175.60</b>
Accounts Receivable	(Note 3)	19,410.19	15,992.33
General Property, Plant and Equipment	(Note 4)	106,929.10	202,479.36
Advances and Prepayments		12,625.06	1,869.67
<b>Total other than intragovernmental/with the public</b>		<b>138,964.35</b>	<b>220,341.36</b>
<b>Total Assets</b>		<b>\$ 17,009,656.70</b>	<b>\$ 18,416,516.96</b>
<b>Liabilities:</b>			
<b>Intragovernmental:</b>			
Accounts Payable	(Note 6)	\$ 49,007.50	\$ 285,580.45
Other Liabilities	(Note 7)	306,637.12	253,516.52
<b>Total Intragovernmental Liabilities</b>		<b>355,644.62</b>	<b>539,096.97</b>
<b>Other than Intragovernmental:</b>			
Accounts Payable		1,482,552.55	1,580,277.71
Federal Employees and Veterans Benefit Payable		1,760,818.43	1,693,752.61
Other Liabilities With the Public	(Note 7)	1,017,601.91	867,403.00
<b>Total other than intragovernmental/with the public</b>		<b>4,260,972.89</b>	<b>4,141,433.32</b>
<b>Total Liabilities</b>		<b>\$ 4,616,617.51</b>	<b>\$ 4,680,530.29</b>
<b>Net Position:</b>			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		\$ 14,034,432.20	15,225,721.47
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		(1,641,393.01)	(1,489,734.80)
<b>Total Net Position - All Other Funds (Consolidated Totals)</b>		<b>12,393,039.19</b>	<b>13,735,986.67</b>
<b>Total Net Position</b>		<b>\$ 12,393,039.19</b>	<b>\$ 13,735,986.67</b>
<b>Total Liabilities and Net Position</b>		<b>\$ 17,009,656.70</b>	<b>\$ 18,416,516.96</b>

The accompanying notes are an integral part of these statements.

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

**For The Years Ended September 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Program Costs:</b>		
<b>Gross Costs</b>	<u>\$ 38,236,533.77</u>	<u>\$ 32,468,218.22</u>
<b>Less: Earned Revenue</b>	<u>-</u>	<u>5,893.12</u>
<b>Net Program Costs</b>	<u>38,236,533.77</u>	<u>32,462,325.10</u>
<b>Net Cost of Operations</b>	<u>\$ 38,236,533.77</u>	<u>\$ 32,462,325.10</u>

The accompanying notes are an integral part of these statements.



FY 2022  
DEFENSE NUCLEAR FACILITIES SAFETY BOARD  
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**Defense Nuclear Facilities Safety Board  
STATEMENTS OF CHANGES IN NET POSITION**

For The Years Ended September 30, 2022 and 2021

		FY 2022 (CY)
<b>Unexpended Appropriations:</b>	<b>All Other Funds (Consolidated Totals)</b>	<b>Consolidated Total</b>
Beginning Balance	\$ 15,225,721.47	\$ 15,225,721.47
Appropriations received	36,000,000.00	36,000,000.00
Other Adjustments (+/-)	(62,922.14)	(62,922.14)
Appropriations used	(37,128,367.13)	(37,128,367.13)
Total Budgetary Financing Sources	(1,191,289.27)	(1,191,289.27)
<b>Total Unexpended Appropriations</b>	<b>\$ 14,034,432.20</b>	<b>\$ 14,034,432.20</b>
 <b>Cumulative Results from Operations</b>		
Beginning Balances	\$ (1,489,734.80)	\$ (1,489,734.80)
Appropriations used	37,128,367.13	37,128,367.13
Imputed Financing	956,508.43	956,508.43
Total Financing Sources	38,084,875.56	38,084,875.56
Net Cost of Operations	38,236,533.77	38,236,533.77
Net Change	(151,658.21)	(151,658.21)
<b>Cumulative Results of Operations</b>	<b>(1,641,393.01)</b>	<b>(1,641,393.01)</b>
<b>Net Position</b>	<b>\$ 12,393,039.19</b>	<b>\$ 12,393,039.19</b>

The accompanying notes are an integral part of these statements.

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**Defense Nuclear Facilities Safety Board**  
**STATEMENTS OF CHANGES IN NET POSITION**  
**For The Years Ended September 30, 2022 and 2021**

FY 2021 (PY)

	All Other Funds (Consolidated Totals)	Consolidated Total
<b>Unexpended Appropriations:</b>		
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)
Total Budgetary Financing Sources	(1,280,904.91)	(1,280,904.91)
<b>Total Unexpended Appropriations</b>	<b>\$ 15,225,721.47</b>	<b>\$ 15,225,721.47</b>
<b>Cumulative Results from Operations</b>		
Beginning Balances	\$ (1,282,115.07)	\$ (1,282,115.07)
Adjustments: (+/-)		
Corrections of errors (+/-)	80,043.98	80,043.98
Beginning balances, 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
Total Financing Sources	32,174,661.39	32,174,661.39
Net Cost of Operations	32,462,325.10	32,462,325.10
Net Change	(287,663.71)	(287,663.71)
<b>Cumulative Results of Operations</b>	<b>(1,489,734.80)</b>	<b>(1,489,734.80)</b>
<b>Net Position</b>	<b>\$ 13,735,986.67</b>	<b>\$ 13,735,986.67</b>

The accompanying notes are an integral part of these statements.

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STATEMENTS OF BUDGETARY RESOURCES

For The Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	Budgetary	Budgetary
<b>Budgetary resources:</b>		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) \$	10,471,891.59	\$ 15,191,548.63
Appropriations (discretionary and mandatory)	36,000,000.00	31,000,000.00
Spending authority from offsetting collections (discretionary and mandatory)	-	5,893.12
<b>Total budgetary resources</b>	<b><u>\$ 46,471,891.59</u></b>	<b><u>\$ 46,197,441.75</u></b>
<b>Status of budgetary resources:</b>		
New obligations and upward adjustments (total) (Note 11) \$	38,573,395.19	\$ 36,886,865.88
<b>Unobligated balance, end of year:</b>		
Apportioned, unexpired account	6,810,133.43	8,253,449.22
Unapportioned, unexpired accounts	-	613.23
Unexpired unobligated balance, end of year	<u>6,810,133.43</u>	<u>8,254,062.45</u>
Expired unobligated balance, end of year	<u>1,088,362.97</u>	<u>1,056,513.42</u>
Unobligated balance, end of year (total)	<u>7,898,496.40</u>	<u>9,310,575.87</u>
<b>Total budgetary resources</b>	<b><u>\$ 46,471,891.59</u></b>	<b><u>\$ 46,197,441.75</u></b>
<b>Outlay, net:</b>		
Outlays, net (total) (discretionary and mandatory) \$	<u>37,256,667.99</u>	<u>\$ 29,934,948.31</u>
Agency outlays, net (discretionary and mandatory) \$	<u>37,256,667.99</u>	<u>\$ 29,934,948.31</u>

The accompanying notes are an integral part of these statements.

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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.”

The Board is a component of the U.S. government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. government entity. These financial statements should be read with the realization that they are for a component of the U.S. government.

**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.

OMB 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. The Statement of Changes in Net Position reports the results of changes to Unexpended Appropriations and Cumulative Results of Operations. The Statement of Budgetary Resources reports how budgetary resources were made available during the period and their status at the end of the period.

**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 2022 and FY 2021 appropriated funds are available for obligation until September 30, 2023, and September 30, 2022, respectively (i.e., two-year funds). Neither 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.

As a component of the Government-wide reporting entity, the Board is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in entity and the government-wide financial reports.

The Board’s budgetary resources reflect past congressional action and enable it to incur budgetary obligations, but they do not reflect assets to the government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, U.S. Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

**2.1.2.1.6 (f) Budgetary Terms**

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used:

**Appropriation** means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

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**Budgetary resources** mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

**Offsetting collections** mean payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government and from intragovernmental transactions with other government accounts. The authority to spend offsetting collections is a form of budget authority.

**Offsetting receipts** mean payments to the government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and

**Obligation** means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

**Gross outlays** are the are the total payments made to liquidate an obligation (other than the repayment to the U.S. Treasury of debt principal) before subtracting any offsetting collections. Outlays are a measure of Government spending.

**Net outlays** are calculated by subtracting all offsetting collections (unexpired and expired) from gross outlays so that the contribution of the budget account to the federal government's bottom line (surplus or deficit) can be determined.

For further information about budget terms and concepts, see the "Budget Concepts" chapter of the Analytical Perspectives volume of the President's Budget at:  
<https://www.whitehouse.gov/omb/budget/analytical-perspectives/>

#### **2.1.2.1.7 (g) Assets and Liabilities**

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

Funds with the U.S. Treasury compose most of the assets on the Board's balance sheet. Other assets result from activity with non-federal sources.

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Liabilities represent amounts that are likely to be paid by the Board because 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 incurred 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.

**2.1.2.1.8 (h) Fund Balance with Treasury**

Fund Balance with Treasury (FBWT) is an asset of the Board and a liability of the General Fund. The amount represents commitments by the government to provide resources for particular programs but does not represent assets to the government as a whole.

When the Board seeks to use FBWT to liquidate budgetary obligations, U.S. Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

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

**2.1.2.1.9 (i) Property, Plant, and Equipment**

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 or buildings, but does have an occupancy agreement with the General Services Administration for its headquarters office space. The cost approximates commercial rates for similar properties.

**2.1.2.1.10 (j) Annual, Sick, and Other Leave**

Annual leave is recognized as an expense and a liability as it is earned; the liability is reduced as

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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.

**2.1.2.1.11 (k) Federal Employee Benefits**

The Board recognizes its share of the cost of providing future pension benefits to eligible employees over the period 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.

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.

**2.1.2.1.12 (l) 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.

**2.1.2.1.13 (m) Reclassification of Prior Year Amounts**

These financial statements for FY 2022 and FY 2021 (prior year) are presented on a comparative basis. The DNFSB has reclassified the FY 2021 balance sheet data related to intragovernmental liabilities for a comparable format.

**2.1.2.2 Note 2 – Fund Balance with Treasury**

The Board's funds with the U.S. Treasury consist only of appropriated funds. The status of these funds as of September 30, 2022, and 2021 are as follows:



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A. Fund Balance with Treasury	<u>2022</u>	<u>2021</u>
General Fund	\$ 16,870,692.35	\$ 18,190,282.48
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	6,810,133.43	8,253,449.22
b) Unavailable	1,088,362.97	1,057,126.65
2) Obligated Balance not yet Disbursed	8,972,195.95	8,879,706.61
Total	<u>\$ 16,870,692.35</u>	<u>\$ 18,190,282.48</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>2022</u>	<u>2021</u>
Intragovernmental Accounts Receivable	\$ -	\$ 5,893.12
Other than Intragovernmental Accounts Receivable	19,410.19	15,992.33
Total Accounts Receivable, Net	<u>\$ 19,410.19</u>	<u>\$ 21,885.45</u>

**2.1.2.4 Note 4 – General Property, Plant and Equipment, (PP&E) Net**

The Board’s total cost, accumulated depreciation, and net book value for PP&E for the years ending September 30, 2022, and 2021 are as follows. The Board does not estimate for any PP&E costs. An adjustment was made to reclassify a piece of furniture from the Equipment category to Furniture and Fixtures which only changed the category totals and not the overall asset amounts. The furniture was fully depreciated as of September 30, 2022.

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2022	Equipment	Furniture & Fixtures	Software	Software in Development	Total
<b>Cost balance beginning of the year</b>	\$1,427,792.34	\$116,832.25	\$356,658.21	-	\$1,901,282.80
<b>Capital acquisitions</b>	\$11,960.00	-	-	-	\$11,960.00
<b>Dispositions</b>	(\$117,053.98)	(\$25,700.00)	-	-	(\$142,753.98)
<b>Adjustments</b>	(\$10,918.00)	\$10,918.00	-	-	\$0.00
<b>Cost balance end of the year</b>	\$1,311,780.36	\$102,050.25	\$356,658.21	-	\$1,770,488.82
<b>Accum. Depr.</b>	(\$1,204,851.26)	(\$102,050.25)	(\$356,658.21)	-	(\$1,663,559.72)
<b>Net Book Value</b>	\$106,929.10	-	-	-	\$106,929.10

2021	Equipment	Furniture & Fixtures	Software	Software in Development	Total
<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

**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, U.S. 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, 2022, and 2021 is as follows:

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	2022	2021
Unfunded Leave	1,712,089.42	1,652,563.61
Total Other than Intragovernmental Liabilities Not Covered by Budgetary Resources	\$ 1,712,089.42	\$ 1,652,563.61
Total Liabilities Not Covered by Budgetary Resources	\$ 1,712,089.42	\$ 1,652,563.61
Total Liabilities Covered by Budgetary Resources	2,904,528.09	3,027,966.68
Total Liabilities	\$ 4,616,617.51	\$ 4,680,530.29

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. The federal portion of Employer Contributions and Payroll Taxes Payable in the amount of \$193,672.19 was originally included in the FY 2021 Intragovernmental Accounts Payable but for FY 2022 these costs are now reported as Intragovernmental Other Liabilities to be consistent with U.S. Treasury crosswalks. Therefore, this FY 2021 amount has been reclassified as Intragovernmental Other Liabilities and is now included in Note 7.

	2022	2021
Debt to Other Federal Agencies		
(1) GSA	-	107,797.64
(2) Department of Homeland Security		135,508.69
(3) Department of Defense	-	36,381.00
(4) DNFSB	-	5,893.12
(5) Office of Personnel Management	17,000.00	-
(6) Federal Occupational Health	32,007.50	-
Total Intragovernmental Accounts Payable	\$ 49,007.50	\$ 285,580.45

**2.1.2.7 Note 7 – Other Liabilities**

As of September 30, 2022, and 2021, 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 and federal amounts. Employer Contributions and Payroll Taxes Payable are the amounts owed to OPM and U.S. Treasury for Federal Employees Health Benefits (FEHB), Federal Employees' Group Life Insurance (FEGLI), Federal Insurance Contributions Act (FICA), Federal Employees Retirement System (FERS), and Civil Service Retirement System (CSRS) contributions.

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The federal portion of Employer Contributions and Payroll Taxes Payable in the amount of \$193,672.19 was originally included in the FY 2021 Intragovernmental Accounts Payable but for FY 2022 these costs are now reported as Intragovernmental Other Liabilities to be consistent with U.S. Treasury crosswalks. This change is reflected in the amounts reported below.

The Other than Intragovernmental Other Liabilities consist of the Accrued Funded Payroll and Leave.

	2022	2021
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (Non-Reciprocal and Federal portions)	\$ 306,637.12	\$ 253,516.52
Total Intragovernmental	\$ 306,637.12	\$ 253,516.52
Other than Intragovernmental		
Accrued Funded Payroll & Leave	1,017,601.91	867,403.00
Total Other than Intragovernmental	1,017,601.91	867,403.00
Total Other Liabilities	\$1,324,239.03	\$ 1,120,919.52

**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 cost of which is billed to the Board. The occupancy agreement is cancellable with four months written notice, without penalty to the Board.) Annual costs for office space for FY 2022 and FY 2021 amounted to \$3,024,636.06 and \$2,916,575.46, 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
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 Payments</b>	<b>\$10,965,297.99</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

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providing entity that are not fully reimbursed by the Board are recognized as imputed costs and are offset by imputed revenue. The amounts of Imputed Costs and Financing Sources were \$956,508.43 for FY 2022 and \$821,614.76 for FY 2021. Such imputed costs and revenues relate employee benefits and office space. The Board does not have imputed costs related to the U.S. Treasury Judgement Fund. However, unreimbursed costs of goods and services 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 occupancy agreement payments to GSA). Other than Intragovernmental Costs are incurred from exchange transactions with non-federal entities (i.e., all other program costs).

	<b>Intragovernmental Costs</b>	<b>Other than Intragovernmental Costs</b>	<b>Total Program Costs</b>
FY 2022	\$10,202,812.91	\$28,033,720.86	\$38,236,533.77
FY 2021	\$9,675,957.14	\$22,792,261.08	\$32,468,218.22

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

<b>OC</b>	<b>Description</b>	<b>FY 2022</b>	<b>FY 2021</b>
11	Personnel Compensation	\$17,514,624.58	\$15,900,344.67
12	Personnel Benefits	\$7,358,453.01	\$6,178,534.02
21	Travel & Transportation of Persons	\$617,013.40	\$175,115.97
22	Transportation of Things	\$77,238.22	\$2,033.60
23	Rent, Communications, & Utilities	\$3,376,025.83	\$3,304,600.26
24	Printing & Reproduction	\$7,341.18	\$3,427.83
25	Other Contractual Services	\$8,685,584.05	\$6,483,802.97
26	Supplies & Materials	\$369,916.25	\$147,207.48
31	Acquisition of Assets	\$230,337.25	\$273,151.42
	<b>Total</b>	<b>\$38,236,533.77</b>	<b>\$32,468,218.22</b>

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

During the years ended September 30, 2022, and 2021, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2021, and 2020. 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, 2022, and 2021 are presented below.

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	2022	2021
Unobligated balance, brought forward from prior year	\$ 9,310,575.87	\$ 13,965,621.89
Adjustments made during the current year		
Recoveries of prior year unpaid obligations	1,224,237.86	1,875,419.33
Recoveries of prior year paid obligations	-	278,365.69
Anticipated recovery of prior year paid unpaid obligations		-
Balance withdrawn to Treasury (expiring fund)	(62,922.14)	(927,858.28)
Unobligated balance brought from prior year budget authority	\$ 10,471,891.59	\$ 15,191,548.63

**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 2022	FY 2021
Direct		
Category A	38,573,395.19	36,886,865.88
New Obligations	37,893,406.24	36,720,918.54
Upward Adjustments	679,988.95	165,947.34

**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 DNFBSB's undelivered orders was \$6,080,292.92 and \$5,859,502.72 as of September 30, 2022, and 2021, respectively.

	2022	2021
Federal Undelivered Orders	773,301.73	210,195.01
Non-Federal Undelivered Orders	5,306,991.19	5,649,307.71
<u>Total Federal/Non-Federal Undelivered Orders</u>	\$ 6,080,292.92	\$ 5,859,502.72
Paid Undelivered Orders - Federal	-	-
Paid Undelivered Orders - Non-Federal	12,625.06	1,869.67
Unpaid Undelivered Orders - Federal	773,301.73	210,195.01
Unpaid Undelivered Orders - Non-Federal	5,294,366.13	5,647,438.04
<u>Total Paid/Unpaid Undelivered Orders</u>	\$ 6,080,292.92	\$ 5,859,502.72
Total Undelivered Orders	\$ 6,080,292.92	\$ 5,859,502.72

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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 2022 actual budgetary execution information is scheduled for publication in February 2023, 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 2021 SBR and the related President’s Budget reflected the following:

FY 2021	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Statement of Budgetary Resources	\$46,197,441.75	\$36,886,865.88	\$29,934,948.31
Difference 1 – Expired Unobligated Balances	(\$1,056,513.42)	-	-
Difference 2 - Rounding (+/-)	(\$140,928.33)	\$886,865.88	\$65,051.69
Budget of the US Government	<u>\$45,000,000.00</u>	<u>\$36,000,000.00</u>	<u>\$30,000,000.00</u>

The differences 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 shows 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 ensure integrity between budgetary and financial accounting. The reconciliation explains the relationship between the net cost of operations and net outlays by 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

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sources); (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 for September 30, 2022, and September 30, 2021.



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

	<u>FY 2022</u>		Total
	Intragovernmental	Other than Intragovernmental	
<b>Net Operating Costs from the SNC</b>	<u>10,202,812.91</u>	<u>28,033,720.86</u>	<u>38,236,533.77</u>
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>			
Property, plant, and equipment depreciation	-	(107,510.26)	(107,510.26)
<b>Increase/(Decrease) in Assets not affecting Budget Outlays:</b>			
Accounts receivable	-	(2,475.26)	(2,475.26)
Advances and prepayments	-	10,755.39	10,755.39
<b>(Increase)/Decrease in Liabilities not affecting Budget Outlays:</b>			
Accounts payable	301,197.35	(9,667.16)	291,530.19
Disbursements in Transit	-	-	-
Other liabilities (accrued funded payroll and leave and employer contributions and payroll taxes payable)	(10,352.68)	(150,198.91)	(160,551.59)
Federal employee and veteran benefits payable (unfunded leave)	-	(67,065.82)	(67,065.82)
<b>Other financing sources</b>			
Imputed Cost	(956,508.43)	-	(956,508.43)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<u>(665,663.76)</u>	<u>(326,162.02)</u>	<u>(991,825.78)</u>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of capital assets	-	11,960.00	11,960.00
<b>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>	<u>-</u>	<u>11,960.00</u>	<u>11,960.00</u>
<b>Other Temporary Timing Differences (prior period adjustment)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Outlays (Calculated Total)</b>	<u>\$9,537,149.15</u>	<u>27,719,518.84</u>	<u>37,256,667.99</u>
<b>Budgetary Agency Outlays, net (SBR Line 4210)</b>			<u><u>37,256,667.99</u></u>

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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>-</u>	<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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**Chapter 3 – Other Information**

**3.1 Summary of Financial Statement Audit and Management Assurances**

Table 1. Summary of Financial Statement Audit

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

Table 2. Summary of Management Assurances<sup>1</sup>

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)					
Audit Opinion	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Lack of Management Controls	1	0	1	N/A	0
Effectiveness of Internal Control over Operations (FMFIA § 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0*	0	N/A	N/A	0

\*The FY 2021 Agency Financial Report erroneous included one new material weakness in internal control over operations, with an ending balance of one. The FY 2021 ending balance should have been zero, thus the FY 2022 beginning balance has been corrected to be zero.

<sup>1</sup> The Board does not provide a management assurance related to FFMA § 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.

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**3.2 Inspector General’s Assessment of Management and Performance Challenges**

October 28, 2022

DNFSB-23-A-01



**Inspector General’s Assessment of the  
Most Serious Management and  
Performance Challenges Facing the  
Defense Nuclear Facilities Safety Board  
in Fiscal Year 2023**



Hanford Site, River Corridor (Source: hanford.gov)

All publicly available OIG Reports (including this report) are accessible through the OIG’s website:  
<https://nrcoig.oversight.gov/>

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At a glance

**WHY WE DID THIS REPORT**

The Reports Consolidation Act of 2000 (Public Law 106-531) requires the Office of the Inspector General (OIG) to annually update our assessment of the most serious management and performance challenges facing the Defense Nuclear Facilities Safety Board (DNFSB) 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, thereby helping the Secretary ensure adequate protection of public health and safety at defense nuclear facilities in the Department of Energy (DOE). The President's Budget for fiscal year (FY) 2023 requested \$41,401,400 and 120 full-time equivalent employees (FTEs) for the DNFSB to carry out its mission. This is a 34 percent increase from the agency's FY 2022 appropriation level of \$31,000,000. The DNFSB achieved a staffing level of 103 FTEs by the end of FY 2021 and 113 as of August 31, 2022. With input from DNFSB leadership, the OIG has assessed, developed, and described the DNFSB's most serious challenges for FY 2023, noting each challenge, actions already taken by the DNFSB to address the challenge, and continuing work applicable to the challenge. The challenges are:

1. Leading a healthy and sustainable organizational culture and climate;
2. Ensuring the effective acquisition and management of mission-specific infrastructure, including cyber, physical, and personnel security, and data;
3. Continuing a systematic safety focus in the DNFSB's technical safety oversight and reviews;
4. Strengthening the DNFSB's readiness to respond to future mission-affecting disruptions; and,
5. Managing the DNFSB's efforts to elevate its visibility, credibility, and influence, and to assess and improve its relationship with the DOE and external stakeholders.

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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**AGENCY RESPONSE TO MANAGEMENT CHALLENGES FOR  
FY 2022**

During FY 2022, the DNFSB made progress in addressing its most serious management challenges for the year, as identified by the OIG. The DNFSB actions included implementing and closing out all OIG recommendations from the Audit of the DNFSB's Telework Program (DNFSB-17-A-06), Audit of the DNFSB's Compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act) (DNFSB-20-A-02), and Audit of the DNFSB's Financial Statements for Fiscal Year 2020 (DNFSB-21-A-03).



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## Introduction



Robert J. Feitel,  
NRC and DNFSB  
Inspector General

### **FROM THE INSPECTOR GENERAL**

I am pleased to present our assessment of the most serious management and performance challenges facing the DNFSB in FY 2023.

The Reports Consolidation Act of 2000 requires us to annually update our assessment of the most serious management and performance challenges facing the DNFSB and the agency's progress in addressing those challenges. In this report, we provide our updated assessment in these areas.

### **ABOUT THE OFFICE OF THE INSPECTOR GENERAL**

In accordance with the 1988 Amendments to the Inspector General Act of 1978, 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 U.S. Nuclear Regulatory Commission. Pursuant to the Consolidated Appropriations Act for Fiscal Year 2014 (Public Law 113-76), the Inspector General of the U.S. 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 Chair and Congress informed about problems, recommends corrective actions, and monitors the DNFSB's progress in implementing such actions.

### **ABOUT THE BOARD MEMBERS**

The DNFSB's full decision-making body consists of five Board members, including its Chair. As of the date of this report, however, the DNFSB has three Board members, one of whom also serves as its Chair, and two vacant positions.

On January 21, 2021, President Biden designated 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



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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. Mr. Thomas A. Summers was confirmed by the Senate on July 2, 2020, for a term expiring October 18, 2025. Mr. Summers currently serves as the DNFSB Vice Chair. Prior to that, he served as the DNFSB Acting Chair from September 13, 2020, until Ms. Connery's designation. He previously served as Senior Advisor to the Deputy Administrator and as the Deputy for Research, Development, Test, and Evaluation in the Office of Defense Programs at the DOE's NNSA. 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.

Ms. Jessie Hill Roberson was confirmed by the Senate on July 2, 2020, for a term expiring on October 18, 2023. Ms. Roberson has more than 30 years of experience in the nuclear field in both 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.

**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.

Under the Atomic Energy Act of 1954, and as stated in 42 U.S.C. § 2286a(a), the mission of the Board "shall be to provide independent analysis, advice,



Savannah River Site, Saltstone Disposal Unit  
(Source: srs.gov)

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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.” The last clause in this mission statement was added by the National Defense Authorization Act (NDAA) for Fiscal Year 2020 (Pub. L. No. 116-92). This clause reflects Congress’ intent to ensure the Board and all stakeholders understand that the DNFSB’s mission clearly encompasses the health and safety of workers as well as the public.

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 President’s Budget for FY 2023 identified a budget of \$41,401,400 and 120 FTEs for the DNFSB to carry out its mission in FY 2023. This is a 34 percent increase from the agency’s FY 2022 appropriation level of \$31,000,000. The DNFSB achieved a staffing level of 103 FTEs by the end of FY 2021 and 113 FTEs as of August 31, 2022. The budget request notes that the increase is driven by an enhanced need for oversight of defense nuclear facilities that aligns with the DOE’s modernization efforts; necessary staffing increases to execute the Board’s mission; and, the requirement to have appropriate infrastructure and capabilities in place to support effective DNFSB operations. The DNFSB also reported it will continue to execute an aggressive staffing plan focused on hiring highly skilled engineers, scientists, and professionals to support the agency’s mission. The Board’s FY 2023 budget request also identified a need for enhanced capabilities and improvements related to cybersecurity, physical security, secure communications, information technology modernization, technical efficiencies, organizational effectiveness, and progress on diversity, equity, inclusion, and accessibility throughout the agency.

#### **TECHNICAL WORK PLANNING**

The DNFSB revised its planning process for technical work to prepare for FY 2022. The DNFSB’s Office of the Technical Director (OTD) sought to identify and optimize a set of work and oversight activities that are in line with the Board’s policies, priorities, and strategic plan. In particular, the OTD aligned its planning process to support agency strategic objectives by completing timely, high-quality safety reviews that identify and analyze safety issues and best practices, and search for similar challenges complex-wide. As a result, the OTD limited the total number of planned safety reviews for FY 2022 to 91. The OTD selected these 91 safety reviews based on priority and resource constraints, and

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ensured each safety oversight plan area included appropriate coverage, with the intention to focus on completing a higher percentage of planned safety reviews.

The DNFSB expected to complete a total of 41 FY 2022 planned reviews by September 30, 2022. The DNFSB cancelled 11 FY 2022 planned reviews, and added eight emergent reviews to the plan. The DNFSB expected to carry over 43 reviews from the FY 2022 plan, and add 41 new reviews to the FY 2023 technical work plan. The FY 2023 technical work plan was scheduled to be completed during September 2022, prior to the new fiscal year. The OTD noted that carry-over work and cancellations can result from several factors, including changes to DOE schedules, restraints such as travel restrictions, emergent higher priority work, and resource limitations, especially when the workload calls for certain more technically specialized staff than may be available.

#### **CLOSURE OF OIG AUDIT RECOMMENDATIONS TO THE DNFSB**

As of September 2022, the DNFSB closed five remaining OIG audit recommendations from three audit reports during FY 2022. Closing a recommendation means the DNFSB 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's Telework Program (DNFSB-17-A-06);
- Audit of the DNFSB's Compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act) (DNFSB-20-A-02); and,
- Audit of the DNFSB's Financial Statements for Fiscal Year 2020 (DNFSB-21-A-03).

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. In particular, the Board has taken actions to implement recommendations from a November 2018 report of the National Academy of Public Administration (NAPA).

#### **POLICY AND STRATEGY**

The Board stated in its 2022 Annual Report to Congress that it had reviewed and updated its internal policies in light of various developments over the last few years, including statutory changes such as the establishment of the Executive Director of Operations (EDO) position; interface issues with the DOE; and, the NAPA report.

The Board approved a Board Policy Statement on Recommendations, which updated a policy originally issued in 1990. This policy on the development of



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recommendations to the Secretary of Energy outlines the formulation of potential recommendations, the use of closed meetings and/or nonpublic collaborative discussions for the purposes of discussing potential recommendations, the transmittal of approved draft and final recommendations, actions in the event the DOE rejects a recommendation, the evaluation of DOE implementation plans for recommendations, and the assessment for closure of recommendations.

The agency is also working to update directives consistent with Board policies and legal requirements, using the new EDO structure to evaluate, update, and reissue directives and operating procedures. These directives provide guidance necessary to the Board and staff to execute laws, regulations, executive orders, or the Board's policies.

In May 2022, the Board approved a Strategic Plan for fiscal years 2022–2026. The Strategic Plan sets goals and objectives aimed at providing the Board's "best advice to the defense nuclear complex, efficiently, effectively, and transparently." Additionally, the plan is 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 sets 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.

#### **ONGOING CHALLENGES**

Several DNFSB accomplishments over the last year respond to the management and performance challenges previously identified by the OIG. However, the most serious management and performance challenges summarized in the following pages highlight critical areas that demand continued DNFSB management focus:

- **Culture and climate** – In spite of progress made, the OIG continues to receive feedback from DNFSB staff and management about remaining impediments in the implementation of changes to organizational functions, hiring practices, and communications;

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- Working relationship with the DOE – Recently completed agreements represent important milestones in the restoration of the Board’s longstanding productive relationship with the DOE, but applying the terms of the agreements to working relationships remains ahead; and,
- The hybrid work environment – Use of information technologies to promote connectedness across a hybrid work environment will increase system complexity and potential risks to be managed.

**DNFSB FY 2023 MANAGEMENT AND PERFORMANCE CHALLENGES**

We have assessed, developed, and described each of the DNFSB’s most serious challenges for FY 2023, noting actions already completed by the agency, and the Board’s continuing work on each challenge. The challenges are not listed in any order of priority, nor do they necessarily equate to problems; rather, they should be considered areas of continuing important focus for DNFSB management and staff.

DNFSB leadership noted its own assessment of the key challenges facing the agency in its response to the OIG’s request for input in this area. We have considered this input and independently identified the following five clear, specific, and actionable challenges that DNFSB must address in FY2023:

1. Leading a healthy and sustainable organizational culture and climate;
2. Ensuring the effective acquisition and management of mission-specific infrastructure, including cyber, physical and personnel security, and data;
3. Continuing a systematic safety focus in the DNFSB’s technical safety oversight and reviews;
4. Strengthening the DNFSB’s readiness to respond to future mission-affecting disruptions; and,
5. Managing the DNFSB’s efforts to elevate its visibility, credibility, and influence and to assess and improve its relationship with the DOE and external stakeholders.

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: Leading a Healthy and Sustainable 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 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 FY 2018 report by the NAPA identified instances where an unsupportive culture and climate had impeded the efficiency and effectiveness of DNFSB processes. Both organizations provided numerous recommendations to help address these culture and climate deficiencies, especially in the areas of hiring practices and succession planning.

While a FY 2021 OIG review of the DNFSB's Safety Culture and Climate Survey showed broad improvements in the categories of leadership, ethics, and professionalism, there is ongoing concern about employee morale, recruiting new hires, and retention. One significant area of concern has been the provision of human resources adequate to support the agency's mission. The DNFSB has made progress and must continue to effectively recruit new hires, strengthen performance management, and increase employee engagement and retention. In its most recent budget request, the DNFSB requested 120 FTEs to carry out its mission for FY 2023.

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**ONGOING ACTIONS**

The DNFSB is pursuing hiring actions to achieve staffing levels of 115 employees in FY 2022 and 120 in FY 2023.

In 2022, the DNFSB began working with a human resources contractor. Over the term of the contract, the contractor will conduct analyses, revise procedures and guidance documents, and develop the agency's first human capital strategic plan.

**COMPLETED ACTIONS**

The DNFSB's contract partner has developed a detailed hiring process map documenting the steps to ensure merit principles and EEO reporting requirements are met in excepted service hiring.

The DNFSB has established a working group to provide input into the human capital strategic plan development.

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**Challenge 2: Ensuring the 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?**

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

**CHALLENGE SYNOPSIS**

The DNFSB should continue exploring ways to improve its administrative functions. Technical staff rely on DNFSB corporate support services, such as contract and human resources support, financial reporting, and information technology services, to perform mission functions effectively. These investments enable the staff to do mission-critical work more efficiently and effectively.

In parallel, 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 insiders who could maliciously or unintentionally compromise the security of facilities and information systems may pose internal threats. Information security presents unique challenges because it requires balancing safeguards with the access needs of legitimate users. Cybersecurity threats are constantly evolving, and hostile actors may take advantage of current trends such as the use of hybrid and remote work options.



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**ONGOING ACTIONS**

The DNFSB continues to implement OIG recommendations from past Federal Information Security Modernization Act audit reports.

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

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

**COMPLETED ACTIONS**

The DNFSB has defined information system user training requirements in a Security Awareness Training Policy.

The DNFSB updated its information technology Incident Response Plan.

The DNFSB finalized a Supply Chain Risk Management Strategic Plan for the agency's General Support System.

The DNFSB has prepared an information technology Risk Management Framework Handbook to support implementation of the Risk Management Framework.

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**Challenge 3: Continuing 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 facilities and waste is to maintain an independent technical oversight process.

**CHALLENGE SYNOPSIS**

When DNFSB technical staff members evaluate safety at DOE facilities, they must analyze many unique processes and hazards. 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, directing 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 DNFSB staff at DOE facilities have well defined guidance for the oversight function;
- Ensuring that internal controls are fully understood and implemented; and,
- Continuing to attract, develop, and sustain staff that earn the respect and confidence of the public and the DOE through its expertise in nuclear safety and performance of its oversight functions.

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**ONGOING ACTIONS**

The DNFSB is updating its Board Policy Statements to include the use of a systematic and graded approach to safety oversight that incorporates Board safety priorities established through its strategic plan and performance goals.

The DNFSB will work with the DOE as the department develops its implementation plan for addressing the aging infrastructure and other safety framework issues raised in the Board's Recommendation 2020-1.

The DNFSB continues to implement 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 Board completed a review of the DOE's directives governing safety analyses for onsite transportation activities. A January 2022 Board letter detailed concerns with the lack of requirements or detailed guidance for developing transportation safety documents and with the inadequate level of technical analysis of the hazards and accident scenarios for onsite transportation at Los Alamos National Laboratory.

In a letter to the Secretary of Energy, the Board provided the results of a review of the documented safety analysis for Hanford's tank farms facility. The Board found that the safety analysis uses a dated methodology and lacks sufficient documentation to support its conclusions regarding safety risk to workers and the public.

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**Challenge 4: Strengthening 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 future mission-affecting disruptions.

**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 agencies, resulting in implementation of the DNFSB Continuity of Operations Plan for COVID-19 Pandemic Response. 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 resulting IG report, issued in September 2020, found that the DNFSB's plan for returning employees to work was not prepared in full accordance with government-wide guidance and agreed-upon best practices for safe, healthy, and effective office reopening. In response to the report, the DNFSB approved and implemented its Pandemic Response and Recovery Plan, including procedures for technical staff to work safely in the field as the pandemic has continued.

In light of COVID-19, the DNFSB should be prepared for any possible mission-affecting disruptions, such as pandemics, natural disasters, cybersecurity events, or civil disturbances. This should entail Continuity of Operations and emergency planning, effective telework policies, and the infrastructure necessary to ensure that the DNFSB can safely, effectively, and securely execute its safety oversight mission in times of uncertainty.

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**ONGOING ACTIONS**

The DNFSB is now on Version 3 of its Pandemic Response and Recovery Plan, which includes updated government guidance. The Board approved the current plan on April 29, 2022.

DNFSB staff will continue to provide a more thorough staffing analysis to the Board for FYs 2023 and 2024. This analysis will address increased staffing of Resident Inspectors to account for retirements or other potential departures. Likewise, DNFSB staff have planned for potential attrition by double encumbering appropriate positions to ensure seamless turnover.

**COMPLETED ACTIONS**

The DNFSB updated its Telework Program Directive and Operating Procedure, which supports the agency's readiness by ensuring a strong capability to carry out work remotely. These were approved by the Executive Director of Operations on December 9, 2021.

The DNFSB implemented its onboarding plan for 17 employees in 2021, using new digital modules for knowledge transfer.

Starting in FY 2022, the DNFSB staff proposed a staffing plan that supplements the current year staffing plan with outyear staffing needs.

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**Challenge 5: Managing the DNFSB's Efforts to Elevate its Visibility, Credibility, and Influence, and to Assess and Improve Its Relationship with the DOE and External Stakeholders**

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

The need for continued cooperation with the DOE is extremely important considering the previous controversy surrounding DOE Order 140.1, and recent differences between the DNFSB and the DOE, and external stakeholders.

**CHALLENGE SYNOPSIS**

In 2018, the DOE published Order 140.1, which restricted the Board's access to information and diminished the Board's ability to effectively carry out its statutory mandate. The DOE had also rejected many aspects of the Board's Recommendation 2020-1, Nuclear Safety Requirements, issued in February 2020. Recommendation 2020-1 was intended to strengthen the DOE's regulatory framework.

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 Board's ability to perform its mission.

The Board received a letter from the Secretary of Energy in September 2021, stating that the DOE would accept DNFSB Recommendation 2020-1, commit to a regulatory analysis to assess the need for rule changes, and update its responses with the intention of meeting safety improvement objectives of the DNFSB's recommendation. The Board acknowledged the DOE's acceptance of the recommendation, while noting that some DOE responses do not fully embrace actions recommended by the Board. However, the Board has stated that constructive staff-level interactions have facilitated productive discussions regarding specific DOE facilities' efforts to address site-specific Board safety recommendations.



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**ONGOING ACTIONS**

Every 6 months, the Board reports to Congress any instances when the DOE denied the DNFSB access to information. The most recent report on July 1, 2022, reported no denials.

The DNFSB continues to work with the NNSA toward closeout of Recommendation 2019-1, Uncontrolled Hazard Scenarios and 10 CFR Part 830 Implementation at the Pantex Plant. The NNSA completed several of the plan's deliverables in 2020 and 2021 and is working to complete all the identified safety improvements by September 2023.

**COMPLETED ACTIONS**

Congress directed the Board to work with the DOE to develop a bilateral memorandum of understanding to address ongoing interface issues between the two agencies. The memorandum of understanding was substantially completed during calendar year 2021, and it was signed by the Deputy Secretary of Energy and the DNFSB Chair on February 17, 2022.

The Board has further strengthened its work with key external stakeholders. During the year, the Board and staff engaged with key Congressional staff and several senior DOE leaders.



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### **3.3 Payment Integrity Information Act Reporting**

The Payment Integrity Information Act (PIIA) of 2019 (Public Law (P.L.) 116-117) requires agencies to periodically review all programs and activities to identify those susceptible to significant improper payments. Each program with annual outlays over \$10,000,000 must conduct an improper payment risk assessment at least once every three years to determine whether the program is likely to have improper payments above the statutory threshold. The Board conducted a risk assessment in FY 2020 and will conduct its next risk assessment in FY 2023. The Board is deemed not susceptible to significant improper payments. The functional payment areas include traveler reimbursement, commercial vendors for supplies and services, and the payroll electronic funds transfer payments. Payroll is the only program area with annual outlays over \$10,000,000. The Board does not administer any entitlement, grant, or loan programs.

Every year, each agency Inspector General (IG) reviews relevant improper payments and unknown payment reporting and records pertaining to the programs within an agency to determine whether the agency complies with PIIA and OMB guidance. The OIG conducted an audit in FY 2022 to assess DNFSB's FY 2021 compliance with the PIIA and report any material weaknesses in internal control. The OIG determined that for fiscal year FY 2021, the DNFSB was not compliant with the PIIA. Specifically, DNFSB did not meet the requirements for publishing and posting the annual financial statement and accompanying materials required under the PIIA and corresponding OMB guidance. However, the OIG did not report any material weaknesses in internal control. The OIG issued three recommendations to address the areas of non-compliance. The Board has implemented all recommendations.

During FY 2022, the National Finance Center (for payroll) and USDA (for all other payments) made total payments of approximately \$37.3 million on the Board's behalf. To help ensure accurate payments, the DNFSB 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 made. The finance staff compares the tracking system payments and invoices with the USDA payment reports and notifies USDA of all differences, including improper payments.

For additional details related to the Board's Payment Integrity Information Act Reporting, please visit <https://paymentaccuracy.gov/>.

End of AFR